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Analyzed document	Global Financial Markets Block 3.pdf (D168148577)
Submitted	5/24/2023 6:22:00 AM
Submitted by	Satyaraj
Submitter email	cwplan@icfaiuniversity.in
Similarity	7%
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Entire Document

Global Financial Markets Block 3 GLOBAL FINANCIAL INSTITUTIONS Unit 10 Banking: An International Perspective 1-53 Unit 11 Thrift Institutions: Operational Issue and Regulatory Issues 54-87 Unit 12 Investment Banks 88-129 Unit 13 Pension Funds 130-157 Unit 14 Mutual Funds, Hedge Funds and Sovereign Wealth Funds 158-182

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iii BLOCK 3: GLOBAL FINANCIAL INSTITUTIONS The goal of global financial institution is to meet its objectives within a specific period of time. The block provides insight into international perspective of banking, nature and significance of thrift institutions, overview of the regulation of deposits / thrift institutions, criticisms, threats and challenges of investment banks, pension funds functional model, mutual funds, hedge funds and sovereign wealth funds. This block has five units. Unit 10: Banking: An International Perspective discusses various systems and features of banking across the globe.

A brief overview of banking systems

in Hong Kong, Japan, China, Brazil, EU, US and India was discussed. Different systems were adopted by

the banks in order to stand the global competition. This unit also covers the global banking outlook, country/regional environment of banking in major economies and challenges for the global banking in the near future. Unit 11: Thrift Institutions: Operational Issues and Regulatory Issues deals with the institutions that mobilize savings of the community, and extend savings and credit facilities for the middle-class, and poorer sections of the community. These institutions are popular in western economies. This unit also discusses the nature of thrift institutions and their role in the financial system, various forms of thrift institutions like the savings and loan associations, savings banks and credit unions and the role of these institutions to advance the concept of financial inclusion. This unit also enumerates regulatory aspects in the financial system and it also discusses that the regulation of thrift institutions is of great significance for the governments due to their social connotations. Unit 12: Investment Banks deals with investment banking activities across globe. The investment bankers help various firms meet the demands of their business, investors and regulators, all in one strike. This unit also focuses on investment banking industry, history and development of investment banking at the global level and the hurdles faced by this industry and the remedial measures to be taken. Unit 13: Pension Funds explain about the activities of pension funds, which are created to pay pensions to the subscribers. Normally, contributions to such funds are made either by the employer or employee or by both. This unit also explains types of pension funds, functions and responsibilities of the administrator of pension fund,

pension fund accounting procedures etc. Unit 14: Mutual Funds, Hedge Funds and Sovereign Funds deals with genesis of mutual funds, hedge funds and sovereign wealth funds. This unit also discusses topics related to different types of mutual funds and alternate investment funds, distinguishes a mutual fund from a hedge fund, regulatory framework for mutual funds and hedge funds and relevance of sovereign wealth funds.

Unit 10 Banking: An International Perspective Structure 10.1 Introduction 10.2 Objectives 10.3 Banking System in Hong Kong 10.4 Banking System in Japan 10.5 Banking System in Brazil 10.6 Banking System in European Union 10.7 Banking System in China 10.8 Banking System in US 10.9 Islamic Banking: A Perspective 10.10 Banking System in India 10.11 Global Banking Outlook 10.12 Summary 10.13 Glossary 10.14 Self-Assessment Test 10.15 Suggested Readings/Reference Materials 10.16 Answers to Check Your Progress "

In banking or finance, trust is the only thing you have to sell." – Patrick Dixon 10.1 Introduction Banking runs on people's faith and trust and in its absence, the entire system will collapse. In the previous unit (i.e. unit 9), we have studied various types of derivative instruments, features of derivative markets, purpose of derivatives, etc. In this unit, we will be studying about banking and financial system in Hong Kong, Japan, Brazil, European Union, etc. We will be also studying the global outlook of banking industry. Banking, the principal intermediation agency of the financial sector, has a vital role to play in the realm of financial globalization. Its importance, however, differs from country to country. Generally speaking, in developing nations, pure form of commercial banking has a place of primacy while in developed nations, its importance varies from significantly important to not all that important. With

Block 3: Global Financial Institutions 2

the convergence of commercial banking, securities trading and insurance streams, banking has indeed undergone a metamorphosis. 10.2 Objectives After studying this unit, you will be able to: ? Explain the banking and financial institutions in Hong Kong along with important aspects of the regulatory frame-work. ? Appreciate banking system in Japan and assess its reform process and performance. ? Describe banking system in Brazil, China, US, European Union and UK. We will be able to evaluate their performance. ? Examine the important aspects of Islamic banking and its operations. ? Evaluate the features and performance of Indian Banking System, Analyze the Deloitte's seven recommendations for the global banking system to gain better strength and efficiency. 10.3 Banking System in Hong Kong Hong Kong has one of the best banking and financial systems. Hong Kong markets (stock markets and currency markets) are major markets which have impact on other major markets. The financial market of Hong Kong has four distinct segments. They are: 1) Domestic Finance 2) Mainland China Finance 3) Asian Finance 4) Global Finance Hong Kong has adequate autonomy with regard to regulatory matters, legal, institutional and policy issues. For other administrative aspects, Hong Kong has a connection with mainland China. Hong Kong is the gateway for banking, finance and investments into China. Hong Kong competes with Singapore and Shanghai centers for supremacy in banking and financial markets. Hong Kong has become the Special Administrative Region (SAR) of China from July 1st, 1997. During 1997-1998, it faced an immediate challenge when Japan withdrew funds from Hong Kong to the tune of 150 per cent of its gross domestic product following a Southeast Asian crisis. But, Hong Kong did not collapse because of its intrinsic strength in banking and financial system. None of the banking company or Property Company collapsed during this (Southeast Asian) crisis. Consequently, China has preferred to intensify economic partnership with Hong Kong.

Unit 10: Banking: An International Perspective 3

Hong Kong is more like the capital of a global business empire. Its manufacturers play a larger role from Guangdong and Fujian to Mauritius and Jamaica. Hong Kong hotels, restaurants and theatres are everywhere in China's mainland. Its value-chain and logistics managers like Li & Fung and DHL manage vast worldwide businesses, a good deal of which never touches Hong Kong proper. Hong Kong's economic success is just calibrated in a larger world than Singapore's otherwise overwhelming success. The following features distinguish Hong Kong from other rivals: Financial sophistication, Western-trained staff, global network of major banks and the rule of law. Hong Kong is a well-known center for settlement of derivatives, complex bonds, and debt and equity trades in multiple currencies. While China follows fixed currency system with tax, legal and regulatory environment along with poor banking infrastructure, Hong Kong boasts of high-end banking business of global standards. China's largest companies have been listed on the stock exchange of Hong Kong. They account for over 30% of total exchange listed companies in Hong Kong. Hong Kong's banking system as a whole has been a major beneficiary of China's financial sector reforms. Until the year 2003, most of the local banks were not allowed to open branches in China, their natural hinterland. The barrier was finally lowered by the 'Closer Economic Partnership Agreement' between Hong Kong and the 'Mainland China' in 2003. Liberalization of the banking system has progressed further since then. Later, the final restrictions on foreign banks including Hong Kong banks have been removed. While mainland China's economic system is described as a socialistic market economy, Hong Kong is a capitalist free market economy. The political, tax, labor, education, transport, monetary and financial systems of these two entities is significantly different. Capitalization of the equity market of Hong Kong is 2.6 times that of mainland China. The efficiency of Hong Kong's equity market is underpinned by a combination of fundamental strengths together with a sound regulatory and legal framework, an advanced financial infrastructure, and high standards of disclosure, superior market transparency and good corporate governance. Some of the important regulations of banking and financial systems of Hong Kong are discussed below. 10.3.1 Authorized Banking Institutions in Hong Kong Hong Kong has one of the highest concentrations of banking institutions in the world, with about 70 of the largest 100 banks in the world having their operations in Hong Kong. Hong Kong has arisen as a premier offshore Renminbi (RMB) center, thanks especially to the scheme for trade settlements in RMB and related financing activities.

Block 3: Global Financial Institutions 4

Licensed banks in Hongkong as on 31 August 2022 Incorporated in Hong Kong Industrial and Commercial Bank of China (Asia) Ltd Airstar Bank Limited Livi Bank Limited Ant Bank (Hong Kong) Limited Morgan Stanley Bank Asia Limited Bank Of China (Hong Kong) Limited Mox Bank Limited Bank Of Communications (Hong Kong) Ltd Nanyang Commercial Bank, Limited Bank Of East Asia, Limited (The) OCBC Wing Hang Bank Limited China Citic Bank International Limited Ping An Oneconnect Bank (Hong Kong) Ltd China Construction Bank(Asia)Corporation Ltd Public Bank (Hong Kong) Limited Chiyu Banking Corporation Limited Shanghai Commercial Bank Limited Chong Hing Bank Limited Standard Chartered Bank (Hong Kong) Limited Citibank (Hong Kong) Limited Tai Sang Bank Limited Cmb Wing Lung Bank Limited Tai Yau Bank, Limited Dah Sing Bank, Limited Welab Bank Limited Dbs Bank (Hong Kong) Limited Za Bank Limited Fubon Bank (Hong Kong) Limited Hang Seng Bank, Limited Fusion Bank Limited Hongkong and Shanghai Banking Corporation Ltd Source: <https://www.hkma.gov.hk/eng/>

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key-functions/banking/banking-regulatory-and- supervisory-regime/the-three-tier-banking-system/

Licensed banks maintain

63%

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current and savings accounts, and other deposits of any size besides maturity and pay or collect cheques, drawn or paid by customers.

Bank of China, Bank of East Asia and China, CITIC Bank International are the major licensed banks set up in Hong Kong. Among the licensed banks incorporated outside Hong Kong, Agricultural Bank of China, Bank of China, Barclays, HSBC, Lloyds, ABN AMRO, Deutsche Bank, Royal Bank of Scotland (RBS), Bank of America (BOA), Citi Bank and Bank of Tokyo-Mitsubishi UFJ are the major ones. As many as 7 Indian banks have branches in Hong Kong 1 . 10.3.2 Restricted Licence Banks These are

76%

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principally engaged in merchant banking and capital market activities. They accept deposits of any maturity

and value subject to a minimum of HK \$ 500.00. Allied Banking Corporation, Bank of America, Securities Asia, Citi Corporation International, and RBC capital markets, Hong Kong are the major names in this category. Under restricted licence banks incorporated outside Hong Kong - Banks of Indonesia, Thailand, Belgium, Luxembourg, and Switzerland also have their branches in Hong Kong. 10.3.3 Deposit Taking Companies (All Incorporated in Hong Kong) Deposit taking companies are mostly owned by or associated with banks. They offer specialized services such as consumer finance and securities business. They also accept a minimum deposit of HK \$ 1,00,000 for durations of three months and above. BCOM Finance (Hong Kong), BPI International Finance, and Chau's Brothers Finance Company are the major names under this category. 1

<https://www.cgihk.gov.in/page/indian-banks-in-hong-kong/>

Unit 10: Banking: An International Perspective 5 10.3.4

Local Representative Offices (All Incorporated Outside Hong Kong) Many countries like mainland China, Taiwan, 'Eurozone', Switzerland, US, Canada, South Africa, Japan, UAE, Indonesia, South Korea, and India have place of offices in Hong Kong. 10.3.5 Banking System Performance 2 The banking system has a good performance track record in terms of stable earnings growth, strong capital position, sound asset quality, and liquidity conditions. Hong Kong Monetary Authority (HKMA), which is the Central Bank of Hong Kong, asserts that the Hong Kong banking system is Basel-2 compliant, and is in the process of implementing Basel-3 norms. The following Table 10.1 shows number of authorized institutions, total assets / liabilities, total external claims, etc., in Hong Kong dollars. Table 10.1: Number of Authorized Institutions, Total Assets/Liabilities, Total External Claims, etc., in Hong Kong Dollar (HK\$) In million HK \$

	Authorized Institutions	Assets	Liabilities	Total external claims	Total external liabilities
Hong Kong \$	194	244,62,132	123,83,226	95,76,616	68,84,143
Foreign currencies	123	83,226	95,76,616	68,84,143	68,87,444
Total 2019	188	263,66,897	135,91,077	107,23,054	74,14,381
Total 2020	184	266,94,427	136,20,031	108,85,518	75,77,074

Source: <https://www.hkma.gov.hk/eng/data-publications-and-research/data-and-statistics/monthly-statistical-bulletin/table/> Accessed on July 3 rd 2022 Hong Kong's banking sector showed its resilience in the year 2020. This was despite a challenging year due to Covid-19 pandemic. Hong Kong's banking sector consistently grown and the same was shown in its 2020 balance sheet. Deposits increased and the total assets of all licensed banks rose by 8.8 percent (%) to HK\$22.9 trillion, with increase of 3.4 percent in loans and advances. Operating profit before impairment charges for all licensed banks was less by 19.3 percent from HK\$287 billion in the year 2019 to HK\$232 billion in 2020. US Federal Reserve (the Fed) cut rates to 0.25 percent on 15th March, 2020 impacted the net interest margin (NIM) for all licensed banks, which decreased by 41 basis points in 2020. All of the eight virtual banks which have been granted a licence by the Hong Kong Monetary Authority (HKMA) have now commenced operations in Hong Kong in 2020. 2 Source: 2017 <http://www.hkma.gov.hk/eng/market-data-and-statistics/monthly-statistical-bulletin/table.shtml>

Block 3: Global Financial Institutions 6

In response, the Federal Funds Rate was cut by 100 basis points to 0.25 percent in March 2020, the HKMA Base Rate was also reduced by 114 basis points from 2 percent to 0.86 percent as a response in 2020. HSBC, BOC (HK), SCB, Hang Seng, ICBC (Asia), BEA, CCB (Asia), CITIC, Nanyang, DBS were top 10 banks of Hong Kong. Total loans and advances for the surveyed 10 banks increased from HK\$10,076 billion at 31st December, 2019 to HK\$10,418 billion at year end 2020. Commercial loans, mortgage lending and loans for use outside Hong Kong continued to make up most of the loans portfolio, representing 89.3 percent of total loans, a slight increase from 88 percent in 2019. Loans for use outside Hong Kong and commercial loans continue to be the two largest types of loans. The balance remained relatively flat for all loan products. In the midst of global economic uncertainty, credit quality deteriorated remarkably in 2020 across all the surveyed licensed banks. The decreased loan ratio for Hong Kong's bank was deteriorated by 21 basis points, falling to 0.71 percent from 0.5 percent. 3 The total outstanding amount of renminbi customer deposits and certificates of deposit (CDs) recorded a 30.3% increase in the six-month period since the end of July 2021, amounting to RMB1, 113.5 billion at the end of January 2022. Among the total, the renminbi customer deposits expanded by 33.5%, largely driven by inflows from corporations, more than offsetting the 48.0% decline in the outstanding amount of CDs. While the outstanding amount of renminbi loans decreased by 10.2% to RMB167.6 billion in the six-month period since July 2021, Hong Kong's renminbi trade settlement continued to pick up. Example: Bleak Future Drives PSBs out of Hong Kong Once a global financial hub and a free region administrated by China, turned into a difficult spot for bankers. The regulations were becoming tighter with heavy restrictions for businesses to function. This was one of the reasons for the banks leaving Hong Kong. With little margins to cheer and increased losses for some, many Indian public sector banks either left or in the process of leaving Hong Kong. Four of the eight Indian PSBs already left and others were expected / contemplating to leave the island city. Perhaps, SBI, ICICI Bank and HDFC Bank may hang on. Source: <https://economictimes.indiatimes.com/>

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industry/banking/finance/banking/psbs-now-look-to-move-out-of-hong-kong-on-bleak-prospects/

articleshow/92113814.cms dated 10 th June-2022 Accessed on 27.08.22 3

Half-Yearly Monetary & Financial Stability Report (March 2022) Hong Kong monetary Authority

Unit 10: Banking: An International Perspective 7 10.4

Banking System in Japan 4 GDP (Gross Domestic Product)

79%

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Constant Prices in Japan fell to 5,37,916.40 JPY Billion in the first quarter of the year 2022 from 5,39,248 JPY Billion in the fourth quarter (

last quarter) of the year 2021. In the year 2020, 5 the GDP of Japan amounted to about 5.04 trillion USD. This stood Japan third in the world GDP ranking. Low interest rate structure of Japanese banking system gives scope for 6 Carry Trade in the international market which is playing a very important role. Hence, understanding Japanese banking system is important. 7 High-income countries have on an average 17.3 commercial-bank branches per one lac adults, according to the World Bank. Japan has 34.1 commercial bank branches per 1 lakh adults.

81%**MATCHING BLOCK 6/230****W**

The Japanese banking industry is among one of the world's largest banking industries. In 2019, banks held more than 18 trillion U.S. dollars' worth of assets and the banking industry's ordinary profits amounted to more than four trillion Japanese yen.

In 2020, the

78%**MATCHING BLOCK 7/230****W**

total financial assets of banks in Japan amounted to approximately 21.3 trillion U.S. dollars.

The total assets of Japanese banks have increased by more than six trillion U.S. dollars since 2011.

80%**MATCHING BLOCK 8/230****W**

Total deposits in Japan was reported at 9,973.169 USD bn in April 2022. This records a decrease from the previous number of 10,534.186 USD bn for

67%**MATCHING BLOCK 9/230****W**

Total deposits in Japan was reported at 9,973.169 USD bn in April 2022. This records a decrease from the previous number of 10,534.186 USD bn for

80%**MATCHING BLOCK 11/230****W**

Total deposits in Japan was reported at 9,973.169 USD bn in April 2022. This records a decrease from the previous number of 10,534.186 USD bn for

92%**MATCHING BLOCK 10/230****W**

was reported at 9,973.169 USD bn in April 2022. This records a decrease from the previous number of 10,534.186 USD bn for

March 2022.

85%**MATCHING BLOCK 12/230****W**

The data reached an all-time high of 11,981.964 USD bn in December 2020 from a record low of 4,482.367 USD bn in

85%**MATCHING BLOCK 13/230****W**

The data reached an all-time high of 11,981.964 USD bn in December 2020 from a record low of 4,482.367 USD bn in

64%**MATCHING BLOCK 14/230****W**

The data reached an all-time high of 11,981.964 USD bn in December 2020 from a record low of 4,482.367

85%**MATCHING BLOCK 15/230****W**

The data reached an all-time high of 11,981.964 USD bn in December 2020 from a record low of 4,482.367 USD bn in

85%**MATCHING BLOCK 16/230****W**

The data reached an all-time high of 11,981.964 USD bn in December 2020 from a record low of 4,482.367 USD bn in

an all-time high of 11,981.964 USD bn in December 2020 from a record low of 4,482.367 USD bn in

July 1998. Bank lending in Japan Banks rendered domestic credit to the private sector was accounted for above 100 percent of Japan's GDP in recent years. Although city banks are the Japan's largest banks, loans of regional banks made up the largest portion of outstanding domestic loans of financial institutions. This showcases the large number and role of regional banks in providing financial services to individuals and, small and mid-sized businesses at the regional level. Regional banks were recognized as main banks by a large segment of businesses in the year 2020. This was especially seen in rural areas, while a large number of companies in urban areas such as Kanto and Kinki recognized city banks as their main banks. 4`

<https://tradingeconomics.com/japan/gdp-constant-prices> source: Cabinet Office 5 A carry trade is a strategy in foreign exchange market in which an investor borrows money at a low interest rate and invests in other markets in assets which provide a higher return 6

<https://www.irishtimes.com/business/innovation/slow-crisis-stalks-japan-s-overstuffed-banking-industry-1.3533838> 7

<https://www.ceicdata.com/en/indicator/japan/total-deposits>

Block 3: Global Financial Institutions 8

As of March 2021, outstanding bank loans of banks in Japan valued 543.9 trillion Japanese yen, up by 519 trillion yen in the preceding financial year March 2020. In 2020, the amount of credit granted by banks to the private sector amounted to 120.42 percent of the Japan's GDP, reaching a decade-high. The share increased by 12.6 percentage points when compared to that of the year 2019. As of March 2021, the NPL (non-performing loan) ratio of banks in Japan stood at 1.2 percent. The NPL ratio indicates the ratio of bad loans to total loans. Japan has experienced a period of high NPL ratios due to the financial crisis caused by the burst of economic bubble in 1990s. Its economy is still in a deflationary spiral, not the best opportunity for banks to radically reform. The banks' excessive exposure to sensitive sectors, major corporates and profligate construction companies had landed them in a big mess of mounting non-performing loans. The steep fall of stock market prices and real estate prices accentuated the crisis. The reform process included stricter rules of NPA classification, accelerated write-off of bad debts, sale of bad debts to "Resolution and Collection Corporation", besides corporate debt restructuring. These measures, though in the right direction, were proving to be inadequate. Further reforms in the "Big Bang Model", the recent resurgence in the corporate performance and GDP growth, the consolidation through M&A route have facilitated the turnaround of the banking system. However, the banking system in Japan continues to invest very heavily in the treasury bonds in the absence of any appreciable credit demand. The following are the reform process and performance of the banking system in Japan. 10.4.1 Reform Process The banking reform process included progressive reduction of exposures to sensitive sectors and reverting to basics while lending. Japanese banks have also been trying to reduce financing to construction sector, where a lot of slush money flows into the pockets of politicians and power brokers through the medium of construction projects. The costs of these projects are highly inflated and their commissioning is not a real economic necessity in many cases. Banks have been trying to reduce costs and evolve a loan pricing mechanism, commensurate with attendant risks. As per the observations of the Bank of Japan (the central banking authority), the credit costs of low rated firms were much higher than the current overall margins. It was therefore, necessary for banks either to secure overall margins that were high enough to cover the estimated credit risk or remove the unprofitable loans from their balance sheet. The second alternative was difficult to implement as the composition of unprofitable loans were in sensitive sectors such as the corporate

Unit 10: Banking: An International Perspective 9

sector and construction sector. One can only hope for a gradual, phased reduction over time. Banks had a legacy of excessive reliance on land as collateral while financing real estate sector. With the continuing fall of real estate prices, credit risk management had become difficult. It is therefore, recommended by analysts that the "Value at Risk" (VaR) model, while financing real estate has to be followed. Banks needed to adopt the securitization route in order to come out of the long-term high value loans, which were becoming riskier, with uncertain business cycles and a stagnant economy caught in the mess of deflation. But the Japanese financial structure did not have a good securitization mechanism. Japan has a multi-layered banking system. It consists of city banks, regional banks, savings and loan institutions, industrial banks, trust banks, postal savings bureau which are discussed below. 8 Major banks comprise the following 10 banks: Mizuho Bank, MUFG Bank, Sumitomo Mitsui Banking Corporation, Resona Bank, Saitama Resona Bank, Mitsubishi UFJ Trust and Banking Corporation, Mizuho Trust and Banking Company, Sumitomo Mitsui Trust Bank, Shinsei Bank and Aozora Bank. Regional banks comprise the 62 member banks of the Regional Banks Association of Japan (Regional banks I) and the 37 member banks of the Second Association of Regional Banks (Regional banks II). Shinkin banks are the 247 shinkin banks that hold current accounts at the Bank of Japan. i. City Banks City banks provide short-term loans to major domestic corporations. City banks function in large cities. In 2016, there were four such banks in Japan. They collect deposits and grant medium term financing for business, agriculture and industry. Their three-month maturity loans for business are very popular. They are selective about granting loans to financially vulnerable business entities under this model. These banks are not permitted to manage trusts or pensions. ii. Regional Banks A regional bank is a depository institution, i.e. a bank, savings and loan, or credit union, which is larger than a community bank. It operates under the banking system in Japan, but smaller than a money center bank. That is which lends and borrows from government, corporate and regular banks, which operates either nationally or internationally. iii. Securities Financial Companies Japan's securities financial companies are mainly engaged in the securities financing business. These companies operate in three business segments. 8

Financial System Report, Bank of Japan, April 2022

Block 3: Global Financial Institutions 10 1.

Providing loans to individuals and corporates. 2. The 'Trust Banking' segment is engaged in the securities trust, as well as the banking business, such as deposits and loans. 3. The 'Real Estate Leasing' segment is engaged in the leasing and management of real estate properties owned by the company. iv. Financial Institutions for Small Business These institutions borrow and lend to small businesses. They lend at a lesser rate of interest to the people who want to start a small business or who are in small business by way of term loans or bank overdrafts. v. Trust Banks Trust banks are commercial and long-term credit banks. They not only manage portfolios, but also raise funds through the sale of negotiable loan trust certificates.

92%

MATCHING BLOCK 17/230

W

As on March 31, 2022, Sumitomo Mitsui Trust Bank was the leading trust bank in Japan, with total assets amounting to more than 62.5 trillion Japanese yen. Mitsubishi UFJ Trust and Banking Corporation followed with total assets of almost 35.4 trillion yen 9 .

These banks have huge asset bases. vi. Postal Saving Bureau This is also called Japan Post Bank, which has more than 25,000 branches and a huge deposit base. It is a fact that Japan Post Bank is the world's largest savings institution. It only lends in the retail segment against security. vii. Norinchukin Bank This bank is owned by Farm and Fishery Co-operative employees. It is a major supplier of funds to city banks. This is the largest bank in terms of domestic deposits. viii. Bank of Japan This bank is the regulator, and as the central bank, it controls the money supply and acts as lender of last resort to banks. The government owns 55% of its share capital and the rest is with private investors. 10.4.2 Performance Indices of the Banking System The Japanese banking sector mainly consists of city banks, three of which are mega banks classified as G-SIBs (Global systemically important banks), trust banks, regional banks, and Shinkin banks (credit unions), credit associations, and credit cooperatives. The three mega banks account for about 18 per cent of total 9

100%

MATCHING BLOCK 18/230

W

[https://www.statista.com/statistics/1225344/japan-leading-trust-banks-by-total-assets/#:~:](https://www.statista.com/statistics/1225344/japan-leading-trust-banks-by-total-assets/#:~:text=As%20of%20March%202022%2C%20Sumitomo,of%20almost%2035.4%20trillion%20yen.)

text=As%20of%20March%202022%2C%20Sumitomo,of%20almost%2035.4%20trillion%20yen.

Unit 10: Banking: An International Perspective 11

financial assets, while regional banks and Shinkin banks make up 14 per cent and 5 per cent, respectively. Banks benefit from a relatively large, stable and growing deposit base, yet larger FX liquidity needs to create risks. More than half of domestic savings are held in bank deposits — a much higher proportion than most other developed markets — and Japanese banks have one of the lowest ratios of market-based financing globally, with very little reliance on confidence-sensitive sources of funding. Loan-to-deposit ratios for banks are at historic lows. For the financial year 2020 citi banks have recorded 53.3%. Regional banks recoded 73.7%, Regional banks II recorded 76.4% and Trust banks have recorded 65.5% loan to deposit ratio. Commercial real estate loans and cross-border exposures are potential future sources of credit risk. The growth in real estate loans has surpassed the volumes of business that was existing during the real estate boom preceding the Lehman shock. The increase in loans by major banks is mainly attributable to J-REITs, and banks have continued to respond proactively to demand for funds from large real estate developers as well as from private real estate funds sponsored mainly by foreign affiliated funds. Short-term interest rates on both overnight and term instruments have been in negative territory. Under Quantitative and Qualitative Easing with Yield Curve Control, the slope of the yield curve for JGBs (Japanese Government Bonds) has been in line with the current guideline for market operations, in which the short- term policy interest rate is set at minus 0.1 percent and the target level of 10-year JGB yields is around 0 percent, although it has risen slightly, mainly in response to the rise in U.S. interest rates. Japanese Banking System post Covid 19 Pandemic COVID-19 pandemic that pervaded the world had impact on Japanese Economy also. Bank of Japan has taken various steps to strengthen the economy in the pandemic situation. The Japanese government and the Bank of Japan have been implementing large- scale fiscal and monetary policy measures and taking flexible regulatory and supervisory actions, with the aim to support economic activity and maintain the functioning of financial markets. Financial System Report, Bank of Japan, April 2022 provided a detailed analysis of the risks currently faced by Japanese financial institutions from the following three perspectives: (1) the impact of stress in the real economy brought about by the spread of COVID-19 on credit risk; (2) the risk of global economic and financial shocks, such as an adjustment in global financial markets, affecting financial institutions' overseas lending, securities investment and foreign

Block 3: Global Financial Institutions 12

currency funding; (3) developments in vulnerabilities that have been present since before the pandemic (i.e. Since December 2019 up to 2021 December). The review and outlook for Japan's banking system as per Bank of Japan's Financial System Report, April 2022, is discussed in Exhibit 10.2 below. Bank of Japan's Financial System Report, April 2022 According to the results of the macro stress testing, Japan's financial system is likely to remain highly robust even in the case of a resurgence of COVID-19 and a simultaneous rise in U.S. long-term interest rates leading to an adjustment in the real economy and global financial markets. However,

100%

MATCHING BLOCK 20/230

W

in the event of a substantial and rapid adjustment in global financial markets,

deterioration in financial institutions' financial soundness and the resultant impairment of the smooth functioning of financial intermediation could pose a risk of further downward pressure on the real economy. In this regard, there are three risks that warrant attention. It is notable that the impact of the situation in Ukraine on Japan's financial system is likely to be limited at this point. However, there is high uncertainty over future developments and attention should be paid to the possibility that the impact on the financial system will become larger, possibly through an adjustment in global financial markets such as the ones described below. The first risk is the impact of the pandemic on credit costs of domestic loans. Based on the results of a simulation of firms' financial conditions and financial institutions' credit cost ratio, deterioration in firms' financial conditions and rises in credit costs of domestic loans are likely to be contained on the premise that the economy continues to follow a recovery trend, as firms on the whole have maintained their financial soundness since before the pandemic and various measures to support corporate financing have been highly effective. However, as the impact of the pandemic varies across firms and industries, if there is a delay in the recovery, there is a risk of an adverse impact, particularly on loans to firms that have been significantly affected by the pandemic. The second is the risk that future global economic and financial shocks, such as an adjustment in global financial markets, will have an adverse impact on Japanese financial institutions' overseas lending, securities investment and foreign currency funding. Although credit risk of overseas loans as a whole has been contained, if global economic and financial conditions deteriorate, default rates may rise, particularly among borrowers with low ratings. Moreover, attention needs to be paid to energy-related exposure where the impact of global efforts toward achieving a carbon-neutral economy could strengthen, and to exposure related to air transportation where there is significant uncertainty over the industry's future demand.

Unit 10: Banking: An International Perspective 13

Regarding securities investment, with the increasing importance of non-bank financial intermediaries (NBFIs) such as investment funds in global financial intermediation activities, there has been a growing overlap in the securities portfolios of Japanese financial institutions and investment funds, measured by the correlation of market values of the portfolios. As a result, there seems to be a growing possibility that the market risk that Japanese financial institutions face at times of stress is amplified by the activities of NBFIs. In terms of foreign currency funding, if there is widespread deterioration in financial conditions such as at the time of the market turmoil in March 2020, Japanese banks may face significant stress, possibly accompanied by the widening loan-to-deposit gap. With funding conditions changing, as seen in U.S interest rate increases in particular, it is necessary to continue to pay attention to financing management while strengthening the foreign currency funding basis. The third is risks associated with vulnerabilities that have been present since before the pandemic. In recent years, amid the low interest rate environment and structural factors putting downward pressure on profitability, Japanese financial institutions have been active in risk-taking mainly with regard to lending with high leverage, such as lending to domestic middle-risk firms, lending to the real estate industry, and lending related to large-scale M&A deals. Such a picture is unchanged at present, while the overall credit risk has been low. From a longer-term perspective, attention should be paid to the risk that the low interest rate environment and structural factors continue to exert downward pressure on financial institutions' profits for a prolonged period, leading to a gradual pullback in financial intermediation, or on the contrary, to the possibility that the vulnerability of the financial system increases, mainly as a result of financial institutions' search for yield behavior. Example: Risks for Japanese Banking System Rated as the third largest economy in the world, Japan's banking system remained broadly stable. However, there was every possibility of risk that the financial institutions could face due to increase in credit costs, rapid market corrections leading to losses on their securities investment portfolios and the Central Bank should be vigilant. The semi-annual report on banking system in Japan as per the regulator BOJ was as follows: a. Pandemic had increased the credit risk on the overseas loans given in certain portfolios due to deterioration of the asset quality. b. The withdrawal of the monetary stimulus by US can be vulnerable to Japanese banks due to potential market swings as observed by the stress tests. Contd....

Block 3: Global Financial Institutions 14

c. There was a concern in the market due to likely rate hike and bond tapering plans by Federal reserve. d. Falling of capital adequacy ratio from 10.1% to 9.5% coupled with likely scenario of downside of Japanese economy could impact the domestic operations of Japanese banks. e. Rapid changes in global financial markets and likely disruption of financial intermediation could impact the health of financial institutions. Source: <https://www.reuters.com/world/asia-pacific/boj-says-japans-banking-system-stable-warns-risks-2021-10-21/> dated 21 st October, 2021 Accessed on 08.08.22 10.5 Banking System in Brazil Brazil is one of the strong emerging economies in BRIC (Brazil, Russia, India and China) nations. It is one of the important trading partners of India. Brazil is also one of India's competitors for the investment destinations of the global investors. Brazil, one of the biggest democracies in the world, with a population of over 21.25 crore in 2020 is bracketed along with India, Russia and China (widely called BRIC economies) for its potentially high GDP growth. However, Brazil has been facing economic boom and burst phases. Control of high inflation is its major challenge. This big economy of Latin America has high-quality natural resources and is self-reliant in crude oil. It is an economy in transition and evolution. The year 1990 may be considered as very important for Brazil. Many significant economic reforms were initiated in that particular year. The Brazilian banking system has a place of primacy in the economy's financial system. Following the reform called REAL plan of 1994, the banking system has acquired a considerable level of efficiency (the currency of Brazil is REAL and it is under-managed float system now). The number of bank branches in Brazil fell steadily between the period 2017 and 2020. In the year 2020, Brazil registered around 18.7 thousand bank branches, less from 20 thousand bank branches registered in the preceding year (2019). As of April 2020, Banco Bradesco had more than 4.7 thousand branches in the South American country. 10 The Brazilian banking system is highly consolidated as a result of significant M&A activity. The six leading banks in the country account for 80% of the overall bank assets. Federal public banks (Banco do Brazil and Caixa Economica Federal) have maintained a solid position among the four largest banks in terms of assets over the past years, despite the emergence of large private conglomerates. The largest private banks, Bradesco and Itaú, have made 10

Banking Sector Brazil March 2014 prepared by EMIS, an Euromoney Institutional Investor Company

Unit 10: Banking: An International Perspective 15

considerable gains through an accelerated growth and the acquisition of foreign and domestic institutions (BBV by Bradesco, Bank Boston by Itagui). Example: Tough Rules for Fintechs - Brazil's Central Bank Post reforms in 1994, the banking system in Brazil acquired a considerable level of efficiency and the Central Bank of Brazil was continuously working towards healthier financial system as we observed from the following: Brazil's central bank had framed tougher rules for fintech companies. The

85%

MATCHING BLOCK 21/230

W

payment institutions would be subject to regulations based on their size and complexity and raising standards for required capital. Further the

Central Bank stated that the new guidelines would be effective from January 2023 and would be fully implemented by January 2024. Further the new regulations would be extended for conglomerates of financial institutions to include financial conglomerates. This move was likely to impact some of the credit card issuing companies, payment companies, financial technology solutions firms and digital wallet. According to the Central Bank, the steps would make entry easier for new competitors in the payments sector and support financial inclusion. Source: <https://www.reuters.com/technology/brazil-central-bank-announces-tougher-rules-fintechs-2022-03-11/> dated 11 th March, 2022 Accessed on 08.08.22 10.5.1 Performance Indices of Banking System Let's look at the performance of the Brazilian Banking System especially during the Covid and post-Covid period. 11 Brazil has become the second country in the world in terms of absolute deaths due to COVID-19 (only behind US). The COVID-19 pandemic exposed Brazil to an unprecedented health, social and economic challenge, leading to a 4.1 percent GDP decline in 2020, followed by a rebound in 2021. An emerging recovery in demand, both domestic and external and a pick-up in commodity prices, are expected to push GDP growth to 12.39 percent in 2022. The Government put forward a large, timely, targeted and time bound fiscal package focused on health spending (tests, vaccines, transfers to municipalities to strengthen health response and attend acute emergencies), social assistance (the generous social emergency transfers (Auxilio Emergencial) to 66 million individuals and the expansion of the Bolsa Familia Conditional Cash Transfer (CCT) program), and support to firms to contain layoffs. The cost of this package was estimated at BRL 815.5 billion (US\$156.8 billion), or 11.4 percent of GDP in 2020. The large fiscal stimulus limited the annual economic growth contraction 11 <https://www.worldbank.org/en/country/brazil/overview> 12 <https://english.news.cn/20220916/dea1ab62f21c44e5b7f08e2118b7f3b3/c.html#:~:text=The%20Central%20Bank%20of%20Brazil's,by%202.39%20percent%20in%202022.>

Block 3: Global Financial Institutions 16

in 2020 to 4.1 percent. It also served as a swift and generous temporary relief, which helped poverty go down from 19.6 percent in 2019 to 12.8

83%

MATCHING BLOCK 22/230

W

percent in 2020 (poverty rate is rate based on the US\$ 5.5/day (PPP)

line). After a strong recovery by 5% in 2021, GDP growth is expected to slow significantly in 2022, to 0.6%, before picking up to 1.2% in 2023. Rising inflation, the war in Ukraine, and tighter financial conditions have eroded economic sentiment and purchasing power, which is expected to strongly dent domestic demand in the first half of 2022. The 2022 presidential election is adding uncertainty, helping to keep investment subdued until 2023. The labour market recovery has been slow; the participation rate and real labour incomes remain below pre-pandemic levels. 13 In the year 2020,

80%

MATCHING BLOCK 23/230

W

the banking industry in Brazil realized a net income of around 92 billion Brazilian reais, less from 118 million reais a year earlier year (2019). In

the year 2019,

87%

MATCHING BLOCK 45/230

W

there were around 20 thousand bank branches operating in the South American country.

79%

MATCHING BLOCK 25/230

W

Brazil total deposits was reported at 780.473 USD bn in Sep 2021. This records a decrease from the previous number of 823.195 USD bn for

92%**MATCHING BLOCK 24/230****W**

total deposits was reported at 780.473 USD bn in Sep 2021. This records a decrease from the previous number of 823.195 USD bn for

85%**MATCHING BLOCK 26/230****W**

total deposits was reported at 780.473 USD bn in Sep 2021. This records a decrease from the previous number of 823.195 USD bn for

92%**MATCHING BLOCK 27/230****W**

total deposits was reported at 780.473 USD bn in Sep 2021. This records a decrease from the previous number of 823.195 USD bn for

Jun 2021.

64%**MATCHING BLOCK 28/230****W**

The deposits reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498

85%**MATCHING BLOCK 29/230****W**

The deposits reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498 USD bn in

85%**MATCHING BLOCK 31/230****W**

The deposits reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498 USD bn in

93%**MATCHING BLOCK 32/230****W**

The deposits reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498 USD bn in Sep 2002. Brazil total

75%**MATCHING BLOCK 33/230****W**

The deposits reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498 USD bn in Sep 2002. Brazil total
loans

73%**MATCHING BLOCK 30/230****W**

an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498 USD bn in

79%**MATCHING BLOCK 37/230****W**

total loans was reported at 912.994 USD bn in Feb 2022. This records an increase from the previous number of 883.318 USD bn for Jan
2022.

73%**MATCHING BLOCK 34/230****W**

was reported at 912.994 USD bn in Feb 2022. This records an increase from the previous number of 883.318 USD

73%**MATCHING BLOCK 35/230****W**

was reported at 912.994 USD bn in Feb 2022. This records an increase from the previous number of 883.318 USD

92%

MATCHING BLOCK 36/230

W

was reported at 912.994 USD bn in Feb 2022. This records an increase from the previous number of 883.318 USD bn for

79%

MATCHING BLOCK 41/230

W

USD bn for Jan 2022. The data reached an all-time high of 1,282.172 USD bn in Jun 2014 and a record low of 100.390 USD bn in

79%

MATCHING BLOCK 42/230

W

USD bn for Jan 2022. The data reached an all-time high of 1,282.172 USD bn in Jun 2014 and a record low of 100.390 USD bn in

73%

MATCHING BLOCK 38/230

W

The data reached an all-time high of 1,282.172 USD bn in Jun 2014 and a record low of 100.390

92%

MATCHING BLOCK 39/230

W

The data reached an all-time high of 1,282.172 USD bn in Jun 2014 and a record low of 100.390 USD bn in

100%

MATCHING BLOCK 43/230

W

The data reached an all-time high of 1,282.172 USD bn in Jun 2014 and a record low of 100.390 USD bn in Sep 2002.

73%

MATCHING BLOCK 40/230

W

an all-time high of 1,282.172 USD bn in Jun 2014 and a record low of 100.390 USD bn in

In February 2022, total credit to the non-financial sector reached BRL 13.6 trillion (153.7% of GDP). The external debt dropped 4.6%, driven by the exchange rate appreciation of 4.1% in the month. In the year-over-year (YoY) comparison, total credit grew 10.6%, mostly due to expansions in the National Financial System (SFN) credit portfolio (16.4%) and debt securities (13.5%). 14 Cost of credit in Brazilian banking sector is high. The Average Cost of Outstanding Loans (ICC), which measures the cost of the entire SFN portfolio, reached 19.4% p.a. in 2022. As for non-revolving non-earmarked credit, the ICC stood at 25.3% p.a. The general ICC spread rose to 13.0%. The SFN average interest rate on new credit operations reached 25.7% in February 2022. In line, 13

<https://www.statista.com/statistics/1118721/banks-net-income-brazil/#> <https://www.ceicdata.com/en/indicator/brazil/total-deposits> 14

<https://www.bcb.gov.br/en/statistics/monetarycreditstatistics>

Unit 10: Banking: An International Perspective 17

the bank spread for grants stood at 16.8%. Regarding non-earmarked operations, the average interest rate reached 36.5% in February 2022. In the non-earmarked corporate segment, the interest rate reached 21.5% p.a. in the household segment, 48.1% p.a. Delinquency in the SFN's total credit portfolio, considering 90 days past due loans, reached 2.5% in February 2022. This change reflected stability in 90 days past due loans in non-earmarked credit operations (3.3%), earmarked credit operations (1.4%). 10.6 Banking System in European Union 15 The GDP (

74%

MATCHING BLOCK 44/230

W

Gross Domestic Product) in EU (European Union) was worth 15,276.47 billion US dollars in 2020, as per the official data from the World Bank. The GDP value of EU represents 13.52 percent of the world economy.

Major economies of the world have trading relations with European Union countries. The stock markets and currency markets of EU are major global markets. These financial markets play a vital role in global markets. The European Union has 28 member states. They are Austria, Belgium, Bulgaria, Croatia, Republic of

83%

MATCHING BLOCK 47/230

W

Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden.

81%**MATCHING BLOCK 46/230****W**

Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania,

42%**MATCHING BLOCK 51/230****W**

Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden. and the

UK. The European Union strength dropped to 27 after UK exited EU from 31 st Jan, 2020. The year 1992 became historic since the EU took the decision to use a single currency named "Euro". From January 2002, Euro has become the real currency. Only three countries (UK, Denmark and Sweden) decided to continue with their respective domestic currencies for various reasons. Major economies of the world have trading relations with European Union countries. The stock markets and currency market of EU are major global markets. These financial markets play a vital role in global markets. Euronext is the main stock exchange of the Eurozone. Euronext had a capitalization of Euro 6.6 trillion at the end of March, 2022 and is ranked 4 th largest stock exchange in the world in 2022. Euronext is European stock exchange operator having registered office in Amsterdam. It operates from its offices located in Brussels, London, Lisbon, Dublin and Paris. The European central bank is the EU's central bank. It dictates monetary policy and manages bank lending rates and foreign exchange reserves apart from targeting inflation rate across nations. 15

<https://tradingeconomics.com/european-union/gdp>

Block 3: Global Financial Institutions 18

The European Union is managed by three bodies, the EU Council, European parliament and European commission. The three bodies will maintain the laws governing the EU. The EU council proposes the policies and regulations to be followed by member nations. The European Parliament debates and approves the policies and regulations proposed by the council. The European commission with its staff executes the laws. 16 The per capita income in European Union was at USD34,424 whereas it was USD58,510 in USA, USD41,811 in UK, USD10,431 in China and USD8,229, USD11,787, USD1,798 respectively in Brazil, Russia and India. The data was computed from <https://tradingeconomics.com/country-list/gdp-per-capita>. Though there is a great difference in per capita income among member states and in countrywide attitudes toward issues like inflation, debt, and foreign trade, the EU has attained a high degree of coordination of monetary and fiscal policies. 17

89%**MATCHING BLOCK 48/230****W**

Germany is the largest economy in Europe, followed by United Kingdom, France, Italy, and Russia. These five together hold a 50% share of the European economy. Total ten European economies represent almost 80% share. Seven economies of Europe would have GDP above \$1 trillion, and 23 would have an economy of above \$100 billion. Four European economies are in the list of top ten largest economies worldwide, and nineteen economies are within the top 50 world GDP ranking. All

the 41 European economies would see a rise in the year 2021 when compared to that of 2020.

86%**MATCHING BLOCK 49/230****W**

With \$399 bn, UK will be the top contributor, followed by Germany (\$387 bn) and France (\$316 bn).

As per the

95%**MATCHING BLOCK 50/230****W**

PPP data, the five largest economies of Europe are Germany, Russia, France, UK and Italy. Eight economies would have GDP above Int. \$1 trillion in 2021 and 28 would have an economy of above Int. \$100 billion. Ireland will move ahead to Austria. Four European economies are in the top ten list, and sixteen economies are within the top 50 world GDP ranking. The European

Central Bank (ECB) and the International Monetary Fund (IMF) had to come for rescue with bailout packages to dispel large bank failures and financial contagion spreading markets across borders. Despite all this, its performance, high unemployment in some member states, high levels of public and private debt, subdued productivity, an imperfect single market in services, and an aging population continues to have impact on EU's future growth. Example: Future of Banking Union- Euro Group The European Union which had 28 member states always strived for a strong banking and financial structure and the Euro Group worked for achieving the objective. Contd.... 16

<https://tradingeconomics.com/country-list/gdp-per-capita> compiled on 5th July 2022 17

<https://statisticstimes.com/economy/european-countries-by-gdp.php>

Unit 10: Banking: An International Perspective 19

The Euro Group, the informal group of the finance ministers of the euro zone, was of the view that the Banking Union needed further reforms to fully contribute to Europe's economy thereby enabling banks to support on their part for sustainability and resilience. The Group felt that the following aspects needed to be considered for a robust and competitive EU banking sector: ? Strong capital markets would support in mobilising the investments needed for the green and digital transformation and the energy transition. ? Reinforced Banking Union would foster trust and strengthen financial stability. Based on the two factors, the leaders reiterated the mandate to the Euro Group in inclusive format and agreed to, on a work plan charting the way towards the completion of the Banking Union. The following points were broadly accepted: a. The managements of the failing banks to be strengthened. b. Protection for the depositors should be strengthened to become robust c. Support banking services by creating integrated single market d. More diversification in banks sovereign bond holding to be encouraged. e. Robust framework for managing banks who are in distress f. Application of resolution tools to be broadened to manage crisis at EU level g. Use of National Deposit Guarantee Fund during crisis h. Features of national bank insolvency laws to be harmonized. Source: <https://www.consilium.europa.eu/en/press/press-releases/2022/06/16/eurogroup-statement-on-the-future-of-the-banking-union-of-16-june-2022/> dated 16 th June, 2022 Accessed on 08.08.22 10.6.1 Banking System of EU Nations The 2009 EU directives adopted under the Financial Sector Action Plan (FSAP) has structurally impacted the banking markets. There was greater transparency of EU cross-border mergers and acquisitions amongst banks. There was improved regulatory and managerial cooperation through the creation of the European Banking Committee and the Committee of European Banking Supervisors. Consolidation amongst banks continued to advance further through the M&A route. 18

84%

MATCHING BLOCK 52/230

W

Assets and Liabilities of financial corporations in European Zone: Total financial assets of financial corporations in the EU were valued at €75,685 billion in 2020; this was slightly higher than the value of their financial liabilities, which 18

100%

MATCHING BLOCK 56/230

W

https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Financial_corporations_-_statistics_on_financial_assets_and_liabilities

Block 3: Global Financial Institutions 20

stood at €74,438 billion, a difference of €1,247 billion (or 1.6%). This is marginally higher than the same value in 2019, which stood at €945 billion (or 1.3%).

100%

MATCHING BLOCK 53/230

W

Germany held around one fifth of the financial assets and liabilities of financial corporations in the EU, followed by

France, Luxembourg and the Netherlands with over one tenth each. For assets, financial corporations in Germany held the highest share (20.6%) of financial assets held by financial corporations in the EU in 2020, followed by those from France (15.4%), Luxembourg (14.3%) and the Netherlands (12.2%). Liabilities follow a pattern similar to that of assets. German financial corporations had the highest share (20.7%) of EU financial liabilities, followed by financial corporations from France (15.2%), Luxembourg (14.6%) and the Netherlands (12.5%). In 2020,

45%

MATCHING BLOCK 54/230

W

the financial assets of EU financial corporations were valued at 565.1% of GDP, while financial liabilities were valued at 555.8%; as such, net financial assets

were equivalent to 9.3% of GDP. The top 10 banks of Europe are BNP Paribas (France), HSBC (UK), Crédit Agricole (France), Banco Santander(Spain), Barclays (UK), Société Générale (France), Groupe BPCE (France), Deutsche Bank (Netherlands), Intesa Sanpaolo (Italy), Lloyds Banking Group (UK). The global financial crisis has made impact on the size of credit institutions in European region. Around 2,275 credit institutions were either shut down or merged with other entities since global financial crisis started. The downtrend which started in 2009, continued in 2017 and the number of financial institutions fell down to 6,250, marking a decline of 5% compared to the previous year. According to European Central Bank for the 4th quarter ending December 2021 the key indicators of the Banking Sector are as follows: Assets €25092.50 billions, Liabilities €23483.93 billions, Equity €1608.57 billion. Loan to Deposit Ratio 104.37%; Return on equity 6.72%; Cost to Income ratio 64.29% CET 1 ratio 15.48%. 10.6.2 Single Rulebook The Single Rulebook aims to provide a common set of uniform prudential norms for the banking system throughout the EU, as prescribed by the European council. This, it is hoped, will ensure uniform application of Basel-3 norms in all member states, besides closing regulatory loopholes so that the banking system could function effectively. Under single rule book, certain EU nations may have to maintain higher capital requirements for certain sectors like real estate. Each

Unit 10: Banking: An International Perspective 21

member state is responsible for adjusting the level of its counter-cyclic buffer to its economic circumstances. It is to safeguard banking / economic system from any other structural variables. 10.6.3 Italian Banks and the Indian Parallel Italy is an important member, financially and economically, among the EU nations. Italian banking has many aspects of comparison as well as contrasts vis-a-vis Indian banking. Italian banks in the past were known for unethical practices, and charged usurious rates of interest on borrowings. Indian banks, in the pre-social control era have not exactly covered themselves in glory with regard to prudent and economically purposeful lending and the interest rates, though not very high, were not fair either. In the post nationalization era, India has witnessed an unprecedented branch expansion and substantial social banking. 19 Italy has very large number of banks - 706 and number of branches is about 30000, nearly one third of the branches in India. Viewed against the backdrop of the population (over 1.2 billion in India and around 6 crore in Italy), the contrast is visible. However, we do not hear much about social banking in Italy. Italian banks have undergone massive consolidation in the recent past. In fact, analysts favor further consolidation, especially between the medium and small sized banks so that they could become efficient and competitive. Indian banks have not witnessed any consolidations worth mentioning in the recent past barring the case of Times Bank merger with HDFC Bank, Global Trust Bank merger with OBC, and the reverse mergers of ICICI with ICICI Bank and UTI with Axis Bank. Punjab National Bank acquired another public sector bank New Bank of India in 1993. May be Indian banks will also experience consolidation, especially among old private banks to become decidedly viable, in the face of competition from bigger players? With regard to capital bases, Italian banks are in a more comfortable position with higher solvency ratios. Indian banks need huge capital for the public sector banks themselves amounting to 1.8 lakh crore in the coming two years. Italian banks do not invest heavily in government securities which form only 10 per cent of the net liabilities. In India, these investments are about 8 percentage points above the statutory prescription of 21 per cent. In the falling interest rate scenario, Indian banks would face eroding profits in the segment of trading securities because the investment portfolio is large (around 29%). 19

Source: 2013 www.imf.org

Block 3: Global Financial Institutions 22

With regard to profitability, Italian banks are far more comfortable than their counterparts in India. With rising stressed assets and falling growth rates in advances, Indian banks' profitability may worsen in the future. Both Indian and Italian banks are pure form banks with simple and straight- forward balance sheets, without any claims of the status of universal banks. While underwriting and cross selling of insurance are being attempted in India, in Italy, insurance entities are strong players, not requiring any great support from banks for selling their products and services. Indian and Italian banks do not claim the status of internationally active players, but Italian banks have a significantly higher exposure overseas. 10.7 Banking System in China The

38%

MATCHING BLOCK 55/230

W

GDP in China was 14,722.73 billion US dollars in the year 2020, as per the World Bank's official data. Its GDP value represents 13.04 percent of the world economy.

Being the largest populated country, China occupies a very prominent role in world exports and imports and global financial markets. The banking system though regulated, it is a well-organized system. The Chinese markets – stock markets, currency market – play a crucial role in global markets. In the year 2021, the total assets of banks in China accounted for 336 trillion yuan, an 8.6 percent increase when compared to that of its

87%

MATCHING BLOCK 57/230

W

previous year (2020). Assets of large commercial banks accounted for nearly 40.5 percent of total banking assets amounting to 136 trillion yuan. Joint-stock commercial banks held assets amounting to 60.3 trillion yuan in 2020. China's multilayered banking industry was developed by large, state-owned banks. On top of the bank-hierarchy were the "Big Four" commercial banks - the Industrial and Commercial Bank of China, the China Construction Bank, the Bank of China and the Agricultural Bank of China. In addition to those, there are also thirteen joint-stock commercial banks including the China Merchants Bank and Bank of Communications. Their asset value was remarkably lesser than the value of the "Big Four". On a local platform, over a hundred commercial banks provide financial services throughout China.

The fifth generation leaders of China to whom political powers have been transferred during October 2016, have endorsed the socialist market economy model, paving the way for private enterprises to co-exist with public sector units. They have realized that China, a nation of over 1.3 billion people, has strong economic fundamentals in the form of very high GDP growth rate, substantial foreign direct investment, massive forex reserves, cheap labor, a stable and strong domestic currency (at least till recently) and low government debt.

Unit 10: Banking: An International Perspective 23

Example: Outlook of Chinese Banking Sector-2023 The following were the highlights of Chinese banking system at the end of 2021 as per the report by Deloitte: a. Assets of commercial banks up by 8.6% to RMB 288.6 trillion b. Moderate expansion of assets c. NPA ratio down by 0.11% to 1.73% amounting to RMB 2.8 trillion d. Credit assets continued to be stable e. RMB 20 trillion represented the new yuan-denominated loans f. Loans to manufacturing sector up by 30% YOY g. 28.9% increase in loans to technology R & D sector h. Macro leverage was down by 8% with risk in key areas under control i. Reversal of real estate bubble and "financialization" j. Banking sector became more resilient against external shocks Outlook for 2022-23 The Chinese

85%

MATCHING BLOCK 88/230

W

economic development was facing “triple pressure” ? Demand contraction, supply shocks, and weakening expectations. ? Technological advancements and regulatory policy changes continue need to reshape financial development and market competition.

The banking sector was expected to work on the following areas: ? Financial risk to be prevented and also controlled. ? Reforms in financial sector to be deepened. ? Look out for areas in which profits can be generated through transformation in business models ? Prevention and control of risks ? Improve the quality and efficiency using digital technology ? Train people on leadership and professional skills China while facing the complicated risks and challenging circumstances at home and abroad had been pursuing economic and social development goals. Source: <https://www2.deloitte.com/cn/en/pages/financial-services/articles/chinese-banking-sector-2021-review-and-2022-outlook.html> dated 27th April, 2022 Accessed on 08.08.22 China has already become the second biggest economy in the world displacing Japan. From Mao to markets, China is a great success story. The overview of the banking system of China is discussed below. 10.7.1 Reforms in China While China took greater strides in an environment of financial globalization, by ushering in economic reforms at least a decade earlier than India, its banking

Block 3: Global Financial Institutions 24

system is not in the pink of health. Banks are saddled heavily with bad loans, for a variety of reasons like behest lending, unsophisticated procedures, poor risk management policies, low technology penetration, lack of competition, protected environment, besides poor corporate governance, transparency and accounting standards. Banking reforms initiated in the year 1978 have proved to be slow paced and less effective. However, the subsequent reforms have resulted in significant improvements. There is considerable progress with respect to restructuring, liberalization, recovery and regulations. Perhaps there is quite (some) ground to be covered with respect to risk management, new products and elimination of corrupt practices besides upgradation of technology. China's decision to open up the sensitive banking system to foreign direct investment draws from decades of long experience in restructuring its inefficient state-owned manufacturing industry. China has transformed itself into a successful global competitor, largely due to massive foreign direct investments. The Chinese government hopes that foreign investments in the ailing domestic banking system will bring in, along with additional capital, the more important contributions of modern banking practices, risk management techniques, new products and services, and international standards of governance. Foreign investments, on the other hand, are attracted by China's rapid economic growth, enormous untapped market potential, customer bases and distribution networks. 10.7.2 Central Bank The Central Bank of China is the People's Bank of China (PBOC). It is responsible for the economy's monetary policy, maintenance of FOREX reserves and gold market. PBOC is subject to oversight by the state council-China's chief administrative authority. The PBOC is the world's largest central bank with reserves of over \$5 trillion. The Chinese Banking system is dominated by the big four banks. They are Bank of China (BOC), The Industrial and Commercial Bank of China, The Agriculture Bank of China (ABOC) and China Construction Bank. These banks amongst themselves make up for 80 per cent of total banking assets and 70 per cent of all loans. Chinese banks are classified into: ? Specific lending purpose banks – These are specific lending channels which include the Agricultural Development Bank of China (ADBC), and the China Development Bank (CDB) ? Commercial banks ? Foreign banks.

Unit 10: Banking:

An International Perspective 25 10.7.3

Banking System Performance in 2020 20 By December 2021, the total deposits of China's largest state-owned banks amounted to over 105 trillion yuan. The value of deposits had increased significantly over the observed period. The dominant source of funding was individual deposits as they exceeded corporate deposits by almost ten trillion yuan. China's

85%

MATCHING BLOCK 60/230

W

total deposits were reported at 36,906.858 USD bn in May 2022. This records an increase from the previous number of 36,801.826 USD bn for

66%

MATCHING BLOCK 58/230

W

deposits were reported at 36,906.858 USD bn in May 2022. This records an increase from the previous number of 36,801.826 USD

66%

MATCHING BLOCK 59/230

W

deposits were reported at 36,906.858 USD bn in May 2022. This records an increase from the previous number of 36,801.826 USD

79%

MATCHING BLOCK 62/230

W

USD bn for Apr 2022. The data reached an all-time high of 38,347.387 USD bn in Mar 2022 and a record low of 819.403 USD bn in

87%

MATCHING BLOCK 65/230

W

USD bn for Apr 2022. The data reached an all-time high of 38,347.387 USD bn in Mar 2022 and a record low of 819.403 USD bn in Jan 1997. China Total

87%

MATCHING BLOCK 66/230

W

USD bn for Apr 2022. The data reached an all-time high of 38,347.387 USD bn in Mar 2022 and a record low of 819.403 USD bn in Jan 1997. China Total Loans

82%

MATCHING BLOCK 61/230

W

The data reached an all-time high of 38,347.387 USD bn in Mar 2022 and a record low of 819.403

92%

MATCHING BLOCK 63/230

W

The data reached an all-time high of 38,347.387 USD bn in Mar 2022 and a record low of 819.403 USD bn in

73%

MATCHING BLOCK 64/230

W

an all-time high of 38,347.387 USD bn in Mar 2022 and a record low of 819.403 USD bn in

91%

MATCHING BLOCK 67/230

W

was reported at 30,509.607 USD bn in May 2022. This records a decrease from the previous number of 30,517.015 USD

91%

MATCHING BLOCK 68/230

W

was reported at 30,509.607 USD bn in May 2022. This records a decrease from the previous number of 30,517.015 USD

91%

MATCHING BLOCK 69/230

W

was reported at 30,509.607 USD bn in May 2022. This records a decrease from the previous number of 30,517.015 USD

79%

MATCHING BLOCK 71/230

W

USD bn for Apr 2022. The data reached an all-time high of 31,708.715 USD bn in Mar 2022 and a record low of 775.253 USD bn in

86%

MATCHING BLOCK 74/230

W

USD bn for Apr 2022. The data reached an all-time high of 31,708.715 USD bn in Mar 2022 and a record low of 775.253 USD bn in Jan 1997. 10.8

86%

MATCHING BLOCK 75/230

W

USD bn for Apr 2022. The data reached an all-time high of 31,708.715 USD bn in Mar 2022 and a record low of 775.253 USD bn in Jan 1997. 10.8

82%

MATCHING BLOCK 70/230

W

The data reached an all-time high of 31,708.715 USD bn in Mar 2022 and a record low of 775.253

92%

MATCHING BLOCK 72/230

W

The data reached an all-time high of 31,708.715 USD bn in Mar 2022 and a record low of 775.253 USD bn in

73%

MATCHING BLOCK 73/230

W

an all-time high of 31,708.715 USD bn in Mar 2022 and a record low of 775.253 USD bn in

Banking System in US The GDP of USA was 20,936.60 billion US dollars in the year 2020, as per the World Bank's official data. Its GDP value represents 18.55 percent of the world economy. Being the largest economy and one of the biggest importers, US banking is one of the well developed and regulated banking systems. The US \$ is the major conversion currency in global financial markets. The US has 3rd largest banking system in the world. US \$ has the highest market share in the currency market and almost all economies maintain their US \$ accounts in US-based banks. United States, one of the wealthiest nations in the world, has a large number of universal banks, which are large financial groups that offer not only commercial banking but also investment banking, securities trading, insurance and other financial services. Universal banks are created through the holding company route. There are many drivers that triggered the setting up of universal banks. Globalization of banking, de-regulation of economies, capital and labor movement, liberalization of trade, cross-selling opportunities, the imperatives of competition, the concern for financial stability, access to superior technology in financial services are some such drivers. These banks create economies of scale 20

100%

MATCHING BLOCK 76/230

W

<https://www.statista.com/statistics/277938/total-assets-of-banks-in-china/>

<https://www.ceicdata.com/en/indicator/china/total-loans> <https://www.ceicdata.com/en/indicator/china/total-deposits>

Block 3: Global Financial Institutions 26

and scope, efficiency in risk management, operational efficiencies, financial firmness through diversification of revenue streams, etc. The critics of universal banking point out that there could be cost 21 diseconomies if principal players from different streams of financial sectors merge to form universal banks. They also argue that the creation of "Too Big To Fail" (TBTF) banks through universal banking route is not desirable due to the attendant moral hazard issues. Universal banks with diverse functions could cause complexities to the regulators. There could also be issues like a clash of interests and non-availability of efficient top management team to govern a mega universal bank. There are multiple regulators in the US, for various financial services. While Securities and Exchange Commission regulates stock markets, the Federal Reserve takes care of holding company structures. The US financial markets have by and large an effective market driven discipline. US banking was strong, stable and vibrant until it was hit in 2008 very badly by the sub-prime crisis. While the universal banks dominate the scene, community banks and commercial banks have their own relevance. US banks transfer risks to a significant extent to insurance, pension and mutual fund sectors. Majority of the banks have the option of choosing their own regulators. 22 Important data on US Banking System United States'

71%

MATCHING BLOCK 79/230

W

total deposits were reported at 18,036.798 USD bn in May 2022. This records a decrease from the previous number of 18,195.625 USD bn for

83%

MATCHING BLOCK 77/230

W

deposits were reported at 18,036.798 USD bn in May 2022. This records a decrease from the previous number of 18,195.625 USD

83%

MATCHING BLOCK 78/230

W

deposits were reported at 18,036.798 USD bn in May 2022. This records a decrease from the previous number of 18,195.625 USD

79%

MATCHING BLOCK 81/230

W

USD bn for Apr 2022. The data reached an all-time high of 18,207.879 USD bn in Mar 2022 and a record low of 596.889 USD bn in

86%

MATCHING BLOCK 84/230

W

USD bn for Apr 2022. The data reached an all-time high of 18,207.879 USD bn in Mar 2022 and a record low of 596.889 USD bn in Jan 1973.

77%

MATCHING BLOCK 85/230

W

USD bn for Apr 2022. The data reached an all-time high of 18,207.879 USD bn in Mar 2022 and a record low of 596.889 USD bn in Jan 1973. United States total loans

82%

MATCHING BLOCK 80/230

W

The data reached an all-time high of 18,207.879 USD bn in Mar 2022 and a record low of 596.889

92%

MATCHING BLOCK 82/230

W

The data reached an all-time high of 18,207.879 USD bn in Mar 2022 and a record low of 596.889 USD bn in

73%

MATCHING BLOCK 83/230

W

an all-time high of 18,207.879 USD bn in Mar 2022 and a record low of 596.889 USD bn in

were

71%

MATCHING BLOCK 87/230

W

reported at 11,206.791 USD bn in May 2022. This records an increase from the previous number of 11,077.538 USD

91%

MATCHING BLOCK 89/230

W

reported at 11,206.791 USD bn in May 2022. This records an increase from the previous number of 11,077.538 USD bn for

70%

MATCHING BLOCK 86/230

W

at 11,206.791 USD bn in May 2022. This records an increase from the previous number of 11,077.538 USD

79%

MATCHING BLOCK 91/230

W

USD bn for Apr 2022. The data reached an all-time high of 11,206.791 USD bn in May 2022 and a record low of 27.090 USD bn in

80%

MATCHING BLOCK 94/230

W

USD bn for Apr 2022. The data reached an all-time high of 11,206.791 USD bn in May 2022 and a record low of 27.090 USD bn in Jan 1947.

80%

MATCHING BLOCK 95/230

W

USD bn for Apr 2022. The data reached an all-time high of 11,206.791 USD bn in May 2022 and a record low of 27.090 USD bn in Jan 1947.

73%

MATCHING BLOCK 90/230

W

The data reached an all-time high of 11,206.791 USD bn in May 2022 and a record low of 27.090

92%

MATCHING BLOCK 92/230

W

The data reached an all-time high of 11,206.791 USD bn in May 2022 and a record low of 27.090 USD bn in

73%

MATCHING BLOCK 93/230

W

an all-time high of 11,206.791 USD bn in May 2022 and a record low of 27.090 USD bn in

United States Domestic Credit reached 29,129.3 USD bn in Sep 2021, compared with a reported figure of 27,812.3 USD bn in the previous quarter.

64%

MATCHING BLOCK 96/230

W

The data reached an all-time high of 29,129.3 USD bn in Sep 2021 and a record low of 9,167.0

92%

MATCHING BLOCK 97/230

W

The data reached an all-time high of 29,129.3 USD bn in Sep 2021 and a record low of 9,167.0 USD bn in

92%

MATCHING BLOCK 98/230

W

The data reached an all-time high of 29,129.3 USD bn in Sep 2021 and a record low of 9,167.0 USD bn in

92%

MATCHING BLOCK 100/230

W

The data reached an all-time high of 29,129.3 USD bn in Sep 2021 and a record low of 9,167.0 USD bn in

92%

MATCHING BLOCK 101/230

W

The data reached an all-time high of 29,129.3 USD bn in Sep 2021 and a record low of 9,167.0 USD bn in

73%

MATCHING BLOCK 99/230

W

an all-time high of 29,129.3 USD bn in Sep 2021 and a record low of 9,167.0 USD bn in

Dec 2001. 21

Diseconomies: An economic disadvantage such as an increase in cost arising from an increase in the size of an organization. 22
<https://www.ceicdata.com/en/indicator/united-states/non-performing-loans-ratio> <https://www.ceicdata.com/en/indicator/united-states/deposits> <https://www.ceicdata.com/en/indicator/united-states/loans>

Unit 10: Banking: An International Perspective 27

76%

MATCHING BLOCK 102/230

W

United States NPL Ratio stood at 1.2% in Mar 2022, compared with the ratio of 1.3% in the previous quarter.

United States NPL Ratio data is updated quarterly and it is

92%

MATCHING BLOCK 107/230

W

available from Mar 1985 to Mar 2022. The data reached an all-time high of 7.5% in Mar 2010 and a record low of 1.2% in

73%

MATCHING BLOCK 104/230

W

from Mar 1985 to Mar 2022. The data reached an all-time high of 7.5% in Mar 2010 and a record low of 1.2%

83%**MATCHING BLOCK 103/230****W**

The data reached an all-time high of 7.5% in Mar 2010 and a record low of 1.2%

93%**MATCHING BLOCK 105/230****W**

The data reached an all-time high of 7.5% in Mar 2010 and a record low of 1.2%

93%**MATCHING BLOCK 106/230****W**

The data reached an all-time high of 7.5% in Mar 2010 and a record low of 1.2%

Mar 2022. Some of the highlights of US banking system are discussed below. 10.8.1 Role of Community Banks Community banks are small in size that cater to the banking requirements of the local clientele and thrive on relationship banking. These banks represent 89 per cent of all banks, but account for only 16 per cent of bank loans, 34 per cent of bank offices, and 15 per cent of bank assets. Community banks complement the role of large banks by specializing in relationship banking and providing credit to tiny business, a sector that is debatably under-served by large banks. In addition, community banks serve customers in rural and small metropolitan areas that are not served by large banks. They are important lenders in the farm economy. They serve the retail deposit needs of mid-segment depositors. Although the number of community banks will continue to decline because of merger activity, they are bound to play an important role in future. Given their importance in the economy, the Federal Reserve has a keen interest in understanding issues facing community banks. The Federal Reserve monetary policy responsibilities require an understanding of how its policy actions affect community banks and their customers. In the area of supervision and regulation, the Federal Reserve has a legal mandate to supervise state member banks and bank holding companies. This ensures the safety and soundness of the banking system and also provides a window through which the Federal Reserve can keep an eye on economic conditions more generally. In the payments area, community banks provide access to payment services for a large percentage of the population. While these banks pose little systemic risks to the nation's financial and payment systems, their importance to some key sectors and areas of the economy warrant Federal Reserve interest and oversight. Example: Role of US Community Banks during Pandemic Community banks which were local lenders played an important role in dispensing loans to small businesses. There were huge number of local bankers who underpinned large swaths of US economic activity, in particular to small businesses and farmers, in many parts of the US. Contd....

Block 3: Global Financial Institutions 28

These banks held an asset base of maximum \$10bn, accepted deposits and also lent mortgages and business loans. There were over 500 such communities in rural areas and these banks proved very valuable during the first few months of the coronavirus pandemic. They supported small businesses and the self-employed to stay in the business. The following were the highlights of the role played during pandemic by community banks. In the \$ 350 billion pay cheque protection program announced by the FED to support workers on small business payrolls during shut down, the community banks processed 60 per cent of the programme's funding while larger banks shared the rest and proved to be hero. Post pandemic, community banks supported more small businesses into the banking system, and were able to expand their non-crisis business lending as well. Fed and other regulators recognized the vital role community banks played in supporting small businesses when it mattered the most. Source: <https://www.ft.com/content/4face0c6-c1fb-47af-972b-8749e92b4baf> dated 29 th August, 2021 Accessed on 08.08.22 10.8.2 Commercial Banking These banks 23 function as a pure form of traditional bankers, essentially with local or regional character. Majority are part of a larger company, a bank holding company. Occasionally, more than one commercial bank belongs to the same bank holding company. Such banks are called 'Sister Banks'. They tend to be managed as different branches of a single bank rather than as independent banks. The parent organization is subject to limited liability protection rules with respect to the losses in the bank. Regulators, therefore, have to be apprehensive with their solvency as losses associated with their failures must still be transferred to the insurance fund, even if the bank holding company does not go bankrupt. Unlike European and Asian nations, one finds not more than 5 to 6 large banks in the US. We find more banks because each of the regions in US have different regulations with banking laws and making the branch banking difficult. The overall guardian of the financial system in US is the Federal Reserve. But big banks can decide whether they are to be regulated by state charter. That means they are supervised by one of the 54 state banking departments, or by national charter, with oversight by the office of the comptroller of the currency. Smaller state charter banks, which are not important enough to be members of the Federal Reserve System and institutions such as savings banks and industrial loan 23

Financial Times defines a commercial banks is a bank whose main business is deposit-taking and making loans. This contrast to an investment bank whose main business is securities trading, securities underwriting, asset management and M&A advisory. The commercial peculiarly are the financial institutions that provide services for businesses, organisations and individuals various services offering savings, checking and deposit accounts as well giving out various kinds loans to individuals and businesses as per their needs. These commercial banks make small profit margin by transforming small, short-term, medium-term deposits and transforming them into larger long gestated loans.

Unit 10: Banking: An International Perspective 29

corporations, are supervised by the federal deposit insurance corporation. There is competition among regulators as well. Major banks are free to decide their own regulator, a feature exceptional in the US financial system. Regulators, on their part, are under pressure to perform well, which drives them to be innovative. Nature of commercial banking changed over period with ever changing dynamics of economy and regulations. The commercial banks in US in the beginning of 19th century were accused of being more speculative and diverting their funds to stock operation, and considered risky. This led to introduction of Glass-Steagall Act (1933). The Act stocked up a regulatory firewall between commercial and investment bank activities. It asked every bank to decide whether they would specialize in 'commercial banking' or 'investment banking' activity. However, over a period in an era of financial liberalization, privatization and globalization, politicians and regulators softened their stand and accepted the concept of universal banking in US which led to repeal of Glass-Steagall Act and the establishment of the Gramm-Leach-Bliley Act. This Act removed restriction of merger of commercial, investment and insurance institutions and offered consumer financial services like loans, financial or investment advice or insurance but explained their information to their customers their products and investment pattern they are involved with. This stance however changed after recent global financial crisis. Financial regulation became more prominent once again in the US. The Frank-Dodd-Act was implemented the Volcker rule in 2010, named after former Federal Reserve Chairman Paul Volcker. This Act bans at least proprietary trading of securities for deposit-taking institutions.

10.8.3 Securitization in US Banks: A Strategic Tool Securitization is a process of pooling and repackaging homogeneous illiquid loan assets into marketable securities. While securitization as a business strategy worked very well till 2007, for the US bankers and financial institutions by way of lower regulatory capital, higher fee income and better risk mitigation, there are certain fundamental issues of concern for the various economies the world over. Securitization could ignite retail credit growth exponentially, but adds new risks to the economy. Securitization could be good for banks, but not necessarily for the economy. In fact, the sub-prime crisis in the US proved this point. Securitization, while serving the hedging needs of the banks is considered to be "imperfectly understood instrument which could itself pose risks elsewhere", as opined by BIS (Bank for International Settlements). The banking industry has rebound from the abyss of 2009, when on the heels of crippling credit crisis (sub-prime), bank failures were surging; balance sheets were bloated with bad loans, and industry Return On Equity (ROE) stood at a negative 3.7 per cent. Since then, banks have slashed payrolls, shed non-core business, and written off trillions of dollars as bad assets.

Block 3: Global Financial Institutions 30 10.9

Islamic Banking: A Perspective Apart from conventional banking, some of the Islamic countries follow Islamic banking. The participation of Islamic banking spread into nine core markets covering the countries: Bahrain, Qatar, Indonesia, Saudi Arabia, Malaysia, United Arab Emirates, Turkey, Kuwait and Pakistan. The total Islamic banking assets of these economies account for 93% of banking assets. Major oil countries, which have a prominent role in world economy, have adopted Islamic banking as their banking system. Islamic banking is faith-based banking system, based on the principles enunciated by the 24 Shariah, essentially targeted to the Muslim population. However, some of the principles of this type of banking attract non-Muslims as well, though not in good numbers. Islamic banking prohibits payment or receipt of interest. It is ethically well-rooted as it does not allow lending to commercial activities based on vices, like gambling, pornography, drinking, smoking, drug trafficking etc. It forbids excessive financial leverage and highly speculative activities. When a traditional bank decides to fully transform itself into an Islamic bank, it has to ensure that all the assets and liabilities of its balance sheet are non-interest bearing in nature. The assets should be "Murabaha" form (cost plus financing) of contracts. Likewise, its deposits should be Mudarabah form (profit and loss sharing) of contracts. This banking model encourages partnerships of the entrepreneurs with the bank. Jordan, Malaysia, Saudi Arabia, Iran, Kuwait, United Arab Emirates and Pakistan have Islamic banks. It is also growing in global financial centers like London, Zurich and Hong Kong. We don't have Islamic banks in India. However, there is a committee appointed by RBI, which is presently looking into the feasibility of introducing this banking model in India. Example: Resilience of Islamic Banking A faith-based banking system, prominent in few Islamic countries based on sharia law, Islamic banking system was able to withstand well during pandemic and was more resilient now than before. The Islamic banking recorded moderate growth in financing on the back of an improved economic environment and the trend was likely to continue in 2022 as well. Financing in Islamic banking registered an expansion at a faster pace of 8.3% as against conventional loans at 2.3% and mostly driven primarily by mortgages and other household financing. Islamic banks' share of sector financing rose by 1% in 2021 and was estimated to reach 50% by 2030 as per a report. The lower level of NPA's at 1.2% was mainly due to its exposure to household as against conventional banks at 1.6%. Source: <https://themalaysianreserve.com/2022/02/10/islamic-banking-to-remain-resilient-in-2022/> dated 10th February, 2022 Accessed on 08.08.22 24

Shariah: Islamic canonical law based on the teachings of the Koran and the traditions of the Prophet (Hadith and Sunna), prescribing both religious and secular duties and sometimes retributive penalties for lawbreaking

Unit 10: Banking: An International Perspective 31 10.10

Banking System in India The banking system in India plays a crucial role in the development of economy. The Indian banking sector is sufficiently capitalized and well-regulated. It is resilient and withstood the sub-prime mortgage loan crisis of 2007 and Brexit crisis of 2016. Being one of the leading employers of the country, the banking industry has rolled out innovative banking models like payment banks and small finance banks. The banking system has taken a long time to evolve into the present state. The banking system in India has a place of primacy in the financial sector as 85 per cent of the financial assets are with the banking system. As of 2017,

76%

MATCHING BLOCK 109/230

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Indian banking system comprises 27 public sector banks, 21 private sector banks, 44 foreign banks, 56 regional rural banks, 1562 25 urban co-operative banks and 93550 rural

co-operative banks. Public sector banks control nearly 75 per cent of the market, thereby leaving comparatively much smaller space for its private peers. Till 2009, the Indian banking system has been strong, stable and vibrant with over 20 per cent annual growth in deposits and 22 per cent growth in advances. However, with the slowdown in the economy, coupled with the global slowdown, the banking system faced challenges in the form of rising non-performing loans, falling profitability, lesser return on equity and assets, and slow growth in deposits and advances to 10-12 per cent level. The higher inflation levels have forced the banking system to operate in an environment of very high interest rates. Inflation (CPI) was varying (during 2012 to 2021 period) as referred in Table 10.2. Table 10.2: Inflation Rates from 2012 to 2021

100%

MATCHING BLOCK 108/230

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CPI India 2021 5.56% CPI India 2020 3.69% CPI India 2019 9.63% CPI India 2018 5.24% CPI India 2017 4.00% CPI India 2016 2.23% CPI India 2015 6.32% CPI India 2014 5.86% CPI India 2013 9.13% CPI India 2012 11.17%

Source: <https://www.inflation.eu/en/inflation-rates/india/historic-inflation/cpi-inflation-india.aspx> 25

<https://www.bloomberquint.com/business/giving-indias-urban-cooperative-banks-another-chance#gs.3QFp2b4>

Block 3: Global Financial Institutions 32

Following are the reasons for the relatively poor performance of the banking system in recent years: ? Tardy economic growth has constrained corporates' performance resulting in delinquent corporate loans. ? Loans to infrastructure have not performed well because of bureaucratic hassles, delayed or no commissioning due to environmental issues. ? Farm sector, which accounts for nearly 14 per cent of total credit, has performed very poorly due to adverse reasons like crop failures, drought, power shortage, and non-availability of genuine and quality seeds, fertilizers, and pesticides. ? Inadequate storage and marketing arrangements, absence of a meaningful crop insurance system etc. ? Non-performing loans in the farm sector have mounted over the years. The farm loan waiver schemes have, to some extent, reduced the NPA percentage but have dented the repayment ethics of the farmers who always expect another round of waiver. It is therefore no surprise that the performance indices have drastically fallen in the recent past. Some of the important features of the Indian banking system are explained below. Added to the above Covid 19 – the pandemic that started in last couple of months of 2019 created havoc across all the countries during 2020 and 2021 causing economic shutdowns and layoffs, India was also had its impact on economy and banking sector. The pandemic-related lockdowns during 2020-21, supply chains froze, and demand declined on economic agents trying to conserve cash with a precautionary motive. This resulted in sharp decline in credit growth even though the deposits have increased. Globally, as well as in India, the banking and non-banking sectors have weathered the COVID-19 disruptions well, supported by policy measures. As economic growth picks up and policy measures are rolled back, the pandemic's impact on banks' balance sheets will be clearer. Climate change and technological innovations pose medium-term challenges to the sector, which will need to be addressed through carefully crafted strategies. 26 Post Covid 19 Scenario in Indian Banking Notwithstanding a sharp downturn in global as well as domestic macroeconomic conditions, the banking sector in India remained resilient, with strong profitability indicators and improved asset quality. Various regulatory measures initiated by the Reserve Bank in response to the pandemic played a crucial role in protecting 26

<https://rbi.org.in/scripts/AnnualPublications.aspx?head=Trend%20and%20Progress%20of%20Banking%20in%20India>; Report on Trend and Progress of Banking in India 2021 released in December 2021

Unit 10: Banking: An International Perspective 33

banks' balance sheets, providing necessary liquidity support and stabilizing the financial sector. Additionally, the establishment of the National Asset Reconstruction Company Limited (NARCL) by the Government of India is expected to aid the recovery process, while alleviating stress on banks' balance sheets. Although credit off take by banks remained subdued in an environment of risk aversion and muted demand conditions during 2020-21, a pickup has started in Q2:2021-22, with the economy emerging out of the shadows of the second wave of COVID-19. Going forward, revival in bank balance sheets hinges around overall economic growth which is contingent on progress on the pandemic front. However, banks would need to further bolster their capital positions to absorb potential slippages as well as to sustain the credit flow, especially when monetary and fiscal measures unwind. Although most of the regulatory relaxation measures have run their course, full extent of their impact on banking is yet to unravel. Banks would need to strengthen their corporate governance practices and risk management strategies to build resilience in an increasingly dynamic and uncertain economic environment. With rapid technological advancements in the digital payments landscape and emergence of new entrants across the FinTech ecosystem, banks have to prioritize upgrading their IT infrastructure and improving customer services, together with strengthening their cybersecurity 10.10.1 Basel-3 Imperatives Indian banking system is by and large compliant with Basel-2 norms. However, Basel-3 implementation which focuses mainly on reduced leverage, higher capital base, counter cyclical capital, liquidity buffer capital and exigencies buffer capital throws many challenges on the banking system. This has affected especially, the public sector banks which are not in a good position to raise additional capital from the market or through organic growth. They have to necessarily be re-capitalized by the Union government. The additional capital requirement (under Basel-3 norms for public sector banks) alone has been provisionally estimated to be ₹ 1.8 lakh crore. Example: India Drives Fintech Revolution Booming partnership between traditional banking and Fintech companies across the globe to meet the customer needs accelerated Fintech's expansion across the world in general and India in particular. Fintech represented the emerging digital technology to deliver the financial services. It's now certain that Fintech rapidly changed the face of the banking industry, as most of the banks adopted paperless and cashless methods through Fintech mechanism. Contd....

Block 3: Global Financial Institutions 34

The entire landscape of financial intermediation and services to customers was transformed by Fintech. The global Fintech market was expected to grow to \$ 309 billion by 2022 as against \$ 127.66 billion four years back registering an annual growth of around 25%.

73%

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The Rise of Fintech in India Acknowledged by IMF as the world's fastest-growing economies, India emerged as one of the fastest-growing Fintech hotspots

along with other BRICS countries in recent years. Most of the concepts such as paperless lending, mobile banking, secure payment gateways, mobile wallets had already entered banking space in India. Pandemic had further accelerated the growth. India had emerged in the top slot in digital transaction overtaking America and China. India positioned itself to achieve \$ 150-160 billion in Fintech sector valuation by 2025 as per BCG and FICCI reports. Sources: i) <https://economictimes.indiatimes.com/>

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MATCHING BLOCK 116/230

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why-india-is-at-the-forefront-of-a-fintech- revolution/

articleshow/86936413.cms?from=mdr dated 11 th October 2021 ii) <https://online.bath.ac.uk/articles/impact-of-fintech-on-banking> dated 31st July 2021 Date of access- 08.08.22 10.10.2 Public Sector Banks and the Indradhanush Scheme 27 During August 2015, the Union government pronounced a 7-pronged plan named "Indradhanush" to revamp the functioning of public sector banks. These 7 points include appointments, Banks Board Bureau, capitalization, de-stressing, empowerment, framework of accountability, and governance reforms. The Banks Board Bureau will replace the existing appointments of the Board. It will function under the leadership of RBI governor with diversely skilled members. The Banks Board Bureau will also hold bad assets of public sector banks. This Board could perhaps become the holding company for public sector banks in future. Through Indradhanush 28 and the Union Budget (2016), the Central government has undertaken an exercise to assess the capitalization needs of Public Sector Banks (PSBs) during the financial year 2016-17. The capital infusion exercise for the current year is based on an assessment of need as assessed from the CAGR of credit growth for the last five years, banks' own projections of credit growth and an objective assessment of the potential for growth of each public sector bank. A total of ₹ 22,915 crore is allocated to 13 public sector banks

in 2016-17. 27

Source: 2016 www.insight.choicebroking.in in 28 During August 2015, the Ministry of Finance, Government of India had introduced a seven pronged plan-- Indradhanush-- to revamp functioning of public sector banks.

Unit 10: Banking: An International Perspective 35 De-

stressing involves creating an environment of efficient functioning with recognition for good performance. Empowerment envisages higher autonomy to the banks. Accountability, which sadly is lacking in public sector banks today, proposes to fix responsibilities for indiscreet actions and unreasonable credit decisions, etc. on the part of the various layers of authority. Government reforms aim at enhancing corporate governance standards, higher transparency and disclosure norms. 10.10.3 Recent Trends in Indian Banking Sector Indian banking system is having a paradigm shift in the approach. After liberalization, many private banks have entered into the system. The concept of financial inclusion, payment banks and small finance banks are the new developments in the Indian banking system.

Financial Inclusion 'Financial Inclusion' is an important priority of the Government. The objective of 'Financial Inclusion' is to extend financial services to the large hitherto un- served population of the country to unlock its growth potential. In addition, it strives towards a more inclusive growth by making finance available to the poor in particular. 29 The National Strategy for Financial Inclusion (NSFI) 2019-24 is aimed at accelerating the level of financial inclusion across the country in a holistic and systematic manner. In pursuance of the recommendations made in the NSFI, significant headway has been made on both the supply side and demand side of financial inclusion. On the supply side, provision of banking services to more than 99 per cent of the targeted villages within their 5 km radius and sensitization of more than 1.91 lakh Business Correspondents (BCs) through conduct of about 32,000 programmes are the key achievements. Financial Inclusion Index: The Financial Inclusion Index (FI Index) released by the Reserve Bank in August 2021 aggregates relevant indicators into a composite index to map the progress of financial inclusion in the country. The index captures the expansion of banking, investments and insurance, postal as well as the pension sector and is responsive to ease of access, availability, extent of usage and quality of services, inequality and deficiency in services, extent of financial literacy and consumer protection in the formal financial system. Financial inclusion through PMJDY: Over the span of seven years, the number of total beneficiaries under PMJDY expanded to 44.12 crores, with deposits of ₹ 1.49 lakh crore as on December 15, 2021. 29

RBI Report on Trend and Progress of Banking in India 2021 released in December 2021 <https://financialservices.gov.in/financial-inclusion> Block 3: Global Financial Institutions 36

Details March 2018 March 2019 March 2020 March 2021 PMJDY accounts in Crs 31.44 35.27 38.33 42.20 Deposits in ₹ crs 78,494 96,107 1,18,434 1,45,551 Average deposit in ₹ 2,497 2,725 3,090 3,449 No. of RuPay debit cards in Crs 23.65 27.91 29.30 30.90 Village bank branches 33,378 52,489 54,561 55,112 Banking Correspondents 34,174 5,41,129 5,41,175 11,90,425 Source:

<https://financialservices.gov.in/financial-inclusion> The above data indicates that financial inclusion is reaching nook and corner of remote villages and banking services are available to larger section of needy people. The contribution of Jan Dhan Yojna is significant to the banking system. Small Banks — Operative Guidelines

The Reserve Bank of India (RBI) during September 2015 had granted 10 entities in-principle licences to open small finance banks — another move towards expanding access to financial services in rural and semi-urban areas.

Ujjivan Financial Services Pvt., Ltd., Janalakshmi Financial Services Pvt., Ltd. and Equitas Holdings Ltd., are among the 10 entities. The others are Au Financiers (India) Ltd., Capital Local Area Bank Ltd., Disha Microfin Pvt., Ltd., ESAF Microfinance and Investments Pvt., Ltd., RGVN (North East) Microfinance Ltd., Suryoday Micro Finance Pvt., Ltd. and Utkarsh Micro Finance Pvt., Ltd. Small finance banks will offer basic banking services, accepting deposits and lending to unserved and underserved sections including small business units, small and marginal farmers, micro and small industries, and entities in the unorganized sector. Small finance banks will be subject to most of the prudential norms that scheduled commercial banks have to adhere to. Smaller banks need to maintain a Cash Reserve Ratio (CRR), or portion of deposits to be set aside with the central bank, and Statutory Liquidity Ratio (SLR), or the portion of deposits to be invested in government securities, as stipulated for commercial banks. Seventy-five per cent of the credit advanced by small finance banks will need to go to sectors that are considered part of the priority sector, which includes agriculture, small enterprises and low-income earners. The other commercial banks have to mandatorily lend 40% of their net bank credit to such sectors. Small finance banks will also have to ensure that 50% of their loan portfolio constitutes advances of up to ₹ 5 lakh.

Unit 10: Banking: An International Perspective 37

Such banks can eventually apply to RBI to transit into universal banks, once they have established a satisfactory track record. Such a transition would be subject to due diligence by the banking regulator. The minimum paid-up equity capital for small finance banks was set at ₹ 100 crore and the minimum initial contribution from promoters fixed at 40%. Guidelines for Payment Banks The Guidelines for Licensing of Payments Banks were issued by Reserve Bank of India (RBI) in November 2014. The objectives of setting up payments banks will be to further financial inclusion by providing (i) small savings accounts and (ii) payments/remittance services to the migrant labor workforce, low income households, small businesses, other unorganized sector entities and other users. The Reserve Bank of India during the second fortnight of August 2015, had issued 'in principle' clearance to 11 entities - including Department of Posts, top conglomerates such as Reliance Industries and Aditya Birla Group, telecom giants like Airtel and Vodafone, and a number of tech and finance companies - to set up 'payments banks'. The payments banks can accept deposits up to only ₹ 1 lakh and cannot grant loans. They can only deposit their money in government bonds. They can issue debit cards, but not credit cards. Other than this, they can provide all the services of a universal bank. Payment banks will largely depend on mobile and ATM infrastructure to provide transaction banking services. Opening an account is expected to be like acquiring a pre-paid mobile number. Customers who do not have the means to maintain minimum balance will be welcomed into these banks as revenue will be earned through transaction charges and not on the spread of interest between deposits and loans. 10.10.4 Looking into the Future & RBI Perspective Indian banking system may witness consolidation amongst public sector banks in order to create larger banks that are globally competitive. The postal department may be reformed to become a full service bank on a national scale, perhaps on Japan's post bank model. Small finance banks and payment banks will emerge very soon on the banking horizon which will be niche players with lean structures and low capital base. Performance of Indian Banking Sector 30

100%

MATCHING BLOCK 111/230

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The Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1,485 urban cooperative banks 30

<https://www.ibef.org/industry/banking-india>

Block 3: Global Financial Institutions 38

100%

MATCHING BLOCK 112/230

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and 96,000 rural cooperative banks in addition to cooperative credit institutions. As of September 2021, the total number of ATMs in India reached 2,13,145 out of which 47.5% are in rural and semi urban areas. In

FY18-FY21,

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MATCHING BLOCK 113/230

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bank assets across sectors increased. Total assets across the banking sector (including public and private sector banks) increased to US\$ 2.48 trillion in

FY21.

96%

MATCHING BLOCK 114/230

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In FY21, total assets in the public and private banking sectors were US\$ 1,602.65 billion and US\$ 878.56 billion, respectively. During FY16-FY21, bank credit increased at a CAGR of 0.29%. As of FY21, total credit extended surged to US\$ 1,487.60 billion. During FY16-FY21, deposits grew at a CAGR of 12.38% and reached US\$ 2.06 trillion by FY21. Bank deposits stood at ₹ 162.41 trillion (US\$ 2.17 trillion) as of December 31, 2021. According to India Ratings & Research (Ind-Ra), credit growth is expected to hit 10% in 2022-23 which will be a double-digit growth in eight years.

According to the RBI, bank credit stood at ₹ 116.8 lakh crore (US\$ 1.56 trillion) as on 31st December 2021. As of February 2022, credit to non-food industries stood at ₹ 114.10 trillion (US\$ 1.53 trillion). Let us review the performance of Indian banking system in the recent past. Important parameters of the Indian banking system for the financial years: 2020 and 2021. Indicator 31-3-2020 31-3-2021 Total Assets/Liabilities ₹ Crs 1,80,14,425 1,95,94,617 Deposits ₹ Crs 1,39,75,045 1,55,90,600 Gross Bank Credit ₹ Crs 1,00,98,420 1,06,40,811 Net Bank Credit ₹ Crs 1,03,01,897 1,08,20,208 Net Profit 10, 911 1,21,998 Return on Assets (ROA) in % 0.15 0.66 Return on Equity (ROE) in % 0.80 7.71 Net Interest Margin (NIM) 2.8% 2.9% CRAR 14.8% 16.3% Tier 1 as % of Capital 85.5% 86.8% Tier 1 as % 12.6% 14.2% Net NPA in absolute terms ₹ Crs 2,89,370 2,58,228 If you see the important parameters Indian Banking System is looking up aided by the policy initiatives and fiscal stimulus given by the government and the RBI.

Unit 10: Banking: An International Perspective 39 31 RBI Perspective on Banking System Globally, the banking sector remained resilient throughout the pandemic, aided by extraordinary policy initiatives by central banks and governments. Higher capital, better liquidity buffers and lower leverage allowed them to cushion the shock of the pandemic. Measures such as moratorium on payment of loan instalments, asset classification standstill, restructuring of loans and restrictions on dividend payouts alleviated the stress, while helping banks to continue to provide credit to productive sectors. A fallout of the pandemic and the slowdown in economic activity is that credit growth of scheduled commercial banks (SCBs) remained subdued in 2020-21 but non-banking financial companies (NBFCs) have stepped up to fill this space. In H1:2021-22, although credit growth of SCBs has shown some uptick, concerns have emerged about NBFCs' asset quality. *Capital Buffers Basel 3 standards (2009) prescribe minimum regulatory capital requirements, a capital conservation buffer, a counter-cyclical capital buffer and a leverage ratio (Table 1). There has been animated debate on the adverse impact of these capital requirements on bank lending versus the importance of these buffers in minimizing taxpayer funded bailouts. Meanwhile, banks are aligning their capital positions with these norms. In several jurisdictions, including India, national regulators have set capital to risk-weighted assets ratio (CRAR) at a level slightly higher than the Basel minimum (Table 2). There has been animated debate on the adverse impact of these capital requirements on bank lending versus the importance of these buffers in minimizing taxpayer funded bailouts. Meanwhile, banks are aligning their capital positions with these norms. In several jurisdictions, including India, national regulators have set CRAR at a level slightly higher than the Basel minimum (Table 2). Table 1: Basel 3 Guidelines a. Capital Requirements Regulatory Capital As per cent to risk-weighted assets I. Minimum Common Equity Tier 1 (CET1) Ratio 4.5 II. Capital Conservation Buffer (CCB) 2.5 III. Minimum Common Equity Tier 1 Ratio plus Capital Conservation Buffer (I + II) 7.0 IV. Additional Tier 1 Capital 1.5 31

RBI Report on Trend and Progress of Banking in India 2021 released in December 2021

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Block 3: Global Financial Institutions 40

V. Minimum Tier 1 Capital Ratio (I + IV) 6.0 VI. Tier 2 Capital 2.0 VII. Minimum Total Capital Ratio (MTC) (V+ VI) 8.0 VIII. MTC plus CCB (II+VII) 10.5 b. Liquidity Ratios Liquidity Coverage Ratio: Minimum 100 per cent by January 1, 2019; Net Stable Funding Ratio: At least 100 per cent on ongoing basis: Table 2: Jurisdictions with Higher Capital Adequacy Norms Jurisdiction Minimum Common Equity Ratio Minimum Tier 1 Capital Ratio Minimum Total Capital Ratio Requirement under Basel 3 4.5 6.0 8.0 Brazil 11.0, gradually aligning to Basel III by 2019 India 5.5 7.0 9.0 China 5.0 6.0 8.0 South Africa 5.0 6.75 9.0 Mexico (includes CCB in minimum requirements) 7.0 8.5 10.5 Switzerland 4.5 to 10.0 6.0 to 13.0 8.0 to 19.0 Turkey 4.5 6.0 12.0 Singapore 6.5 8.0 10.0 * Source: Regulatory Consistency Assessment Programme (RCAP) reports of the Bank for International Settlements (BIS). Check Your Progress - 1 1. Which of the following is true with regard to the Hong Kong banking system? a. Hong Kong has one of the best banking and financial systems in the world b. Its financial market has four distinct segments namely, domestic finance, Mainland China finance, Asian finance and Global finance c. Hong Kong has adequate autonomy with regard to banking regulatory matters, and for administrative aspects it has linkage with Mainland China

Unit 10: Banking: An International Perspective 41

d. The banking system of Hong Kong has a good performance track record in terms of stable earnings growth, strong capital position, sound asset quality, and liquidity conditions e. The Hong Kong banking system does not offer any specialized services to its customers apart from deposits and loans 2. Which of the following is not true with regard to the banking system in Japan? a. It suffers from deflationary spiral b. Japan has a very weak banking system c. Its exposure to sensitive sectors is very less d. It has adopted a "Big Bang" model for banking reforms e. The banking system in Japan continues to invest very heavily in the treasury bonds in the absence of any appreciable credit demand 3. Which of the following is false with regard to the banking system in Brazil? a. It has a place of primacy in the economy's financial system b. It implemented reforms called "REAL" plan of 1994 c. Its top 50 banks accounted for over 86 percentage of assets d. In the pre-reform period, Brazilian banking essentially was a state monopoly e. It can register a very stunted and low growth from 2018 onwards 4. Which of the following is true with regard to the banking system in the EU? a. The five largest banks of EU account for 13 per cent of total bank assets b. EU banks' cross-border presence positively contribute to financial integration in Europe c. The EU is now implementing what is called as "Single Rule Book" for Euro system d. EU directives adopted under the Financial Sector Action Plan (FSAP), has structurally impacted the security markets e. The banking system is not predominant in the financial intermediation of the EU 5. Which of the following is not true with respect to the banking system in China? a. Banking reforms initiated in the year 1978 have proved to be slow paced and less effective b. There is discernable progress with regard to restructuring liberalization, recovery and regulations in the recent past

Block 3: Global Financial Institutions 42

c. It has opened its banking system to foreign direct investment d. People's Bank of China (PBOC). It is responsible for the economy's monetary policy, maintenance of FOREX reserves and gold market e. The Chinese banking system is dominated by the big four banks

Activity 10.1 Assume that you are working for AX Telenet Solutions company in Hyderabad as a financial advisor. Your company has entered into an agreement with Hi- phone company in the US to start its first business venture in Boston. You are required to give a detailed report on the US banking system, so that your management understands the banking system of US, which will help them to invest in Hi-phone company. 10.11 Global Banking Outlook In the earlier topics, we have seen how the banking industry is performing in major economies like Hong Kong, Japan, Brazil, European Union, China, US and India. We have also familiarized the learner with a traditional banking activity "Islamic banking" "practised by some wealthy Islamic countries. Future outlook of the industry is an important aspect to be looked into by a management student. The industry takes lessons from history and makes amendments and adopts new innovative management strategies to sustain in the market. Banking industry is not an exception. The major global financial crisis in 2008 (sub-prime mortgage loan crisis and subsequent crisis situation in US banking industry and its cascading effect) brought a paradigm shift in the growth model of banks. The industry has taken on the 32 following trends, viz slower size growth, balanced asset allocation, stable overseas expansion, stronger cost control and improved corporate governance. Similarly, many management consulting firms and intelligentsia have provided their expectation of the global banking system. 32 Institute of

International Finance Global Banking Industry Outlook 2016 Annual Report (Issue 6) December 7, 2015

Unit 10: Banking: An International Perspective 43

One of the leading consulting firms, Deloitte (2018) 33 published a report on Banking Outlook – Accelerating the Transformation; a brief content of the report is presented here for a better perspective on the future global banking. Deloitte explored the challenges most banks face in balancing the need to restructure their foundations for the long-term with finding near-term growth. The following six macro themes have been identified as critical for long-term growth. 1. Customer centricity 2. Regulatory recalibration 3. Technology management 4. Mitigating cyber risk 5. Fintechs and big techs 6. Reimagining the workforce The report also drilled down into five business segments to address how these long game themes may begin to play out in the near future a. Retail banking b. Corporate banking c. Payments d. Wealth management e. Capital markets Let us try to understand each of the macro themes briefly. 1. Customer Centricity Long-term sustainable growth in the banking industry seems only possible with a radical departure from a sales- and product-obsessed mindset to one of genuine customer centricity. Further, banks have to rationalize strategies to target the right markets, right customer segments, and right solutions. The need for customer centricity can be well understood, if one can visualize that with the widespread digital disruption, banks may even face the risk of losing control over the customer experience. In India, in spite of new digital banking facilities, large number of customers visit the branches for banking needs. The report observed that in the US, the focus on customer experience does not appear as widespread as one might expect. 34 This aspect needs a conscious focus. 33

file:///C:/Users/admin/Downloads/Deloitte%202018%20Report%20on%20the%20future%20of%20Global%20Banking.pdf 34 Source: DBR Research© February 2017 The Financial Brand

Block 3: Global Financial Institutions 44 2.

Regulatory Recalibration 2018 presents an opportunity to modernize regulatory compliance and bring together disparate silos created for individual compliance goals. The report observed that regulatory compliance should be aligned with business strategy, as otherwise, it could put banks at the risk of unmet regulatory expectations and subpar performance. 3. Technology Management To help banks become more agile, bank CIOs should manage their portfolio of technology assets to emphasize activities that truly differentiate the bank. Technology resources at most banks are becoming difficult to manage, with a hodgepodge of systems, platforms, software, and tools — much of it legacy infrastructure that demands significant resources and capital to ensure that operations run smoothly. As such, modernizing core operating infrastructure is an obvious priority. 4. Mitigating Cyber Risk The potential for cyber risk has been increasing with greater inter- connectedness in the banking ecosystem, rapid adoption of new technologies, and continued reliance on legacy infrastructure designed for a different age. For example, as automation kicks into high gear through robotic process automation (RPA) and cognitive technologies, developing cyber security protocol in the design and oversight of these systems will be key. Similarly, as banking inevitably intersects with the Internet of Things (e.g., smart watches, AI devices); cyber risk will have to become a dominant component in every decision. Open application programming interfaces (APIs) are another examples of cyber vulnerability that will need particular attention. 5. Fintechs and Big Techs Fintechs continue to lead innovation in the banking industry by sharpening their focus on customer experience. Banks face a number of choices: replicate what fintechs are doing, respond with equally innovative solutions, become more symbiotic and less competitive, or pursue a mix of these strategies that fit their unique capabilities and market positions. The report observed that, banks can develop a more nuanced approach to fintechs by disaggregating the impact of fintechs on various business functions, including operations, finance, and marketing. Exploring open APIs can also be important, as open banking would speed the integration into the rapidly morphing fintech-based ecosystem. The all-important byproduct of all of these efforts would be that incumbents become more adept at developing solutions that customers (existing and prospective) want and need.

Unit 10: Banking: An International Perspective 45

Example: Baking Industry – 2022 The havoc created by Covid 19 pandemic had put banks in a make-or- break situation. It tested banks' resilience in most unexpected ways. There had been a tectonic shift which had reconfigured the global financial system in many ways such as- a. Abnormal growth in digitization b. Convergence of industries c. Fusion of technologies d. Proliferation of increasingly intertwined ecosystems e. Blurring of product constructs. The shift in financial operations created by digital assets would have revolutionized the way money was created, transferred, stored, and owned. The drastic changes in the financial architecture forced banking leaders to adjust the workplace and how work has to be done. In many countries, especially in India, digital transformation was going ahead at full speed, while it had been incremental, localized, and fragmented that resulted in a technology trap and prevented many banks from realizing the full potential of their investment. The focus areas of the banking and financial market were: 1. Cyber risk and financial crimes to be managed 2. Handling fintech and biotech's adopting new methods 3. M&A to be encouraged on large scale 4. Financial sector to be promoted on large scale 5. Digital assets to be the order of the day in future 6. Risk and compliance to be handled in innovative methods 7. Avoid technology trap Source: <https://www2.deloitte.com/us/en/insights/industry/financial-services/financial-services-industry-outlooks/banking-industry-outlook.html> dated 17th November 21 Accessed on 08.08.22 6. Reimagining the Workforce Banks should consider rethinking their workforce strategy given how work is evolving – with increasing automation and greater diversity in the labor pool. The future workforce is expected to also be more diverse than it is today. In addition to permanent employees and contract staff, it will likely include freelancers who work with multiple banks, fintech hackathoners to generate novel solutions, and even robots that work alongside humans. While it is tempting to think that technical talent might be all that a bank really needs to

Block 3: Global Financial Institutions 46

succeed in a technology-driven world, it would be short-sighted to ignore the value of enduring human skills. Banks should continue to align the organization more deliberately with the values of employees as part of corporate social responsibility (CSR) and environmental, social, and governance (ESG) efforts. Having identified the six macro issues, banks should consider preparing strategies for the segments of businesses while thinking around long-term and sustainable growth. a. Retail banking Banks should capitalize on the shift to a mobile-centric world by reorienting targeting strategies, product portfolios, and delivery models. Mobile usage in banking is very likely at the epicenter of customer experience. A strong mobile offering can also make the customer a partner in compliance. Banks can use rewards or discounts to customers to provide consent or verify information on an app. For example, to speed up compliance and drive down costs. Verifying customer identity with facial recognition technology is another application that can enhance experience and reduce on-boarding costs. b. Corporate banking Global commercial and industrial (C&I) lending has been a mixed bag. Europe has witnessed caution as non-performing loans (NPLs) hit new highs. Whereas in China, historically high NPLs have been curtailed as authorities force banks to improve their balance sheets. In the United States, despite tepid loan demand, rising rates have benefitted C&I lending. Corporate banking groups should ramp up their digitization efforts, especially in businesses that still heavily rely on manual, paper- based activities. c. Payments Incumbent payment providers have to make tough choices on whether to be one-stop providers of traditional and digital, frictionless solutions, or to leave some of the payments pie to the exclusive domain of fintechs and other emerging players. d. Wealth management Banks' wealth management units should keep the focus on the customer, as the migration to fee-based accounts accelerates and robo-advice becomes pivotal to both distribution and the brand. Access to high- quality advice is being democratized like never before and mass-market and mass-affluent customers are now able to avail themselves of services that were previously affordable only to high-net-worth clients.

Unit 10: Banking: An International Perspective 47

Wealth management services could become the anchor for customer relationships in critical segments, especially among the mass affluent. e. Capital markets Automation and Artificial Intelligence are changing many of the drivers of competitive differentiation in capital markets in the front and back office —creating substantive knock-on effects on operations, talent, and business strategy. Fixed income commodities and currencies (FICC) trading has been emblematic of ups and downs in capital markets activity in recent years. The report concludes that banks that build the right capabilities and make the strategic choice to ride out near term pressures to stay with the FICC business could see big pay-offs. Activity 10.2 You are contemplating to start a business of electronic components/spare parts in India. Through your survey you understand that one company in China by name Xiing Xing supplies electronic components in bulk. As you need to import such electronic components, you have to understand the banking system in China. Give a write-up on the banking system in China. Check Your Progress - 2 6. Which of the following is false with regard to the US banking system? a. US banking system has been severely damaged by the sub-prime crisis b. Universal banks have a place of dominance c. Community banks have a niche area of operations d. US financial system has both diversity and fragmentation e. Major banks are not given a free hand to decide their own regulator 7. Which of the following is not true with regard to the Indian banking system? a. Tardy economic growth has constrained corporates' performance resulting in delinquent corporate loans b. Loans to infrastructure have not performed well c. Non-performing loans in the farm sector have been showing improvements d. Banks presently are less profitable and experience lower growth rates e. Inadequate storage and marketing arrangements, absence of a meaningful crop insurance system etc.

Block 3: Global Financial Institutions 48 8.

Which of the following is not true with regard to global banking? a. Balance sheet efficiency b. Mergers & Acquisitions c. Growth d. Global unity e. Payments transformation 9. Which of the following is false with regard to growth of global banking? a. Growth will be a universal priority, yet strategies will vary by bank size and business line b. Investment in customer analytics could help banks better devise targeted cross-selling strategies c. Leveraging digital technologies to elevate the customer experience in both business and retail banking d. Banks should ensure that prudent underwriting standards are not overlooked e. Learning from non-bank technology firms, and establishing selected partnerships will cut down the competition 10. Which of the following is true with regard to increasing cyber insecurity? a. Greater inter-connectedness in the banking ecosystem b. Rapid adoption of new technologies c. Continued reliance on legacy infrastructure designed for a different age d. Internet of Things (IoT) such as smart watches e. Greater inter-connectedness in the banking ecosystem; rapid adoption of new technologies; continued reliance on legacy infrastructure designed for a different age; internet of things such as smart watches 10.12 Summary ? International banking and financial system plays a vital role in the global economy. This unit discusses various systems and features of banking across the globe. Some banks in Hong Kong, Japan, China, Brazil, EU, US and India were discussed in brief. ? Different systems were adopted by these banks in order to restrain global competition. Some of the banks spread across the globe and set their own standards. Various systems were developed by these banks to encounter cut-throat competition. All the banking systems have a good performance track record in terms of stable earnings growth, strong capital position, sound asset quality, and liquidity conditions.

Unit 10: Banking: An International Perspective 49 ?

Hong Kong has one of the best banking and financial systems in the world. Its financial market has four distinct segments namely, domestic finance, mainland China finance, Asian finance and global finance. ? Japan has a very weak banking system whose problems of rising non-performing assets and mounting losses had assumed crisis proportions in the recent past. A paradox for a nation, which once boasted of occupying the first 6 ranks of the top 10 major banks' list, globally. ? Brazil's banks are classified as federal government owned banks (which account for 28 per cent of the assets of the top 50 banks) numbering 5, state government owned banks (4 per cent and 4 banks). Domestic private banks (38 per cent and 21 banks), foreign controlled private banks (23 per cent and 19 banks), besides one foreign participation private bank by name Unibanco, which has a share of 7 per cent of the assets. ? The five largest banks of EU account for 53 per cent of total bank assets. EU banks' cross-border presence positively contributes to financial integration in Europe. In many member countries, a trend towards centralization of services across institutions could be observed, especially in the areas of credit risk management, settlement, invoicing and payment transactions. Many banks have been embarking on outsourcing of various non-core services, especially IT and back-office functions. The banking system remains predominant in financial intermediation in the EU. Banks' assets reached over 280 per cent of GDP. ? China's decision to open up the sensitive banking system to Foreign Direct Investment (FDI) draws from long experience in restructuring its inefficient state-owned manufacturing industry. China has transformed itself into a successful global competitor, largely due to massive foreign direct investments. The Chinese government hopes that foreign investments in the ailing domestic banking system will bring in, along with additional capital, the more important contributions of modern banking practices, risk management techniques, new products and services, and international standards of governance. Foreign investments, on the other hand, are attracted by China's rapid economic growth, enormous untapped market potential, customer bases and distribution networks. ? Community banks in US complement the role of large banks by specializing in relationship banking and providing credit to small business, a sector that is arguably under-served by large banks. In addition, community banks serve customers in rural and small metropolitan areas that are not served by large banks. They are important lenders in the farm economy. They serve the retail deposit needs of mid-segment depositors.

Block 3: Global Financial Institutions 50 ?

The banking system in India has a place of primacy in the financial sector as 85 per cent of the financial assets are with the banking system. As of 2017,

76%

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Indian banking system comprises 27 public sector banks, 21 private sector banks, 44 foreign banks, 56 regional rural banks, 1562 35 urban co-operative banks and 93550 rural

co-operative banks. Public sector banks control nearly 75 per cent of the market, thereby leaving comparatively much smaller space for its private peers. ? Deloitte has made recommendations for the global banking system to gain better strength and efficiency. 10.13 Glossary Bank Intermediation: A situation in which a financial institution stands between counterparties in a transaction. Complex Bonds: These bonds have certain features that may improve the return on your investment. But, they also have additional risks. They include: ? Strip bonds ? Index bonds ? Real return bonds Deflationary Spiral: Deflationary spiral is an economic argument which proposes that runaway deflation can eventually lead to the collapse of the currency given certain conditions and constraints. FDI: A Foreign Direct Investment (FDI) is a contribution to the equity part of the company in a business enterprise in one country by an entity based in another country. Financial Inclusion is extending financial services to hitherto unserved population of the country to unlock its growth potential and facilitate a more inclusive growth by making finance available to the poorer sections. Indradhanush is a new 7-pronged scheme introduced by the Government of India in 2016 budget. It was to revamp functioning of public sector banks - an exercise undertaken by the Government to assess the capitalization needs of public sector banks during the financial year 2016-17. Islamic Banking is a faith-based banking, based on the principles enunciated by the Shariah (Islamic canonical law based on the teachings of the Koran and the traditions of the Prophet). It prescribes both religious and secular duties and sometimes retributive penalties for law-breaking, essentially targeted to the Muslim population. 35

<https://www.bloomberquint.com/business/giving-indias-urban-cooperative-banks-another-chance#gs.3QFp2b4>

Unit 10: Banking: An International Perspective 51

Recapitalization of Banks comes about through issuing new shares or loan from a government. Essentially, recapitalization involves providing the bank with new capital. Real Plan of 1994 for Brazil: The Plano Real (Real Plan) was based on an analysis of the root causes of inflation in the post-military dictatorship of Brazil. It concluded that there was both an issue of fiscal policy and severe, widespread inertial inflation. Securitization is a process of pooling and repackaging homogeneous illiquid loan assets into marketable securities. This facilitates the issuer company to create liquidity for further expansion. Single Rulebook: The "Single Rulebook" provides a single set of harmonized prudential rules which institutions throughout the EU must respect. Solvency Ratio: The solvency ratio is only one of the metrics used to determine whether a company can stay solvent. Other solvency ratios include: debt to equity, total debt to total assets, and interest coverage ratios. Trust Banks are commercial and long-term credit banks in the Japanese banking system. Trust banks manage portfolios and raise funds through the sale of negotiable loan trust certificates. 10.14 Self-Assessment Test 1. Write a short note on banking system in Hong Kong. 2. Explain performance indices of banking system in Japan. 3. Write a short note on banking system in Brazil. 4. Write about banking system in Europe. 10.15

Suggested Readings/Reference Materials 1. Anthony Saunders, Marcia Cornett, Anshul Jain (2021). Financial Markets and Institutions. McGraw-Hill. 7 th edition 2. I.M. Pandey, Financial Management (2021). 12 th edition, Vikas Publishing House. 3. Jeff Madura (2020). Financial Markets and Institutions – Asia Edition, 13 th edition; Cengage Learning 4. P. G. Apte (2020). International Financial Management; Tata McGraw-Hill Education Private Limited; 8 th edition 5. Prasanna Chandra (2019). Financial Management – Theory and Practice, 10 th edition, New Delhi: Tata McGraw-Hill 6. Frank J. Fabozzi, Frank J. Jones (2019). Foundations of Global Financial Markets and Institutions. Mit Press. 5 th edition 7. Brealey Myers (2018). Principles of Corporate Finance, 12 th edition, USA: McGraw-Hill Companies Inc.

Block 3: Global Financial Institutions 52 10.16

Answers to Check Your Progress Questions 1. (d) Banking system of Hong Kong has a good performance track record in terms of stable earnings growth, strong capital position, sound asset quality, and liquidity conditions 2. (c) Its exposure to sensitive sectors is very less Less exposure to sensitive sectors is not true with regard to Japan's banking system. 3. (e) It can register a very stunted and low growth from 2018 onwards This is a false statement since the Moody's 2018 report identifies potential for growth in Brazilian banking system. 4. (b) EU banks' cross-border presence positively contribute to financial integration in Europe Five largest banks of EU account for 53 per cent of total bank assets that positively contribute towards financial integration, greater transparency for cross-border M&A. 5. (e) Chinese banking system is dominated by the big four banks Chinese banking system is dominated by the big four banks, namely, Bank Of China (BOC), The Industrial and Commercial Bank of China, The Agricultural Bank of China (ABOC) and China Construction Bank. 6. (e) Major banks are not given a free hand to decide their own regulator US banking system severely damaged by the sub-prime crisis has a place of dominance; community banks have a niche area of operations. Major banks are given a free hand to decide their own regulator. 7. (c) Non-performing loans in the farm sector have been showing improvements This statement is not true with regard to the Indian banking system. 8. (d) Global unity Global unity is untrue with regard to global banking. 9. (e) Learning from non-bank technology firms, and establishing selected partnerships will cut down the competition Growth will be a universal priority, investment customer analytics, leveraging digital technology and prudent underwriting standards are true with regard to the growth of global banking. Learning from non-bank technology firms, and establishing selected partnerships will be critical for innovation and a competitive edge.

Unit 10: Banking: An International Perspective 53 10. (

e) The cyber security threat is from the following four mentioned below Greater inter-connectedness in the banking ecosystem, rapid adoption of new technologies; continued reliance on legacy infrastructure designed for a different age; Internet of Things such as smart watches.

Unit 11 Thrift Institutions: Operational Issues and Regulatory Issues Structure 11.1 Introduction 11.2 Objectives 11.3

Nature and Significance of Thrift Institutions 11.4 Thrift Institutions vs. Banks 11.5 Some Perspectives on the US and the European Thrift Deposit Institutions 11.6 Thrift Institutions in France and Germany 11.7 Thrift Institutions in the UK 11.8 Thrift Institutions in the United States 11.9 Role of Thrift Institutions in Developing Countries 11.10

Thrift Regulations in United States 11.11 Thrift Regulations in the UK 11.12 Thrift Regulations in India 11.13

Summary 11.14 Glossary 11.15 Self-Assessment Test 11.16 Suggested Readings/Reference Materials 11.17 Answers to Check your Progress Questions "

I believe that thrift is essential to well-ordered living" - John D. Rockefeller 11.1 Introduction One has to cultivate the habit of thrift for happy future. In the previous unit, we have studied about banking system in Hong Kong, Japan, Brazil, EU, China, India. In this unit, you will be studying about

nature and significance of thrift institutions, history of development of the US and European thrift deposit institutions, thrift institutions in France and Germany, the UK and the USA. We will also study the role of thrift institutions in developing countries, thrift regulations in the US, the UK and India.

Unit 11: Thrift Institutions: Operational Issues and Regulatory Issues 55 Thrift institutions are institutions that mobilize savings of the community, and extend savings and credit facilities for the middle-class, and poorer sections of the community. The most popular forms

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of thrift institutions in the United States and Europe are savings banks, savings and loan associations, and credit unions.

Sector-wise cooperative societies and cooperative banks are popular thrift institutions in India, and other developing countries like Bangladesh and Pakistan. A study of their origin and development is important for appreciating the vital role played by these institutions in the global financial system today. Thrift institutions have their origins in Europe and the United States. They have evolved through the process of recognizing the community needs world over. They aimed to achieve the objectives of financial inclusion and end the ill-effects of the stranglehold of the money-lenders and the practice of usury. This unit discusses the origin of these institutions and their gradual transformation. In most countries, the distinction between the regular banks, which lend commercial loans and the thrift institutions is narrowing with a single regulating agency supervising the work of both. 11.2

Objectives After studying this unit, you will be able to: ? Explain the

purpose of savings / thrift and the significance of thrift institutions and assess how they are beneficial to the low income groups ? Identify the similarities between thrift institutions and conventional banks ? Outline the evolution of thrift institutions in US and Europe and know the development of thrift deposit institutions across various economies ? Recognize the importance of thrift institutions in major economies like France and Germany, the UK, Europe and the USA keeping the modalities of the regulatory system of the thrift institutions in these geographical areas ? Identify the development of thrift institutions in India and know how they cater to the needs of low income groups 11.3 Nature and Significance of Thrift Institutions Money lending and money changing were very old activities (there are records of loans by Babylonian Temples as early as 2000 BC). The early beginnings of investment and commercial banking may be traced to 12th century Italy. These family-owned and managed firms evolved into modern commercial banks. In addition to accepting deposits and financing foreign trade, these houses made a market in foreign exchange, extended short and medium-term loans to entrepreneurs, rulers, noblemen, and the clergy, and invested in industrial and commercial ventures. Mostly, they catered to the needs of the rich.

Block 3: Global Financial Institutions 56 The poor and the middle income groups had no avenues either to save their surplus or to borrow on reasonable terms. Thrift institutions evolved out of this need of the common people. They are basically of three types viz., Savings and Loans Institutions (S&Ls), Savings Banks and Credit Unions. Credit unions tend to emphasize extension of consumer loans. Many thrift institutions were established as mutual organizations, owned by their depositors rather than shareholders. However, in recent years, many savings and loan associations have de-mutualized and re-organized as joint stock companies. Cooperatives also emerged as business organizations owned by individual members or business stake-holder members, and sometimes outside investors holding equity. These stake-holders can include employees and customers of the cooperatives. Governments - the world over formulated favorable policies conducive for the growth of cooperatives/thrift institutions, extending many incentives and tax benefits. The trend in developing countries especially is that a lot of emphasis is placed on the growth of the thrift institutions. A typical thrift institution emphasizes workers' or members' participation and control, local ownership and control, and community development. In the United States and European countries, thrift institutions have been quite common in the agricultural industries, providing grain and fertilizers. Some examples are brands such as Sunkist, Florida's Natural and L and O'Lakes etc. Cooperatives have also been major participants in the retail sector. In the realm of housing, the thrift industry was created to provide low-cost, fixed-interest rate mortgages for housing. Micro-financing is rapidly expanding in developing countries. It is helpful for people who live below the poverty level or lack land ownership rights. Micro- financing helps these people to save their meagre amounts regularly, and in fact, enhances their savings habit. Micro finance companies also provide loans to its members at low rates of interest which in turn help their members to meet any financial obligations. Micro finance was very successful in Bangladesh because of its business model, which helped the poorest of the poor by providing loans at very low rates of interest. Example: Role of Savings Banks and Thrift Industry IBISWorld's analysts in its research report had provided an update of the savings bank and thrift industry and the following were the observations made. ? US thrift and savings banks' market size was \$54bn with over 5,317 businesses benefited from the various programs and employed around 0.81 lakh people ? The savings banks and thrifts industry experienced a revenue contraction in 2020 due to higher delinquency rates, deferrals and loan forbearance programs Contd....

Unit 11: Thrift Institutions: Operational Issues and Regulatory Issues 57 ? The industry continued to benefit from participation in the Pay-check Protection Program (PPP) ? Renewed economic growth, favourable legislative changes and the pursuit of merger and acquisition strategies were expected to benefit the industry over the five years to 2026 ? Revenue growth was expected to be restrained by the declining status of the industry and continued market share loss to commercial banks increased housing demand by consumers, decreased business investment and participation in the PPP had affected the industry. Source: <https://www.ibisworld.com/united-states/market-research-reports/savings-banks-thrifts-industry/> dated 30th December 2021 Accessed on 08.08.22 Activity 11.1 Raju is the member of the Duncan Thrift, which is a thrift institution in the US. What is the importance of thrift institutions to the individuals? Answer: 11.4 Thrift Institutions vs. Banks There are many differences in the operational issues of thrift institutions and commercial banks. The law and the regulatory systems are different. Protection of the depositor's money is an important aspect in both these institutions. Major differences are given as under. Thrift institutions serve the savings and credit needs of local communities. Many savings and loan associations have been formed to underwrite mortgage loans and provide consumer savings accounts. Banks are institutions devoted to serving the needs of commerce, to extend commercial and personal credit, and to administer financial services and products. The regulatory framework is more often than not different for thrift institutions and normal commercial banks. In the United States, either state or central government can sanction commercial bank charter. It's up to the bank's stock-holders to take a decision keeping in mind their requirements for growth. National banks receive charters from a division of the US Treasury - the Office of Thrift Supervision (OTS). In the Indian context: Section 5(b) of the Banking Regulation Act, 1949, "

91%

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banking" means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise.

Block 3: Global Financial Institutions 58 of the Comptroller of the Currency. Commercial banks can make a decision to trade a state charter for a federal one. Savings and loan agreements also can originate at the national or state level. Either the Federal office or the head office or a state government's regulatory division can issue S&L (Savings & Loan) charters. As regards ownership, thrift institutions draw their capital requirements from the members for whose benefit the institution is established and loans are extended to the members. This type of ownership model is referred to as mutual ownership. On the other hand, banks are nationally or regionally operated institutions, which are established with a profit motive owned by stockholders and managed by a board of directors. Hence, depositors and borrowers can't own a commercial bank. Thrift institutions have to follow several restricted lending practices with regard to the size of the loan, eligibility of members, etc. For example, in the US, thrifts may lend only up to 20 per cent of their assets to commercial loans. Only half of that amount can be used for small-business loans. To obtain borrowing approvals from Federal Home Loan Bank, a S&L member must meet a "qualified thrift lender test" to confirm that 65 per cent of the assets are invested in mortgages and consumer-related assets. Commercial banks have no such restrictions and are subjected to different lending and prudential norms. The trend of late, in many countries has been to eliminate the differences between the two types of organizations, viz., thrift institutions and banks and to make them operate under the same regulatory bodies. In the US, some of the nation's largest thrifts are even owned by commercial bank holding companies. Example: Gradual Decline of Thrift Institutions There were many a times that the banks acquired the thrift institutions for strategic growth and FED regularly released such information in its website. During the first quarter of 2022, the assets and liabilities of commercial banks increased by \$62.9 billion due to acquisition of thrift institutions. Further domestically chartered commercial banks divested some of their portfolio \$5.0 billion as well. The Savings Banks and Thrifts industry had experienced a revenue contraction due to higher delinquency rates, deferrals and loan forbearance program. During the period 2016-21, the thrift industry had continued its long-term decline due to rising competition from financial technology companies and commercial banks. Sources: i) <https://www.federalreserve.gov/releases/h8/h8notes.htm> dated 26 th May 2022 Author- FED ii) <https://www.ibisworld.com/united-states/market-research-reports/savings-banks-thrifts-industry/> dated 31 st December 2021 Date of access- 08.08.22

Unit 11: Thrift Institutions: Operational Issues and Regulatory Issues 59 11.5 Some Perspectives on the US and the European Thrift Deposit Institutions The evolution of thrift institutions and their emergence as strong savings organizations has its roots in US and European countries. In this process, the concept of de-mutualization 37 has also come into thrift institutions. Thrift institutions have evolved primarily to provide savings avenues and low- cost, fixed interest rate mortgages specifically for housing. Three types of thrift institutions viz., 1) Mutual Insurance 2) Credit Unions and 3) Savings Institutions are a common-place in the financial sector. The first successful cooperative in the United States was the 'Philadelphia Contributionship', a mutual fire insurer founded by Benjamin Franklin in 1752. Cooperatives are very active in Europe, particularly in construction industries. The best known and most successful cooperative over the past 70 years has been the Mondragón Cooperative Corporation (MCC), a complex of more than 120 cooperatives based in the Basque region of Spain. In 2013, it had employee strength of more than 80,000 and its revenues exceeded Euro 14 billion. There has been a de-mutualization trend among cooperatives in the United States, especially in the financial services industries. Mutual insurance companies owned by policy-holders such as Prudential Insurance Company, AmerUs / Indianapolis Life, Phoenix Home Life, John Hancock and MONY have de-mutualized and become publicly traded stock corporations. A large number of savings and loan institutions owned by depositors have also de-mutualized. A savings association or savings and loan association is an institution chartered by the Office of Thrift Supervision (now administered by the Office of the Comptroller of the Currency) that was founded to accept deposits and make mortgage and other loans. The industry dates from the early 19th century in the US and is rooted in the 18th century British building societies. The thrift industry was created to provide low-cost, fixed-interest rate mortgages for housing. The Federal Home Loan Bank Board (FHLBB) and the Federal Savings and Loan Deposit Corporation (FSLIC) were created in 1932 and 1934 to regulate and insure the thrift industry. A savings bank is an institution similar to a commercial bank, but is established primarily to receive deposits of money, maintain and pay interest on said deposits for the benefit of depositors. 'Savings banks' as institutions were originally founded in the 18th and 19th centuries in Europe and the US. Their main objective was to maintain the safety of deposits rather than extend credit. However, they started performing traditional lending functions in course of time. 37 It refers to transitioning a firm held by mutually agreement of some people into a joint stock company by going public.

Block 3: Global Financial Institutions 60 The typical savings and loan association obtains a significant share of its funding (approximately 70%) from savings and time deposits. Thus, the funding of S&Ls tends to be somewhat more long-term oriented than for commercial banks. This longer-term orientation complements the investment strategy of the typical S&L (savings and loan). Approximately, 80% of its assets are longer-term mortgage loans and mortgage-backed securities. Example: Savings and Thrift Institutions in Europe and US There had been a decline in credit institutions especially thrift and savings bank institutions in European nations.

96%

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The countries that experienced the largest contraction in absolute terms in 2020 were Austria (-29), Germany (-25),

Finland (-15), Italy (-15) and Ireland (-13). However, there had been a marginal growth of such institutions in Luxembourg (+2), Denmark (+2) and France (+1) in 2020.

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The number of credit institutions in the EFTA countries (Iceland, Norway, Switzerland and Liechtenstein) was 398 in 2020, down from 406 in 2019,

and

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EFTA continued experiencing a slower pace with a decline of 19% compared to 33% in the EU-27.

In case of US, the COVID-19 (coronavirus) pandemic posed a further setback to the industry. There is not a good news for the next five years 2021-26 either as the industry. Sources: i) <https://www.ebf.eu/wp-content/uploads/2022/01/FINAL-Banking-in-Europe-EBF-Facts-and-Figures-2021.-11-January-2022.pdf> dated 11th January 2022 ii) <https://www.ibisworld.com/united-states/market-research-reports/savings-banks-thrifts-industry/> dated 30 th December 2021 Date of access- 08.08.21 Check Your Progress – 1 1. Which of the following groups is the target of the Thrift institutions serve? a. Local communities b. State communities c. Regional communities d. Zonal communities e. International communities 2. Which of the following is the objective of the Credit unions? a. Industrial loans b. Agricultural loans c. Consumer loans d. Gold loans e. Property loans

Unit 11: Thrift Institutions: Operational Issues and Regulatory Issues 61 3. Which of the following is the third type of Thrift institutions other than. Savings and Loans Institutions (S&Ls), Credit Unions? a. Industrial Banks b. Savings Banks c. Grameena Banks d. Infrastructure Banks e. Foreign Exchange Banks 4. In the United States, which of the following charter can be issued by the federal government or a state government? a. World Bank Charter b. Central Bank Charter c. Commercial Bank Charter d. Industrial Bank Charter e. Agricultural Bank Charter 5. Which of the following entities can issue charter to National banks in USA? a. Comptroller and Auditor General b. Comptroller of International Finance c. Comptroller of External Affairs d. Comptroller of Currency e. Comptroller of Finance 11.6 Thrift Institutions in France and Germany The concept of savings bank emerged in France in early 1800's. The savings bank concept in Germany (though) started a century earlier than France. Later, these institutions emerged into a strong base for managing savings of income groups. The legal frame work in these two European countries is however different. The European Association of Co-operative Banks (EACB) represents 27 member institutions and cooperative banks in Europe. The co-operative banks / thrift institutions play a major role in the financial and economic system, according to EACB. 38 With 2,700 locally operating banks and 42,000 outlets, co-operative banks are widely represented in the European Union. They serve 223 million customers – around half of the EU population – mainly consumers, SMEs and communities. Quite often co-operative banks are among main local employers had 705,000 employees in the EU according to its Annual Report for the year 2021. 38 EACB Annual Report 2021

Block 3: Global Financial Institutions 62 39 Key financial indicators of European union cooperative banks are as follows as on 31 st December 2020. ? Total Assets: Euro 88,21,420 millions ? Total Deposits Euro 46,43,400 millions ? Loans to Customers Euro 49,41,658 millions ? Net Profit after Tax Euro 22,031 millions Importance of the savings banks in France is enumerated below. 11.6.1 Savings Banks in France Caisse d'Epargne de Paris was the first known savings bank in France. It was founded in 1818 by the directors and shareholders of an insurance company. By the year 1845, approximately 350 savings banks were set up, mainly by private groups or municipal authorities. It was mandatory for savings banks to keep their deposits with the Caisse des Depots et Consignations, which was a state institution answerable to the French Parliament. Transformation to a perpetual state annuity in the holder's name was required once an individual's deposit reached 50 francs. Thus, savings bank funds were utilized to fund the public debt, either in the form of floating debt or in the form of perpetual annuities. But the perpetual annuities created liquidity problems and losses for the banks if they had to be sold in times of crisis and at low values. Over time, the French savings banks, like their counterparts in the UK, developed an extensive network of its branches, and expanded their horizon to cover supplementary services. Benefiting from controlled retail deposit interest rates, low transaction costs and fiscal incentives, they accounted for a large share of household deposits, although in the last decade, they suffered from the emergence of money market funds, the growing popularity of mutual funds and life insurance policies. Credit cooperatives are another class of thrift institutions in France. They were first established in 1893 and were known as the "Claisse Durrities". In order to meet the needs of the middle class, legislation was passed after World War II, to encourage the creation of "banques populaire". Crédit Agricole is one of the largest financial cooperative businesses globally. As on 31 st December 2020 the key indicators of bank were: Total assets euro 2.217.512millions; deposits euro 963.433millions; loans euro 965.490 millions and net profit euro 4.689 millions. It was founded in 1882. It is one of the oldest banks in France, headquartered in Strasbourg, employing about 82,000 staff across 4,587 branches, serving 23.8 million customers. Groupe Credit Mutuel-CIC was formerly known 39 <https://www.eacb.coop/en/cooperative-banks/key-figures.html>

Unit 11: Thrift Institutions: Operational Issues and Regulatory Issues 63 as CM10-CIC Group. It provides services in retail and corporate banking, personal wealth management, property insurance, developer finance, real estate, remote surveillance, technological services and electronic wallet solutions. As on 31 st December 2020 the key indicators of bank were: Total assets euro 1.021.610millions; deposits euro 522.100millions; loans euro 530.600millions; net profit euro 3.114 millions. Based in Paris, Group BPCE is one of the leading banks in France was established in 1818, As on 31 st December 2020 the key indicators of bank were: Total assets euro 1.446.269 millions; deposits euro 630.837 millions; loans euro 746.809 millions; net profit euro 1.610 millions. 11.6.2 Savings Banks in Germany The first German Savings Bank was founded in 1768 in Brunswick followed by the establishment of one in Hamburg in 1778 (Cahill 1913:75). They spread swiftly to other German cities as well as to Swiss cities such as Bern and Zurich. German savings banks were mainly public institutions, established by municipal and other local authorities and operated under their tutelage and guarantee. Savings banks were founded to provide the poorer classes a place for the safe deposit of small sums of money. Because they catered to the low-income groups, the savings banks placed upper limits on deposit balances. In addition, they provided no credit facilities, as this would have contradicted their stated purpose. By 1836 about 280 savings banks existed in Germany and their number grew to 1200 by 1850. The number of deposits with the savings banks increased with the stepping up of industrialization after 1860. By 1913 the deposits in German savings banks touched 20 billion Marks. The eight big joint stock banks held only 5 billion Marks. To facilitate withdrawals and deposits, the savings banks established large branch networks and collecting agencies. These totaled well over 7,500 units in 1910 which including the head offices created a total network of more than 10,000 outlets. Unlike the counterparts in Britain and France, German savings banks were not required to deposit their funds with the state treasury or to invest in government bonds and they began to give loans to small scale producers in the early phase of their development itself. In 1911 about 60 per cent of their deposits were invested in mortgage loans, secured on urban and rural property. Slightly less than 25 per cent of funds were invested in securities and a very small proportion was invested in personal loans. Credit cooperatives were first established in Germany to cater to the needs of artisans and small traders. The first rural credit cooperative was founded in 1840. They did not become popular because of the implications of the unlimited liability concept. However, in 1889, a law has been passed introducing the concept of limited liability, after which there was growth of credit cooperatives.

Block 3: Global Financial Institutions 64 The present position in Germany is that the thrift institutions are under pressure because they are publicly owned to facilitate infusion of external capital to finance expansion. There are calls for their privatization and amalgamation into the commercial banking sector. The share of cooperative banks in Germany deposits 22.8% and loans 22.4 as on 31 st December 2020. This is a significant share in German Economy. More than 3 crore people of members of these cooperative banks at the end of year 2020. The key indicators of cooperative banks of Germany are: Euro Millions as on 31 st December 2020 Total assets 14,75,929 Deposits 9,37,876 Loans 890.576 PAT 5.034 Source: EACB Annual Report 2021 Example: Pandemic, a Blessing in Disguise for German Thrift Institutions Pandemic forced the people to save for healthcare expenses across the world and France was no exception when people had saved over €150 billion and for the first time there had been an accumulation of more than €500 billion which was

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linked to less travel and socialising during the health crisis.

In case of Germany, the Germany's trillion-euro savings banks mulled crypto wallet as the interest in crypto assets was huge and the clients of the German Savings Banks were fine with

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the project. The move came against a backdrop of high inflation and penalty charges on banks and savers from negative interest rates.

Sources: i) <https://www.connexionfrance.com/article/Practical/Money/Pandemic-boosted-French-savings-Options-beyond-bank-current-account> dated 9 th December 2021 ii) <https://www.reuters.com/markets/europe/germanys-trillion-euro-savings-banks-mull-crypto-wallet-2021-12-13/> dated 13 th December 2021 Accessed on 08.08.22 11.7 Thrift Institutions in the UK Unlike in Germany and other European countries where savings banks had the support of local authorities in their formation, in Britain the initiatives to form savings banks were taken by private individuals, principally by the affluent donors. The first savings banks in the UK were established by Reverend Henry Duncan in Scotland in 1810. In 1804 the Tottenham Benefit Bank was established to facilitate people in Tottenham to deposit their savings in an institution that was guaranteed by 'a few respectable persons of property'.

Unit 11: Thrift Institutions: Operational Issues and Regulatory Issues 65 In the United Kingdom, by 1815 the number of savings banks was at twenty six it grew to seventy eight by 1816 and 465 by 1818. They were established as private institutions but were bound by law to deposit their funds with the department of national savings. National savings, in turn put these funds in government bonds. The rate of interest paid to savings banks was often higher than the coupon rate on government bonds. By 1816 their number had increased to 638, although formation of the Post Office Savings Bank in the same year, led to a lot of savings banks closing down. These savings banks have been now merged into one group that culminated in the 1987 flotation of the TSB Group as a full-fledged, stock owned conglomerate. Unlike in other parts of Europe, credit cooperatives were not popular in the UK for several reasons. The farmers had already enjoyed a trade credit from the suppliers and hence were not starved for funds. Also the banks with large number of branches even in rural areas were extending credit to farmers and craftsmen. More importantly, the concept of unlimited liability of the credit societies was not very popular in the UK. As on 31 st December 2020 the key indicators of bank were: Total assets euro 496.337millions; deposits euro 341.613 millions; loans euro 395.468 millions; net profit euro 894 millions. Example: Savings rates were diving south As per a report by Bank of England for the period 2021-22, due to poor returns on savings / thrift, people were getting attracted to risky investments. The report added that the most competitive interest offers was 2% and the savings were losing the value as the inflation was hovering over 2.5%. It appeared that neither the inflation was likely to come down in near future nor the interest rates were likely to move northwards. This would certainly impact the savings and thrift institutions in the near term as per the report. Source- <https://www.theguardian.com/money/2021/aug/07/uk-savings-rates-are-tumbling-what-can-you-do> dated 7 th August 2021 Accessed on 08.08.22 11.8 Thrift Institutions in the United States 40 41

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There are three major types of depository institutions in the United States. They are commercial banks, thrifts (which include savings and loan associations and savings banks) and credit unions.

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Commercial banks are generally stock corporations whose principal obligation is to make a profit for their shareholders. Banks receive deposits, and hold them in a variety of different accounts; extend credit through loans and other instruments; and facilitate the movement of funds. 40

<https://portal.ct.gov/DOB/Consumer/Consumer-Education/ABCs-of-Banking--Banks-Thrifts-and-Credit-Union> 41 Source: <https://www.fdic.gov/bank/analytical/qbp/2017mar/sav4.html>
Block 3: Global Financial Institutions 66

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States and the federal government each issue bank charters. State-chartered banks operate under state supervision and, if they fail, are closed under provisions of state as well as federal law. National banks are chartered and regulated by the Office of the Comptroller of the Currency (OCC), a division of the Treasury Department. Banks can choose between a state or a federal charter when starting their business, and can also convert from one charter to another after having been in business. Commercial banks receive deposit insurance from the Federal Deposit Insurance Corporation (FDIC) through the Bank Insurance Fund (BIF). All national banks, and some state-chartered banks, are members of the Federal Reserve System. Savings and loan associations and savings banks specialize in real estate lending, particularly loans for single-family homes and other residential properties. They can be owned by shareholders ("stock" ownership), or by their depositors and borrowers ("mutual" ownership). These institutions are referred to as "thrifts," because they originally offered only savings accounts, or time deposits.

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Both savings and loan associations and savings banks may be chartered by either the federal Office of the Comptroller of the Currency (OCC) or by a state government regulator. Generally, savings and loan associations are insured by the Savings Association Insurance Fund (SAIF), and savings banks are insured by the Bank Insurance Fund (BIF).

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Credit unions are cooperative financial institutions, formed by groups of people with a "common bond." These groups of people pool their funds to form the institution's deposit base; the group owns and controls the institution together. Membership in a credit union is not open to the general public, but is restricted to people who share the common bond of the group that created the credit union.

Credit unions accept deposits in a variety of accounts. All credit unions offer savings accounts, or time deposits; the larger institutions also offer checking and money market accounts. Credit unions' financial powers have expanded to include almost anything a bank or savings association can do, including making home loans, issuing credit cards, and even making some commercial loans. Credit unions are exempt from federal taxation and sometimes receive subsidies, in the form of free space or supplies, from their sponsoring organizations. Credit unions were first chartered in the U.S. in 1909, at the state level. The federal government began to charter credit unions in 1934 under the Farm Credit Association, and created the National Credit Union Administration (NCUA) in 1970. States and the federal government continue to charter credit unions.

The thrift industry in the US comprises of primarily savings, loan associations, and mutual savings banks along with credit unions. Thrifts are generally differentiated from commercial banks as they are managed by different agencies. Their balance sheets historically include different assets and liabilities. Different deposit insurance corporations guarantee their deposits. Thrifts, which have had primarily long-term, fixed-rate assets, have relied principally on time and savings

Unit 11: Thrift Institutions: Operational Issues and Regulatory Issues 67 deposits for financial support. In comparison, commercial bank assets had predominantly shorter-term commercial loans, and their liabilities were more varied. At the end of 1986, 3,987 savings institutions held 55 per cent of all US financial intermediaries' assets with approximately \$1.4 trillion in assets, while 14,188 banks had approximately \$2.8 trillion in assets. Over the past twenty-five years, thrifts have grown at a greater speed in comparison to banks. Regardless of a sharp fall in the number of savings institutions, thrifts maintained their proportion of US financial intermediary assets at 19 per cent from 1960 to 1986, while the commercial banking share dropped from 43 per cent to 37 per cent. In view of the importance of thrifts, the regulators focused on the interest rate risk and formulated rules insisting on the thrift institutions' management to safeguard against the ill-effects of faulty lending procedures and reliance on fixed interest loans. Credit unions in the United States have been the strongest segment in the thrift institutions. Credit unions are cooperatives or mutually owned organizations controlled by their members who make deposits or loans. Deposits in credit unions are treated as shares on which dividend is paid, instead of interest. The main asset portfolio of credit unions consists of small consumer loans. The investments are mainly in US treasury bills and FDIC insured time deposits. The National Credit Union Administration (NCUA) regulates credit unions and provides for deposit insurance coverage.

Example: Broad-Based Economic Recovery in US Expected to Drive Thrift Industry Growth In an industry report published in August 2021 by IBIS world, most of the thrift institutions did not have a market share of over 5% in US market and the total market size was around \$54bn. The major players were People's United Bank, New York Community Bancorp Inc and Sterling Bancorp. Most of the operators in the savings banks and thrifts industry served as depository institutions for interest-bearing products, such as savings accounts and certificates of deposit (CDs) etc. There had been a continuous decline of these institutions since 2016 and the outlook is not very bullish either for the next five years. However, there was a silver lining as well. There was a strong possibility that savings banks and thrifts industry were expected to exhibit some resilience due to strong macroeconomic conditions in the overall economy. If the expectations came true, the industry would stand to benefit from renewed growth in the commercial and residential real estate markets, with construction and rental markets expected experience growth over the next five years (i.e., 2022-2027). Source:

<https://www.ibisworld.com/united-states/market-research-reports/savings-banks-thrifts-industry/> dated 30 th December 2021.

Accessed on 08.08.22 42 www.brookings.edu

Block 3: Global Financial Institutions 68 Main difference between Credit Unions and Banks The bottom line is that banks are for-profit institutions, while credit unions are non-profit. Credit unions are non-profits, which mean they are customer-owned. However, you must qualify for a membership. Many companies provide access to credit unions, and even churches, communities, schools or employee groups can earn a membership. Credit unions work by member ownership - the criteria of which include joining a community group, having a family member or spouse connect you to their employer's provided credit union, or even checking on the options for your geographical location or area. Generally, credit unions claim better customer service, but given their nature as non-profits, many tax exemptions the institutions enjoy don't always impact customers. Still, due to how credit unions are essentially member-owned, each customer Acts almost as an investor. In fact, a 2017 American Customer Satisfaction Index Finance and Insurance Report shows that customers rate credit unions with higher satisfaction than banks, scoring 82 out of 100. A big concern when choosing between a bank and a credit union is safety. Credit unions, if federally insured, are backed by the NCUSIF, credited by the US government, whereas bank funds are insured by the FDIC (another government-backed agency). Both the FDIC and the NCUSIF are able to protect up to \$250,000 per depositor under current laws. With funds exceeding said amount, additional accounts at the same institution or at different institutions may be necessary. 11.9 Role of Thrift Institutions in Developing Countries The reach of thrift institutions to the common man is very high across all economies. The concept "Financial Inclusion" is being encouraged by Reserve Bank of India and the Indian Banking system. The role of thrift institutions in developing countries is complementary to the banking habits of the common man. The financial systems in developing countries today have many features in common with the financial systems of the developed countries.

Commercial banks have major role in the European and US financial systems. Moreover, they were established by affluent citizens with an aptitude for business. They were essentially for the rich and by the rich. Pension and mutual funds had not started yet and insurance companies were underdeveloped. Consequently, middle and low-income people had limited access to formal financial services, and they relied heavily on informal sources. On the other hand, savings were unproductively hoarded. This gap in the provision of financial services in developing countries can be explained by, unequal distribution of income, high information and transaction costs, and weak enforcement mechanisms. In Europe and the United States, over time, different types of institutions, including savings banks, credit

Unit 11: Thrift Institutions: Operational Issues and Regulatory Issues 69 cooperatives, and credit unions appeared to fill up this market gap. Many developing countries have created special institutions to lend and cater to the banking needs of the poor. However lot more effort is required to help these institutions reach the poor in rural areas. An integrated program to build solid institutions requires the following elements: 1. Strong leadership by attracting people with integrity, high ideals, and commitment to help the poor. 2. Strong emphasis on education and the dissemination of information about the workings and benefits of the institution. 3. An official policy that encourages self-help and avoids total reliance on external funding. 4. Most important, dynamic peer supervision and the implementation of contractual obligations. In most developing countries, including India, thrift institutions have taken the form of cooperative societies and cooperative banks. During the British rule in India, Mr. Nicholson, a British Officer in India, suggested 'Find Raiffersen in India', i.e., introduced Raiffersen model of German agricultural credit cooperatives in India. As a follow-up of that recommendation, "agricultural credit cooperatives" were formed in villages under the Cooperative Society Act of 1904. It was sponsored by the government. With the enforcement of this Act, cooperatives got legal identity. This Act was later repealed by the 1912 Cooperative Societies Act. The 1912 Act led to the formation of cooperative societies. Under the 1919 Administrative Reforms, every province was made responsible for cooperative development. Multi-Unit Cooperative Societies Act, 1942 was introduced by the Indian Government with an object to cover all societies whose operations extended beyond the boundaries of one state. Later the central government enacted a comprehensive Act known as Multi-State Cooperative Societies Act, 1984, repealing the Act of 1942. Based on the recommendation of the Mirdha Committee and the "Model Cooperative Societies Act", Government of India enacted the Multi-State Cooperative Societies Act, 2002, which provided for democratic and autonomous working of the cooperatives. The Multi-State Cooperative Societies Act, 2002 came into force with effect from August 19, 2002. In 43 2016, Indian cooperative structures remained as one of the largest such networks in the world with more than 200 million members. It had about 67% penetration in villages and funded 46% of the total rural credit. It also stood for 36% of the total distribution of rural fertilizers and 28% of rural fair price shops. 43 2016: www.khoj.mitsom.edu.in

Block 3: Global Financial Institutions 70 Activity 11.2 Raju Gupta is planning to start a co-operative society for farmers in a remote village of Gujarat. What should be the role of Raju to make this society as an on-going concern? Answer: In the Indian scenario the failure of a cooperative bank will have large scale impact on the depositors, who come from middle and low income groups. Same is the case with savings institutions and thrift institutions in other countries. A strong regulatory system is required to protect the saver from the bankruptcy of the thrift institution. Let us understand some of the regulatory aspects of the thrift institutions. The origin of thrift institutions can be traced to the early 18th century. Many savings and loan associations and mutual savings banks emerged to provide working class and lower income groups with a means of gaining access to mortgage loans. Credit unions emerged in the first decade of the nineteenth century to provide working class and lower income groups with a means of gaining access to personal loans. In emerging economies, thrift institutions have been fashioned on the lines of their development in Europe and the United States. They have taken the form of cooperative societies in countries like India. The governments of these countries put in place legislations to encourage the growth of these institutions on the right lines and to protect the interests of the investors. None of these thrift institutions provided the range of banking services offered by the traditional banks. Each category of the thrift institutions specialized in specific services. And even though mutual savings banks used the word "bank," none were really or officially considered to be banks. These institutions did not offer the full range of services offered by the banks. In the beginning, the laws were very liberal both in Europe and the United States, but gradually they became strict as a result of mismanagement and bankruptcy of some of these institutions. One of the main restrictive provisions contained in the earlier laws was the concept of unlimited liability which hindered the growth of these institutions in Europe. As a result, governments in the UK, Germany and France have relaxed this provision to popularize these institutions.

Unit 11: Thrift Institutions: Operational Issues and Regulatory Issues 71 Example: Challenges to Cooperative Banks in India Cooperative banks in India, similar to thrift institutions in other countries played an important role in mobilizing deposits from the lower and middle income groups in urban and rural areas, as an avenue for savings. Failure of a cooperative bank had a large-scale impact on the depositors. This was amply proved in case of

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Punjab and Maharashtra Cooperative (PMC) bank fiasco (September 2019), which left frantic depositors to withdraw their hard-earned money.

By the end of March 2020, the sector comprised of 1,539 urban cooperative banks of which 54 were scheduled urban cooperatives and 1485 were non- scheduled urban cooperatives. Rural cooperative banks were 97,006 of which 97,993 were primary agricultural cooperatives. The RBI in its report in 2020-21 had noted that the agricultural lending had diminished from 64% in late 90's to 12% in 2020. Further the sector had faced financial challenges such as frauds committed by the members, poor asset quality and dwindling profits. Onset of Covid 19 had further eroded their profits as they had not introduced online transactions. Some of UCB's had negative net worth as per finance ministry. This forced the government and RBI to improve the regulatory guidelines. The cooperative banks had been brought under the supervision of RBI after the BR act was duly amended by the parliament in 2020 post PMC collapse. With a strong regulator, one can look at an improved performance of cooperative banks in near future. Source: <https://timesofindia.indiatimes.com/>

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[business/india-business/explained-why-cooperative-banks-in-india-are-struggling/](https://timesofindia.indiatimes.com/business/india-business/explained-why-cooperative-banks-in-india-are-struggling/)

articleshow/84321360.cms dated 11 th July 2021 Accessed on 08.08.22 11.10 Thrift Regulations in the United States The Great Depression of the 1930's triggered huge unemployment rate problems in the US and at some stage during that period it caused a 25 per cent to 33 per cent contraction of the US economy. This phenomenon escalated failure of savings and loan associations and many people lost their money. This scenario warranted strict regulatory frame work to monitor thrift institutions. In the United States, thrift institutions, in the form of Savings and Loans Associations, Mutual Savings Banks, and Credit Unions, can be chartered either by the federal government or by one of the states. They have started functioning since the 1830s, and have been instrumental over the decades in helping the middle class obtain home ownership. Economic and financial turmoil in the 1970s triggered a substantial number of thrift institution bankruptcies, and led to a reorganization of the industry in the 1980s. And, while the number of institutions has fallen, they remain an important financial intermediary in the financial system, and are subjected to regulation both at the state and federal levels.

Block 3: Global Financial Institutions 72 The Great Depression of the 1930's gave rise to an unemployment rate of 25 per cent and to a 33 per cent contraction of the US economy. A quarter of a million families lost their homes in mortgage foreclosure proceedings. The response of the government of the day was the promulgation of the first federal regulation of the thrift institutions, viz., the Federal Home Loan Bank Act (FHLB) 1932. Till that time, there was no significant role of the federal government in regulating the thrift industry. However, as the downturn during the depression was taking a toll on the financial system, the government decided to pursue a far more interventionist concept of the federal government's role. By 1932, the conditions in the housing sector and the closely related savings and loan industry were so dire that government intervention was necessary. One major purpose of the Federal Home Loan Bank Act was to create a credit reserve intended to increase the supply of credit available to the housing market, thereby allowing people to buy and maintain homes. However, the credit program did not achieve this objective. While 41,000 homeowners applied for FHLB loans in the first two years after its enactment, the government agency administering the program approved just three applications. This Act laid the foundation for federal regulation of the thrift institutions in particular and the housing sector in general. FHLB system was central to the success and regulation of the thrift industry consisting of twelve regional FHLBs and the Federal Home Loan Bank Board (FHLBB) headquartered in Washington, D.C. On the lines of the Federal Reserve Bank, FHLB acted as a lender of the last resort when thrift institutions faced financial strain. The FHLB system helped the government to put in place additional legislation to help fund home ownership. In 1933, Congress adopted the Home Owners' Loan Act, which awarded \$770 million to the thrift industry to help deal with the borrowers who could not repay their loans. Again, in 1934, the US government adopted the National Housing Act, which extended deposit insurance to the thrift industry. At the peak of its power, the FHLBB chartered federal thrifts and regulated the activities of federal savings & loans, and savings & loan holding companies. None of these regulatory tasks had been part of the federal government's responsibilities prior to the Federal Home Loan Bank Act. 44 By 1981, some 44 per cent of the savings and loan industry was federally chartered and 93 per cent of the nation's savings and loans were members of the FHLB bank system. By the early 1980s, the federal regulatory framework founded by the Federal Home Loan Bank Act had successfully strengthened the savings and loan industry, and facilitated home ownership. 44 www.encyclopedia.com

Unit 11: Thrift Institutions: Operational Issues and Regulatory Issues 73 45 Home ownership rate in the United States

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increased to 63.70 per cent in the fourth quarter of 2016 from 63.50 per cent in the third quarter of 2016. Home ownership rate in the United States averaged 65.28 per cent from 1965 until 2016, reaching an all-time high of 69.20 per cent in the second quarter of 2004 and a record low of 62.90 per cent in the second quarter of 1965. This

is one of the parameters to understand the consumption pattern of the households. In the 1980s, however, problems for thrifts arose as interest rates soared as the result of an increasingly restrictive monetary policy. The asset portfolio of thrifts mainly consisted of fixed interest rate loans committed to low interest, and long- term mortgages. During 1989, thrift failures became a disturbing phenomenon. The government was obliged to adopt suitable changes in the regulation. The initiative was to permit the thrift institutions to pursue more profitable lending activities. The Financial Institutions Reform Recovery and Enforcement Act of 1989 (FIRREA) radically changed the regulatory geography for thrifts. The FHLBB was abolished and replaced with the "Office of Thrift Supervision", which has remained the primary regulator of federal thrifts. As a result of these regulatory initiatives, there were no notable run on the thrift institutions, even if some issues are seen in the thrift institutions. Their failures had no major impact on the macroeconomic stability. The housing industry did not collapse, as it had in the Great Depression. The thrift industry has managed to prosper and continues to fulfill its original role to support the nation's housing industry, and to make housing available to more Americans. 46 As per the National Association of Retailers in the US, the home sale in the US in 2017 is the lowest since 1999. From coast to coast, the sellers are finding it extremely difficult to sell their inventory. Especially in a state like California, homes sales were lower by 14% as compared to 30 years before, though there are ample prospective buyers, but they simply cannot afford to buy it for various reasons like high interest rates, change in administration, etc. However, Nela Richardson, Chief Economist for Redfin, agents for buyers and sellers of real estate, in her blog, predicted five trends that will uplift the housing market in the US by 2017. Some of the enactments made by the US government in order to regulate the thrift institutions are explained below. 11.10.1 The National Credit Union Administration Act (NCUA) The NCUA Act basically brought about lot of changes in the regulation of credit unions. The Act authorizes federal credit unions to make residential real estate loans on cooperatives. It also amended the Federal Credit Union Act. The Act now permits credit unions to increase the loan rate ceiling from 12 per cent to 15 per cent. The NCUAB (National Credit Union Administration Board) may establish a higher interest ceiling for periods not exceeding 18 months after 45 <http://www.tradingeconomics.com> 46 <http://www.cnn.com/2017/03/23/this-is-whats-behind-the-severe-housing-drought.html>

Block 3: Global Financial Institutions 74 consultation with the appropriate committees of Congress and the federal financial institution regulatory agencies, if it determines that money market interest rates have risen over the preceding 6-month period, and that prevailing interest rate levels threaten the safety and soundness of the individual credit unions. It authorized the federal home loan banks to be drawees of, and to engage in or to be agents for the collection and settlement of checks, drafts, CDs or any other negotiable or non-negotiable items or instruments of payment drawn on or issued by the members of any federal home loan bank or institutions eligible for membership. The Act also requires a federal home loan bank to make reasonable charges for clearing services consistent with the principles set forth in the Federal Reserve Act on pricing for services. The Act permits a federal home loan bank to utilize the services of, or act as agent for or be a member of, a Federal Reserve Bank, clearinghouse, or other public or financial institution or other agency in the exercise of these clearing and settlement functions. The act permits the NCUAB to authorize the 'Central Liquidity Facility' or its agent members to engage in the same collection and settlement functions as described above with respect to the federal home loan banks. Powers of the thrift institutions and miscellaneous provisions contained in the Act authorize Savings and Loan Companies (S&Ls) to invest up to 20 per cent of assets in consumer loans, commercial paper and corporate debt securities. The Act permits S&Ls to invest in shares or certificates of open-end investment companies registered with the SEC (e.g., money market funds) if the portfolio of the fund is restricted to investments that S&Ls may make directly. The Act expanded the authority of S&Ls to make real estate loans by removing the geographic area restriction on lending, substituting a 90 per cent loan-to-value limit in place of the existing \$75,000 limit, and removing the first lien restriction on residential real estate loans. The Act expands the authority of S&Ls to make acquisition, development and construction loans. S&Ls now can also issue credit cards, extend credit in connection with credit cards, and engage in credit card operations. The Act now permits S&Ls to exercise the trust and fiduciary powers under restrictions and protections, similar to national banks. 11.10.2 Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA) This is one of the most important pieces of legislation in the hundred-year history of the Federal Reserve. The title of the Act itself indicates two major areas of concern that the legislation hoped to address – 1) the deregulation of institutions that accept deposits, and 2) efforts to improve the control of monetary policy by the Federal Reserve. The regulatory environment for banks and other depository institutions required a major overhaul due to changing conditions. Interest rates rose to double-digit levels, primarily as a result of high rates of inflation. However, the rates that depository institutions were allowed to pay on their deposits were limited by laws

Unit 11: Thrift Institutions: Operational Issues and Regulatory Issues 75 in effect since the 'Great Depression' (of the 1930s). Consequently, savers began to avoid banks as vehicles for their savings and placed their funds in unregulated entities such as mutual funds.

Unfortunately, some savers, notably lower-income households, could not access such alternatives easily, and the rate on their savings was significantly below what was available in financial markets. This set of circumstances made savings less attractive and at the same time reduced banks' traditionally important role in financial markets. The purpose of this Act has been to encourage savings. The Act aims at the gradual elimination of all limitations on the rates of interest which are payable on deposits and accounts, and to authorize interest-bearing transaction accounts. Until this time, the maximum interest rate that banks and other institutions could pay on deposits was regulated by the federal government under what was known as 'Regulation Q'. In fact, banks were not allowed to pay any interest on checking accounts (or "demand deposit" accounts), and at the time the Act was signed, the rate on savings accounts at banks was set at 5.25 per cent. But market interest rates were in double digits, as witnessed by, the rate on short-term treasury securities of over 12 per cent. So, banks and other traditional types of depository institutions were at a severe disadvantage in attracting deposits compared with less-regulated competitors, such as money market mutual funds. Because of restrictions on interest rates, savers who used traditional banks and other types of depository institutions were penalized by being denied a market rate of interest for their funds. Not surprisingly, funds flowed out of banks, and savings by households tended to suffer, a process known as "disintermediation." The Act phased out restrictions on interest rates that depository institutions could offer on their deposits. To ensure an orderly transition to this new environment, the phase-out lasted six years. Eliminating restrictions on rates not only improved the ability of banks to compete for funds, it encouraged consumers to save more since they were now able to get a higher return on their savings accounts and had greater access to different accounts that paid a market rate of interest. With inflation running at double-digit rates in the late 1970s, tighter control over the money supply became increasingly important. The Act required all institutions that accepted deposits ("depository institutions") to meet reserve requirements. Reserve requirements are an important tool the Federal Reserve can use to achieve desired changes in the money supply. Until this time, only commercial banks that were members of the Federal Reserve System were required to hold reserves, and by 1980 less than 40 per cent of the banks were members. Now the Act brought under its purview, thrift institutions such as savings and loans and credit unions, whose deposits are also part of the money supply, but were not subject to the Fed's reserve requirements. This was limiting the Fed's ability to control the money supply. Reserve requirements mandate that depository institutions set aside a certain amount of their funds either in the form of vault cash or the accounts they keep

Block 3: Global Financial Institutions 76 at regional Federal Reserve Banks. The amount they have to keep in reserve is based on the size of their deposits. The Act contained an eight-year phase-in of new reserve requirements for non-member institutions. Also, any institution holding reserves would now be eligible for discount-window borrowing, which had previously only been available to member banks. Additional reporting requirements for depository institutions' assets and liabilities were also part of the Act, again to help the Federal Reserve gain greater control of the money supply. Another important feature of the Monetary Control Act was the requirement that the Federal Reserve begin charging fees for certain services it provided. These included currency and coin storage for institutions, check clearing and collection services, wire transfers, and safekeeping of securities. The fees were required to be sufficient to cover all direct and indirect costs associated with the provision of these services. Because some large banks also provided many of such similar services, the Federal Reserve was required to give due regard to the competitive factors and the provision of an adequate level of such services nationwide. Besides the monetary control and deregulatory components of the legislation, certain other features of the Act affected financial markets and consumers. For instance, the Act authorized banks to provide automatic transfer services from checking to savings accounts and expanded deposit insurance coverage from \$40,000 to \$100,000. 11.10.3 Dodd-Frank Wall Street Reform and Consumer Protection Act, 2010 ("Dodd-Frank Act") The 2008 financial crisis in the United States was considered to be the result of regulatory laxity. Hence, in 2010, the then US President, Barack Obama's administration brought about a number of legislative changes in an attempt to prevent the recurrence of events that caused the 2008 crisis. The Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly referred to as simply "Dodd-Frank", is supposed to lower risk in various parts of the US financial system. It is named after US Senator Christopher J. Dodd and US Representative Barney Frank, because of their significant involvement in the Act's creation and passage. Dodd-Frank established new government agencies such as the 'Financial Stability Oversight Council' and 'Orderly Liquidation Authority', which monitor the performance of companies deemed "too big to fail" in order to prevent a widespread economic collapse. The new 'Orderly Liquidation Fund' provides money to assist with the liquidation of financial companies that have been placed in receivership because of their financial weakness. Additionally, the council can break up large banks that may pose a risk to the country's financial system because of their size. It can also facilitate quicker liquidation or restructuring of firms it deems too financially weak. Similarly, the new Federal Insurance Officer

Unit 11: Thrift Institutions: Operational Issues and Regulatory Issues 77 identifies and monitors insurance companies that may pose a systemic risk. The Act has brought major reforms in order to protect the consumers. The new Consumer Financial Protection Bureau (CFPB) is tasked with preventing predatory mortgage lending, improving the clarity of mortgage paperwork for consumers, and reducing incentives for mortgage brokers to push home buyers into more expensive loans. The CFPB has also changed the way credit card companies and other consumer lenders disclose their terms to consumers. It requires loan terms to be presented in a new, easy-to-read-and-understand format. Another key component of the Dodd-Frank, viz., Volcker Rule restricts the ways in which banks can invest and regulate trading in derivative products. Example: Proposal to Strengthen and Modernize Community Reinvestment Act Regulations Federal Bank Regulatory agencies had mooted a joint proposal for community reinvestment. The specific elements of the proposal- a. Basic banking services with specific reference to access of credit and investments to be expanded across the low and moderate income communities b. Banks to extend internet and mobile banking facilities and necessary changes to be made. c. There should be transparency, clarity and consistency in the banking services d. Community reinvestment Act should be tuned while evaluation is done based on the banks size and type e. Unified approach to be ensured f. Financial inclusion and community engagement to be promoted g. Small value loans and investments to be given more importance especially to LMI communities h. There should be regular evaluation of retail lending with focus on community development loans i. CRA framework to include thrift institutions, smaller banks and savings banks j. Mid course correction to be undertaken after obtaining feedback from the stakeholders. Source: <https://www.occ.gov/news-issuances/news-releases/2022/nr-ia-2022-47.html> dated 5th May 2022 Accessed on 08.08.22

Block 3: Global Financial Institutions 78 Activity 11.3 Raju Gupta is working as financial advisor for a small American bank in Texas State in the US. In order to understand about thrift institutions with regard to economic changes, the Board of Directors asked for a report on thrift institutions. What are the basic features of the thrift institutions in the US? Answer: 11.11 Thrift Regulations in UK Thrift institutions in United Kingdom (UK) were known as mutual societies. The first such society was 'Equitable Life', which was founded in 1762. The legal basis of this society was the Friendly Societies Act of 1819. These were formed to meet the needs of a growing urban working class. Formation of thrift institutions in the nature of self-help groups allowed small individual contributions to be pooled for mutual benefit by way of insurance benefit and provision of financial products. These societies helped to raise funds for housing and consumer durables when commercial banks were not making this facility available. The concept of credit union arrived quite late in the United Kingdom. The first credit union in the UK was formed in Derry, Northern Ireland in 1960, and later the concept spread to other parts of the UK. As far as the regulation of credit unions was concerned, the first concerted legislation was the Credit Unions Act 1979. As per the provisions of the Act, all credit unions were required to be registered with the Registrar of Friendly Societies. The Registrar is responsible for ensuring that the credit unions had satisfactory record and adhered to a common set of rules. The credit unions are required to submit quarterly and annual returns to the registrar. The registrar is endowed with the powers to suspend the management if the affairs of the credit union are not conducted satisfactorily. With these measures, the number of credit unions registered increased significantly. The registration of credit unions spurted from the late 1980s to the early 1990s. Their number increased four-fold from 1987 to 1994. Between 1994 and 2000, a large number of small credit unions closed or merged with other credit unions. 660 credit unions were regarded officially registered in 2000 alone. A further 220 credit unions had failed to submit their annual returns to the registrar.

Unit 11: Thrift Institutions: Operational Issues and Regulatory Issues 79 According to the Bank of England, the number of credit union members in Britain nearly doubled from 562,000 in 2004 to almost 1.04 million in 2012. The total assets increased from £ 432 million to £ 956 million. However, the number of active credit unions in Britain fell from 565 in 2004 to 512 in 2015. Prudential Financial Authority and Financial Conduct Authority are the two agencies regulating the affairs of the credit unions. They were regulated by the Financial Services Authority from July 2002. Before the Credit Union Act 1979 was passed, there was no special legal structure for credit unions in the UK. Some of the early credit unions chose to register under the Companies Act, and some under the Industrial and Provident Societies Act. In June 2008, the treasury announced plans to encourage the growth of credit unions by broadening the common bond and removing outdated restrictions. This was done with the intention of significantly reducing the influence of money lenders who were charging very high rates of interest. Certain amendments to the Credit Union Act 1979 were made by the Legislative Reform (Industrial and Provident Societies and Credit Unions) Order 2011 (SI 2011/2687). This was done with a view to remove the restrictions on membership, to reach out to new groups by serving more than one group of people. The amendments were made to provide services to community groups, businesses and social enterprises with specific business loans, and to offer interest on savings, instead of a dividend, in line with mainstream banking. Example: Operating environment to be enhanced Thrift institutions in United Kingdom (UK) were mutual societies, which played an important role in success of the industry. In this regard, Preston MP, Sir Mark Hendrick had introduced a new Bill in Parliament during the first week of June 2022 which proposed a way for mutuals,

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co-operatives, friendly societies and mutual insurers to grow and develop

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their businesses while securing their commitment to member ownership and control. The bill

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bill had been introduced to meet the following objectives- a. An option for legacy reserves to be indivisible. b. Tax neutrality for Mutuals Deferred

Share c. Modernisation updates to 1992 Friendly Societies Act. The following were the important contents of the new bill: 1. Capital structure of community benefit societies and co-operatives to be amended. 2. To bring in additional capital through external sources. 3. Laws to the societies need to be more friendly while in case of mutual deferred shares, the tax neutrality to be established. Contd....

Block 3: Global Financial Institutions 80 4. The operating environment should be made more friendly and flexible so that coops and mutuals could serve their members effectively. 5. More options to be provided to compete in the market. The bill has been placed in Parliament in October, 2022. Source: <https://www.>

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mutuo.coop/new-bill-to-enhance-operating-environment-for-co-ops-and- mutuals/

dated 15 th June 2022 Accessed on 08.08.22 11.12 Thrift Regulations in India The concept of thrift institutions has taken shape in India as cooperative societies / credit societies. These institutions come under state governments' purview in the Indian federal system. The then provincial governments have passed their respective Cooperative Acts. The first Cooperative Societies Act was passed by the Madras Province in 1904. The historic perspective of cooperative societies is a very important issue to understand the evolution of regulatory frame-work of thrift institutions in India. Thrift institutions in India and other emerging economies have taken the form of cooperative societies. The cooperative movement in India dates back to the beginning of the 19 th century. In olden days, the non-institutional agencies in the shape of money-lenders were charging exorbitant rates of interest from the helpless peasants. The situation was such that the farmers were forced to sell their property to repay the debts. In some parts of the country, farmers spearheaded an agitation against the money-lenders. The first regulation of the cooperative movement was the passage of three Acts, viz, the Deccan Agriculture Relief Act (1879), the Land Improvement Loan Act (1883), and the Agriculturists Loan Act (1884). The following paras explain about the evolution of thrift institutions in India. 11.12.1 Cooperative Societies Act, 1904 During 1892, the Madras Government appointed Frederick Nicholson to study the village banks organized on cooperative lines in Germany. On his return, he submitted a report. The name of the report was "Find Raiffeissen". In the report, he suggested to establish cooperative societies for supplying rural credit. The Famine Commission of 1901 strongly recommended that in order to prevent famine, agriculturists should be granted loans to improve agriculture. By 1904, the Co-operative Society Act was passed. The following are the salient features of the Co-operative Societies Act 1904: ? Rural-urban classification of societies was made. Rural cooperative societies were to be organized on the basis of Raiffeissen Model, where liability was

Unit 11: Thrift Institutions: Operational Issues and Regulatory Issues 81 unlimited and loans were granted to the members only for productive purposes. Urban credit societies were organized on the basis of the Schulze- Delitzsch Model, where liability was limited and the societies also carried out certain non-credit functions. ? The Registrar of Cooperative Societies, appointed by the state government, was supposed to organize and control the societies. ? Loans could be given to members on personal or real (immovable) security. ? One-man, one vote was specified in the Act. The working of this Act showed several defects, such as: ? There was no provision for setting up of non-credit cooperative societies in rural areas. ? There was no central agency to supervise and supply funds. ? The classification of societies into rural and urban was extremely unscientific. ? There was the need for re-organization for payment of credits. The shortcomings of the Act of 1904 were rectified by enacting another Cooperative Societies Act of 1912. Cooperative Societies Act, 1912 The new Act provided legal protection to all types of cooperatives, including central financing agencies and supervising unions. The distinction between rural and urban societies was given a new focus. The liability was limited in the case of primary societies and unlimited for central societies. Since this Act provided for the registration of all types of cooperative societies, it led to the emergence of rural cooperatives both on credit front and non-credit front, but this growth was uneven. In 1914, the Government appointed a committee under the chairmanship of Sir Edward Maclagan to review the progress of cooperative movement. The report of the committee came out in 1915. The committee observed that illiteracy and ignorance of the masses, misappropriation of funds, rampant nepotism, inordinate delay in granting loans, and viewing cooperative movement as a government movement were some of the glaring defects of the cooperative movement. These observations prompted Maclagan to offer several suggestions for the effective and smooth functioning of the cooperative societies. Among them were measures aimed at member education, robust assessment processes, and confining the functions of the society only to members.

Block 3: Global Financial Institutions 82 Example: Amendment of Multi-Cooperative Societies Act. Regulatory mechanism had to be updated in financial and cooperative sector to be in tune with latest development and in line with this principle, Indian government had brought in certain changes by amending

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the Multi-State Co- operative Societies Act, to keep regulatory mechanism of cooperative societies. In tune with the changing economic policies. This step was taken to make management

of the society accountable for safeguarding the members' rights. The new regulations would include mechanism to maintain data base of the number of societies, activities, location, financial health, contribution to Indian economy, etc. A newly created ministry for cooperatives would oversee the regulatory functions along with RBI. Source: <https://government.economictimes.indiatimes.com/>

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news/governance/centre-proposes-to-amend-multi-cooperative-societies-act-for-effective-regulatory-mechanism/88024389

dated 1 st December 2021 Accessed on 08.08.22 Activity 11.4 Assume that Raju Sathe is working as branch manager for the SIT Cooperative Society in a remote village of Maharashtra, which is exclusively for farmers. A farmer of that village who is a graduate, wants to become a member of the society. He wants to know about the cooperative society. What are the salient features of a 'Farmers' Cooperative Society'? Answer: 11.12.2 Montague-Chelmsford Act of 1919 The other important legislation was the Montague-Chelmsford Act of 1919, as per which co-operative societies became a provincial subject which gave further impetus to the movement. Various states passed their own Acts to make co- operative movement a successful one. The membership of the co-operative societies increased considerably during this period. The same period also witnessed the birth of co-operative land mortgage banks first in Punjab, and subsequently land mortgage banks were registered in Madras (Chennai) 1925 and Bombay (Mumbai) 1926.

Unit 11: Thrift Institutions: Operational Issues and Regulatory Issues 83 11.12.3 Economic Depression in the Year 1929 The year 1929 witnessed a world-wide economic depression, including India. Owing to this, the government appointed various inquiry committees to examine the possibilities of restructuring the co-operative societies. Among them the important committees were Vijayaraghava Charya Committee in Madras, Rehabilitation Enquiry Committees of Travancore and Mysore, Kale Committee in Gwalior, Mehta and Bhansali Committee in Bombay and Wace Committee in Punjab. The Indian Central Banking Enquiry Committee (1931) highlighted the glaring lacunae, particularly with reference to undue delays and inadequacy of credit. Meanwhile, the Madras Co-operative Societies Act of 1932 and the Madras Co- operative Land Mortgage Banks Act of 1934 came into force with the former aiming at the growth of co-operative movement, while the latter for developing the long term credit. In 1937 the Congress ministries came to power in many states and revived interest in organizing the cooperative movement. They conducted inquiries about the failure of the cooperative societies and made provisions for payment of overdue. 11.12.4 World War II The abnormal conditions created by the World War II from 1939 to 1945 led to far-reaching developments in the cooperative movement. Prices of agricultural commodities began to rise. The rural farmer got extra economic gains. Non-credit societies like marketing, production and consumer societies increased rapidly. The working capital of cooperative societies also increased. The cooperative societies gained in strength and vigor. The 'All India Cooperative Planning Committee' in 1945 also gave a fillip to the growth of cooperative movement. Now, so far as the present situation (as on 2018), the activities of the cooperative societies are regulated through respective Cooperative Societies Acts and cooperative societies rules, administered by the Registrar of Cooperative Societies, appointed by the Government. Check Your Progress - 2 6. In which year did Worldwide economic depression took place? a. 1929 b. 1939 c. 1919 d. 1949 e. 1959

Block 3: Global Financial Institutions 84 7. What is the full form of DIDMCA? a. Depository Institutions Deregulation and Money Control Act b. Deposit Institutions Deregulation and Money Control Act c. Depository Institutions Deregulation and Monetary Control Act d. Depository Institutions Deregulation and Monetary Control Action e. Deposit Institutions Delegation and Money Control Act 8. What is the purpose of 'Orderly Liquidation Fund' that came into existence because of Dodd-Frank Act in USA? a. To assist the liquidation of manufacturing companies b. To assist the liquidation of finance companies c. To fund the stock market operations of banking companies d. To fund the derivative operations of the banking companies e. To help the companies to raise the equity 9. Which of the following regulatory frameworks monitors thrift institutions in India as cooperative societies? a. State governments b. Central government c. Reserve Bank of India d. NABARD e. Cooperative Act of the concerned state and RBI 10. Which of the following entities in 1901 strongly recommended that in order to prevent famine, agriculturists should be granted loans to improve farm production. a. National Commission b. State Commission c. Agriculture Commission d. Famine Commission e. Natural calamities Commission 11.13 Summary ? Thrift institutions are one of the major components of the financial system throughout the world and understanding the significance of their growth is important. The unit starts with a discussion on the nature of thrift institutions. ? Thrift institutions include mutual savings banks, credit unions, cooperative societies as in the case of developing countries, housing cooperatives, etc. ? The evolution of these institutions in the west, viz., in countries like the United Kingdom, France, and Germany was discussed.

Unit 11: Thrift Institutions: Operational Issues and Regulatory Issues 85 ? Their gradual transformation from the earlier times when unlimited liability was practiced to modern times when these institutions function on par with the most advanced financial institutions has been discussed. ? In the United States, credit unions, mutual savings banks and housing cooperatives represent an important segment of thrift institutions. Their growth and the difficulties they faced resulting in the closure of many of these institutions was covered in the Unit. ? In the Indian context, the evolution of thrift institutions has taken the form of cooperatives. The historical perspective of the cooperative movement both in the pre-independence era and later has been discussed in the unit. 11.14 Glossary Banking: Section 5(b) of the Banking Regulation Act, 1949, "

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banking" means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise.

Cooperative Banks: These are institutions owned by the members belonging to particular communities to serve both the savings and credit needs of the members. Credit Unions: Credit unions are cooperatives or mutually owned organizations. Depository Institutions Deregulation and Monetary Control Act of 1980 is one of the most important pieces of legislation in Federal Reserve of US. The Act covers two major areas of 1) the deregulation of institutions that accept deposits, and 2) efforts to improve the control of monetary policy by the Federal Reserve. Dodd-Frank Wall Street Reform and Consumer Protection Act commonly referred to as "Dodd-Frank", is a US legislation to lower risk in various parts of the US financial system. The Act facilitated agencies such as the Financial Stability Oversight Council and Orderly Liquidation Authority to monitor the performance of companies deemed "too big to fail" in order to prevent a widespread economic collapse. MCC (Mondragón Cooperative Corporation): It is an embodiment of the cooperative movement that began in 1956 in the Basque region of Spain, which witnessed the creation of industrial cooperation. Micro Finance Companies: These companies provide finance to the people of rural areas to start their own businesses at a very low rate of interest. Montague-Chelmsford Act of 1919 is an important legislation in India (pre- independence era) as per which co-operative societies became a provincial subject which gave further impetus to the movement. This facilitated the provinces to pass state legislations to start cooperative societies in India Mutual Savings Banks: These are thrift institutions created for the purpose of facilitating household savings.

Block 3: Global Financial Institutions 86 NCUA (National Credit Union Administration): An agency of the United States federal government that was created to monitor federal credit unions across the country S & Ls (Savings and Loans): S & L or thrift institutions, financial institutions which are specialized in savings, accepting deposits and providing loans. Thrift Institutions are institutions that mobilize savings of the community, and extend savings and credit facilities for the middle-class, and poorer sections of the community. In India cooperative societies are of similar nature and are thrift institutions. 11.15 Self-Assessment Test 1. Discuss the nature of thrift institutions and their significance. 2. Distinguish between thrift institutions and banks. 3. Explain the growth of thrift institutions in the USA. 4. Explain the role of thrift institutions in developing countries. 11.16

Suggested Readings/Reference Materials 1. Anthony Saunders, Marcia Cornett, Anshul Jain (2021). Financial Markets and Institutions. McGraw-Hill. 7 th edition 2. I.M. Pandey, Financial Management (2021). 12 th edition, Vikas Publishing House. 3. Jeff Madura (2020). Financial Markets and Institutions – Asia Edition, 13 th edition; Cengage Learning 4. P. G. Apte (2020). International Financial Management; Tata McGraw-Hill Education Private Limited; 8 th edition 5. Prasanna Chandra (2019). Financial Management – Theory and Practice, 10 th edition, New Delhi: Tata McGraw-Hill 6. Frank J. Fabozzi, Frank J. Jones (2019). Foundations of Global Financial Markets and Institutions. Mit Press. 5 th edition 7. Brealey Myers (2018). Principles of Corporate Finance, 12 th edition, USA: McGraw-Hill Companies Inc. 11.17 Answers to Check Your Progress Questions 1. (

a) Local Communities The purpose of thrift institutions is to serve the local communities. 2. (c) Consumer Loans Credit unions usually extend the loan facilities to consumers.

Unit 11: Thrift Institutions: Operational Issues and Regulatory Issues 87 3. (b) Savings Banks Thrift institutions are basically of three types, viz. Savings and Loans Institutions (S&LIs), Credit Unions and Savings Bank. 4. (c) Commercial Bank Charter The US federal government can issue Commercial Bank Charter. 5. (d) Comptroller of Currency National banks in the US receive the charter from the division of Comptroller of Currency. 6. (a) 1929 The year 1929 witnessed a worldwide economic depression, including India. Owing to this, the Government appointed various inquiry committees to examine the possibilities of restructuring the co-operative societies. 7. (c) Depository Institutions Deregulation and Monetary Control Act. Depository Institutions Deregulation and Monetary Control Act is one of the most important pieces of legislation in the history of Federal Reserve in its 100-year history. 8. (b) To assist the liquidation of the finance companies The new 'Orderly Liquidation Fund' provides money to assist with the liquidation of financial companies that have been placed in receivership because of their financial weakness. 9. (e) Cooperative Act of the concerned state and RBI The thrift institutions are registered under the Cooperative Societies Act of the respective state; thus, the state governments and RBI form regulatory procedures for proper functioning. 10. (d) Famine Commission Famine Commission strongly recommended that in order to prevent famine, farmers should be granted loans to improve agriculture.

Unit 12 Investment Banks Structure 12.1 Introduction 12.2 Objectives 12.3 Concept and Definitions 12.4 Origin of Investment Banks 12.5 Organizational Structure of an Investment Bank 12.6 General Functions of Investment Banking Industry 12.7 International Scenario of Investment Banks 12.8 Criticisms, Threats and Challenges 12.9 Rebuilding Investment Banking Industry: The Required Transformation 12.10

Summary 12.11 Glossary 12.12 Self-Assessment Test 12.13 Suggested Readings/Reference Materials 12.14 Answers to Check Your Progress Questions "

It takes 150 years to build an investment bank and only five minutes to convince you to sell me preferred stock in it at a 10% interest rate."

- Warren Buffet 12.1 Introduction The efficiency of the banking staff to get business is critical for investment banks to survive. "I see an incredible future for banking. I see this as a discontinuity, a point in time that we're going to recognize, looking back, as the moment when everything changed fundamentally. It's going to be a different world going forward." — Michael Abbott, Senior Managing Director – Global Banking Lead, Accenture Banking Top 10 Trends for 2022 January 5, 2022 In the previous unit, we have discussed the nature and significance of thrift institutions, thrift institutions vs. banks, history of development of the US thrift institutions, European thrift deposit institutions, thrift institutions in France and Germany, the UK, the US and also the role of thrift institutions in developing countries, overview of regulation of deposits/thrift institutions with reference to the US, the UK and India. In this unit, we will be studying about the concept with definitions, origin, and organizational structure of investment bank. We will also

Unit 12: Investment Banks 89

study general functions of investment banking industry, international scenario, criticism, threats and challenges faced by investment banks. Banks have become an important entity in the global business community. The start of the 21 st century began with banks evolving as complex financial institutions, providing an umbrella of services. Many bankers, all over the world, have allotted a prominent place for corporate clients through their services. The services can be broadly demarcated into two: i. Commercial banking that covers all types of cash, deposit and credit services, and foreign exchange ii. Investment banking which covers securitization of assets, mergers & acquisitions, underwriting, etc. under its territory. The net effect of the convergence of the above activities of banks due to deregulation of financial markets in many countries has given a twist to the financial services industry with a significant impact on the investment banking industry. Deregulation of the financial markets gave a boost to the investment banking industry facilitating funds flow from savers to borrowers. Its activities, management, operators are all mended by guidelines and scrutinized by the public through the media. Business firms, on the other hand, have to adapt themselves to the changing trend of business operations, operate in line with the guidelines and controls and still take their business to a higher plane in the local and global levels. Investment bankers help these firms meet the demands of their business, investors and regulators. 12.2 Objectives After reading this unit, you will be able to: ? State the concept of investment banks and understand their role in business expansion ? Describe the basic activities of investment banks with respect to product range and nature of activities ? Define the organizational structure of the investment banking entity which performs divergent activities assimilating the people with different skill sets ? Explain the role of investment banks in international scenario and assess the importance of investment banks that are shaping the global financial industry ? Analyze the threats and challenges faced by global investment banks and understand the operational implications in investment banks ? Evaluate the requirements to revive the investment industry 12.3 Concept and Definitions Investment bankers are also known as "I-bankers". They are providers of financial advice and services to corporates (called their "clients") which is their primary function. Their clients can be small business units, large established

Block 3: Global Financial Institutions 90

entities or start-ups. The major activity is advising and managing 'Initial Public Offering' (IPO) to mobilize funds/capital for them to grow and expand. Apart from this, they also advise their clients as to whether (i) to go for mergers/acquisitions (ii) to issue stock or not (iii) to go for a debt (iv) to acquire any business, and if so, at what price (v) to sell a part or whole of their business and at what offer price, and the like. Investment banks themselves could be small or large, assuming the forms of: Full service banks offering a wide variety of services to firms/organizations/ industries – e.g. Goldman Sachs Financial conglomerates - that combine commercial banking, investment banking and insurance services – e.g. ABN AMRO Independent investment banks or brokerage firms and underwriters of securities, not affiliated to commercial banks – e.g. Greenhill & Company Private placement agents – independently owned placement agent to raise capital for alternative investments e.g. Atlantic-Pacific Capital Niche banks (or niche firms) called the boutiques that are into specialized services only – e.g. BG Capital In the United States, an investment bank is an agency and is defined as 'a bank which deals with the underwriting of new issues and advises corporations on their financial affairs'. In the United Kingdom, the activities of an investment bank are termed as an 'Issue House'. Bloomberg defines it as 'a financial intermediary that performs a variety of services, including aiding in the sale of securities, facilitating mergers and other corporate re-organizations, acting as brokers to both individual and institutional clients and trading for its own account'. Example: Investment Banks who Handled LIC IPO got just 0.06% of Proceeds Some investment bankers offered full range of services such as raising funds through IPO and collected service charges. LIC IPO which was handled by ten investment bankers namely Kotak Mahindra Bank, Axis Capital, BOFA Securities, Citibank, Nomura, Goldman Sachs, ICICI Securities, JM Financial, JP Morgan and SBI Capital Markets received just 0.6% of the proceeds as service charges. The company paid the commission of ₹ 11.80 crore as fee which worked out to 9.9% of ₹ 120 crore of total issue expenses and equivalent to 0.06% of the proceeds of ₹ 20,557 crore.

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All the 10 institutions had agreed to work on the LIC IPO for the base fee of ₹ 1 crore each set by the government

who was the owner of the company and ₹ 1.8 crore was the GST. Contd....

Unit 12: Investment Banks 91

Being providers of financial advice and services to corporates, investment bankers' major activity would be to advise and managing 'Initial Public Offering' (IPO) and for the services offered, they charged certain % of fees. Source: <https://www.business-standard.com/article/markets/>

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lic-ipo-banks-get-just-0-06-of- proceeds-to-handle-india-s-largest-float-122051701192_1.

html#:~:text=The%20investment%20banks%20that%20handled,Morgan%20and%20SBI%20Capital%20Markets dated 17 th May 2022 Accessed on 10.08.22 12.4 Origin of Investment Banks Started in 19 th century, the evolution of Investment Banking has been a long journey. The evolution of various stages of investment banking and the growth of investment banks can be segregated into the following phases: i. The early stage where it strictly performed its role as a merchant bank, its origin being the merchants. This stage lasted till mid-19 th century. ii. Modern investment banking: This was the period from the mid-19 th century to the inter-war period (Second World War). The development of heavy industries (industrialization) and corporate securities paved the way for the blossoming of this sector. However, the so called modern investment banks were highly unregulated. iii. The start of regulated investment banks began in the 1920s. It flowed through the waves of financial reforms in many countries followed by de- regulation of controls in banking and financial markets. This phase continued to grow till the crisis of 2007-08. iv. Post financial crisis of 2008: The financial crisis of 2007 which had world- wide effect, due to the housing bubble burst, focused on poor underwriting practices, complex instruments and poor regulatory standards. India, though affected could resist the shock of this financial crisis due to the conservative policies and regulations of the RBI. The crisis led to the emergence of the Dodd-Frank Act in July 2010 (also called Doff-Frank Wall Street Reform and Consumer Protection Act) – an Act that aimed at closing the loopholes in this industry in the US. All investment companies were brought within the ambit of this Act, which requires them to adopt the stringent rules and regulations of the Act. History of Investment Banking Industry The term 'Investment Bank' is more commonly related to the United States for the origination and usage of this term. Merchants, who were in commodity trading like grains, metals, spices, etc., became the behemoth 47 of investment banking activities during the medieval period. In Europe, Amsterdam was one 47 pronounced as 'bihima' meaning something enormous
Block 3: Global Financial Institutions 92

such city that gained prominence as a center of merchant banking though London emerged as a leader. Trading of commodities has a lot of resemblance to today's investment banks – merchants traded through bills of exchange, often using their own funds as capital. Breaking the tradition of family-business, these merchants entered into partnerships slowly, for pre-determined periods subject to renewals. This was again similar to the modern venture capital firms. The turn of the 16 th century saw merchant bankers using money market instruments to finance their projects. Investments were oriented towards trade and exchange instruments to siphon off profits from such arbitrage and long-term trade. Some examples are the Medici of Florence in the late 15th century, Rothschild in the late 18 th century and Morgan in the mid-19 th century. The concept of 'corporate stock' in the modern language, once again dates back to the British East India Company, which had a monopoly or quasi-monopoly control of trade and investments during the early 17 th century. This was due to the establishment of colonies by the British in many regions, selling long-term securities to investors outside the boundary of Britain. Similarly, the securities market was also heavily dominated by government issued securities during this period. With the rise of large-scale corporations in the 19 th century, concept of external finance occupied prominence. Underwriting securities and placement of corporate securities had its origin in the 19th century. Raising large finance through debt securities is not a new feature of investment banks. The Mexican War of 1846 and the Civil War in the early 1860s are best examples of government dominated debt securities. Infrastructural development, mainly through the rail-road boom globally during the 1830s gave an impetus to investment banking. Many wealthy class people found a source to invest wealth to the call of government debt securities and joint stock corporations. Securities market grew parallel to investment banks in the developed economies of the late 19th and early 20th centuries. By definition, scope, approach and delivery, the products and services of investment banks were shaped almost the same way in all industrial nations across the world in the 19 th and 20 th centuries. Countries which had a strong historical connection with England like India and Argentina rolled out the concept of investment banking on similar lines as in England while other countries enveloped the concept of 'Universal Bank'. The United States, the Netherlands and France are some countries that fall under this category. Example: A Record Amount of ₹ 2200 Crore earned by Investment Bankers in India Early stage investment bankers (IBs) were merchant bankers. They subsequently graduated to modern investment banks which were unregulated and slowly moved on to regulate IBs. Contd....

Unit 12: Investment Banks 93

India's investment banking industry had its best ever year in 2021 and had earned ₹ 2200 crore, due to

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big-ticket IPOs and emergence of India's tech unicorns from

start-ups to matured listed entities. There were four important emerging trends in IBs: a.

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Regulation of the banking course in India would result in the flourishing of boutique investment banks.

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banks. b. Emerging technology was one of the factor that would have a great impact in shaping the future of investment banking in India.

c.

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Infrastructure spending were bound to make a significant impact on the future of investment banking in the country.

d. Innovation and form more effective and modern ways of investing over conventional methods would guide the IBs. Investment bankers had matured over years and were offering various financial services to its clients of which the major activity was supporting clients in their public offer. There was a constant effort made by the IB's to

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strengthened their team sizes and sharpen their expertise to cater to the diverse IPO mandates.

Sources: i) <https://economictimes.indiatimes.com/>

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industry/banking/finance/banking/india- investment-bankers-earn-record-rs-2200-crore-in-2021/

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four-trends-shaping-the-future-of-investment-banking-in-india-

blog/ dated 8 th January 2022. Date of access- 10.08.22 12.5 Organizational Structure of an Investment Bank The investment banking entity in a bank takes up many activities. Different activities require different skill sets. A well-defined organizational structure manned by competent people is required. A typical, modern investment bank has the following organizational structure: The front office, the middle office and the back office. Figure 12.1 gives the outline for the same.

Figure 12.1: Organizational Structure Source: ICFAI Research Center

Help cashier in M&A; conduct trading Conduct research on companies and industries, produce reports by closely monitoring them Auction rate securities Credit default swaps Gather data, follow systems and procedures Provides traders the ability to make short-term bets on market movements THE FRONT OFFICE THE MIDDLE OFFICE THE BACK OFFICE

Block 3: Global Financial Institutions 94 i. The front office: It engages in purchasing/selling investments and securities; takes care of Mergers and Acquisitions (M&A); conducts research on companies and produces reports and helps large investors in their investment decisions. ii. The middle office: Deals in purchase/sale of new type of securities; handles auction-rate securities which are basically debt instruments that promise investors a higher rate of return than that can be earned through the normal savings account; and deals in Credit Default Swaps (CDS). Also termed as a credit derivative contract, a CDS is the most common form of credit derivative that includes mortgage-backed securities, municipal bonds, corporate bonds and emerging market securities. Under CDS, the seller compensates the buyer in the event of a default on a loan or a bond or other defined credit event for which protection is being sought in a financial contract between the 'protection seller' and 'protection buyer'. iii. The back office: Follows systems and procedures; guides investors and traders to bet on short-term securities based on market movements. In other words, operational investments are dealt here. Example: The Advisory Service of Investment Banks Suggest that SBI, Mindtree and Ambuja Cement are the Best Stock to Buy The IBs organizational structure comprises three areas. Front office, Mid office and Back office. The front office conducts research on companies and industries, produce reports, while advisory services are the functions of back office. ICICI Securities, the investment banking subsidiary of ICICI Bank was involved in various financial services activities and one such is advisory services was a back office function of an investment banker. The Bank has recommended to purchase the shares of

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State Bank of India, Mindtree, Ambuja Cement, Balkrishna Industries, Aditya Birla Fashion & Retail, Indian Energy Exchange, Grindwell Norton, and Balrampur Chini as

best picks for its clients. This was based on the following factors: a. The investment banker was of the view that

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the medium to long term constructive thesis on Indian equities remains

strong b. There will be a likely increase of 11 to 15% in these stocks c. As per key macroeconomic indicators, the economy will recover d. The corporate earnings would be robust and there could also be strong capital expenditure as well. Source:

<https://www.businessinsider.in/stock-market/news/sbi-mindtree-ambuja-cement-iex-4-others-top-picks-icici-securities/articleshow/89893773.cms> dated 28th February 2022 Accessed on 10.08.22

Unit 12: Investment Banks 95 12.6

General Functions of the Investment Banking Industry The investment banking industry is service oriented industry. Many companies looking to expand, or streamline, mobilize funds acquire new businesses look for the services of investment banks for advice. Investment bankers provide a basket of services to their client base and customized services to meet the exact requirements of their clients. The main working of investment banking lies in identification of products and customers to generate revenue and profits for the firms or investors who are their clients. Firms are into diverse fields of activities – range of different security services, asset management services and proprietary trading services, i.e., trading their own capital for profits. Investment bankers channelize these efforts of the firms to generate revenue. Thus, some of the basic activities of investment banking can be put under the following broad classifications, with sub-categories, as depicted in the Figure 12.2 below: Figure 12.2: General Activities of Investment Banking

Source: ICFAI Research Center

INVESTMENT BANKING INDUSTRY ACTIVITIES PRODUCT S Trading & related services Corporate finance services Financial advisory services Underwriting services (debt & equity) M&A Maintaining markets for securities issuance/IPO Principal and proprietary trading Corporate strategy advisory services Corporate finance services FUNCTIONS Advising Administrative Underwriting Distribution Investment management Others

Block 3: Global Financial Institutions 96 i.

Products: The two main lines of investment banking are the “buy side” and the “sell side”. The most common type in the “buy side” are the entities involved in private equity funds, hedge funds, mutual funds, etc., moving closely along the walls by providing advice to investors on the purchase of securities or on making investments. On the other hand, “sell side” is into trading securities for cash, exchange of securities, promotion of securities, etc. They manage corporate, financial and strategic opportunities like bonds, shares, lending, going for IPOs, etc. for companies, institutions and governments, advice and lead management buyouts, identify/secure new deals and raise capital. In the debt capital market, they deal with lenders and other stakeholders to design structure/restructure debt obligations. In equity capital market, they guide their clients on the ways and means of raising capital and help them through analysis and research of products and markets. With the objectives of the organization in mind, investment banks offer short term and long term financial advice to navigate the opportunities and challenges. Tenacious execution of strategies for the clients is the ‘mantra’ of investment bankers. Performance of Hedge funds in India is given in Exhibit 12.1 below: Exhibit 12.1: Performance of Hedge funds in India in 2021

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The Eurekahedge India Hedge Fund Index has outperformed the three other indices in the first five months of 2021, posting a return of 13.08%, which is significantly higher than the returns posted by their Greater China, Asia ex-Japan and global counterparts as they posted returns of 5.45%, 6.83% and 7.77% respectively. Looking at 2020 returns, Indian hedge funds returned 19.88%, outperforming their global hedge fund peers who returned 12.66% but lagged behind their Greater China and Asia ex Japan counterparts who returned 35.57% and 23.12% in 2020 respectively. Comparing the Sharpe ratios across 2 year periods, 3 year periods and 5 year periods, Indian hedge funds have consistently generated Sharpe ratios that are the lowest among the four indices listed. The Sharpe Ratios of Indian hedge funds are lower compared to their peers because of their persistently higher annualised volatility as a result of large exposure to the highly volatile Indian equity market. Indian hedge funds have posted the largest 5 year maximum drawdown among their hedge fund peers of -17.16%. In comparison, Greater China, Asia ex Japan and Global hedge funds posted 5 year maximum drawdown of -16.55%, -11.67% and -8.21% respectively. The more geographically diversified nature of their regional and global hedge fund peers allows hedge fund managers to better limit their downside risk as compared to the more concentrated nature of the Indian mandate. Contd.... Unit 12: Investment Banks 97 In conclusion, even though the numbers indicate that average Indian hedge funds may not be able to generate enough alpha to justify their fees, Indian hedge funds have managed to improve their risk-adjusted returns in the recent years, as seen in their 2 year Shape ratio of 1.06 which is more than double of the 2 year Sharpe ratio recorded by the S&P BSE SENSEX index. As the industry matures, a natural selection process would take place as investors learn more about the region’s economy and alternative investment space. Underperforming fund managers would be weeded out, while good performers would attract more investor capital over time, effectively improving the overall industry performance. Some of the hedge fund managers may also look to diversify their investment mandate into broader geographies as their AUM base grows bigger and grow out of the limitations of investing exclusively in a single country. However, as of now, this inability to generate excess returns combined with various challenges the Indian economy is likely to face in the near future may pose headwinds for the country’s young and growing hedge fund industry. To address these challenges and attract investments in India, the Indian government has implemented measures such as the raising of FDI limits across key sectors, launching of the Production-Linked Incentive Scheme and expansion of the National Infrastructure Pipeline project. The Reserve Bank of India has also since November 2020 taken conventional and unconventional liquidity infusion measures to facilitate overall credit growth in the Indian economy. Having said that, the Indian government will also have to take steps to ensure that an effective COVID-19 vaccination roll-out strategy is in place and provide skills training to upskill their labour force to enable a strong rebound from the COVID-19 pandemic as well as sustainable and broad-based economic growth in the long-run. With an improved economic environment and supportive government policies in place, the Indian hedge fund industry has the potential to generate better performance and attract more investor capital and eventually catch up with their developed country counterparts.

Source:

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[https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy- Profile-July-2021](https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy-Profile-July-2021)

ii. Functions: It is the job of the investment banker to assess the fund requirement of its client and the purpose of the fund. It makes a cost-benefit analysis of the various sources of funds that could be acquired by the client and advises/recommends the client on the best option. On deciding the funding strategy, it prepares a detailed document associated with the regulatory framework of the country in which funds are raised. By underwriting an issue, it gives guarantee for a fixed issue to the security issuer in exchange for its securities. This is a risky job for an investment banker.

Block 3: Global Financial Institutions 98

Distribution function involves the placement of newly-issued securities in the hands of investors, printing of security papers, allotment and registrar's work among others. Investment managers have a strong capability of analyzing the firms and the securities issued by them. Their role in the secondary market is significant. They also invite funds from the public in general and manage the same under guarantee to provide a certain percentage of returns. This is usually higher than the returns that the individual can obtain on his own. iii. Activities: There are four types of public offerings: (i) IPOs of the companies that have never issued any IPO before (ii) IPOs of the companies that are public, but have not issued any securities earlier (iii) public offerings of securities that are already trading in public (this happens in case of issuance of additional common stock), and (iv) public offerings by the shareholders of the company. Proprietary trading, termed as "prop trading" refers to trading of stock, currencies, commodities and their derivatives with the firm's own funds, instead of utilizing public funds (deposit money). It is a 'value at risk' function of the investment bank. Investment banks like Goldman Sachs and Merrill Lynch have met a significant portion of their profits or losses through proprietary trading. Other activities not mentioned above, but undertaken by investment bankers, are: i. Private placements of debt and equity securities: They refer to selling securities to investors without the intervention of regulatory requirements of public offerings. They carry a higher return than other structured securities as they are riskier. They range from corporate equities to real estate dealings. ii. Fairness Opinions: Seller's investment bankers provide a fairness opinion (as a document) to the seller's board of directors attesting to the fairness of a transaction from a financial point of view. The purpose of the fairness opinion is to provide selling shareholders with an objective third-party analysis of the deal's fairness. iii. Securitization: It is the process by which small consumer receivables like automotive loans, credit card receivables are liquefied by 'rolling them up' into large, publicly tradable securities, with improved risk-returns. iv. Structured Finance: They include project finance to fund large-scale enterprises. Examples are infrastructural projects. v. Risk management: Designing insurance products, hedging risk, pension plans, foreign exchange management, dealing in foreign currency futures, estate dealings, etc. vi. Merchant banking: According to SEBI, the merchant banking activity is to carry on any activity of issue management, which will inter-alia consist of preparation of the prospectus and other information relating to the issue,

Unit 12: Investment Banks 99

determining financial structure, tie-up of financiers and final allotment and refund of the subscription.

vii. Investment Research and Security Analysis: Considered to be the prestigious strength of an investment bank, their expertise in investment research and security analysis will help the organization in underwriting various instruments and undertaking money management business. viii. Wealth management: Another activity of Investment bankers is managing pension and insurance funds, money and wealth management of rich individuals are also part of investment banking. ix. Alternative investments in financial products are now the talk of investment banks, which is becoming a huge business for them. For example, arbitrage, real estate etc. x. International investment banking: Diversification of investment portfolio and multi-market search for the trade-off between lowest cost of capital (issuers) and highest rate of return (investors) has opened the options of investment banking wider. Example: Vijaya Diagnostic IPO of 35.69 million shares The general functions of IB comprised of offering products, conducting activities such as raising funds for clients through IPO and other administrative functions. Vijaya diagnostics was a well reputed lab which offered various services such as pathology, radiology and other tests. The company had over 80 branches in 2021, across the two Telugu speaking states, Telangana and Andhra Pradesh apart from Delhi and NCR region and Kolkata. The company appointed

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ICICI Securities, Edelweiss Financial Services and Kotak Mahindra Capital Company as investment bankers for

handling its initial public offer of 35.69 million shares amounting to ₹ 1895 crores and the financial services to be rendered for the following functions: a. Advisor to the issue b. Underwriting to the issue c. Handling the administration functions of the IPO d. Distribution of the shares to investors e. Investment management of the IPO. The major product of an investment banking company were to manage corporate, financial and strategic opportunities like bonds, shares, lending and going for IPOs. Source: <https://www.livemint.com/market/>

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[ipo/vijaya-diagnostic-ipo-gmp-price-band-date-other-key-details-here-11629945749925](#).

html dated 26th August 2021. Accessed on 10.08.22

Block 3: Global Financial Institutions 100

Activity 12.1 If you are a financial advisor for an investment bank, then what are the challenges that your bank has faced in the recent past? Answer: 12.7 International Scenario of Investment Banks As stated earlier, the term 'Investment Bank' was propounded and put to use first in the United States. These investment banks played a pivotal role in shaping the global financial industry. In many countries, it was functional too, but as 'Universal Banks', the commercial banks did an extended work of an investment bank. With the introduction of the Glass-Steagall Act (1933) in the US, it was considered illegal in this country for commercial banks to perform the functions of an investment bank. With the repeal of this Act through the enunciation of Gramm-Leach-Bliley Act on November 12, 1999, a consolidation of commercial banks and investment banks was allowed. Investment bankers are level-players for institutional investors, organizations of various sizes and High Net worth Individuals (HNI), advising clients. Investment bankers are instrumental for firms to raise capital through debt and equity routes, etc. and make them stand apart from the normal commercial banking services. Though the major investment banks operate from the US like the Goldman Sachs and Bank of America, they have spread their network branches in many countries. Notwithstanding this fact, investment banks also have presence in many other important regions like the Barclays in London, Deutsche Bank in Germany and HSBC in Hong Kong. Apart from this, the gap between a commercial bank and that of an investment bank is thinning to the level of disappearance. Mega banks like the Citibank, BNP Paribas are some such commercial banks, which are highly versatile in investment banking services area too. For ease of understanding, investment banking activities across geographical regions/countries can be broadly classified into markets held by (i) the US; (ii) Europe; and (iii) the Asia-Pacific region. This classification is explained below: 12.7.1 United States of America (USA) The activities of an investment bank in the US dates back to as early as the 19th century. The Bank of Manhattan, which was acting as an adjunct to the

Unit 12: Investment Banks 101

company's main business of water supply in lower Manhattan since 1799, underwrote bonds in 1820s. This was done to finance the Erie Canal project. John Pierpont Morgan (famously termed as J.P. Morgan) co-founded the bank in the year 1860 along with an expatriate London banker, Junius Morgan. Major investment banking companies Goldman Sachs Lehman Brothers, were started during this period. Post WW II period, many banks, as against the enacted law, started creating a separate "bond department" and "securities affiliates" department. It was during this time that Citi Bank emerged as another leading bank with investment banking facilities. During the aftermath of war, termed as the recovery period, many American companies shifted their attention from commercial banks to the stock and bond markets due to (i) availability of funds for a longer period of time and (ii) at a lower cost. The necessary impetus was given by the 1920 stock and bond market boom, which happened to be a boom to the total capital market. Commercial banks were into acquiring stock broking businesses. The period between 1896 and 1929 can be termed as a golden era for investment banking industry. In 1929- 30, the 'Great Depression' hit the US, shattering the nation's entire banking and financial system. The pre-1929 high flow of investment banks was interrupted in 1933, when the Glass-Steagall Act was passed restricting commercial banks from engaging in underwriting securities or acting as agents for others in securities' transactions. These came under the executive domain of the investment bank, except the issue of the commercial paper. With the repealing of the Glass-Steagall Act in 1999, a fresh breeze of lease was provided to investment banking industry in the US. In the later part of the 20th century, i.e., after 1981, investment banks were given a free hand role, backed by the Securities Exchange Commission (enacted in 1934) and the Maloney Act (enacted in 1938). The Maloney Act led to the formation of NASD (National Association of Securities Dealers) in 1940. This, in 1971, became NASDAQ - National Association of Securities Dealers Automated Quotations. Today, NASDAQ is functioning as an important electronic stock exchange in the US. It aids and expedites purchase and sale of securities on an automatic computer network. The enactment of Gramm-Leach- Bliley Act (GLBA) in November 1999 came as a savior to investment banking industry. Everything rolled out like a fairy tale between 1980 and 2007 until the housing bubble, which shook this industry in 2007-08. 48 Prior to the subprime crisis, 2007-2008, governments and their central banks provided little assistance to the Investment Banking and Securities Dealing industry. Beginning in late 2007, this situation radically reversed. In December 2007, the US Federal Reserve let banks borrow money using a range of collateral. In March 2008, it created a new facility giving securities dealers access to 48

<https://www.cnbc.com/id/42099554> Citigroup Tops List of Banks Who Received Federal Aid article dated 16-3-2011

Block 3: Global Financial Institutions 102

emergency funds. Also in March 2008, the US government intervened to assist in the takeover of Bear Stearns by JPMorgan Chase & Co., by accepting to take responsibility for some of Bear Stearns losses. In early October 2008, the US Congress passed a \$700.0 billion rescue plan for financial institutions. The Treasury was authorized to purchase distressed assets. The Troubled Asset Relief Program was also announced in October 2008 to provide direct equity investments in certain financial institutions. As part of this program, the government took a direct equity stake worth up to \$25.0 billion in Citigroup Inc., (Citi), Bank of America Corporation (BofA), JPMorgan Chase & Co., and Wells Fargo, among other banks.

12.7.2 European Continent Excluding the UK, the term “universal banking” was in vogue since the late 19th century. It basically meant the co-existence of commercial banking activity of lending and investment and distribution activity of an investment bank. These banks enjoyed the market security issuances that mostly consisted of the local markets, designated in the local currencies. France’s Banques and Germany’s Universal Banks were examples. The investment banks of different countries in the Europe remained largely as private firms. Only banks with special concessions were incorporated in the limited liability law and publicly traded equity shares. Such banks considered outside investors to perform the role of investment banks. Industrial development in the European states can be considered as the backbone for the development of private firms and banks with special concessions to perform the investment banking activities. Let us see some countries of this continent. Belgium, which was part of the Netherlands (until it gained independence in 1830 from the Netherlands), introduced the first large-scale universal bank (also called ‘mixed bank’) in 1822. The Société Générale (S.G.) was the first of its kind that performed the function of a central bank and a development bank. Banque de Belgique appeared on similar lines in 1835. The majority of investment banking services was provided by these two banks. In France, the enactment of various laws in 1848 allowing incorporation of joint ventures and the initiation of Comptoir National d’Escompte de Paris (CNEP) paved the way to various investment banking services by many banks that entered the picture. Underwriting of corporate/government securities began during this period. The boom of investment or universal banking in France was halted by the liquidity crunch in 1867. Until then, the war indemnity bonds were raised by the only largest investment bank in France, the Rothschild. In 1870, the bankers from the Netherlands, Germany, Switzerland and France formed a group and came up with the consolidated function under the name ‘Paribas’ bank. The Paribas either underwrote or participated in the underwriting consortia to finance various

Unit 12: Investment Banks 103

projects in different countries, including Russia and China. They functioned from their respective headquarters – one each in their respective home country. In Germany, investment banking functions revolved around government finance till 1840. The starting of the Deutsche Bank in 1870 marked the beginning of the boom of investment banks in Germany. Similar such activities were witnessed in the countries of Austria and Switzerland in the European continent. Switzerland had a difference. The city of Geneva has been an asset to it since the 14th century, which created a hallmark for international trade. Crédit Suisse was founded in 1856, the flagship that the investment bank holds even today in the world of investment bank rankings. Much of the required industrial finance for industrialization was met by Credit Suisse. Italy lagged behind when compared to other European countries in investment banking functions. Banca Generale (B.G.), the first investment bank, was established only in 1871. Italy had thinner markets to expand or flourish in terms of finance.

The United Kingdom (UK): The beginning of the 19th century marked the beginning of new demands for industrial banking services in this country. Until the passage of the Limited Liability Act in 1856, and its expansion in the Companies Act of 1862, the growth and development of investment banks were highly constrained and limited in its scope. Wide range of industries developed during the 1880s and 1890s paving the way for the establishment of specialized investment banks for funding activities. Premier investment bankers like Baring, Rothschild, Schroeder, Hambros, Morgan Grenfell, and Lazard Freres were immigrants from Germany, Denmark, US and France. But their role as joint stock companies’ underwriters came to the forefront only during the late 19th and early 20th centuries. International Financial Society, General Credit and Finance Company, and the London Financial Association were some famous investment banking institutions that mushroomed during the turn of the 20th century in England. London became the central point of activity in trading securities soon with English stock exchanges being established and promoted in the cities of Liverpool, Manchester, Leeds and Birmingham. Though these were present as early as 1830s, their prominence and dominance were felt more from the start of the 20th century. Since the US 2008 crisis followed by the Greece crisis in 2014, the UK banking system has become highly vulnerable. The June 2015 report of the New Economics Foundation (NEF) has called for sweeping changes in the UK’s banking sector in general and the investment banking sector in particular. The UK was found to lag behind all the G7 countries (Group of Seven countries – Canada, France, Germany, Italy, Japan, the US and the UK) in rectifying its

Block 3: Global Financial Institutions 104

financial system. The financial resilience rating of the banking sector was 27 out of 100, as ranked by the NEF, while the same was 73 out of 100 in Germany. (Financial resilience is defined as “the capacity of the financial system to adapt in response to both short-term shocks and long-term changes in economic, social and ecological conditions, while continuing to fulfill its functions in serving the real economy”). Investment banking activities operated as separate entities until the formation of EEC in 1957 in the European continent which is explained below: The European Economic Community (EEC) was framed upon the Treaty of Rome in 1957 and came into effect in 1958. The member countries later formed a group called the “European Union” (EU) in 1993 and the EEC was rechristened as “European Community” (EC). In 2009, European Union replaced the institutions of the EC as the institutional successor. The European Investment Bank (EIB) was established under Articles 3(j) and 129 of the Treaty of Rome. Article 130 of the Treaty of Rome defined the purpose of the EIB as: “to contribute to the balanced and smooth development of the common market in the interest of the community”. The six founding member states of the EIB were the Federal Republic of Germany, Holland, France, Luxemburg, Italy and Belgium. Support, later, was extended by Britain, Denmark, Greece and Ireland. EIB functioned as the chief EEC institution in channelizing funds to its member countries from the capital markets of the world. EIB performed the function of providing loans to its member states primarily, but did not restrict itself within this small orbit. It also facilitated loans for private industrial development at reasonable terms, since its inception. Presently, the EIB has grown so much that it can be kept at par with the World Bank. To conclude, the origin, growth and history of investment banks in the European continent, it is fair enough to say that Europe needs investment banking. In 2007, it was the base of 20 of the world’s largest banks by assets. Europe earned up to 30% on equity during the best of its years. The financial crisis in 2007, the Greece Debt Crisis (start year 2010) have negative impact on European investment banks and hardly 4-5 European investment banks could find place in top 20 investment banks in 2017. The banks are: JPMorgan Chase, Goldman Sachs, Bank of America Merrill Lynch, Morgan Stanley, Citigroup, Credit Suisse, Barclays Investment Bank, Deutsche Bank, UBS and RBC Capital Markets. The retreat of investment banks here has been dramatic, the main reasons being attributed to (i) the cost of running these banks (ii) lagging capital markets (iii) stringent policies and regulations that suffocated investment banking activities. The European Commission has to come up with a suitable policy framework to revive this industry and get the horse back to the race.

Unit 12: Investment Banks 105 12.7.3

Asia Pacific Region Though not a new concept in the Asia-Pacific region, investment banking industry’s growth has been very slow until recently, barring the land of the rising Sun, Japan – an East Asian country. In spite of having begun its industrialization very late, it took the lead, relegating other countries to the second and lower places in terms of development. Agricultural and transportation-related infrastructures during the Togugawa regime in the early 19 th century and the Meiji Restoration in 1868 brought out the significance and need of a typical investment banking institution in this country. As joint stock companies, Japanese banks dealt with trading of securities, offered loans, were active in the real estate business and also traded in gold and foreign exchange currencies, but did not do the underwriting responsibility until the World War I period. The development of investment banks had a pyramid-like structure. At the base were the ‘zaibatsu’ families consisting of the Mitsubishi, Sumitomo, Yasuda and Mitsui that deal with the equity type of securities, but in watertight compartments with little intrusion by outsiders. However, industrial firms supplanted them in financing the outsiders and foreign investors. With the famous investment banker Eiichi Shibusawa aiding the establishment of the Tokyo Stock Exchange in 1878, the growth of investment banks gained momentum. The concept of investment banks in many parts of the Asia-Pacific region had a delayed recognition. Modern banking itself was an offshoot in many other countries of this region like Singapore, India, China, Hong Kong, Australia, etc. that happened only during the late 19 th century with the establishment of western banks in these countries. Kotak Mahindra in India and Itaú BBA in Brazil have made a grand entry and remarkable change in offering investment banking services in these two countries respectively. Alongside Kotak Mahindra Capital in the domestic arena, Hinduja group has also varied facilities of investment banking services in India. There are many more, but most of them are international players. 49 South East Asians form a formidable part, while speaking of development in the Asia-Pacific region. Barring the two giant economies of China and India, showing positive signs in overall growth in almost all spheres and sectors, ASEAN (Association of South East Asian Nations) countries too, hold a significant position in this story. This region had accounted for a 9% contribution in Asia’s total bank revenues in 2009. The statistics show a 13% contribution in the Capital Markets and Investment Banking (CMIB) revenues as well during the same period. The estimated CMIB revenues for 2009 in the ASEAN region was USD 7.4 billion, accounting for 28% of the whole banking revenues from this region in comparison to 19% from Asia taken as a whole. Within this, 80% of the revenues generated were from sales and trading, a heavy concentration by the ASEAN economies. 49

www.mckinsey.com

Of the major economies of ASEAN - Indonesia, Malaysia, Singapore, Thailand, China and Vietnam, Brunei, the Philippines, Myanmar and Cambodia, all except Vietnam showed a higher percentage of CMIB revenues. The small but the baby - steps of the success story definitely imply that these are the eminent emerging markets for the financial sector to place their bet upon and are the major places of investment-interests of other developed countries. Major global banks have found an attraction to open their branches in these countries to offer fee-based businesses. Yes Bank and HSBC are two classic examples that stand evidence to this statement. The spur in the growth of CMIB in the ASEAN regions accounts for the: Rapid growth of infrastructural development in these nations that warrant heavy investments. Hence, the spiraling demand for investors. Except Thailand, the infrastructural development is projected to take rapid strides in other nations. Favorable support from the respective governments to develop the capital markets through various measures augmented CMIB. The establishment of the Malaysia International Financial Centre (MIFC) in Kuala Lumpur is a step towards this effort. Vietnam is showing a promising primary bond market with the support from the ADB (Asian Development Bank), and so are the signs of Indonesia. Leading banks in Singapore and Malaysia have already begun their forays to mark and make their presence in the ASEAN region. Already, Malaysia's CMIB has made five transformational deals in four years between 2005 and 2009. Indonesia showed a significant improvement in M&A between 2001 and 2008, to be precise, around 130 transactions during this said period. Vietnam is one country with two pointers: (i) Fragmented local industries (ii) Innumerable banks, at least 120 banks, to quote a figure. Consolidation of the former and financing by the latter combine these two pointers. Since Vietnam banks cannot extend finance to all the industries, the CMIB activity of the investment banks has great opportunity in this country. In the month of April 2018, Moody's Investors Service has upgraded Indonesia's sovereign rating as the nation improves its resilience to global shocks. Moody's rating on the nation's long-term, foreign currency-denominated debt was raised one level to Baa2 with a stable outlook. The upgrade brings Moody's in line with the assessment of Fitch (another global rating agency) and kept Indonesia on par with the Philippines and India.

Unit 12: Investment Banks 107

Financial stability facilitated inflows into Indonesia - both portfolio flows and foreign direct investment (FDI). These FDI inflows, which had been relatively weak for Indonesia during the decade after the Asian Financial Crisis (1997 Thailand crisis) had seriously shaken up the foundations of the country, showed a steep increase after the global financial crisis of 2008-2009 with some economic slowdown in the years 2011-2015. The Indonesian government had initiated several structural reforms since 2014 that aim at long-term growth. Indonesia is a market economy in which the state-owned enterprises (SOEs) and large private business groups (conglomerates) play a significant role. Indonesia announced divesting of its Small-Owned-Enterprises (SOEs) in 2009. There are hundreds of diversified privately-held business groups in Indonesia (a tiny fraction of the total amount of companies active in Indonesia) that - together with the SOEs - dominate the domestic economy. Indonesia's micro, small and medium sized enterprises, which together account for 99 per cent of the total amount of enterprises that are active in Indonesia. They account for about 60 per cent of Indonesia's gross domestic product (GDP) and create employment to nearly 108 million Indonesians. This implies that these micro, small and medium sized companies are the backbone of the Indonesian economy. The industrial sector in Indonesia offers huge opportunities to investment banking services. Vietnam is no way lagging wherein privatization of some large SOEs has already taken place. ASEAN markets prove to be emerging markets with the growing demand for sophisticated products like swaps, options and other derivatives, and services. Southeast Asian companies are also on the lookout for customized currency and commodity hedges against price fluctuations. In 2015 Report by analysts of J.P. Morgan, ASEAN is expected to be highly competitive by 2015 end, when compared with the rest of the world. ASEAN is the third largest Asian trading partner in the US and the largest investment destination in Asia for the US. About 24% of European investment is captured by ASEAN 50. The presence and support of foreign investment banks viewing ASEAN as a hotspot is an added advantage in this region. Some of the important features of investment banking in India and China. Some of the global players in investment banking industry are given below. 50

<https://www.jpmorgan.com/pages/cib/investment-banking/trade-Asian-future>

Block 3: Global Financial Institutions 108

A) Investment Banking Industry in India The Indian financial market is still in its nascent stage. Much to the agony of its slow progress, the investors in the capital market lack confidence in India. Investment banks come as a solace to the much under-developed capital market. There are different types of investment banks in India and so are the regulations. Based on the status of the investment bank, the governing body too, differs. Pure investment banks are not into lending or other commercial banks' services, hence regulated by SEBI, the capital market regulator. Universal banks and NBFC investment banks are governed by the RBI. At the constitutional level, all investment banks fall under the rules of the Companies Act, 1956. Those which are incorporated under a separate statute like the IDBI or the SBI function under their respective statutes. Those which are set up with FDI are regulated by FEMA, 1999 and Foreign Exchange Management (Transfer or issue of Security by a person Resident outside India) Regulations, 2000. There are few Indian and foreign investment banks which have an established place of business in India. That is referred in Exhibit 12.2 below. However, all activities of an investment bank are conducted under the auspices of the Association of Investment Bankers of India (AIBI). Recognized by the SEBI, AIBI was set up to provide efficient services through standard practices in the investment banking industry in the country. The following are main functions of investment banks as approved by AIBI, monitored by SEBI: ? Accepting credit and discounting bills ? To be bankers to the issue (in this case only commercial banks are allowed) ? To undertake corporate counseling and NRI counseling ? To go in for credit syndication and project finance ? To undertake fixed deposit broking, investment activities ? To augur international finance ? Issue management and management of mutual funds, management of Indian investment banks and management of pension funds ? M&A and portfolio management, underwriting services ? Rehabilitating and restructuring sick companies ? Venture capital financing SBI, the first public sector bank, was also the first investment bank as far as India concerned. It was set up in the year 1972. As of date, around 300 banks are registered with SEBI in India, as investment banks.

Unit 12: Investment Banks 109

Table 12.1: Top investment banks FY 2020 and 2021 FY 2021 FY 2020 Bank Revenue \$m % share Rank Revenue \$m % share JPMorgan 12,276.80 9.3 1 8,406.50 9.1 Goldman Sachs 11,481.30 8.7 2 7,550.40 8.2 Morgan Stanley 8,551.90 6.5 4 6,036.50 6.6 BofA Securities 8,241.40 6.2 3 6,172.00 6.7 Citi 6,277.10 4.7 5 4,459.50 4.8 Barclays 4,765.90 3.6 7 3,294.00 3.6 Credit Suisse 4,497.00 3.4 6 3,553.60 3.9 Jefferies LLC 3,511.10 2.7 9 2,078.30 2.3 Deutsche Bank 3,192.80 2.4 8 2,202.20 2.4 UBS 2,424.70 1.8 12 1,661.60 1.8 Subtotal 65,220.00 49.3 45,414.60 49.3 Total 1,32,321.20 100 92,146.00 100 Source: <http://graphics.wsj.com/investment-banking-scorecard/> Geographical distribution of Investment Banking Revenues for the Year 2021 US \$billions US 70.6 Latin America 2.3 ME and Africa 2.2 Australia 2.8 Asia (ex Japan) 16.3 Japan 3.9 Europe 28.9 Canada 5.3 Total in USD billion 132.3 B) China – The Emerging Leader in Investment Banking Industry in Asia In 2014, several developing countries, mostly from the Asian region, agreed to set up a series of new multi-lateral development finance institutions. Some of them are: the BRICS-sponsored New Development Bank (NDB), China-sponsored Asian Infrastructure Investment Bank (AIIB) and the Silk Road Fund. These financial institutions, in particular, were framed to counter-balance the political weight of the West. China played a significant leadership role in all the above mentioned institutions, of which AIIB gained special stature in the international level, to the extent of considering it as a threat to the other developed investment banks of the world. AIIB framed the new financial architecture.

Block 3: Global Financial Institutions 110

China uniquely positioned itself to finance up to 51 32.37% of the total corpus to the extent of USD 29780.4 million. Regional members are 37 as of June 2017 with a total share of 77.2629% in voting rights contributing USD 73,614 million. The non-regional members were 19 contributing USD 19,379.2 million with voting rights of 22.7371% and total corpus of USD 92,993.2 million. AIIB, being a Multi-lateral Development Bank (MDB), has assumed the western countries to be a threat to the World Bank, and these Asian developing countries felt that there is a need for recognition of AIIB at the global level and in order to do away from these western countries. The bank has constituted representatives from 57 countries from Asia in June 29, 2015 in Beijing and signed the Articles of Agreement (AOA) agreed by 50 countries. C) Global Players in Investment Banking Industry Having got an overall view of the investment banking industry of the world, let us have a look at the top 10 investment bankers, at the international level. According to the 'League Tables' issued by Financial Times (as of September 28, 2015) representing the first three quarters of 2015, Goldman Sachs was the number one in the top 10 list on revenue generation by investment banks, followed by Bank of America, Merrill Lynch, Goldman Sachs, Morgan Stanley, Citi and Barclays Deutsche Bank, Credit Suisse, Wells Fargo, and UBS. A view of the role, services and growth of the above mentioned top 10 investment banks of the world are given in the following tables. Tables 12.2 & 12.3 show the revenues generated by the top investment bankers while offering various services. Table 12.2: Top 10 Investment Banks – Global year 2021

45%

MATCHING BLOCK 155/230

W

Top 10 Banks Fees Changes in Fees % of Fees collected by product Year 2021 (\$m) vs. Prev Period* M&A Equity Bonds Loans JP Morgan 13,369.57 41.00% 33 24 22 21 Goldman Sachs & Co 11,717.60 38.00% 42 33 16 10 Morgan Stanley 9,307.50 28.00% 37 37 19 8 BofA Securities Inc 8,952.17 19.00% 24 25 28 24

Citi 7,040.07 19.00% 30 28 27 15 Credit Suisse 4,766.21 10.00% 37 23 24 17 Barclays 4,625.98 20.00% 27 23 33 18 Deutsche Bank 3,198.29 27.00% 20 15 41 23 Jefferies LLC 2,932.40 42.00% 36 39 11 14 Wells Fargo & Co 2,649.42 14.00% 9 13 44 34 Total 1,64,927.6 3 24.00% 29 25 28 18 Source: <https://markets.ft.com/data/league-tables/tables-and-trends> 51 2017 www.aiib.org/en/about-aiib/governance/members-of-bank/index.html

Unit 12: Investment Banks 111

Table 12.3: Revenue Generation by Top Ten Global Investment Banks 2021 Industries Fees Changes in Fees % of Fees collected by product Last Year 2021 (\$m) vs. Prev Period* Financials 52,699.75 36.00% 31 20 32 16 High Technology 17,198.90 45.00% 36 45 7 12 Industrials 16,568.79 20.00% 28 25 25 23 Healthcare 13,278.86 11.00% 34 45 10 11 Energy and Power 12,083.50 10.00% 31 13 28 27 Government and Agencies 10,844.03 6.00% 5 2 86 6 Real Estate 8,587.24 29.00% 21 25 29 24 Consumer Products and Services 7,338.09 37.00% 31 27 18 23 Materials 7,222.53 19.00% 30 32 17 21 Retail 5,483.62 31.00% 31 33 16 20 Telecommunications 4,617.46 -1.00% 30 17 28 25 Consumer Staples 4,520.99 22.00% 31 26 19 23 Media and Entertainment 4,483.87 1.00% 39 18 24 18 Total 1,64,927.63 24.00% 29 25 28 18 Source: <https://markets.ft.com/data/league-tables/tables-and-trends> 52 Revenues generated by Investment Banks in the recent past Global i-banks posted record revenues, Return on Equity (ROE) in the year 2020. Sector revenues at the twelve (12) leading global investment banks reached their peaks in 2020. This was driven by capital market volatility prompted by COVID pandemic, as per Coalition Greenwich, an S&P Global Inc., Research Company. The revenue rise pushed the consolidated return on equity at the selected banks into double digits for the first time since 2016. The ROE reached to a five-year high of 13.2% in 2020 when compared to 7.5% in the year 2019. Total investment bank revenues at the 12 major United States (US) and European institutions in the table below rose to 28% year on year to \$194.2 billion in 2020. This was showcased in Coalition Greenwich's Investment Banking Index. The index table includes Bank of America Corp., UBS Group AG., Goldman Sachs Group Inc., Citigroup Inc., Morgan Stanley, JPMorgan Chase & Co., Barclays PLC, Credit Suisse Group AG, BNP Paribas SA, HSBC Holdings PLC, Deutsche Bank AG and Société Générale SA. The remaining business was contributed by equity segment and FICC (fixed income, currencies and commodities). 52

<https://www.spglobal.com/marketintelligence/en/news-insights/blog/insight-weekly-june-28-2022>

Block 3: Global Financial Institutions 112

Revenues in IBD (Investment banking division) business, including deal advisory, debt and equity issuance and origination, surged to 23% year on year to \$49.4 billion in 2020. The strong performance of the debt and equity capital market segments compensated the slowdown in M&A (merger and acquisition) segment due to decreased industry-wide volumes. In the fourth quarter (last quarter) of 2020, IBD revenues rose to 36% year on year. This was mainly due to a boom in IPOs of special purpose acquisition companies, which resulted into equity capital market issuance high by more than 100% in the fourth quarter. Productivity, operating margins jump Productivity is measured as revenues divided by revenue-generating front-office headcount. This surged to a three-year rise around all the main business lines (i.e., FICC, IBD and equities).

Figure 12.3: Productivity by Business in 2020 (US\$B) Source: <https://www.spglobal.com/marketintelligence/en/news-insights/blog/insight-weekly-june-28-2022> The record level of revenues after deduction of bonus and, lower travel and marketing costs, surged operating margins, which caught 15% points year on year to an average of 44% in 2020. This was the first surge in five years from the year 2015 to 2020.

Chart created March 4, 2021. FICC = Fixed income, currencies and commodities; IBD = investment banking division Sample includes largest 12 investment banks globally *Year-over-year change in productivity for the sample. Productivity is measured as revenues divided by revenue generating front office headcount. Numbers may not add up to total due to independent rounding FICC Equities IBD FY'18 FY'19 FY'20 3.8 4.1 2.7 2.6 3.1 2.4 2.3 2.9 6.0 9%* 23%* (2)%* 44%* (3)%* 17%*

Unit 12: Investment Banks 113

Biggest Investment Banking Debacles Investment banking industry is not without its ups and downs. The following are some of the biggest debacles the industry had faced over the centuries. This is mentioned in Figure 12.4 below: Figure 12.4: Biggest Debacles of Investment Industry

Source: ICFAI Research Center Tulip Flower Mania: During the 16 th century, tulip flower which was introduced to Europe from the Ottoman Empire, became a luxury item which boosted trading in tulips. While a skilled craftsman in the Dutch was earning only 300 DFLs (Dutch currency) p.a., the cost of a bulb of tulip "Viceroy" ranged between 3000 DFLs and 4200 DFLs. In February 1637, the tulip market suddenly collapsed. South Sea Bubble: This great economic bubble was influenced by the speculation of stocks in the South Sea Company, which was promised a monopoly of all trade to the Spanish colonies in South America in exchange for taking over and consolidating the national debt raised by the 'War of Spanish succession'. The company's share which was trading at £128 in January 1720 touched an all-time peak of £1,050 in August, the same year. In September, the market crashed bringing down the South Sea stock with it. Wall Street Crash: It was the most memorable bust in the history of American financial markets. Anticipating a "new economy", the stock prices soared in 1920, only to crash in October 1929, popularly known as "Black Thursday". It triggered a 12-year "Great Depression" that affected all western industrialized countries. Dotcom bubble/boom: Relating to Information Technology, this boom was caused by the new boomers in this industry. Just to show that they were a part of IT, companies prefixed 'e' before their names or suffixed a ".com". The new growth of IT companies shot up the stock prices of such companies in 1997, only to be deflated in 2000.

Tulip Flowers Mania 1679-37 Netherlands Mortgage Bubble Collapse of Lehman Brothers 2010 Bankruptcy Jefferson County Alabama 2011 South Sea bubble 1720 England-France Housing Bubble 2006 USA Chinese Stock Market Crash June 2015 Wall Street Crash 1920 USA Dotcom Bubble Across World 2000 Brexit-UK Exit from Euro Zone Stock Market Crash World over June 2016

Block 3: Global Financial Institutions 114

US housing bubble: It is another historic event that affected the US financial markets via the housing market bubble. Housing prices reached a peak in early 2006 and started collapsing in 2007. The impact was so great that 5 large US investment banks either went bankrupt (Lehman Brothers) or had to be bailed out by the US Government (Goldman Sachs and Morgan Stanley). This also created a recession in countries that had close trade-ties with the US. The global players of the investment banking industry, JP Morgan, Bank of America, Credit Suisse, UBS, Citigroup, Deutsche Bank, Goldman Sachs, Morgan Stanley and Barclays, had a tough time to tide over this bubble burst that affected their image and their businesses. The Mortgage Debacle: This is in connection with the housing bubble in the US that collapsed the Lehman Brothers. The housing bubble led to the explosion of sub-prime mortgage loans. Investment bank Lehman mortgaged the real estate business with securitization, but later bundled them into securities and sold to outside investors for higher returns. The issue busted and one of the major players in this industry collapsed. Bankruptcy in Jefferson County, Alabama: This main bond market had a massive collapse in November 2011, when Jefferson County filed for "bankruptcy", when pressured with a debt of more than \$3 billion. The bust was linked to the construction of a sewer system that was expected to cost \$300 million, but ended up costing \$3.1 billion due to construction problems. The bond markets and the derivative markets were largely hit. Crisis Period of Investment Banking Industry - 2007-2011: The housing bubble bust in 2007 termed as the "Second Great Depression" brought into light the poor underwriting practices, complex financial instruments and poor regulatory standards in this industry. There was an overall recession in many countries that were associated with the US for trade and finance which had a wide rippling effect. India too was affected though was cushioned of the shock, thanks to the conservatism of the financial regulations of the RBI. The crisis led to the emergence of the Dodd-Frank Act in July 2010 (also called Doff-Frank Wall Street Reform and Consumer Protection Act) – an Act that aimed at plugging the loopholes in this industry in the US. Hedge funds, private equity firms and other investment firms were henceforth, considered to be part of minimally regulated "shadow banking system". Pure investment banks like the Goldman Sachs and Morgan Stanley converted themselves into Bank Holding Companies (BHC). The industry prospects post crisis led to a highly debated topic.

Revenues, profits and bonuses declined. The only field that was least affected in this industry was the 'M&As' as it remained unscathed pre, during and post crisis. 53 Chinese Stock Market Crash, June 2015: Over the two to three year period before the crash (2013-14), the investors poured more and more into Chinese 53

<http://money.cnn.com/2015/07/09/investing/china-crash-in-two-minutes/index.html?lid=hp-stack-intl>

Unit 12: Investment Banks 115

100%**MATCHING BLOCK 156/230****W**

stocks, even though economic growth and company profits were weak.

100%**MATCHING BLOCK 162/230****W**

A classic bubble developed. The bubble popped on June 12, and the Shanghai index lost about a third of its value before rebounding.

The

100%**MATCHING BLOCK 157/230****W**

losses were even more dramatic on the smaller Shenzhen Composite.

The Chinese Government

100%**MATCHING BLOCK 158/230****W**

moved aggressively to control the crisis. The government gave money to brokerages to buy stocks – and ordered company executives not to sell their shares. New company listings were suspended.

This affected the investment banking business.

100%**MATCHING BLOCK 159/230****W**

The central bank cut interest rates to a record low. Regulators and security officials launched an investigation into illegal 54 short selling.

88%**MATCHING BLOCK 160/230****W**

Only approved brokers are allowed to engage in short selling in China. In 2015, Beijing's plan appeared to work, but the Shanghai Composite resumed its decline

because it lost 20% when compared to the five-year period from 2010-15.

95%**MATCHING BLOCK 161/230****W**

The index dropped more than 40% from its June 12, 2015 peak, erasing all gains.

Brexit 2016 and its impact in the market: The UK, held an in/out referendum on 23 rd June, 2016 on whether Britain should exit from the EU (popularly called the Brexit). The momentum gathered behind the EU exit campaign, wishing to terminate central control by Brussels and provide Britain the freedom to manage its own affairs. On June 23 rd , 53.4% of British nationals voted for 'Brexit'. More than 1,00,000 people voted for quitting the 28 member bloc. The historic mandate given by the people of Britain had significant impact both on short-term and long-term basis. However, the immediate impact of Brexit, i.e., after June 24 th 2016 was as follows: ? Global stock markets lost about \$2 trillion in value on 24 th June 2016 after Britain voted to leave the European Union, while Sterling suffered a record one-day plunge to a 31-year low and money poured into safe-haven gold and government bonds. ? It is a blow to investor confidence across the world. ? The move blindsided investors, who had expected Britain to vote to stay in the EU, and sparked sharp re-pricing across asset classes. Mainland European equity markets took the brunt of selling as investors feared the vote could destabilize the 28-member bloc by prompting more referendums. ? The traditional safe-harbor assets of top-rated government debt, the Japanese yen and gold all jumped. Spot gold rose nearly 4 per cent and the yield on the benchmark 10-year US Treasury note fell to a low of 1.406 per cent, last seen in 2012, though it climbed higher in afternoon trading. 54

Short selling is a trading activity in which the trader sells the stock without having the possession of the stock. Generally they borrow the stock and sell, this is done in anticipation of price fall. The trader who was engaged in short selling buy the stock at a lower price.

Block 3: Global Financial Institutions 116 ?

Stocks tumbled in Europe. Frankfurt GDAXI and Paris FCHI each fell by 7 per cent to 8 per cent. Italian FTMIB and Spanish IBEX markets posted their sharpest one-day drops ever, falling more than 12 per cent, led by a dive in European bank stocks SX7P. Italy's Unicredit (CRDI.MI) fell 24 per cent, while Spain's Banco Santander (SAN.MC) fell 20 per cent. ? London's FTSE dropped 3.2 per cent, with some investors speculating that the plunge in Sterling could benefit Britain's economy. ? Stocks on Wall Street traded down more than 3 per cent, with the Dow Jones industrial average dropping as much as 655 points, its worst daily drop in 10 months. The Dow Jones industrial average DJI fell 611.21 points, or 3.39 per cent to 17,399.86, the S&P 500 SPX lost 76.02 points, or 3.6 per cent to 2,037.3 and the Nasdaq Composite IXIC dropped 202.06 points, or 4.12 per cent to 4,707.98. 55 Future of Investment banking post Covid 19 stage Covid 19 pandemic in the years 2020 and 2021 had badly created public health, societal and economic impacts across all the industries and economies. This was because of market democratization, pricing pressure, liquidity stress, falling equity prices, increased client sophistication, shifts to remote working arrangements, rapid technology advances and evolving financial regulations. All these became the hassles in the investment banking industry. Deloitte, Global Consulting Group, published a report 'Bank of 2030: The future of investment banking published in the year 2020'. Few of the important points were given below - ? The key disruptive forces were: Democratization of markets, Value-chain unbundling, Technology and automation, Buy-side sophistication, demand curve shift in the industry and regulations among different countries. ? The new industry realities were: Commoditization of products and services, Pricing pressure and Mass customization for sophisticated investors. ? Investment banking in a transition mode - from a full-scale service model to a bifurcation of two broker archetypes: "client capturers" - specialists in front-office functions and "flow players" that focus mainly on middle-office functions. ? The future will probably need the investment banks that shed non-core assets and redesign their service delivery across a connected flow model that moves the capacity and processes among the different geographic and ecosystem partners, optimizing the use of financial data, technology and analytics to innovate differentiated insight and value rise. 55 Deloitte Report Bank of 2030: The future of investment banking published in 2020

Unit 12: Investment Banks 117 ?

The investment bank becomes a data-centric organization focusing on the client journey, moving middle- and back-office functionality into fintech (financial technology) or market utilities. A rich database will activate the bank to generate a model client behavior and, use of artificial intelligence, machine learning, and natural language processing, to forecast the risk appetite and trading activities of its clients. Example: Significant Surge in Activity of Investment banks after the Reopening of Global Markets With improved liquidity in the market and expected M&A activities, IBs were back in business across the globe and the most notable trends were as follows. Sustainable finance achieving new heights- ? The sustainable debt market crossed \$765 billion issues in 2020. ? Hefty liquidity in the market drove the M&A sphere-

84%

MATCHING BLOCK 163/230

W

Infusion of fresh capital, PE investments and corporate acquisitions had led to strong deal making activity

to the extent of USD1tn per quarter over the past 12 months. ? Special purpose acquisition companies (SPACs') had ever-shining buying power- The boom in activity of SPACs during early 2021 reached record level of 274 new listings and

100%

MATCHING BLOCK 165/230

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more than USD 80bn was raised by SPACs in 1H21. ?

72%

MATCHING BLOCK 164/230

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Capital market activity slowly paved its way back to pre-pandemic levels- Equities were provided moderate returns in 2021 unlike in 2020.

Global IPO proceeds exceeded \$ 250 bn. While on one hand the IB activities were reaching pre pandemic levels, Goldman Sachs IB team visualized 30% probability of USA

76%

MATCHING BLOCK 167/230

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entering a recession over the next year, and a 25% conditional probability in the second year.

The IB had said that the recession risk was higher and the main reasons were: i. Baseline growth path was lower ii. High headline inflation and consumer inflation expectations iii. Energy prices likely to rise further iv. Slowing down of business activity sharply.

86%

MATCHING BLOCK 166/230

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Investment banks had started following the hybrid conference/roadshows strategies and utilized the latest technology to realign and revamp deal origination strategies.

Sources: i) <https://www.acuitykp.com/blog/investment-banking-industry-trends-in-2022/> dated 13 th January 2022 ii) <https://www.business-standard.com/article/international/>

100%

MATCHING BLOCK 168/230

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risk-of-us-recession-now-higher-and- more-front-loaded-warns-goldman-122062100294_1.

html dated 21st June 2022 Date of access- 10.08.22

Block 3: Global Financial Institutions 118

Check Your Progress - 11. Lazard, one of the renowned investment banks in the world, deals only with advisory services on asset management and financial management for specified institutional clients. Under which category can it be classified? a. Full service b.

Financial conglomerate c. Independent d. Private placement e. Niche 2. Trading securities for cash, exchange of securities, promotion of securities etc., by an investment banker refers to which type of activity? a. Sell side b. Buy side c. Hedge fund d. Venture capital e. Private equity 3. Which of the following is considered a risky job for an investment banker? a. Trading and related services b. Corporate financial services c. Financial advisory services d. Underwriting services e. M&A 4. Tybourne Capital and Stead View Capital are examples of investment banks that are into hedge funds. What is the service rendered by them called? a. Risk management b. Wealth management c. Securitization d. Merchant banking e. Private security dealings 5. Which of the following enactment was a savior to investment banking industry in the US in 1999? a. Glass Steagall b. Gramm-Leach-Bliley c. Dodd-Frank d. Maloney e. McFadden

Unit 12: Investment Banks 119 12.8

Criticisms, Threats and Challenges

Despite the growth of investment banks in majority of the countries (developed or developing), this global industry has too many variants. Different investment banks offer different pricings for similar products. The expectations of stakeholders of the investment bankers are too high on ROE. Under such contrasting scenarios, the investment bankers are encountering lot of criticisms, threats and challenges. Let us examine one by one. 12.8.1 Criticisms Investment banks faced a lot of adverse comments on the way they were operating in the markets. Some of the points are given below: 1. No doubt, the size of this industry and the revenues generated by them have risen sharply, but not without a cost. For example, many investment banks suffered losses when exposed to the US sub-prime securities segment and after the housing bubble bust. 2. One of the most important functions of the investment banking industry is research, research analysis and generating reports by the research analysts. A common criticism leveled against this industry is that it lacks objectivity in its analysis and reports. An extended criticism is the lack of independence in such reports. 3. There is also a conflict between an investment bank's objectives and the corporate's objective which mars the smooth functioning of this industry. 4. There is a discrepancy between internal proprietary trading firm or client- driven sales and trading function. 5. Improper delving of information or eclipsing information to the investors stalls the mutual trust and confidence among the parties. Relationship maintenance and sustenance is the core behind the success of investment bankers. 6. A lot of value addition in investment banking happens mainly in specialized services involving cross-border transactions. Rest of the services, many times have very less value addition to the banker itself. For e.g., certain M&As, when done within a boundary, do not add value to the services rendered by an investment banker. 7. Investment bankers many times are not strong decision-makers in the market, creating jeopardy to the clients. 8. In certain cases, private equities and hedge funds act only as financial engineering decisions. It may not make a difference in the company's operations or generation of revenue.

Block 3: Global Financial Institutions 120 9.

Sometimes, some of the investment bankers are resorting to unethical means to improve business. "Spinning" is one such practice adopted by some of the investment bankers allocating underpriced shares of newly issued stock to companies--is called 'spinning'. This is a methodology to lure companies and use that respective investment bank's services. The other side of 'spinning' is that the investment banker of the client is the underwriter, when the company issues its own securities. The above activities create conflict of interests. For e.g., Goldman Sachs Group Inc., was under scrutiny by SEBI for violation of ethical code of conduct. They purchased mortgages in the US housing market, converted them into mortgage- backed securities for clients to buy them. Simultaneously, they sold these mortgages (shorting) as hedge, anticipating a fall in the value of US housing market. This is a classic illustration of asymmetric information to investors. 12.8.2 Threats and Challenges Facing Industry According to 56 BCG report, 2015, on this industry, the global CMIB (Capital Market and Investment Banking) revenues declined from \$271 billion in 2010 to \$246 billion in 2013 to \$239 billion in 2014. Fixed Income Currencies and Commodities (FICC) which accounted for 55% share in the revenues in 2010 sharply declined to 49% in 2014. This decline was due to volatility in the market functioning and low client base for this industry. Return on Equity declined from 11% in 2013 to 7% in 2014. Rates trading was the most hit with a decline by 64% from \$22 billion in 2012 to \$8 billion in 2014. On the positive side, M&A showed the strongest growth with 14% and the advisory revenues at 4% growth rate. Some of the challenges to be faced by this industry are as follows: ? Developing countries want to be in the race to capture the growth in this industry. But the perception of such countries by developed countries fall short of international standards, reason being many of these countries are prone to high corruption. For e.g., Transparency International's Corruption Perceptions Index, that ranks 175 countries on corruption, has ranked South Africa as holding the highest position in BRICS nations, standing at 67 followed by Brazil at 69, India -85, China - 100 and Russia - 136. ? Transparency and integrity in lending decisions pose a serious threat to this industry. ? The cost aspect of this industry has escalated a lot during recent times. This has made the industry think in terms of going for a centralized model of services. This centralization process may or may not be in tandem with the delivery of business process. ? A high reliance on third party providers in this industry can affect the integrity of the services rendered. 56

<http://www.bostonconsulting.com.au/media/PressReleaseDetails.aspx?id=tcm:121-187977>

Unit 12: Investment Banks 121 ?

The battalion of regulations – a two-edged knife – compliance to Foreign Exchange Act regulations and a host of territorial and local ones, in the Asia- Pacific region is considered an unenviable challenge, especially for foreign banks operating in these regions. Japan, Thailand, Australia and India pose specific problems in the form of regulatory bodies, which are a real burden to this industry. Example: FINRA (Private American Corporation that Acts as a Self-Regulatory Organization that Regulates Member Brokerage Firms and Exchange Markets) Investment bankers faced stringent regulatory guidelines and faced heavy penalty if violated as in case of Credit Suisse which was fined \$9 million for failing to comply with various regulatory guidelines as follows. a. Failure to comply with certain securities laws and rules designed to protect investors. b. Failure to comply with certain Securities and Exchange Commission's Customer Protection Rule. c. Failure to comply with Financial Industry Regulatory Authority (FINRA) rules. d. Failure to

70%

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certify that it had implemented supervisory systems and procedures. e. Failure to comply with the

70%

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the Customer Protection Rule and other requirements. b. Failure to maintain possession or control of billions of dollars of fully paid and excess margin securities it carried for customers.

c. Failure to accurately calculate the required customer reserve which had to be maintained as a special reserve bank account. a. Failure

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to disclose potential conflicts of interest when issuing research reports.

Source: <https://www.finra.org/media-center/newsreleases/2022/finra-fines-credit-suisse-securities-9-million-multiple-operational> dated 20th January 2022. Accessed on 10.08.22 ? Similar regulations in the European continent cause pain to the investors and investment bankers alike. ? EY (Ernst & Young) analysis in 2014, identified a package of eight challenges found to be plaguing this industry. This industry, surviving on protect-and-survive mode, can no longer breathe if these challenges are not addressed immediately.

Block 3: Global Financial Institutions 122

The challenges identified still hold good in the post Covid-19 period also. Challenges observed by Investment Banking Industry The core players in the investment banking industry face a series of disruptions post-pandemic. IBCA (Investment Banking Council of America) discusses the major disruptions like cyber-threats, technology adoption, increasing costs, and talent acquisition along with the possible solutions. Challenges Suggested solutions Achieving Cost Reduction ? Stream line the processes ? Outsource resources ? Share utilities Improving Client Experience ? Manage Customer Relationship ? Map client experience standards ? Transfer customer experience Refining Cyber Security ? Segment Network ? Implement ticket based approach ? Provide quick training for employees Acquiring Right Talent ? Develop Talent management strategies ? Develop a long term relationship ? Employ unparelled talent The article summarizes that by strengthening the bottom line through opting the right processes and technology with the right people helps to become best-in- class. The investment banking industry must rejuvenate by following the best practices of the modern system. Check Your Progress - 2 6. Which of the following helps investors gauge the level of generating income through their investments? a. Return on investments b. Return on assets c. Return on equity d. Rate of investments e. Rate of equities 7. Investors see an overlapping between product groups and industry groups Quite often, this overlapping is considered as two different products by an investment banker. What is this service/activity of an investment bank called as? a. Misaligned financial structure b. Misaligned cost structure

Unit 12: Investment Banks 123

c. Misaligned product structure d. Misaligned technology structure e. Misaligned service structure 8. Which of the following Acts came into force in the US to close gaps in the investment banking industry which led to the financial crisis in the US and other countries as a rippling effect? a. Dodd-Frank b. Glass Steagall c. NASDAQ d. Gramm-Leach-Bliley Act e. AIB 9. Which investment banking debacle is famously called the second "Great Depression" in the US, that led to financial crisis in many countries too? a. Tulip flower mania b. Mortgage debacle c. Wall Street crash d. Dot com bubble e. Housing bubble 10. On an average, the maximum revenue that is being generated by investment banks across the globe is through _____. a. Equities b. Bonds c. Loans d. M&A e. Foreign currency exchange 12.9 Rebuilding Investment Banking Industry: The Required Transformation In one of the 1 reports of E&Y (leading management consultants), in 2016, it is observed that the aggregate revenues for the largest investment banks in FY15 were in line with pre-crisis revenues. A decade earlier, some businesses (such as parts of fixed income, currencies and commodities - FICC) seem to be in terminal decline. It was also noted that the operating costs and capital requirements of IBs have significantly increased. Hence, long-term success will demand that investment banks fundamentally reshape their business.

Block 3: Global Financial Institutions 124

The expectation 57 of ROE Capital Markets and Investment Banking is 15% in the coming years (But, this will remain a distant dream if the transformation does not occur early and immediately). As per EY's report, this industry requires four strong pillars to revive it (Refer Figure 12.5). They are: (i) Optimizing operations and assets (ii) Transformation of culture (iii) Shift from product-centric to client- centric services and (iv) To be technology-led by addressing technology disruptions. The explanations of these statements are made in Figure 12.5 below: Figure 12.5: Four Strong Pillars to Revive the Industry Adapted from "Transforming Investment Banks", <http://www.ey.com/> 57

[http://www.ey.com/Publication/vwLUAssets/ey-transforming-investment-banks/\\$File/ey-transforming-investment-banks.pdf](http://www.ey.com/Publication/vwLUAssets/ey-transforming-investment-banks/$File/ey-transforming-investment-banks.pdf) 2015

Optimizing assets and Operations Asset optimization: reviewing collateral systems and processes, risk-weighted assets to be optimized, examination of third-party collateral Cost optimization: by re-engineering key processes Business line entity optimization: rebalancing portfolios, exiting non-core business lines and rationalizing business entities Sourcing optimization Cultural Transformation Identifying drivers of behavior: reassessing employee incentives Reforming hiring practices by enhancing non-financial employee proposition Establishing best practices: Transparency, accountability and rewarding "good" behavior Becoming Client centric Identifying core clients and needs by undertaking profitability analysis and qualifying the profitable clients Enhancing client experience by creating "single shop front" and exploring single portals Deploying client satisfaction system Technology-led Optimizing technology investment by re-assigning staff cost to technology spend Investing in business transformation through collateral and capital management, providing customer-centric solutions, adopting new trading systems and processes and improving in data analytics and research

Unit 12: Investment Banks 125

UBS investment bank, which is one of the top investment banks, has shown a remarkable upward swing in 2015. Example: Latest Trends in Investment Banking- Data Analytics Data analytics gained prominence in investment banking due to increased digitalization. Some of the steps taken up by IBs in this process were: ? JP Morgan had hired 4,000

88%

MATCHING BLOCK 172/230

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new employees specializing in digital skills like cloud technologies, big data, and cybersecurity. ? Expanding the executive leadership teams to include more technical experience and expertise. ?

Introducing

92%

MATCHING BLOCK 182/230

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automation technology tools with new capabilities for streamlining processes, eliminating potential human error, and increasing overall efficiency for organizations. ?

62%

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Increased accountability for investment banks in the ways they collected, analysed, shared, and reported their data. ?

Improved and increased data security for efficient governance. ? Expanded the

85%

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leadership team to include a Sr-level Chief Technology and Data Officer with a primary focus on data governance and analytics. ?

Move operations and core client communications fully online. ? Mass migration of that data to a centralized location (Cloud). ? Offered

71%

MATCHING BLOCK 175/230

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analysts a centralized location to search for reputable data, validated and shared information with their clients, resulting in stronger

relationship. ? Used artificial intelligence (AI)

100%

MATCHING BLOCK 176/230

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across a wide range of operational and strategic areas mainly, data analytics, keyword extraction, and alerts to newly sourced information.

Investment banking across the globe is in the process of digital transformation and the main factor that is driving this transformation is the power of data analytics. Source: <https://www.alpha-sense.com/blog/data-analytics-trends-in-investment-banking/> Dated 23 rd November 2021 Accessed on 10.08.22 Activity 12.2 There are numerous regulatory bodies governing the Indian investment banking system like the RBI, SEBI, AIBI, FEMA, being the important ones. How do you think this will affect the growth of investment banks in this region, which is still in the budding stage?

Block 3: Global Financial Institutions 126

Answer: 12.10 Summary ? Investment banking is not a new concept to many countries. It originated from the merchant traders in almost all parts of the world, who were performing the similar functions of investment banking activities of today. ? However, with the passage of time, this industry reshaped with proper regulatory bodies in every country in place. ? Now, they are into diversified spectra of activities ranging from the normal fixed income securities to equity and debt capitals, hedge funds in some cases along with their regular advisory services to individuals, corporates, institutions and governments. ? Though showing a growth map towards the right hand side since centuries, this industry is not without challenges. ? If these challenges are addressed rightly, then the upward movement of this industry is beyond doubt. Foreign trade and "Openness" due to globalization are always there to fuel this industry. 12.11 Glossary Brexit: A popular word used for exit of UK from the European Union. The UK held an in/out referendum on 23 rd June, 2016 on whether Britain should exit from the EU (popularly called the Brexit). British nationals voted for 'Brexit'- the exit from the Euro Union. CMIB Revenues: Revenues generated by investment banking industry out of the services provided on capital market and investment banking to the client base. Hedge fund is a variant of investment fund. Hedge fund pools capital from a limited number of sophisticated institutional or individual investors and investing in a variety of capital assets. Hedge funds are unregulated. Investment Bank: It is a financial intermediary that performs a variety of services, including aiding in the sale of securities, facilitating mergers and other corporate re-organizations, acting as brokers to both individual and institutional clients and trading for its own account.

Unit 12: Investment Banks 127

Merchant Banking: According to SEBI, the merchant banking activity is to carry on any activity of issue management, which will inter alia consists of preparation of the prospectus and other information relating to the issue, determining financial structure, tie-up of financiers and final allotment and refund of the subscription.

Merchant bankers in India should be registered with SEBI. Mergers and Acquisitions (M&A): A 'Merger' refers to consolidation of companies (generally, two) to form a new company. Under an acquisition, one company acquires or purchases the other. Unlike in mergers, a new company is not formed here. However, both are part of strategic corporate movements. Mid Office: This term is used in the organizational structure of treasury activities of corporate or a foreign exchange dealing room or investment banker. The organizational structure of these entities have three major segments – front office which deals with exclusive trading activities, back office which deals with reconciliation and accounting activities of the deals done, and the mid office frames the risk management guidelines and frame-work of the dealing activities generally manned by top management of the organization. Spinning in investment banking terminology is one such practice adopted by investment bankers to allocate underpriced shares of newly-issued stocks to companies. The other side of 'spinning' is the investment banker of the client who is the underwriter, when the company issues its own securities. Universal Banking basically is co-existence of commercial banking activity of lending and investment and distribution activity of an investment bank. These banks enjoyed the market security issuances that mostly consisted of the local markets, designated in the local currencies. Venture Capital Financing: It is the funding process for new business start-ups that have high growth potential and high risks. 12.12 Self-Assessment Test 1. Name the important players in investment banking. 2. What are the different phases of investment banks? 3. What is the structure of investment banks? 12.13

Suggested Readings/Reference Materials 1. Anthony Saunders, Marcia Cornett, Anshul Jain (2021). Financial Markets and Institutions. McGraw-Hill. 7 th edition 2. I.M. Pandey, Financial Management (2021). 12 th edition, Vikas Publishing House. 3. Jeff Madura (2020). Financial Markets and Institutions – Asia Edition, 13 th edition; Cengage Learning

Block 3: Global Financial Institutions 128 4.

P. G. Apte (2020). International Financial Management; Tata McGraw-Hill Education Private Limited; 8 th edition 5. Prasanna Chandra (2019). Financial Management – Theory and Practice, 10 th edition, New Delhi: Tata McGraw-Hill 6. Frank J. Fabozzi, Frank J. Jones (2019). Foundations of Global Financial Markets and Institutions. Mit Press. 5 th edition 7. Brealey Myers (2018). Principles of Corporate Finance, 12 th edition, USA: McGraw-Hill Companies Inc. 12.14 Answers to Check Your Progress Questions 1. (

e) Niche Niche banks (or niche firms) called the boutiques that are into specialized services only. 2. (a) Sell Side The two main lines of investment banking are the "buy side" and the "sell side". "Sell Side" refers to trading securities for cash, exchange of securities, promotion of securities, etc. 3. (d) Underwriting Services Underwriting services are considered to be the high risk job for an investment banker. By underwriting an issue, it gives guarantee for a fixed issue to the security issuer in exchange for its securities. 4. (a) Risk Management It refers to designing insurance products, hedging risk, pension plans, foreign exchange management, dealings in foreign currency futures, estate dealings etc. 5. (b) Gramm-Leach-Bliley Act The enactment of Gramm-Leach-Bliley Act (GLBA) in November 1999 came as a savior to investment banking industry, which until then had created a "Chinese Wall" between the functioning of a commercial bank and that of an investment bank. 6. (c) Return on Equities (ROE) ROE helps investors know how their investments are generating income. 7. (c) Misaligned product structure Too many variants of similar products are termed as misaligned products. It increases cost and reduces revenues.

Unit 12: Investment Banks 129 8. (

a) Dodd-Frank Act Dodd-Frank Act was passed on July 21, 2010 as a response to the 'Great Depression' caused by the collapse of the financial system in the country after Lehman Brothers' manipulative activities in housing loans came to light in the US. It made major changes in the US financial regulatory environment. 9. (e) Housing bubble An historic event that affected the US financial markets. Housing prices reached a peak in early 2006 and started collapsing in 2007. The impact was so great that five large US investment banks either went bankrupt (Lehman Brothers) or had to be bailed out by the US government (Goldman Sachs and Morgan Stanley). This also created a recession in countries that had close trade ties with the US. The global players of investment banking industry, J.P Morgan, Bank of America, Credit Suisse, UBS, Citigroup, Deutsche Bank, Goldman Sachs, Morgan Stanley and Barclays, had a tough time to tide over this bubble-burst that affected their image and their businesses. 10. (d) M&A (Mergers & Acquisitions) Generally, this is considered to be a buoyant market for an investment banker to generate revenues.

Unit 13 Pension Funds Structure 13.1 Introduction 13.2 Objectives 13.3 Types of Pension Funds 13.4 Pension Funds Functional Model 13.5 Pension Fund Administrator 13.6 Pension Fund Administrative Functions 13.7 Responsibilities of Pension Fund Administrator 13.8 Delegation of Pension Fund Administrator's Responsibilities 13.9 Pension Fund Accounting 13.10 Pension Funds Reporting Requirements 13.11 Pension Fund Surplus and Deficits 13.12 International Experience 13.13 Leading International Pension Funds 13.14 Pension Fund Regulations 13.15 Pension Fund Regulation in India 13.16 National Pension Scheme 13.17 Summary 13.18 Glossary 13.19 Self-Assessment Test 13.20 Suggested Readings/Reference Materials 13.21 Answers to Check Your Progress Questions "

The decision to incentivize savings for pension funds augurs well for infrastructure financing and retirement planning." - Arundhati Bhattacharya 13.1 Introduction Pension funds act as double edge product, an avenue for long term savings and supporting long term project financing. In the previous unit, we have studied about the concept and definition of investment banks, origin of investment banks, organizational structure of investment banks, general functions of investment banking industry and also Unit 13: Pension Funds 13.1 international scenario, criticism, threats and challenges of investment banking industry.

In this unit, we will be studying

about types of pension funds, pension fund model, pension fund administrator, pension fund accounting, reporting, international experience etc. A pension fund is a fund created to pay pensions to the subscribers. Normally, contributions to such funds are made either by the employer, employee or by both. These funds facilitate and organize the investment of funds collected to pay pension upon retirement of the employee contributors. Pension funds can also be looked at as common asset pools ideally and practically meant for generation of adequate and stable growth over a period of years and also providing succor to the employees in the form of pension once they reach the end of their active working service. Pension funds can be operated in two ways – in-house or entrusting to a professional intermediary. Globally, pension funds are considered to be relatively large capital providers. Hence, they are treated as the largest institutional investors. In the United States, the US Department of Labor was given regulatory authority in the late 1950s over employee (retirement) benefit plans under the Welfare and Pension Plans Disclosure Act. Under this provision, the employers and labor unions are to provide plan, descriptions and periodical reports to the government. This is to ensure that the employers, sponsors and administrators are made responsible and accountable to the employee participants and beneficiaries and also to ensure robust financial health of such plans and funds. In India, the Pension Fund Regulatory & Development Authority (PFRDA)

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Act was passed on 19th September, 2013. The same was notified on 1st February, 2014. PFRDA is regulating

the National Pension Scheme (NPS), subscribed by employees of the Government

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of India, State Governments and by employees of private institutions/ organizations

and unorganized sectors. The preamble of the Pension Fund Regulatory & Development Authority Act, 2013 describes the basic functions of the PFRDA as – "

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to promote old age income security by establishing, developing and regulating pension funds, to protect the interests of subscribers to schemes of pension funds and for matters connected therewith or incidental thereto." 13.2

Objectives After studying this unit, you will be able to: ?

Explain

why a pension fund is required for people who work in organized/ unorganized sectors and record the different types of pension funds that help the pension subscribers

Block 3: Global Financial Institutions 132 ? Describe the functional models of pension funds that will take care of fund administration, trade processing, etc. ? Identify the role of pension fund administrator, the services available and discuss his/her functions ? Analyze the importance of maintaining a proper accounting system in pension funds that maintain savings of common man for old age security ? Evaluate the purpose and importance of reporting the transactions of pension fund which maintains huge corpus of money and discuss the internal and external reporting system of pension funds 13.3 Types of Pension Funds Pension is a source of income to the individual in his/her old age which provides financial stability and security after retirement. It is an insurance plan providing financial coverage for the old age of the individual. The beneficiaries under pension plan could be persons of old age, early retirement, disability, partial disability, widows and orphans. In any pension fund the contribution and resultant benefit at the end of the plan are very important. Different pension plans provide different sets of benefits. There are two main pension fund plans - Defined benefit plan and Defined contribution plan. In the case of defined benefit plan, the Pension Fund Administrator (PFA) promises to pay a certain amount of retirement pension for life. This pension amount will depend upon the earnings and the number of years of service with the employer. The contributions to build the corpus will come from the employee and the employer. The responsibility for generating sufficient return to pay the defined benefit lies with the employer. The employer is therefore responsible for investing the contributions and corpus in suitable investment opportunities to generate sufficient return to pay the future pensions for all employee-members. If there is any shortfall, the employer should make good the difference. In the case of defined contribution plans, only the contributions are defined and fixed; the pension – the retirement income – is not guaranteed. Normally, the employee and the employer contribute to this defined contribution plan. And the employer must meet and make the contribution the employee makes. The employee will be given the option to invest the corpus in his portfolio of funds. The retirement pension amount will be dependent on the total contributions made by the employee and the employer and also the return on investment on the corpus. Upon retirement, the employee will use the amount owned – contributions and returns on investments thus far. Usually the retiring employee will buy a suitable annuity plan from an insurance company.

Unit 13: Pension Funds 133 Pension Funds can be of different types from a managing perspective too – government managed (or government appointed regulator managed) or privately managed. Government managed pension funds provide an assured pension for the retiring beneficiaries. However, sometimes, the government may have to step in to make good the shortfall if the returns are not sufficient. Privately managed individual capitalization pension funds offer benefits such as a fall in the cost of pension for employees, sound returns on investments and the ability to deliver improved pensions and a positive impact on the economy. But the risk on assured returns or pension lies entirely with the retiring employees. Example: Guaranteed Pension Plan Flexi from ICICI Pru ICICI Prudential Life Insurance a private pension funds had launched ICICI Pru Guaranteed Pension Plan Flexi fund with following features: a. An annuity product with premium paid at regular intervals b. A plan where customers

50%

MATCHING BLOCK 180/230

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build retirement savings over a period of time systematically. c. Specifically designed to make regular contributions towards building a savings pool. d. Life-long guaranteed income.

The Pension Plan Flexi was available in seven variants, such as i. Return of the premium ii. Once the critical illness or permanent disabilities are diagnosed, there is an option to surrender the policy. Source: <https://www.financialexpress.com/>

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MATCHING BLOCK 181/230

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[money/insurance/icici-pru-guaranteed-pension-plan-flexi-launched-check-features-of-this-new-annuity-plan/2512679/](https://www.financialexpress.com/money/insurance/icici-pru-guaranteed-pension-plan-flexi-launched-check-features-of-this-new-annuity-plan/2512679/)

dated 4 th May 2022 Accessed on 10.08.22 In countries like India, pension to central and state government employees is paid directly by the governments. There is no contribution from employees while in service. The pensions are paid out of the Consolidated Fund of India. However, this scheme has been dispensed with and in its place a National Pension Scheme – on contributory basis – has been introduced. This is explained in detail separately in this unit.

94%

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The Government of India has introduced a pension scheme called the Atal Pension Yojana (APY), with effect from 1st June, 2015, pursuant to the announcement in the budget for 2015-16 on creating a universal social security system for all Indians, especially the poor, the under-privileged and the workers in the unorganized sector. The APY is being administered by the Pension Fund Regulatory and Development Authority (PFRDA) under the overall administrative and institutional architecture of the National Pension System (NPS).

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creating a universal social security system for all Indians, especially the poor, the under-privileged

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by the Pension Fund Regulatory and Development Authority (PFRDA) under the

Block 3: Global Financial Institutions 134 Atal Pension Yojana 1. Atal Pension Yojana (APY) is open to all bank account holders. The Central Government would also co-contribute 50% of the total contribution or ₹1000 per annum, whichever is lower. It is open for each eligible subscriber, for a period of 5 years. The scheme is applicable to those who are not members of any statutory social security scheme and who are not income tax payers. Therefore, APY will be focused on all citizens in the unorganized sector. 2. Under the APY, the monthly pension would be available to the subscriber. After his/her death the pension goes to his/her spouse. After the death of spouse, the pension corpus as accumulated at the age 60 of the subscriber would be returned to the nominee of the subscriber. 3. Under the APY, the subscribers would receive the fixed minimum pension of ₹ 1,000 per month, ₹ 2,000 per month, ₹ 3,000 per month, ₹ 4000 per month, ₹ 5000 per month, at the age of 60 years, depending on their contributions, which itself would be based on the age of joining the APY. Therefore, the benefit of minimum pension would be guaranteed by the government. However, if higher investment returns were received on the contributions of subscribers of APY, higher pension would be paid to the subscribers. 4. A subscriber joining the scheme of ₹ 1,000 monthly pension at the age of 18 years would be required to contribute ₹ 42 per month. However, if he/she joins at the age 40, he/she has to contribute ₹ 291 per month. Similarly, a subscriber joining the scheme of ₹ 5,000 monthly pension at the age of 18 years would be required to contribute ₹ 210 per month. However, if he/she joins at age 40, he/she has to contribute ₹ 1,454 per month. Therefore, it is better to join early in the scheme. The contribution levels, the age of entry and the pension amounts are available in a table given in the Frequently Asked Questions (FAQs) on APY, which is available on www.jansuraksha.gov.in. 5. The minimum age of joining APY is 18 years. The maximum age is 40 years. Therefore, the minimum period of contribution by any subscriber under the APY would be 20 years or more. 6. Improve the statement for better clarity.

83%**MATCHING BLOCK 186/230****W**

Option to the spouse of the subscriber to continue contribution to APY on death of the subscriber before attaining the age of 60 years: If the subscriber dies before the age of 60 years, his / her spouse would be given an option to continue contribution to the APY account of the subscriber. The account can be maintained in the spouse's name for the remaining vesting period, till the original subscriber would have attained the age of 60 years. The spouse of the subscriber shall be entitled to receive the same pension amount as that of the subscriber until the death of the spouse.

Unit 13: Pension Funds 135 13.4 Pension Funds – Functional Model Some of the jobs in the market have pension benefits while some jobs do not have. Whether the job is pensionable or not, post retirement, most people want to supplement the income for their sustainability and survival. Hence they subscribe to various types of pension schemes. Since the pension funds sit on a huge corpus of funds, the funds should be managed in a professional way adopting different models. The pension fund services have become more professional these days. A typical functional model will cover the following areas: ? Fund administration ? Trade processing ? Reference data management ? Corporate actions ? Reconciliation ? Tax services ? NAV calculation ? Portfolio accounting ? Investor services ? Financial reporting The fund administrator has a crucial role to play in all these activities. Example: US Pension Funds - The Issues The decade 2011-21 registered increase in pension contribution. The public pensions in all 50 states in US saw their funding ratios top at 80%, and

62%**MATCHING BLOCK 187/230****W**

public pensions had made the tremendous developments between closing the gap between plan funding and liabilities

by the end of fiscal 2021. However, while there were positive data on the industry, there was an issue when it came to pension funding and stability as per Pew charitable trusts (an organization which works on empirically driven research on a wide range of topics) projections which suggested that pensions might be finding difficult to provide 7% return target. The main reason though a short term in nature was the volatility in equity market, high inflation and low fixed-income yields coupled with fund governance. Though the pension portfolio is doing well with good growth in compared to past performance, there was a need to improve them further according to funding data from Pew Charitable Trusts. Pension fund administration played a crucial role and a professional set up would ensure good returns as one could observe from the way the US pension funds had been administered. Source: <https://www.aio.com/news/governance-issues-loom-over-us-pensions/> dated 2 nd June 2022 Accessed on 10.08.22

Block 3: Global Financial Institutions 136 13.5 Pension Fund Administrator Administratively, there are certain guidelines for monitoring pension fund activities. Operationally, every pension fund should have an administrator who will be responsible for the supervision, management, control and administration of the pension plan. The administrator will also be entrusted with the authority to invest the pension fund's corpus in various asset classes and products / instruments. The pension fund administrator can be: ? An individual employed by the corporate entity or the employer who established the pension fund; or ? A Board of Trustees. In case, the pension fund manages pension fund administration for multiple employers, then the trusts can be formed with representatives from the multiple employer members; or ? A committee comprising member representatives appointed by the employer or corporate entity; or ? An Asset Management Company (AMC) which specializes in such fund administration; or ? An insurance company which in its normal business extends annuity plans to its subscriber-policy holders. Example: New Pension Funds from Tata Asset and Max Life Insurance To manage and administer pension funds, the Pension Fund Regulatory and Development Authority (PFRDA) had permitted Tata Asset and Max Life to set up pension funds. In this regard, Tata Asset had been promoted by Tata AMC the other pension fund one would be promoted by Max Life Insurance, one of the strong life insurance companies. As per the authorities of PFRDA, few more AMCs may be also permitted in due course to set up and administer pension funds. The other

85%

MATCHING BLOCK 189/230

W

pension fund administrators in India were: ? Aditya Birla Sun Life Pension Management Limited. ? HDFC Pension Management Company Limited. ? UTI Retirement Solutions Limited. ? SBI Pension Funds Private Limited. ? ICICI Prudential Pension Funds Management Company Limited. ? Kotak Mahindra Pension Fund Limited. ? LIC Pension Fund.

36%

MATCHING BLOCK 188/230

W

Aditya Birla Sun Life Pension Management Limited. ? HDFC Pension Management Company Limited. ? UTI Retirement Solutions Limited. ? SBI Pension Funds Private Limited. ? ICICI Prudential Pension Funds Management Company Limited. ? Kotak Mahindra Pension Fund Limited. ? LIC Pension Fund.

Source: <https://www.business-standard.com/article/companies/>

100%

MATCHING BLOCK 190/230

W

tata-asset-and-max-life-insurance- get-approval-to-set-up-pension-funds-121100101521_1.

html dated 1 st October 2021. Accessed on 10.08.22

Unit 13: Pension Funds 137 13.6 Pension Fund Administrative Functions Generally, pension funds sit on huge corpus of the savings of the pension account- holders. As seen in earlier paras, the pension fund can be private or public but contributed by individual subscribers. The expectation of a pensioner is to receive the eligible pension for his/her sustenance and living. So, the basic goal of pension fund would be to minimize the potential conflicts of interest that may arise between the fund members and those responsible for the fund's management. Under all circumstances, the security of pension savings should be preserved. Hence, the pension fund should be maintained with all normal business prudence and due diligence within the pension fund regulatory frame- work. The respective regulatory authorities set clear guidelines to fund administrators. Some key functions of pension fund administration are: ? Investor fund receipt and accounting ? Investment profiling and investment ? Formulation and implementation of business rules ? Classification and accounting of investment returns ? Analytics, calculation and validation ? Value at risk and risk management ? Expense management ? Pension distribution and accounting ? Custodial services and collateral management ? Internal, external and regulatory reporting Example: Flexibility in Pension Fund- NPS (National Pension Scheme) Subscribers can Switch Asset Allocation 4 Times in a Year Investment profiling and investment was one of the key functions of pension fund administrator and the pension fund regulator PFRDA. The regulator had permitted the subscribers to change the investment pattern from 2 to 4 times in a financial year. The investments could be allocated in a mix of instruments such as government securities, debt instruments, asset-backed and trust- structured investments, short-term debt investments, and equities and related investments. Thus, the pension fund managers under NPS such as

60%

MATCHING BLOCK 191/230

W

ICICI Prudential Pension Funds Management Company, LIC Pension Fund, Kotak Mahindra Pension Fund, SBI Pension Fund, UTI Retirement Solutions,

68%

MATCHING BLOCK 192/230

W

ICICI Prudential Pension Funds Management Company, LIC Pension Fund, Kotak Mahindra Pension Fund, SBI Pension Fund, UTI Retirement Solutions,

HDFC Pension Management Co, and Birla Sun Life Pension Management could invest subscribers' pension assets in the prescribed investment schemes, as per their choice. Source: <https://www.business-standard.com/article/economy-policy/>

100%

MATCHING BLOCK 193/230

W

nps-subscribers-can-soon- switch-asset-allocation-4-times-in-a-year-121122900066_1.

html dated 29th December 2021 Accessed on 10.08.22

Block 3: Global Financial Institutions 138 13.7 Responsibilities of Pension Fund Administrator The responsibilities of a Pension Fund Administrator (PFA) are unique with a greater focus on specialization and performance to fulfill the promises to the pensioners and prospective pensioners. The pension fund regulatory authorities monitor the functions. Mainly, the PFA has a fiduciary responsibility to take care of the pension funds entrusted with, and their operation and administration. In addition, she/he has to comply with all regulations in force and the terms of the pension plans. The following points highlight how the PFA has to protect the interest of the stake-holders: ? The PFA is responsible, accountable, liable and answerable to the participants in the pension plans – the sponsors, the regulators, the employee- beneficiaries. ? The PFA has to make sure that the pension fund plan information that is made readily available to all subscribers should be complete, accurate and timely. ? The PFA should periodically explain the salient features of the pension fund to all new employees and subscribers. Such salient features should include the rights and responsibilities of the new employees and subscribers. ? The PFA has to comply with all regulatory requirements and submit periodical information and reports to the regulators. ? The PFA has to ensure the periodical determination of accurate pension plan entitlements and payments. It also has to ensure that such payments are transferred to the beneficiaries as and when they are due and as agreed upon in the pension fund documents. ? In the case of deceased beneficiaries, payments should be made to the surviving spouses and legal heirs. They need to be informed of the entitlement and periodicity of such payments. The PFA has to function proactively to attend to all requirements, including complaints from the pension plan beneficiaries and ensure that all such complaints are sorted out with no loss of time. Example: Smart Guaranteed Pension Plan- A New Product from Max Life One of the important responsibilities of the pension fund administrator was to provide information to subscribers on developments, new plans, changes in the existing plans etc. and in this regard Max Life Insurance Company had communicated its launch of the 'Max Life Smart Guaranteed Pension Plan'. This plan is a single premium plan both for individuals and group general annuity plan. This was a new plan brought out by the company. Contd....

Unit 13: Pension Funds 139 The key feature of the policy was that the product would guarantee a regular stream of income to the policy holder which ensured financial security. The company informed that the new product would be available to individuals, Corporates and public sector enterprises. The product would be extremely useful to corporates and public sector enterprises, who could use the product as group annuity product to meet the employees' retirement needs. Source: <https://www.financialexpress.com/>

100%

MATCHING BLOCK 194/230

W

money/max-life-launches-max-life-smart-guaranteed- pension-plan-check-features/2460825/

dated 14 th March 2022 Accessed on 10.08.22 13.8 Delegation of Pension Fund Administrator's Responsibilities In carrying out the various functions, the Pension Fund Administrator (PFA) may require the services of service providers such as: ? Employees of Pension Fund Administrator's Office ? Trust and Insurance Companies and Investment Companies ? Specialists in Pension Fund Management, Control and Administration ? Accountants, Auditors, Investment Managers ? Actuaries, Brokers, Custodians, Consultants The PFA has to ensure that these services provided should also comply with the various responsibilities cast upon the administrator. At any time, the PFA cannot escape his/her fiduciary responsibility by citing the errors, commissions and omissions on the part of these service providers. In other words, the PFA's roles and responsibilities will remain the same, whether she/he executes the functions himself/herself or get them executed through other service providers as above. Though specialist functions, routine functions, operational functions can be delegated, the accountability, direction setting, decision-making, supervision of the service providers should remain with the PFA. That is, the PFA has to administer the pension fund himself/herself. And she/he alone is responsible for the performance of the fund, duties cast upon the fund, the fulfillment of commitments made under the fund and regulatory compliance. Example: Short Term Returns, Disappointed due to Inefficient Fund Administration Let us look at the returns of some of the pension funds for a six month period on a ₹ 1000 monthly instalment investment: Name of the fund Average return in % Central government plans - 2.70 State government plans - 2.60 NPS Lite Plans - 2.48 Atal Pension Yojna - 2.72 Contd....

Block 3: Global Financial Institutions 140 Most of the funds were providing negative returns on short term and it was the responsibility of the fund manager to take necessary steps to reverse the trend by opting for better investment plans, whether he administers himself or outsources them. It is the responsibility of pension fund administrator to fulfil the commitments made under the fund. Source: <https://www.valueresearchonline.com/nps/performance/> dated 24th June 2022 Accessed on 10.08.22 Activity 13.1 What are the functions and responsibilities of a Pension Fund Administrator (PFA)? Answer: 13.9 Pension Fund Accounting Pension funds sit on huge corpus of savings of pension account holders. Hence the financial transactions of pension fund should be transparent and in compliance with the laws of the land. Pension fund accounting will require maintenance of books of accounts for individual participants, their contributions and periodical returns on their contributions invested. Pension fund accounting will also require maintenance of portfolios of investments made in different asset classes – commodities, equities, fixed income, foreign exchange, derivatives, real estates, private equity, etc. Expenses will have to be properly allocated and there should be pre-approved business rules for direct allocation, fund expenses and variable expenses. Some of the business rules that are very important in pension fund accounting are - class rules, composite account pricing, yield rules, income accruals, accrual rules and methods, class valuation, transfers in / to and calculation rules. Returns on Investments are to be properly classified and accounted for in pension fund accounting mainly from taxation angle. Some of the classified returns are – dividend, interest and capital gains – short / medium / long term. Some important analytics / calculation in pension fund accounting are – NAV calculation / validation / estimation, unrealized gains, unrealized losses, income-equalization, deemed distribution income, stale prices and interim

Unit 13: Pension Funds 141 profits. They are important from taxation angle and submission of annual returns to regulations and reporting. Example: Returns from NPS (National Pension Scheme) Returns on Investments were to be properly classified and accounted for in pension fund as observed from the following table. The return on investments on some of the pension funds for a three year period was quite impressive compared to 5 years period as shown below.

28%

MATCHING BLOCK 195/230

W

State Government funds (As of May 2021) Pension Fund Managers 3-year ROI 5-year ROI SBI Pension Fund 11.31% 9.92% LIC Pension Fund 11.17% 9.85% LIC Pension Fund UTI Retirement Solutions 11.25% 9.98% Central Government funds SBI Pension Fund 11.29 9.93 UTI Retirement Solutions 11.29% 10.07% LIC Pension Fund 11.28% 9.93% .

Source: <https://www.godigit.com/finance/nps/nps-returns> dated 18th May 2022 Accessed on 10.08.22 13.10 Pension Fund Reporting Requirements The pension fund management is responsible for proper maintenance of the corpus of the fund and accountable to stakeholders. Pension funds reporting requirements will fall under three categories – internal, external and regulatory reporting. Internal reporting will cover and cater to the needs of: ? Fund managers ? Senior management ? Investor funds ? Investment profiles ? Value at risk ? Returns from investment ? Expenses ? Classification of returns ? NAVs ? Pricing appraisal ? Fund administration ? Fund accounting

Block 3: Global Financial Institutions 142 External reporting will cater to the needs of: ? Individual contributors ? Statutory auditors ? Fund managers ? Fund investors ? Returns from investments ? NAVs ? Tax report to investors if any ? Client / Custody report Regulatory reporting will comply with the requirements of: ? Tax authorities ? Central bank ? Licensing and regulatory authorities Example: Disclosure Regulation-46 SBI pensions funds had submitted information on investors relations as per the regulations 46 to SEBI a Details of its Business b

82%

MATCHING BLOCK 196/230

W

Terms and Conditions of Appointment of Independent Directors c Composition of various committees of Board of Directors;

100%

MATCHING BLOCK 197/230

W

d Code of Conduct of Board of Directors and Senior Management Personnel

e

79%

MATCHING BLOCK 198/230

W

Criteria of making payments to non-executive Directors f Policy on dealing with related party transactions g Policy for determining 'material' subsidiaries h Details of familiarization programmes imparted to independent directors i The

75%

MATCHING BLOCK 199/230

W

email address for grievance redressal and other relevant detail j Contact information of the designated officials

k Financial information l Shareholding Pattern m Details of agreements entered into with the media companies n Schedule of analyst or institutional investor meet and presentations made Contd....

100%**MATCHING BLOCK 200/230****W**

New name and the old name of the listed entity for a continuous period of one year,

p Items in sub-regulation (1) of regulation 47 q Credit ratings obtained r Audited financial statement . Source: <https://sbi.co.in/web/investor-relations/disclosure-under-regulation-46> dated 7 th February 2022 Accessed on 10.08.22 13.11 Pension Fund Surplus and Deficits The fund will have certain investment avenues stipulated by the regulatory authority. The investments in securities by the pension fund are exposed to market risk, interest rate risk and exchange risk. The returns are dependent on market cycles. However, the pension account holders' requirements are defined at the beginning of pension plan. When pension fund corpuses show surplus, such pension funds will be able to meet their commitments and obligations. They may also pay a kind of bonus or additional payment over and above committed pensions. In recent years, many businesses that established their own company pension schemes with defined employee benefits have found them to be underfunded. In that the net present value of the liabilities to current and future pensioners exceed the value of investments and contributions. Typically, the reason for this is a combination of increasing life expectancy and lower investment returns than were originally expected. When a deficit has occurred in a fund, there is a potential liability for the business to top up the pension fund. Investment analysts characterize these deficits as debt when assessing the leverage. Where companies are able to borrow to fund a deficit, it generally makes sense to do so because the interest on the borrowings is tax deductible in the company. Example: Assets Under Management (Pension fund) of National Pension Scheme as of 31 st March 2021 The pension funds under management by central, state government and private sector pension funds Sector ₹ in crore Private sector 1,04,649.57 Central Government 1,81,416.26 State governments 2,91,959.92 Total funds under management 5,78,025.75 . Source: [https://www.npstrust.org.in/sites/default/files/Annual%20Report%20of%20NPS%20Trust-%20FY%202020-21%20\(1\).pdf](https://www.npstrust.org.in/sites/default/files/Annual%20Report%20of%20NPS%20Trust-%20FY%202020-21%20(1).pdf) dated 12 th August 2021. Accessed on 10.08.22

Block 3: Global Financial Institutions 144 13.12 International Experience Melbourne Mercer Global Pension Index analyzes and measures the pension systems in 25 countries to assess whether they have the abilities to deliver promised /and adequate future provisions. The Netherlands and Denmark are ranked at the top in this list. As per this report, big reforms are a must to improve the pension schemes' administration and systems in countries such as China, India, Indonesia and Japan. Japan, Austria and Italy are ranked poorly, thanks to the high levels of government borrowings, inadequate pension corpus/assets and very importantly, ageing population. There is no easy solution to solve this. This requires a strong action from the government side to push reforms on the pension side. Transition arrangements, though they are lengthy and laborious, are a must for enacting and implementing reforms. Even in developed countries, such as the US, Germany, France, pension systems face potential risks that could derail and endanger their long-term health. Living up to 90 and beyond will become a common feature in many countries. It is desirable to link changes in life expectancy to the state pension age. Australia, Germany, Japan, Singapore, the Netherlands and the UK have raised their state pension age to meet increases in life expectancy. Some of the pension funds have made unsustainable promises. These promises will have to be reworked and renegotiated in the light of increasing longevity. There is also a challenge to be met. As of now, most forward-looking countries offer retirement benefits to the poor and the disabled. The young people are now demanding and inquiring if there will be any such support in the form of state pension provisions by the time they get old and retire. The experience in the developed countries suggested a wider coverage for inclusion under pension funds can be achieved only when the labour markets are regularized. The coverage can be improved by a higher level of supervision of employers by regulators. These employers do not pay contributions or exclude their employees from the pension cover. Pension coverage can be improved by providing tax sops and incentives to encourage all employers to participate and contribute. If this can be achieved, then the state will have lesser obligation to provide old age social security in the form of minimum pensions and other welfare benefits. Commercial costs constitute a major issue to overcome for pension funds. By focusing on variable incentives for performance, rewarding fund managers for managing beneficiaries' portfolios, going in for pre-decided membership periods, charging higher commission for intra/inter fund manager switching, reduced commission for running / current membership, pension funds can manage their commercial costs.

Unit 13: Pension Funds 145 Operational costs reflect upon the ability of the pension funds to operate with low or reduced cost. To entice membership, some pension funds offer lower operational costs on longer individual pension fund duration. Pension fund managers now offer a variety of products and services – administer different funds (with different profiles and portfolios), manage voluntary funds (not mandatory, not required by regulation), administer new and additional products like insurance for unemployment, savings accounts and variable pensions. These days markets are very erratic, thereby impacting the earning potential. In recent times, particularly after the 'Global Financial Markets Crises of 2008-09', interest rates have drastically come down, thus affecting fixed income securities, thereby forcing the investment managers of pension funds to opt for equity investments. Equity investments are very risky by their very nature. International pension industry 58 The international pension industry, the largest mobiliser and investor of funds, has been playing its part year after year to boost global economic growth. Total assets of 22 major global pension markets rose 12.4% to \$53 trillion at end-2020 from \$47 trillion at end-2019, according to Towers Watson's Global Pensions Asset Study, 2021. The US (assets worth \$33 trillion), Japan, and the UK – the top three pension markets – accounted for 62.0%, 6.9% and 6.8% of total assets, respectively. In dollar terms, pension assets grew 18.0% in the US, 7.9% in Japan, and 6.6% in the UK. The pension markets of Australia, Canada, Japan, the Netherlands, Switzerland, the UK, and the US – the top seven – allocated 43% of their global assets to equities, 29% to bonds, and 26% to other assets (including real estate and other alternatives) as of 2020. As much as 2% was held in cash. Since 2000, allocation to other assets has increased, while that to equities has decreased. The US and Australia have higher allocation to equities; while Japan, the UK, and the Netherlands to bonds. Pension and Retirement Plans in USA Department of Labour US Government provided various pension related schemes provided to citizens of USA. The Employee Retirement Income Security Act (ERISA) covers two types of retirement plans: defined benefit plans and defined contribution plans. Defined Benefit Plan: A defined benefit plan promises a specified monthly benefit at retirement. The plan may state this promised benefit as an exact dollar amount, such as \$100 per month at retirement. It may calculate a benefit through a plan formula that considers such factors as salary and 58 NPS Trust Annual Report FY 2020-21

Block 3: Global Financial Institutions 146 service - for example, 1 percent of average salary for the last 5 years of employment for every year of service with an employer. The benefits in most traditional defined benefit plans are protected, within certain limitations, by federal insurance provided through the Pension Benefit Guaranty Corporation (PBGC). Defined Contribution Plan: A defined contribution plan, on the other hand, does not promise a specific amount of benefits at retirement. In these plans, the employee or the employer (or both) contribute to the employee's individual account under the plan, sometimes at a set rate, such as 5 percent of earnings annually. These contributions generally are invested on the employee's behalf. The employee will ultimately receive the balance in their account, which is based on contributions plus or minus investment gains or losses. The value of the account will fluctuate due to the changes in the value of the investments. Examples of defined contribution plans include 401(k) plans, 403(b) plans, employee stock ownership plans, and profit-sharing plans. Simplified Employee Pension Plan: A Simplified Employee Pension Plan (SEP) is a relatively uncomplicated retirement savings vehicle. A SEP allows employees to make contributions on a tax-favoured basis to individual retirement accounts (IRAs) owned by the employees. SEPs are subject to minimal reporting and disclosure requirements. Under a SEP, an employee must set up an IRA to accept the employer's contributions. Employers may no longer set up Salary Reduction SEPs. However, employers are permitted to establish SIMPLE IRA plans with salary reduction contributions. If an employer had a salary reduction SEP, the employer may continue to allow salary reduction contributions to the plan. Profit Sharing Plan: A Profit Sharing Plan or Stock Bonus Plan is a defined contribution plan under which the plan may provide, or the employer may determine, annually, how much will be contributed to the plan (out of profits or otherwise). The plan contains a formula for allocating to each participant a portion of each annual contribution. A profit sharing plan or stock bonus plan may include a 401(k) plan. A 401(k) Plan is a defined contribution plan that is a cash or deferred arrangement. Employees can elect to defer receiving a portion of their salary which is instead contributed on their behalf, before taxes, to the 401(k) plan. Sometimes the employer may match these contributions. There is a dollar limit on the amount an employee may elect to defer each year. An employer must advise employees of any limits that may apply. Employees who participate in 401(k) plans assume responsibility for their retirement income by contributing part of their salary and, in many instances, by directing their own investments.

Unit 13: Pension Funds 147 An Employee Stock Ownership Plan (ESOP) is a form of defined contribution plan in which the investments are primarily in employer stock. A Cash Balance Plan: A Cash Balance Plan is a defined benefit plan that defines the benefit in terms that are more characteristic of a defined contribution plan. In other words, a cash balance plan defines the promised benefit in terms of a stated account balance. In a typical cash balance plan, a participant's account is credited each year with a "pay credit" (such as 5 percent of compensation from his or her employer) and an "interest credit" (either a fixed rate or a variable rate that is linked to an index such as the one-year Treasury bill rate). Increases and decreases in the value of the plan's investments do not directly affect the benefit amounts promised to participants. Thus, the investment risks and rewards on plan assets are borne solely by the employer. When a participant becomes entitled to receive benefits under a cash balance plan, the benefits that are received are defined in terms of an account balance. The benefits in most cash balance plans, as in most traditional defined benefit plans, are protected, within certain limitations, by federal insurance provided through the Pension Benefit Guaranty Corporation (PBGC). Example: Performance of international pension industry The international pension industry was the largest mobiliser and investor of funds and had been playing an important role in global economic growth. Some of the salient features of international pension industry were- a. Total assets of 22 major global pension markets rose 12.4% to \$53 trillion at end-2020 as per Watson's Global Pensions Asset Study. b. The assets of US, Japan, and the UK – the top three pension markets – accounted for 62.0%, 6.9% and 6.8% respectively of total assets worth \$33 trillion. c. In dollar terms, pension assets grew 18.0% in the US, 7.9% in Japan, and 6.6% in the UK. d. The pension allocation of the top seven countries namely Australia, Canada, Japan, the Netherlands, Switzerland, the UK, and the US were as follows- ? 43% of their global assets to equities ? 29% to bonds ? 26% to other assets including real estate and other alternatives. e. The global pension assets to gross domestic product (GDP) ratio rose to 80% in 2020 from 69% in 2019. Source: [https://www.npstrust.org.in/sites/default/files/Annual%20Report%20of%20NPS%20Trust-%20FY%202020-21%20\(1\).pdf](https://www.npstrust.org.in/sites/default/files/Annual%20Report%20of%20NPS%20Trust-%20FY%202020-21%20(1).pdf) dated 12 th August 2021 Accessed on 10.08.22

Block 3: Global Financial Institutions 148 Check Your Progress - 1 1. Which of the following is target group of a pension fund created to pay pensions? a. Subscribers b. Depositors c. Account holders d. Members e. Selected public 2. Who else will be making contributions to pension funds along with y the employee? a. State government b. Authority c. Central government d. Employees union e. Employer 3. Who else can operate Pension funds other than in-house employer? a. Employees union b. Employee in the organization c. Professional intermediary d. Pension department e. Government 4. Which is the other pension fund plan apart from defined benefit plan? a. Employees b. Employers c. Compensation d. Contingency e. Contribution 5. Which of the following entities will have the responsibility for generating sufficient returns under the Defined Benefit Plan to pay the defined benefit? a. Employee b. Employees union c. Statutory body d. Employer e. State government

Unit 13: Pension Funds 149 13.13 Leading International Pension Funds Ranking of pension funds is normally made on the basis of total assets under management of these pension funds. The present ranking of pension funds is captured in the following example. Example: Ten Largest

35%

MATCHING BLOCK 201/230

W

Public Pension Rankings by Total Assets (in US\$) Name Total assets (in US \$) Region 1. Social security Trust funds 2,883,274,546,976 N. America 2. Government pension investment fund (Japan) 1,744,680,000,000 Asia 3. Caisse des Depots 1,256,420,000,000 Europe 4. Military Retirement Fund 979,432,811,000 N. America 5. Federal Retirement Thrift Investment Board \$803,115,000,000 N. America 6. National Pension Service of Korea 796,912,575,372 Asia 7. Federal Employees Retirement System 733,815,462,000 N. America 8. Canada Pension Plan Investment Board \$550,951,456,500 North America 9.

Stichting Pensioenfond ABP \$540,315,660,000 Europe 10. Zenkyoren \$530,339,000,000 Asia . Source: <https://www.swfinstitute.org/fund-rankings/public-pension> dated 8th March 2022 Accessed on 10.08.22 13.14 Pension Fund Regulations In many countries, while PF regulations do not mandate that employers establish pension funds for their employees, it does require them to meet certain standards if a fund is to be eligible for tax exempted /deferred status. The employees who have contributed to pension funds during their active work life can enjoy the benefits of the pension funds only when structured frame-work is in operation for the pension funds. PF regulations may set guidelines for funding and prescribe penalties for fund deficiencies. Contributions to pension funds must be sufficient to meet all annual costs and expenses and to fund any unfunded historical liabilities or any new underfunding arising from low investment returns or other losses over a prescribed time horizon. The principal features of any PF regulation would cover pension plan funding, vesting of benefits, fiduciary responsibility, pension fund transferability and pension fund insurance. Block 3: Global Financial Institutions 150 Example: US regulator SEC PF regulation Security Exchange Commission (SEC), US regulator charged

90%

MATCHING BLOCK 202/230

W

Allianz Global Investors (AGI) and three former senior portfolio managers with multibillion dollar securities fraud

and Allianz Global Investors had agreed to pay more than \$1 Billion to resolve the regulators charges. AGI US, which

100%

MATCHING BLOCK 203/230

W

AGI US marketed and sold the strategy to approximately 114 institutional investors, including pension funds for teachers, clergy

96%

MATCHING BLOCK 204/230

W

admitted that its conduct violated the federal securities laws and agreed to a cease-and-desist order, a censure and payment of \$315.2 million in disgorgement, \$34 million in prejudgment interest, and a \$675 million civil penalty, a portion of which would be distributed to certain

investor. Source: <https://www.sec.gov/news/press-release/2022-84> 17 th May 2022. Accessed on 10.08.22. 13.15 Pension Fund Regulation in India Pension Fund Regulation in India commenced in 2003 with

76%

MATCHING BLOCK 205/230

W

the Government of India establishing the Pension Fund Regulatory and Development Authority (PFRDA).

PFRDA is entrusted with the task of setting up various intermediary agencies for central record keeping, pension fund management, custodial services, trust banking, etc. Pension Fund Regulatory and Development Authority in India has been set up under Indian Trusts Act 1882 and is authorized by the Ministry of Finance. The President of India is the guardian of pension regulations in India and it is subject to his/her financial emergency powers. More details about Pension Fund Regulatory and Development Authority can be sourced from the website of the Regulator – www.pfrda.org.in. Example: 100% Increase in number of PFRDA Pension Scheme As per a report issued by the Pension Fund Regulatory and Development Authority (PFRDA) there had been a remarkable increase in

87%

MATCHING BLOCK 206/230

W

the number of subscribers in various pension schemes under the National Pension System /

Scheme. ?

73%

MATCHING BLOCK 207/230

W

Atal Pension Yojana (APY) registered the highest contributor to the subscriber base by 31.6 per cent to 37.2 million

and overall subscribers base rose by 24% from 531.73 lakh by the end-May 2022 from 428.56 lakh in May 2021. ? The number of subscribers under National Pension Scheme

100%

MATCHING BLOCK 208/230

W

for central government employees rose by 5.28 per cent to 22.97 lakh.

Contd....

Unit 13: Pension Funds 151 ? In case of state governments, the growth registered was 7.70 per cent to 56.40 lakh. ? In case of

80%

MATCHING BLOCK 209/230

W

corporate sector, the number of NPS subscribers increased by 26.83 per cent to 14.69 lakh. ? For the all citizens category, the number jumped by 39.11 per cent to 23.61 lakh during the

same period. Source: <https://www.business-standard.com/article/pf/>

100%

MATCHING BLOCK 210/230

W

pfrda-pension-scheme-subscribers-up-24- to-53-2-million-by-may-end-122062000870_1.

html dated 20th June 2022 Accessed on 10.08.22 13.16 National Pension Scheme India has moved away from the Defined Benefit Pension Scheme to the Defined Contribution Pension Scheme in the year 2004. For this purpose, it has set up a National Pension Scheme (NPS). Salient Features of the NPS are: ? It offers a range of investment options to the employees and other individuals ? It allows these individuals to make investment decisions where their pension funds are invested ? It permits limited withdrawal prior to the retirement on certain chosen pre- approved occasions ? It reduces the pension liabilities of the central and state governments Structure of the NPS is as under: ? NPS is open to all citizens of India in the age bracket 59 18 and 70 years on a voluntary basis ? Minimum amount per contribution is ₹ 500 and minimum number of contributions is 1 per year ? It contains two tiers – Tier 1 and Tier 2 accounts ? Tier 1 account is a basic retirement pension account available to the individuals. Tier 1 account does not permit withdrawal of funds before retirement ? Tier 2 Account is a Prospective Payment System (PPS) account. This account permits some withdrawal of pension prior to retirement under exceptional circumstances, normally linked with healthcare ? NPS funds can be invested in equity, government securities and a range of fixed income securities 59 <https://www.pfrda.org.in/writereaddata/links/press%20release%20-%20increase%20of%20joining%20age%20under%20nps- private%20sector%20from%2060%20to%2065%20years00621e31-f55b-4ab9-a2a9-16c05adbb464.pdf>

Block 3: Global Financial Institutions 152 ? During FY 2020-21 PFRDA increased the investment management fees (IMF) charged by NPS pension funds to maximum of 0.09% versus 0.01% earlier. Up to a prescribed amount, contributions are tax exempt, while withdrawals are taxable ? The long-term returns of the various NPS schemes (10-year CAGR) continue to be attractive and have significantly outperformed their benchmarks. The one-year scheme returns are in line with benchmark returns. Performance of NPS: According to Annual Report of NPS Trust FY 2020- 21, the NPS saw a 23% increase in the subscriber base, with the number of subscribers now at 4.25 crore. Out of these subscribers 2.80 cr for Atal Pension Yojana and 1.45 cr subscribers for state government and NPS Lite Assets under management (AUM) for the NPS schemes saw a year-on-year growth of over 38%, and stood at ₹ 5.78 lakh crore at the end of the year 2020-21. The long-term returns of the various NPS schemes (10-year CAGR) continue to be attractive and have significantly outperformed their benchmarks. The one-year scheme returns are in line with benchmark returns. Example: Major changes in the National Pension System / Scheme The National Pension Scheme, a social security

100%	MATCHING BLOCK 211/230	W
scheme regulated by the Pension Fund Regulatory and Development Authority (

100%	MATCHING BLOCK 212/230	W
regulated by the Pension Fund Regulatory and Development Authority (PFRDA)		

had brought out major changes in its various plans as follows- 1) Entry age for National Pension Scheme had been revised to 18-70 years from 18-65

79%	MATCHING BLOCK 214/230	W
years. 2) The normal exit should be after 3 years. Scheme. 3) The subscriber could utilise at least 40 per cent of the corpus for purchase of annuity and the remaining amount could be withdrawn as a lump sum. 4) If the corpus is equal to or less than ₹5 lakh, the subscriber may opt to withdraw the entire accumulated pension wealth in a lump sum. 5)		

75%	MATCHING BLOCK 217/230	W
at least 40 per cent of the corpus for purchase of annuity and the remaining amount could be withdrawn		

60%	MATCHING BLOCK 213/230	W
the corpus is equal to or less than ₹5 lakh, the subscriber may opt to withdraw the entire accumulated pension wealth		

The fund manager had been

96%	MATCHING BLOCK 215/230	W
permitted to allocate up to 50 per cent of the funds in equity. 6) The		

subscriber could

83%	MATCHING BLOCK 216/230	W
exit before the completion of three years and would be treated as 'premature exit. 7) Under premature exit, the subscriber		

68%	MATCHING BLOCK 221/230	W
the subscriber would be required to utilise at least 80 per cent of the corpus for purchase of annuity and the remaining could be withdrawn in		

88%**MATCHING BLOCK 218/230****W**

required to utilise at least 80 per cent of the corpus for purchase of annuity and the remaining could be withdrawn in a lump sum. 8) In the case of premature exit, if the corpus is less than ₹2.5 lakh, the subscriber might opt to withdraw the entire accumulated amount in one go.

Contd....

Unit 13: Pension Funds 153 9)

94%**MATCHING BLOCK 219/230****W**

NPS account holders had been permitted to defer their account up to the age of 75 years. 10) Extension of the online exit process to the Government sector

while it was available for private employees earlier. Source: <https://www.livemint.com/>

100%**MATCHING BLOCK 220/230****W**

money/personal-finance/6-recent-changes-in-national-pension-system-nps-rules-you-need-to-know-11634006338769.

html dated 12th October 2021 Accessed on 10.08.22 Activity 13.2 What are the reporting systems that exist in a PF organization? Answer: Check Your Progress - 2 6. Under the defined contribution plan, who will be given the option to invest the corpus in his/her portfolio of funds? a. Employee b. Employer c. Employees union d. Statutory body e. Government 7. What is term used for the supervisor of the pension fund? a. Head b. Supervisor c. Monitor d. Custodian e. Administrator 8. Which type of responsibility does Pension Fund Administrator has when he takes care of the pension funds? a. Administrative b. Custodian c. Trustee d. Fiduciary e. Guardian Block 3: Global Financial Institutions 154 9. Which of the following is the basis of the Ranking of pension funds? a. Total revenues b. Total assets c. Total capital d. Total profits e. Total return 10. Under which of the following you can categorize National Pension Scheme? a. Defined b. Strategic c. Contribution d. Assessment e. Payment 13.17 Summary ? A pension fund is a fund created to pay pensions to the subscribers. Normally, contributions to such funds are made either by the employer, employee or by both. ? Pension funds can be operated in two ways – in-house or entrusting to a professional intermediary. ? The beneficiaries under pension fund could be persons of old age, early retirement, disability, partial disability, widows and orphans. ? There are two main pension fund plans - Defined Benefit Plan and Defined Contribution Plan. ? Pension funds can be of different types from the management perspective too – government managed (or managed by a government appointed regulator) or privately managed. ? The responsibilities of a PFA are unique with a greater focus on specialization and on performance to fulfill the promises to the pensioners and prospective pensioners. ? Pension fund accounting will require maintenance of books of account for individual participants, their contributions, periodical returns on their contributions invested. ? Pension funds reporting requirements will fall under three categories – internal, external and regulatory reporting. ? When the pension funds' corpus shows a surplus, such pension funds will be able to meet their commitments and obligations. They may also pay a kind of bonus or additional payment over and above committed pensions.

Unit 13: Pension Funds 155 ? Ranking of pension funds is normally made on the basis of total assets under management of these pension funds. ? In many countries, while PF regulations do not mandate that employers establish pension funds for their employees, it does require them to meet certain standards if a fund is to be eligible for tax exempted / deferred status. ? Total assets of 22 major global pension markets rose 12.4% to \$53 trillion at end-2020 from \$47 trillion at end-2019, according to Towers Watson's Global Pensions Asset Study, 2021. ? The employees who have contributed to pension funds during their active work life can enjoy the benefits of the pension funds only when structured framework is in operation for the pension funds. ? The principal features of any PF regulations would cover pension plan funding, vesting of benefits, fiduciary responsibility, pension fund transferability and pension fund insurance. ? Pension Fund Regulation in India commenced in 2003 with the establishment of Pension Fund Regulatory and Development Authority by the Government of India. ? India's Pension Fund Regulation promotes social security in the form of old age pension income security by establishing, developing and monitoring pension funds. It also protects the interest of the subscribers. ? India's Pension Fund Regulatory and Development Authority is entrusted with the task of setting up various intermediary agencies for central record keeping, pension fund management, custodial services, trust banking, etc. ? India has moved away from Defined Benefit Pension Scheme to Defined Contribution Pension Scheme in the year 2004. For this purpose, it set up a National Pension Scheme – NPS. ? Assets under management (AUM) for the NPS schemes saw a year-on-year growth of over 38%, and stood at ₹ 5.78 lakh crore at the end of the year 2020-21. 13.18 Glossary Beneficiaries of Pension Fund: Persons of old age, early retirement, disability, partial disability, widows and orphans. Deficit Pension Funds: Net present value of the liabilities to current and future pensioners exceed the value of investments and contributions. Defined Benefit Plan: The PFA promises to pay a certain amount of retirement pension for life. Defined Contribution Plan: Only the contributions are defined and fixed; the pension – the retirement income – is not guaranteed.

Block 3: Global Financial Institutions 156 NPS: National Pension Scheme is a voluntary, defined contribution retirement savings scheme. The NPS has been designed to enable systematic savings during the subscriber's working period. Pension Fund: Is a fund created to pay pensions to the subscribers with contributions to such funds made either by the employer, employee or by both. Pension Fund Accounting: Maintenance of books of account for individual participant, his/her contributions, periodical returns on his/her contributions invested. Pension Fund Administrator: Operationally, every pension fund should have a person to supervise the fund. She/he is named as the Administrator of the Pension Fund. Pension Fund Operations: In-house or entrusting to a professional intermediary. Surplus Pension Funds: Pension funds will be able to meet their commitments and obligations. 13.19 Self-Assessment Test 1. What do you understand by pension fund surplus and deficit? 2. What are the services rendered by service providers to pension fund administrators? 3. What is the pension fund regulation? 4. What are the salient features of National Savings Scheme? 5. Write a short note on pension fund regulation in India. 6. Briefly explain the international experiences of the pension fund. 13.20

Suggested Readings/Reference Materials 1. Anthony Saunders, Marcia Cornett, Anshul Jain (2021). Financial Markets and Institutions. McGraw-Hill. 7 th edition 2. I.M. Pandey, Financial Management (2021). 12 th edition, Vikas Publishing House. 3. Jeff Madura (2020). Financial Markets and Institutions – Asia Edition, 13 th edition; Cengage Learning 4. P. G. Apte (2020). International Financial Management; Tata McGraw-Hill Education Private Limited; 8 th edition 5. Prasanna Chandra (2019). Financial Management – Theory and Practice, 10 th edition, New Delhi: Tata McGraw-Hill 6. Frank J. Fabozzi, Frank J. Jones (2019). Foundations of Global Financial Markets and Institutions. Mit Press. 5 th edition 7. Brealey Myers (2018). Principles of Corporate Finance, 12 th edition, USA: McGraw-Hill Companies Inc.

Unit 13: Pension Funds 157 13.21 Answers to Check Your Progress Questions 1. (a) Subscriber A pension fund is a fund created to pay pensions for the subscribers. 2. (e) Employer Normally, contributions to pension funds are made either by the employee or by employer. 3. (c) Professional Intermediary Pension funds can be operated in two ways either in-house or entrusting to a professional intermediary. 4. (e) Contribution Two main pension fund plans - defined benefit plan and defined contribution plan. 5. (d) Employer The responsibility for generating sufficient return under the Defined Benefit Plan to pay the defined benefit lies with the employer. 6. (a) Employee Under the Defined Contribution Plan, the employee will be given the option to invest the corpus in his portfolio of funds. 7. (e) Administrator Operationally, every pension fund should have a pension administrator to supervise the fund. She/he is named as the 'Administrator' of the pension fund. 8. (d) Fiduciary The PFA has a fiduciary responsibility to take care of the pension funds entrusted and operation and administration of pension funds. 9. (b) Total Assets Ranking of pension funds is normally made on the basis of total assets under management of these pension funds. 10. (c) Contribution National Pension Scheme is a Defined Contribution Plan.

Unit 14 Mutual Funds, Hedge Funds and Sovereign Wealth Funds Structure 14.1 Introduction 14.2 Objectives 14.3 Mutual Funds 14.4 Mutual Funds in the US and the EU 14.5 Hedge Funds 14.6 Sovereign Wealth Funds 14.7

Summary 14.8 Glossary 14.9 Self-Assessment Test 14.10 Suggested Readings/Reference Materials 14.11 Answers to Check Your Progress Questions "

Index funds are the only rational alternative for almost all mutual funds investors." - Mark Hulbert 14.1 Introduction In the previous unit, you have studied about the types of pension funds, pension fund model, pension fund administrator and fund administrator's functions and responsibilities and also few details about the pension fund accounting, reporting, etc. This unit deals with mutual funds, hedge funds and sovereign wealth funds. It also deals with 'how these funds play a crucial role in wealth enhancement of the investor.' An investor has a wide range of options available for investment in financial markets. The investor can either invest in simple instruments like bank deposits, national savings certificates, provident fund, etc., or in advanced instruments like shares, debentures, convertibles and derivatives. Where the investor likes to invest depends upon the investor's needs, funds available and risk taking capacity.

Unit 14: Mutual Funds, Hedge Funds and Sovereign Wealth Funds 159

Investment can take different forms. An investor can either invest individually or invest through an investment company or any other avenues like mutual funds, hedge funds or sovereign wealth funds. The investor requires investable amount of funds and expertise.

Mutual funds are one of the investment avenues which match with the objectives of the individual investor. Anything that is not a traditional investment is called an 'Alternative Investment'. According to SEBI, hedge funds are defined as Alternative Investment Funds (AIF). Since these funds invest in non-traditional investments and the regulatory monitoring is less in these funds, the element of risk is high in hedge funds. This unit covers the basic nuances of the three different types of funds briefly. 14.2

Objectives After studying this unit, you will be able to: ? Discuss the concepts and

features of mutual funds to know how they are operated in the markets ? Explain how mutual funds operate in major economies: the US and the EU zone ? Discuss how the hedge funds are different from mutual funds and know key features of hedge funds ? Define the meaning of sovereign wealth funds ? Assess the issues involved in managing sovereign wealth funds 14.3 Mutual Funds 60

Total global net assets of mutual funds (MFs) registered in the United States

of America (USA) amounted to around 23.9 trillion USD (United States dollar) in the year 2020, compared to around 5.53 trillion USD in the year 1998. Total assets under management (AUM) in 61 Europe are in rising trend accounted for 31 trillion Euros (or 182% of European GDP) at the end of third quarter (Q3) of the calendar year 2021. Coming to 62 Indian Mutual fund Industry the Net AUM as on 31 st May 2022 was ₹ 37,22,010 crore.

A mutual fund is a trust that pools the savings of a number of investors who share a common financial goal. The funds mobilized are invested in securities, according to the investment objectives of the fund. The returns earned are distributed to the investors, who contributed to the fund in proportion to the amount contributed by the investor. 60

<https://www.statista.com/statistics/255518/mutual-fund-assets-held-by-investment-companies-in-the-united-states/>

compiled data on June 14 th 2022 61

<https://www.efama.org/about-our-industry/our-industry-numbers> data taken on June14th 2022 62

<https://portal.amfiindia.com/spages/aqu-vol21-issueIV.pdf>

Block 3: Global Financial Institutions 160

Mutual Fund is designed to pool the small savings of a huge number of investors for the purpose of collective investments. It is a type of professionally managed collective investment vehicle. Mutual funds are a vital division of the financial system. Though past performance alone cannot be suggestive of future performance, it is the only way that can judge quantitatively how good a fund is at present. Therefore, there is a need to accurately measure the past performance of diverse mutual funds.

Mutual funds have a fund manager who invests on behalf of the investors by buying/selling bonds, stocks, etc.

Some of the important features of mutual funds are discussed below. 14.3.1 Performance of Mutual Funds Mutual funds have a three-tier structure. A sponsor Company, an Asset Management Company (AMC) and a trustee company. The Board of Directors of both the AMC and the trustee company are the two key levels of check, balance and safeguard of the interest of the investors. Periodic reports, either weekly or monthly, have to be provided by the AMC to the trustee company and to SEBI. Such a structure is also intended to keep the fund operations in compliance with the law. The key metric in the mutual fund industry is the AUM (Assets Under Management). AUM measures the total market value of all investments held by an institution under its management.

History of Indian Mutual Funds Industry

The mutual fund industry in India started in 1963 with the formation of Unit Trust of India, at the initiative of the Government of India and Reserve Bank of India. The history of mutual funds in India can be broadly divided into four distinct phases First Phase - 1964-1987,

Second Phase - 1987-1993 (Entry of Public Sector Funds), Third Phase - 1993-2003 (Entry of Private Sector Funds), Fourth Phase - since February 2003. First Phase - 1964-1987 Unit Trust of India (

UTI) was established in 1963

by an Act of Parliament. It was set up

by the Reserve Bank of India

and functioned under the Regulatory and administrative control of the Reserve Bank of India. In 1978

UTI was de-linked from the RBI and the Industrial Development Bank of India (IDBI)

took over the regulatory and administrative control in place of RBI.

The first scheme launched by UTI was Unit Scheme 1964.

At the end of 1988 UTI had ₹ 6,700 crore of

assets under management. Second Phase - 1987-1993 (Entry of Public Sector Funds) 1987

marked the

entry of non-UTI,

public sector mutual funds

set up by public sector banks and

Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIC). SBI Mutual Fund was

the first non-UTI Mutual Fund established in June 1987 followed by Canbank Mutual Fund

Unit 14: Mutual Funds, Hedge Funds and Sovereign Wealth Funds 161 (

Dec 87),

Punjab National Bank Mutual Fund (Aug 89), Indian Bank Mutual Fund (Nov 89), Bank of India (Jun 90), Bank of Baroda Mutual Fund (

Oct 92). LIC established its mutual fund in June 1989 while GIC had set up its mutual fund in December 1990.

At

the end of 1993, the mutual fund industry had assets under management of ₹ 47,004 crore.

Third Phase - 1993-2003 (Entry of Private Sector Funds)

With the entry of private sector funds in 1993, a new era started in the Indian mutual fund industry, giving the Indian investors a wider choice of fund families.

Also, 1993 was marked as the year

of commencing the first Mutual Fund Regulations. The regulations under which all the mutual funds (excluding UTI) were to be registered and governed.

The

erstwhile

Kothari Pioneer (now merged with Franklin Templeton) was the first private sector mutual fund registered in July 1993. The 1993

SEBI (Mutual Fund)

Regulations were substituted by a more comprehensive and revised Mutual Fund Regulations in 1996. The industry now functions under the SEBI (

Mutual Fund) Regulations 1996.

The mutual fund houses went on

rising

in number. The two main reasons for this rise were- 1. Several foreign mutual funds setting up funds in India; and 2. Mutual fund industry performing various

M & A (

mergers and acquisitions) activities. By January 2003 end, there were 33 mutual funds with total assets of ₹ 1,21,805 crore. The UTI with ₹ 44,541 crore of AUM was ahead of its peers. Fourth Phase - since February 2003

In February 2003, following the repeal of

the Unit Trust of India Act 1963 UTI was bifurcated into two separate entities.

One is

the Specified Undertaking of the Unit Trust of India with assets under management of ₹ 29,835 crore as at the end of January 2003, representing broadly, the assets of US 64 scheme, assured return and certain other schemes.

The Specified Undertaking of Unit Trust of India, functioning under an administrator and under the rules framed by Government of India and does not come under the purview of

the Mutual Fund Regulations. The second is the UTI Mutual Fund, sponsored by SBI, PNB, BOB and LIC. It is registered with SEBI and functions under the Mutual Fund Regulations.

Post division, as on March 2000, the UTI was handling more than ₹ 76,000 crore as AUM.

Broadly, mutual funds can be classified into open-ended and close-ended schemes. Those schemes which offer units to the public continuously are open-ended schemes. These schemes sell units without clearly mentioning the redemption date. Alternatively, close-ended schemes are those where the investors commit funds for a definite period. An interval fund operates partly like an open-ended fund and partly as a close-ended fund. The fund managers of

Block 3: Global Financial Institutions 162 interval funds periodically offer to buy-back their units at a specified repurchase price. However, unit holders are under no obligation to sell them to the fund. The magnitude of AUM across these three types of funds as on 31 st May 2022 is given below in Table 14.1. Table 14.1: Assets Under Management at end of May 2022 Assets Under Management at the end of May 2022 amount in ₹ crore A. INCOME / DEBT ORIENTED SCHEMES Liquid/ Money Market 622942.22 Gilt 16673.32 FMP 23821.66

Debt(assured return) 0 Infrastructure Debt Funds 2020.61 Other Debt Schemes 794973.36 Grand Sub-Total 1460431.17 B. GROWTH / EQUITY ORIENTED SCHEMES ELSS 141528.23 Others 1477231.4 Grand Sub-Total 1618759.63 C. BALANCED SCHEMES Balanced schemes 217484.7 D. EXCHANGE TRADED FUND GOLD ETF 20042.82 Other ETFs 400692.51 Grand Sub-Total 420735.33 E. FUND OF FUNDS

INVESTING OVERSEAS Fund of funds investing overseas 19676.35 GRAND TOTAL (A+B+C+D+E) 3737087.18 Fund of Funds Scheme(Domestic) 48002.39 Source: <https://www.amfiindia.com/research-information/amfi-monthly> 63 Performance of MF Industry in 2021 and 2022 Performance of a mutual fund scheme depends on a variety of factors, viz., active/passive management, exposure to large cap/mid cap/small cap stocks, mix of securities, etc. Each scheme has an investment objective and the fund manager is obligated to invest the corpus according to the investment philosophy.

Assets managed by the Indian mutual fund industry has increased from ₹ 33 trillion in May 2021 to ₹ 37.37 trillion in May 2022. That amounts to 13.26% increase in assets over May 2021. The proportionate share of equity-oriented schemes is now 49.1% of the industry assets in May 2022, up from 43.5% in May 2021. The proportionate share of debt-oriented schemes is 22.4% of industry 63

<https://www.amfiindia.com/Themes/Theme1/downloads/home/Industry-Trends.pdf> <https://www.amfiindia.com/research-information/other-data/industry-data-analysis>

Unit 14: Mutual Funds, Hedge Funds and Sovereign Wealth Funds 163

assets in May 2022, down from 29.9% in May 2021. This resulted in significant increase in ETF market share from 9.6% in May 2021 to 11.8%

in May 2022. Individual investors now hold a relatively higher share of industry assets, i.e. 55% in May 2022, compared to 53.3% in May 2021. Institutional investors account for 45% of the assets, of which corporates are 95%. The rest are Indian and foreign institutions, and banks.

Equity-oriented schemes derive 88% of their assets from individual investors (Retail + HNI) Institutional investors dominate liquid and money market schemes (90%), debt oriented schemes (62%) and ETFs, FOFs (90%).

Individual investors primarily hold equity-oriented schemes while institutions hold liquid and debt oriented schemes. 79% of individual investor assets are held in equity-oriented schemes. 63% of institutions assets are held in liquid / money market schemes and debt-oriented schemes.

The value of assets held by individual investors in mutual funds increased from ₹ 17.58 lac cr in May 2021 to ₹ 20.56 lac cr in May 2022, an increase of 16.93%. The value of Institutional assets has increased from ₹ 15.41 lac cr in May 2021 to ₹ 16.81 lac cr in May 2022 an increase of 9.08%.

There were 12,95,04,652 accounts in the mutual fund industry on March 22, of which 91% is accounted for by retail investors. There were: • 11,79,03,520 Retail investor accounts • 1,07,00,725 HNI accounts • 9,00,407 Institutional investor accounts Exhibit 14.2: Average AUM for the Quarter ended 31 st March 2022 ₹ in Crore AUM Average AUM Liquid Fund/Money Market Fund/ Floater Fund 5,40,754 7,03,648 Gilt Fund/ Gilt Fund with 10yr constant duration 16,483 17,220 Remaining Income/ Debt Oriented Schemes 7,94,333 7,64,450 Growth/ Equity Oriented Schemes (Other than ELSS) 12,22,135 11,93,873 ELSS Funds 1,51,594 1,49,286 Hybrid Schemes Solution Oriented Schemes 4,79,918 4,92,421 Solution Oriented Schemes 29,537 29,337 Index Funds 68,676 52,550 GOLD ETF 19,281 18,595 Other ETF 3,94,343 3,94,343 Fund of Fund investing overseas 22,609 22,271 Total 37,56,683 38,37,994 Source: www.bseindia.com

Block 3: Global Financial Institutions 164

Example: Top five Asset Management Companies (AMC) (Mutual Funds) in India- 2022- (performance of top three funds) 1. Largest AMC in India with the asset under management to the extent of ₹ 3 lakh crore - ICICI Prudential Asset Management Company Ltd. was the top asset management company (AMC) in the country. Fund 1 year % 3 years % 5 years % Nifty Next 50 Index Funds 6 17.5 9.1 Banking and F S fund (growth) 5.6 12.2 7.8 Equity & Debt 14.2 21.5 13.9 2. Second largest AMC, HDFC Mutual Fund handled fund size of nearly ₹ 3 lakh crore. Fund 1 year % 3 years % 5 years % Balance advantage fund (growth) 16.1 17.7 11.3 Small cap fund (growth) 7.8 25.7 7.3 Equity savings fund (growth) 5.8 10.8 7.3 3. Aditya Birla Sun Life Asset Management Company Limited was the 3rd largest AMC in terms of the AUM size. Fund 1 year % 3 years % 5 years % Banking and F S (growth) 5.1 13.2 7.5 Regular savings fund (growth) 4.9 9.8 6.0 Money Managers fund (growth) 4 5.1 6.3 4. SBI Funds Management Private Limited a joint venture of State Bank of India (SBI) and financial services company Amundi, a European Asset Management company in France, stood 4 th largest in terms of AUM. Fund 1 year % 3 years % 5 years % Small Cap fund (growth) 18.6 31.8 17.9 Consumption opportunities fund (growth) 24.5 22.03 15 Large & Mid Cap fund (growth) 13.7 22.6 14.2 Contd....

Unit 14: Mutual Funds, Hedge Funds and Sovereign Wealth Funds 165 5.

DSP BlackRock was the world's largest investment management firm. It had a track record of investment excellence of more than 20 years. Fund 1 year % 3 years % 5 years % India Tiger fund (growth) 15 21.9 11.4 Equity opportunity fund (growth) 1.6 18.6 11.3 Small cap fund (growth) 13.3 31.7 13.6 . Source: <https://www.fincash.com/l/top-10-amcs-in-india>, dated 18 th September 2022. Accessed on 23 rd September 2022 Activity 14.1 Priya is working as manager in CNB Mutual Funds Company. An investor approaches Priya and asks her for details of mutual funds. Explain the types of mutual funds and their performance. 14.3.2 Exchange Traded Funds (ETFs) An Exchange Traded Fund (ETF) tracks a commodity, an index or a basket of stocks that reflect the composition of an Index. They are traded on the stock exchange like any other security and are subject to daily volatility. When investors acquire shares of an ETF, they are buying shares of a portfolio that tracks the yield and return of its native index. The fundamental difference between ETFs and other types of index funds is that ETFs don't try to outperform the corresponding index, but merely repeat its performance. Exchange Traded Funds (ETFs) have gained traction in recent times as these financial instruments have unique advantages over mutual funds. Essentially, ETFs are most valued by those investors who are neither good in stock-picking nor timing the investment decision. In Indian markets, ETFs are available on a plethora of underlying assets such as equity, debt, gold and international indices ETFs. Similarly, some Indian ETFs are traded in American stock markets. The most popular amongst them being INDA, (iShares MSCI India ETF) which seeks to replicate the MSCI India index. This ETF measures the performance of the Indian equity markets. The details of which are as follows as on 31 st March 2022:

Block 3: Global Financial Institutions 166

iShares Inda profile as on 31 st March 2022 INDA - Profile Vitals ? Issuer: iShares ? Structure: ETF ? Expense Ratio: 0.65% ? ETF Home Page: INDA ? Inception: Feb 02, 2012 ? Tax Form: 1099 ? INDA Tracks This Index: MSCI India Index ? 30days SEC yield 0.25% ? Exchange CBOE BZX Investment Themes ? ETFdb Category: Emerging Markets Equities ? Asset Class: Equity ? Asset Class Size: Large-Cap ? Region (General): Emerging Asia Pacific ? Region (Specific): India ? Net Assets US\$5422804753 Source:

<https://www.ishares.com/us/literature/fact-sheet/inda-ishares-msci-india-etf-fund-fact-sheet-en-us.pdf> 14.4 Mutual Funds in the US and the EU The size of assets under management in the US and the EU are a huge percentage in the GDP of respective economies. Each economy has set its own operating guidelines in the market. The following paras deal with certain operating issues in the US and the EU markets. The preferred investment vehicles (to save for retirement and other financial goals) of Americans are generally mutual funds and Exchange Traded Funds (ETFs). While these two investment products have similarities, they also have differences which may be chosen by one option over the other. Three types of investment companies exist in the USA: 1. Open-end funds/investment companies — that offer shares on a recurring basis, bought from and redeemed by, the fund (or through an intermediary for the fund); 2. Closed-end funds/investment companies — that offer a definite number of shares at the time of an IPO that are later traded on a stock market; 3. Unit Investment Trusts (UITs) — that make a one-time public offering of only a definite, fixed number of units (redeemable securities). These units will be terminated and dissolved on a specified date, which is mentioned at the time when UIT is created.

Unit 14: Mutual Funds,

Hedge Funds and Sovereign Wealth Funds 167

Generally, mutual funds

and ETFs are structured as open-end funds. On the contrary, ETFs which operate can also be structured as UITs. Mutual funds that are sold to retail investors must be registered with the Securities and Exchange Commission (SEC) and are governed by the Investment Company Act of 1940, while ETFs operate pursuant to the exemptive orders of the SEC. 64

Mutual Funds in US: Total net assets of worldwide regulated funds vary significantly on a geographical basis.

At year-end 2021, total net assets in regulated funds continued to be predominantly held in the United States and Europe, with 48 percent and 33 percent of the worldwide total, respectively.

Regulated funds in the Asia-Pacific region held another 14 percent and funds in the rest of the world held the balance 5 percent.

Regulated funds include mutual funds.

In 2021, an estimated 102.6 million individual investors in 59.0 million US households owned

mutual funds, relying on them to meet long-term personal financial objectives, such as preparing for retirement, education, or a home purchase.

United States

households and institutions also apply money market funds as their cash management tools. MFs had net inflows of \$363 billion in the year 2021

or 1.5 percent of year end 2020 total net assets. Changing demographics, portfolio rebalancing and investors' reactions to US and worldwide financial and economic financial situations, hold significant roles in the emergence and demand for varied mutual funds.

With \$27.0 trillion in total net assets the US mutual fund industry remained the largest in the world at year-end 2021. The majority of US mutual fund net assets at year-end 2021 were in long-term mutual funds, with equity funds alone making up 55 percent of US mutual fund net assets. Bond funds were the second-largest category, with 21 percent of net assets. Money market funds (18 percent) and hybrid funds (7 percent) held the remainder.

In

the year 2021, 45

percent of all US households owned MFs. The estimated 102.6 million individual investors who owned MFs belong to all age and income groups; having varied financial objectives. They buy and sell MFs mostly across investment professionals, employer-sponsored retirement plans, discount brokers or fund companies directly.

US households (Retail investors) held the vast majority share

of 88

percent in the \$27.0 trillion in US MF net assets by year-end 2021. The proportion of long-term MF net assets held by them is even higher (94 percent). They also held

major 64 2022

Fact Book A Review of Trends and Activities in the Investment Company Industry [icifactbook.org](https://www.icifactbook.org)

Block 3: Global Financial Institutions 168

portion of money market fund net assets (\$2.8 trillion), but this comes to a relatively small portion (12 percent) when compared to their holding

of total MF net assets (\$23.7 trillion).

In contrast, institutional investors such as nonfinancial businesses, financial institutions, and nonprofit organizations held a relatively small portion of mutual fund net assets. At year-end 2021, institutions held 12 percent of mutual fund net assets. The majority (60 percent) of the \$3.2 trillion that institutions held in mutual funds was in money market funds, because one of the primary reasons institutions use mutual funds is to

help

manage their cash balances.

Impact of exchange rate on the net assets value: Asset values of globally regulated funds were also affected by volatility in the exchange rates in the year 2021. In fact, many major currencies depreciated against the US dollar in 2021, in turn lessened the total net assets value in other regions when measured in USD. For example, in 2021, the euro depreciated against the US dollar by 6.9 percent. This may lessened the value of total net assets in Europe that accounted in USD by about \$1.7 trillion when compared with

that of year on year (YoY) exchange rates that remained static in 2021. Example: Mutual Funds in

USA On a worldwide scale, the United States and Europe sat far ahead in assets under management. By 2020, there were over 7,636 mutual funds in the United States and two in five U.S. households owned mutual funds. Most of the MFs had been providing modest returns and provide an easy, relatively safe investment option which appealed to long-term investors such as those saving for retirement. As of March 2022, Blackrock was the world's largest mutual fund company, with around 10.01 trillion U.S. dollars of assets under management (AUM) followed by Vanguard with 8.1 trillion U.S. dollars of AUM, and Charles Schwab with 7.98 trillion U.S. dollars of AUM.

Source- <https://www.statista.com/statistics/255864/top-global-fund-groups-worldwide-by-assets/> dated 23 rd May 2022 Accessed on 11.08.22

Mutual Funds in Europe There

are more than 4,500 asset management companies operating in Europe, with around 1,15,000 employed directly in the industry. 65

All European mutual fund products that are authorized for sale are governed by regulations from the Undertakings for Collective

Investment in Transferable Securities (UCITS). There are three basic legal formats in OECD (Organization for Economic Cooperation and Development) nations in general and European 65

<http://www.cnn.com/2017/02/28/mutual-funds-seen-having-lousy-2017.html>

Unit 14: Mutual Funds, Hedge Funds and Sovereign Wealth Funds 169

markets in particular. Some nations allow for one of the legal forms mentioned below for collective investments, while other countries

allow for more than one format: ? Corporate Form: In this structure, UCITS is a separate corporate entity and the investors are

shareholders. ? Trust Form: In this structure, UCITS is organized as a "trust" - idea that is found in English common law. ? Contractual

Form: In this structure, UCITS is a bilateral contract under which the fund manager invests on behalf of the final investor. Every

investment company, to market their investment schemes across the member countries of the European Union (EU), needs to register

with only one of the EU nations under the authority of that specific country's financial regulator. For example, in Germany, it is the Federal Financial Supervisory Authority. This authority is part of the Committee of European Securities Regulators, which is the overall in charge of coordinating the securities regulators of all the EU countries. European Fund and Asset Management Association (EFAMA), represented through its 27 member nations. 66

Total assets under management have increased steadily over the years - In 2018 the AUM was at 23.1 trillion euro, in 2019 AUM was at 27.0 trillion euro, in 2020 the AUM was at 28.4 trillion and in Q3 2021

amounted to 31 trillion (or 182% of European GDP) of which around 54.9% on behalf of investment funds and 45% in managing discretionary mandates.

Almost 85%

of the asset management activity takes place in six countries: the United Kingdom, France, Germany, Switzerland, Italy and the Netherlands.

Insurers and pension funds are by far the largest investors in investment funds, followed by households and other financial intermediaries. The five countries with the highest level of fund ownership are Germany, the United Kingdom, France, the Netherlands and Italy.

Example: Mutual Funds in Europe Assets under management (AUM) in Europe as of 2020 stood at 28.4 trillion euros. This amount was managed by the asset management companies (AMCs) which comprises of mutual funds (MFs), venture capital firms (VCFs) and brokers. The top five countries in Europe held more than 18.15 trillion euros in assets under management. The United Kingdom alone held close to nine trillion euros in AUM. Source: <https://www.statista.com/statistics/368321/europe-assets-under-management-value/> dated 23 rd May 2022 Accessed on 11.08.22 66

<https://www.efama.org/about-our-industry/our-industry-numbers>

Block 3: Global Financial Institutions 170

Check Your Progress - 1 1. In which of the following avenues the Retail investors save their money? a. Private Equity Funds b. Venture Capital Funds c. Mutual Funds d. Hedge Funds e. Treasury Bills 2. Which of the following is preferred by High net worth individuals as an alternative investment vehicle that aims to protect the principal amount? a. Private Equity Funds b. Venture Capital Funds c. Mutual Funds d. Hedge Funds e. Corporate Bonds 3. An entity that manages the national savings for the purposes of investment is_____. a. Hedge Fund b. Exchange Traded Fund c. Mutual Fund d. Sovereign Wealth Fund e. Reserve Bank 4. Which country has the largest sovereign wealth fund in the world? a. China b. Norway c. Kuwait d. Saudi Arabia e. Abu Dhabi 5. Which of the following statement matches with the ETFs' performance? a. Outperform the market b. Cannot match with the performance of index c. It will try to repeat the corresponding index d. It will return more than the Exchange market e. It has its own unique targets to perform on a daily basis

Unit 14: Mutual Funds, Hedge Funds and Sovereign Wealth Funds 171 14.5

Hedge Funds The investor can allocate his/her corpus on different asset classes. This is dependent on the risk profile of the investor.

There are conventional and unconventional ways of investments. Investments in stocks and bonds are considered to be traditional investments like 'bonds' and 'equity'. Anything that is not a traditional investment is called an 'Alternative Investment'. These funds are known as Hedge Funds. According to the capital market regulator SEBI, hedge funds are defined as: Alternative Investment Funds (AIF) which employ diverse or complex trading strategies and invest and trade in securities having diverse risks or in complex products, including listed and unlisted derivatives. A hedge fund is a private partnership with very less regulation from the SEBI as they source funds from wealthy investors and institutional investors who can seek professional expertise in making an informed investment decision.

Generally, hedge funds take investment positions which can be either long or short, use arbitrage across markets, identify undervalued and overvalued securities for buying and selling, trade in financial derivatives, and invest in almost any opportunity in any financial market where it spots rich opportunities at low risk. The primary objective of most hedge funds is to reduce volatility and risk, while trying to deliver positive returns and preserving capital under all market conditions. 14.5.1 Key Features of Hedge Funds Some of the key features of hedge funds are discussed below: ? Absolute returns as against relative returns: Generally, mutual fund managers try to beat the markets. But hedge fund managers chase absolute returns instead of returns relative to an index or benchmark. Hence, they try to generate gains even when the benchmark indices are falling or flat. ? Skill-based investment strategies: Hedge fund managers' understanding of the financial markets is critical as it is their skill that determines the scheme's performance. If the chosen strategy is not appropriate, then the fund will grossly underperform. ? Highly Flexible: Fund managers have the flexibility to trade on both sides of the financial instruments, i.e., the long and short side. ? Diversification: Fund managers of hedge funds play across markets by investing in a wide range of financial instruments including equities, bonds, currencies and derivatives. ? Alignment of interest: Hedge fund managers often invest their own money (proprietary capital), which aligns their interests with those of their investors.

Block 3: Global Financial Institutions 172 14.5.2

Hedge Funds in India In India, hedge funds are registered with SEBI under the Securities and Exchange Board of India (Alternative Investment Funds)

Regulations, 2012 (AIF Regulation). The regulation was formed to ensure transparency in the operation of alternative funds and alternative investments. SEBI had notified, in May 2012, the guidelines for Alternative Investment Funds (AIFs). AIFs are a new class of market intermediaries that are established or incorporated in India for the purpose of pooling in capital from Indian as well as foreign investors for making investment as per a pre-decided policy. As many as 100 AIFs (newly-created class of pooled-in investment vehicles for private equity, real estate and hedge funds) were set up in India in less than two years of notification. The AIFs registered with SEBI include Religare Credit Investment Trust, Indian National Gems Fund and Milestone Alternative Asset Fund. In August 2014, SEBI decided that the promoters of listed companies can offload up to 10 per cent of their equity to AIFs such as, PE funds, SME funds, infrastructure funds and venture capital funds registered with it in order to meet the norm of having a minimum of 25 per cent public holding. Example: Performance of Hedge funds in India-2020-21

71%

MATCHING BLOCK 222/230

W

Looking at 2020 returns, Indian hedge funds returned 19.88%, outperforming their global hedge fund peers of 12.66% but were behind their Greater China and Asia- ex Japan which returned 35.57% and 23.12% in 2020 respectively. Of the

above funds, Eureka hedge India hedge fund index had performed exceptionally well over the other indices for the period January to May 2021 as the returns were around 13%. This return was much above those posted by their global counterparts as they hovered around 5.45 to 7.7%. Indian hedge funds had consistently generated lowest Sharpe ratios compared to their peers while

80%**MATCHING BLOCK 223/230****W**

Indian hedge funds had posted the maximum drawdown among their hedge fund peers.

Source:

100%**MATCHING BLOCK 224/230****W**

<https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy-Profile-July-2021#:~:>

text=

100%**MATCHING BLOCK 225/230****W**

The%20Eurekahedge%20India%20Hedge%20Fund%20Index%20has%20outperformed%20the%20three,6.83%25%20

and%207.77%25%20respectively. Dated July 2021 Accessed on 11.08.22 14.5.3 Categories of Alternative Investment Funds (AIFs) A hedge fund must have a minimum corpus (i.e. total investment) of ₹ 20 crore and a minimum investment of ₹ 1 crore by each member of the fund. Manager or the sponsor of the fund is required to maintain an interest in the hedge fund of – 5% or ₹ 10 crore, whichever is lesser. This means that for the smallest possible hedge fund (i.e. of ₹ 20 crore), the sponsor/manager should invest not less than ₹ 1 crore. Under SEBI guidelines, AIFs can operate broadly in three categories.

Unit 14: Mutual Funds, Hedge Funds and Sovereign Wealth Funds 173

The rules of SEBI pertain to all AIFs, including those functioning as private equity funds, real estate funds and hedge funds, among others. AIFs are broadly categorized into the following three categories, based on the regulatory regime intended for them and their impact on the economy. ? Category I – AIF (e.g. Venture Capital Funds (VCF)) which invest in early stage or start-up ventures or Small and Medium Enterprises (SMEs), infrastructure or other sectors or areas, which the government or other regulators believe as economically and socially desirable. Such AIFs must be close-ended (with a minimum tenure of three years) and include VCFs, SME funds, social venture funds and infrastructure funds and any other funds generally supposed to have positive effects on the economy and for which the SEBI or the Government or other regulators may consider giving incentives or concessions. All these funds are treated as separate sub-categories for registration purposes. Moreover, all such funds formed as trusts or companies are construed as ‘venture capital company’ or ‘venture capital fund’ (under Section 10 (23FB) of the Income Tax Act, 1961). Hence, they are eligible for “pass through” benefits provided that their income is subject to the provisions of the Income Tax Act, 1961. ? Category II – AIF (e.g. Private Equity Funds) are those

funds which do not fall under Category I and III and which do not undertake leverage or borrowing except to meet routine operational requirements.

Such AIFs must be close-ended and should include private equity funds or debt funds which are not eligible for any specific incentives or concessions. ? Category III – AIF (e.g. Hedge Funds) are those that employ diverse or complex trading strategies and leverage with investment in listed /unlisted derivatives. Such AIFs may be open or close-ended, and include hedge funds or funds which operate to make short term returns or such other funds which are not eligible for specific concessions/incentives. AIFs are not allowed to alter their category after registration, unless approved by SEBI. Some of the important guidelines of SEBI are discussed below: ? Investment Strategy: AIFs are required to state their investment strategy in the placement memorandum. Material modification of the strategy requires the consent of at least two-thirds of unit holders (by value of their investment). ? Source of Funds: Funds may be raised by way of issue of units to any investor- Indian, foreign or non-resident Indians. ? Minimum Corpus of Scheme: Each scheme of an AIF must have a minimum corpus of INR 20 crore.

Block 3: Global Financial Institutions 174 ?

Minimum Investor Ticket Size: Investment of minimum value of INR 1 crore (and INR 25 lacs if the investor is a director or an employee of the AIF or its ‘manager’). ? Maximum Number of Investors: Each AIF scheme can have up to one thousand investors. ? Sponsor/Manager Commitment: Managers or sponsors have to compulsorily invest a minimum of INR 5 crore or 2.5% of the corpus of the AIF; and INR 10 crore or 5% of the corpus for Category III AIFs; whichever is less. 14.5.4 Investment Conditions The SEBI has provided guidelines for global hedge funds for investments in India. Some of the conditions laid down by SEBI for investment are: ? AIF may invest in securities of companies incorporated outside India, subject to SEBI’s and Reserve Bank of India’s existing guidelines. ? Sponsors or managers cannot invest in investee companies on terms more favorable than those offered to the AIF. ? Category I and II AIFs cannot invest in excess of 25%, and Category III AIFs cannot invest above 10% of their corpus, in one Investee Company. ? Investment by AIFs in associates (as defined under the AIF Regulations) is permitted only if approved by 75% of the investors (by value of their investment). ? Uninvested portion of the corpus is permitted to be invested in bank deposits, liquid mutual funds or other liquid assets of superior quality, such as treasury bills, collateralized borrowing & lending obligations, commercial papers, etc., till investment of funds is done according to the investment objective. ? AIF regulations also give additional investment criteria for sub-categories under Category I AIFs, viz., VCFs, SME funds, social venture funds, and infrastructure funds. 14.5.5 Disclosures in Hedge Funds The AIF Regulations seek out to protect the interest of investors through disclosure of norms with respect to the targeted investors, AIF management, investment strategy, risk management tools and parameters, fees and additional expenses proposed to be charged, conflict of interests, etc. 14.5.6

91%**MATCHING BLOCK 226/230****W**

Indian hedge funds outperformed their global peers by a large margin in 2020, supported by the strong performance of the Indian equity market over the year. Despite the Indian economy's 7.7% contraction in 2020 as a result of the

adverse 67

100%**MATCHING BLOCK 227/230****W**

<https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy-Profile-July-2021#:~:>

text=In%20spite%20of%20the%20severe,first%205%20months%20of%202021.

Unit 14: Mutual Funds, Hedge Funds and Sovereign Wealth Funds 175

93%**MATCHING BLOCK 228/230****W**

impact of the coronavirus pandemic, the Eurekahedge India Hedge Fund Index generated 19.88% return over 2020, compared to the 12.66% return posted by the Eurekahedge Hedge Fund Index over the same period, which also happened to be the best annual performance of the global hedge fund industry since 2009.

100%**MATCHING BLOCK 229/230****W**

Since December 2009, Indian hedge funds generated 6.66% annualized return on average, falling behind the 10.02%, 9.55% and 7.56% returns per annum posted by the S&P BSE Sensex, MSCI India Growth IMI index and the MSCI India Value IMI index respectively.

Generally, they employ active trading strategies that involve options and dynamic trading. Most proprietary and trading desks of leading banks across the world apply Value at Risk (VaR) methods for managing market risk. Portfolio risk models used by these fund managers improvise their forecasts in terms of upside potential and downside risks. Despite the mandatory disclosures, the hedge fund managers are reluctant to disclose their investment strategies and investors are generally worried about the tail risk. Activity 14.2 Assume that Raju Goud is working as fund manager for ZP Financial Services ccompany in Hyderabad. An investor approaches Raju Goud and wants to know about AIF. What does Raju explain? Answer: 14.6 Sovereign Wealth Funds (SWFs) Apart from mutual funds and hedge funds, there is another investment avenue in global financial market called Sovereign Wealth Fund. A Sovereign Wealth Fund is an entity that manages the national savings for the purposes of investment. It is a fund owned by a state comprising financial assets such as stocks, bonds, bullion, property or other financial instruments. The accumulated funds may have their origin in, or represent foreign exchange deposits, gold, SDRs (Special Drawing Rights), and IMF reserve held by central banks along with other industrial and financial holdings. SWFs are different from forex reserves held by central banks. The former can be described as maximizing long-term return, with the latter serving short-term liquidity management.

Block 3: Global Financial Institutions 176

Example: Norway sovereign wealth fund bets on India The world's largest sovereign wealth fund-The Government Pension Fund Global, Norway with \$1.4-tn sovereign wealth fund raised its Indian bets last year amid a sustained rise in Indian equities. Norway's pension fund, whose equity portfolio topped \$1 trillion and was spread across 9,338 companies, had been pushing for more investments in recent years. The Norway fund held in Indian holdings as a percentage of its total equity portfolio rose by 30 basis points YoY in calendar year 2021 to 1.6 per cent. China was its single largest emerging market, accounting for 3.8 per cent of total investments, followed by Taiwan at 2.3 per cent and India at 1.6 percent. The fund's Indian investments were spread across 375 companies at the end of CY21 as against 320 in CY 20, with a market value of about \$15.8 billion, a 27 per cent increased from \$12.4 billion the previous year. Reliance Industries (\$1.45 billion), Infosys (\$1.18 billion) and HDFC (\$0.66 billion) were the fund's top Indian bets followed by other companies namely ICICI Bank, Axis Bank, State Bank of India, and technology firms such as TCS, Tech Mahindra and Wipro. Source: https://www.business-standard.com/article/markets/norway-sovereign-wealth-fund-ups-india-bets-amid-rise-in-equities-122032200032_1.html dated 22nd March 2022 Accessed on 11.08.22 Pros and cons of sovereign wealth funds and stabilization funds and top global sovereign wealth funds are discussed below: 14.6.1 Sovereign Wealth Funds (SWFs) Vs. Stabilization Funds Historically, most sovereign nations used to hold surplus wealth in gold, as official reserves. But under the Bretton Woods system, the USA pegged the dollar to gold and allowed conversion of dollars to gold. Subsequently, the USA abandoned the gold standard, but the dollar remained relatively stable as a currency, and it is till today the most important reserve currency. Central banks in the 1990s and early 2000s began to hold more vast amounts of wealth in multiple currencies. China has realized in the aftermath of the 2007 credit crisis that it is overexposed to US \$. Hence, it started allocating more funds to the sovereign wealth fund China Investment Corporation (CIC). Governments manage their global investments with the help of a wide variety of institutional methods. At one end of this are traditional international reserves managed by the central banks and/or finance ministries, where considerations such as liquidity and low risk are of paramount importance. Further, along the continuum are stabilization funds accumulated from "surplus" revenues, especially from commodity exports.

Unit 14: Mutual Funds, Hedge Funds and Sovereign Wealth Funds 177

For example, the Exchange Stabilization Fund 68 (ESF) of the United States Treasury was created and originally financed by the Gold Reserve Act of 1934, to contribute to exchange rate stability and counter disorderly conditions in the foreign exchange market. The Act authorized the Secretary of the Treasury, to deal in gold, foreign exchange, securities, and instruments of credit, under the exclusive control of the Secretary of the Treasury subject to the approval of the President. Another example is price stabilization fund introduced by the Union Government in India. The Department of Agriculture & Cooperation has approved the Price Stabilization Fund (PSF) as a central sector scheme, with a corpus of ₹ 500 crore, to support market interventions for price control of perishable agri-horticultural commodities. Stabilization funds are by design drawn upon when the commodity cycle is down. They invest in a wide range of assets, but considerations of liquidity and low risk still predominate. They are set up primarily to achieve the objective of medium-term macro-economic stability, along with the control of the domestic and financial impact of rush in export earnings. On the other hand are SWFs, which hold a broader class of assets because they generally have long-term objectives. In addition, many governments own, manage, or sponsor domestic bodies that have money in other countries, such as ONGC Videsh and Indian Coal Ventures Ltd., through holding companies. In practice, each of the methods entails basics of reserve management, stabilization, and the transfer of wealth across generations. Moreover, the objectives of these SWFs are similar to the pension funds found in the public and private sector, where investment portfolios are managed to serve comparable purposes. Generally, mutual funds meet the needs of retail investors, who on their own cannot have the luxury of diversifying their investment portfolio to earn high risk adjusted returns. On the contrary, hedge funds meet the exact needs of high net worth individuals and large investors, like pension and provident funds. While mutual funds are subjected to stringent regulations because it is the small investors who participate in such a scheme, the norms for hedge funds are more relaxed giving them more flexibility to apply a wide range of investment techniques to beat the benchmark indices. Hence, there isn't much literature available on how hedge funds place bets across different asset classes to generate abnormal returns. With regard to mutual funds, investment philosophy of different fund managers is documented and the success stories are advertised by the self-styled investment gurus. On the other hand, sovereign wealth funds are state-owned investment vehicles that invest surplus funds not only in traditional investments, such as equities, bonds, bullion and real estate, but also in alternative 68

<https://www.treasury.gov/resource-center/international/ESF/Pages/esf-index.aspx>

Block 3: Global Financial Institutions 178

investments, such as private equity and hedge funds. These funds are driven by an investment philosophy to maximize the long-term return from their investments in the real assets and financial assets. Check Your Progress - 2 6. To which of the following sovereign funds did China allocate its fund after the 2007 credit crisis? a. China Cooperative Development Investment Corporation b. China Investment Corporation c. China Development Investment Corporation d. China Rural Development Investment Corporation e. China Urban Development Investment Corporation 7. Which of the following country has the oldest sovereign wealth fund? a. Norway b. China c. India d. Saudi Arabia e. Kuwait 8. Which of the following authority has bought 50% of Hong Kong hotels? a. SAMA Foreign Holdings b. Kuwait Investment Authority c. China Investment Corporation d. Abu Dhabi Investment Authority e. Norway's Government Pension Fund 9. Which of the following authority is very secretive about its holdings and investment strategies? a. Abu Dhabi Investment Authority b. Kuwait Investment Authority c. China Investment Corporation d. SAMA foreign holding e. Norway's Government Pension Fund 10. Which of the following is not the feature of hedge funds? a. Absolute returns as against relative returns b. Skill-based investment strategies c. Highly static d. Diversification e. Alignment of interest

Unit 14: Mutual Funds,

Hedge Funds and Sovereign Wealth Funds 179 14.7

Summary ? Mutual funds

are an important segment of the financial system. Though past performance alone cannot be indicative of future performance, it is the only quantitative way to judge how good a fund is at present. Therefore, there is a need to correctly assess the past performance of different mutual funds. ? Performance of a mutual fund scheme depends on a variety of factors, viz., active/passive management, exposure to large cap / midcap / small cap stocks, mix of securities, etc. Each scheme has an investment objective and the fund manager is obligated to invest the corpus according to the investment philosophy. ? Exchange Traded Funds (ETFs) have gained traction in recent times as these financial instruments have unique advantages over mutual funds. Essentially, ETFs are most valued by those investors who are neither good in stock-picking nor timing the investment decision. ? Hedge funds are defined as Alternative Investment Funds (AIF). They employ diverse or complex trading strategies. Hedge funds invest and trade in securities having diverse risks or in complex products, including listed and unlisted derivatives. ? Sovereign Wealth Funds (SWFs) generally have long-term investment objectives therefore, they may hold an even broader array of assets. In addition, many governments own, manage, or sponsor domestic entities, such as banks or corporations or groups of such entities through holding companies that have investments in other countries, including direct, controlling ownership interests. 14.8 Glossary Alternative Investment Fund is an investment in asset classes other than stocks, bonds, and cash. They are called so, because of looking beyond traditional securities of equity and debt. AUM (Assets Under Management): AUM measures the total market value of all investments held by an institution under its management. Category I – Alternative Investment Fund is a fund like venture capital fund which invests in early stage or start-up ventures or SMEs, infrastructure or other sectors or areas, which the government or other regulators believe as economically and socially desirable.

Such AIFs are close-ended (with a minimum tenure of three years) funds. Exchange Traded Fund is like a mutual fund that tracks an index, a commodity or a basket of stocks that reflects the composition of an Index. They are traded on the stock exchange like any other security and are subject to daily volatility.

Block 3: Global Financial Institutions 180

Hedge Funds are defined as Alternative Investment Funds (AIF). They employ diverse or complex trading strategies and invest and trade in securities having diverse risks. They trade in complex products, including listed and unlisted derivatives. Interval Fund: This term is used in Mutual funds. This interval fund operates partly like an open-ended fund and partly as a close-ended fund. The fund managers of interval funds periodically offer to buy back their units at a specified repurchase price. And the unit holders are under no obligation to sell them to the fund. Mutual Fund is essentially a mechanism of pooling together the savings of a large number of investors for collective investments. Mutual fund is a type of professionally managed collective investment vehicle that pools money from many investors and purchase securities with the objective of attractive yields and appreciation in their value. Open-Ended and Close-Ended Schemes: The schemes which offer units to the public continuously are open-ended schemes. These schemes sell units without clearly mentioning the redemption date. Close-ended schemes are those schemes where the investors commit funds for a definite period. Price Stabilization Fund is a scheme introduced by the Government of India in 2015 by the Department of Agriculture & Cooperation, to support market interventions for price control of perishable agri-horticultural commodities. This fund will be availed by the investors when the commodity cycle is down. Sovereign Wealth Fund is an entity that manages the national savings for the purposes of investment. It is a fund owned by a state comprising financial assets such as stocks, bonds, bullion, property or other financial instruments. 14.9 Self-Assessment Test 1. Briefly explain about mutual funds. 2. What do you understand by Exchange Traded Funds (ETF)? 3. Write a short note on the features of hedge funds. 4. What is risk management in hedge funds? 5. Explain categories of alternative investment fund. 6. Distinguish between sovereign wealth fund and stabilization fund. 14.10

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Unit 14: Mutual Funds, Hedge Funds and Sovereign Wealth Funds 181 3.

Jeff Madura (2020). Financial Markets and Institutions – Asia Edition, 13 th edition; Cengage Learning 4. P. G. Apte (2020). International Financial Management; Tata McGraw-Hill Education Private Limited; 8 th edition 5. Prasanna Chandra (2019). Financial Management – Theory and Practice, 10 th edition, New Delhi: Tata McGraw-Hill 6. Frank J. Fabozzi, Frank J. Jones (2019). Foundations of Global Financial Markets and Institutions. Mit Press. 5 th edition 7. Brealey Myers (2018). Principles of Corporate Finance, 12 th edition, USA: McGraw-Hill Companies Inc. 14.11 Answers to Check Your Progress Questions 1. (

c) Mutual Funds Retail investors who are averse to risk and cannot expose themselves to the vagaries of the equity markets choose to invest in mutual funds. 2. (d) Hedge Funds High net worth individuals' preferred alternative investment vehicle is hedge funds, because of their flexibility in investment approach and the ability to protect the principal amount. 3. (d) Sovereign Wealth Fund Sovereign wealth fund is an entity that manages the national savings for the purposes of investment. 4. (b) Norway Norway has the world's largest sovereign wealth fund – the Government Pension Fund Global – worth \$882 billion. 5. (c) It will try to repeat the corresponding index One of the requirements of ETFs is -- the performance tries to match with the corresponding index performance. 6. (b) China Investment Corporation (CIC) CIC was formed after the 2007 credit crisis, which had hit the global market. By creating this corporation, China could possibly restrain itself from financial crunch. 7. (e) Kuwait Kuwait is the only country in the world which has oldest sovereign funds.

Block 3: Global Financial Institutions 182 8. (

d) Abu Dhabi Investment Authority In April 2015, it agreed to buy a 50 per cent stake in three Hong Kong hotels in a \$2.4 billion deal. 9. (d) SAMA Foreign Holding SAMA is very secretive about its holdings and investment strategies, but has \$757.2 billion of assets under management and invested in cash deposits, fixed income and equities. 10. (c) Highly Static Fund managers have the flexibility to trade on both sides of the financial instruments, i.e., the long and short side.

Global Financial Markets Course Structure Block 1: Overview of Global Financial Markets Unit 1 Introduction to Global Markets Unit 2 Macro Issues Impacting Global Markets Unit 3 Multilateral Institutions Block 2: Components and Instruments in Global Financial Markets Unit 4 Valuation of Securities Unit 5 Global Bond Markets Unit 6 Mortgage and Mortgage Instruments Unit 7 Global Stock Markets Unit 8 Global Perspective of Money Markets and Commodities Markets Unit 9 Global Derivative Markets and Instruments Block 3: Global Financial Institutions Unit 10 Banking: An International Perspective Unit 11 Thrift Institutions: Operational Issue and Regulatory Issues Unit 12 Investment Banks Unit 13 Pension Funds Unit 14 Mutual Funds, Hedge Funds and Sovereign Wealth Funds Block 4: Managing Risk in Global Financial Markets Unit 15 Understanding Subprime Mortgage Loans (2007) & Brexit (2016): Their Impact on Financial Markets Unit 16 Credit Rating & Sovereign Risk Unit 17 Dealing Room Operations Unit 18 Regulatory Aspects and Corporate Governance in Global Financial Markets

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	current and savings accounts, and other deposits of any size besides maturity and pay or collect cheques, drawn or paid by customers.		current and savings accounts; • Accept deposits of any size and maturity from the public; • Pay or collect cheques drawn by or paid in by customers;	
	W https://www.hkma.gov.hk/eng/key-functions/banking/banking-regulatory-and-supervisory-regime/the-t...			
4/230	SUBMITTED TEXT	26 WORDS	79% MATCHING TEXT	26 WORDS
	Constant Prices in Japan fell to 5,37,916.40 JPY Billion in the first quarter of the year 2022 from 5,39,248 JPY Billion in the fourth quarter (Constant Prices in Japan increased to 548967.50 JPY Billion in the first quarter of 2023 from 546814.10 JPY Billion in the fourth quarter	
	W https://tradingeconomics.com/japan/gdp-constant-prices			
5/230	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS
	industry/banking/finance/banking/psbs-now-look- to-move-out-of-hong-kong-on-bleak-prospects/		Industry>Banking/Finance>Banking>PSBs now look to move out of Hong Kong on bleak prospects	
	W https://economictimes.indiatimes.com/industry/banking/finance/banking/psbs-now-look-to-move-out-o...			
6/230	SUBMITTED TEXT	41 WORDS	81% MATCHING TEXT	41 WORDS
	The Japanese banking industry is among one of the world's largest banking industries. In 2019, banks held more than 18 trillion U.S. dollars' worth of assets and the banking industry's ordinary profits amounted to more than four trillion Japanese yen.		The Japanese banking industry is among one of the largest in the world. In 2019, banks held more than 18 trillion U.S. dollars worth of assets and the banking industry's ordinary profits amounted to more than four trillion Japanese yen.	
	W https://www.statista.com/topics/7629/banking-industry-in-japan/			
7/230	SUBMITTED TEXT	15 WORDS	78% MATCHING TEXT	15 WORDS
	total financial assets of banks in Japan amounted to approximately 21.3 trillion U.S. dollars.		Total financial assets of banks in Japan from 2012 to 2021 (in trillion U.S. dollars)+	
	W https://www.statista.com/statistics/1225344/japan-leading-trust-banks-by-total-assets/			
8/230	SUBMITTED TEXT	27 WORDS	80% MATCHING TEXT	27 WORDS
	Total deposits in Japan was reported at 9,973.169 USD bn in April 2022. This records a decrease from the previous number of 10,534.186 USD bn for		Total Deposits was reported at 9,600.038 USD bn in Feb 2023 • This records a decrease from the previous number of 10,017.325 USD bn for	
	W https://www.ceicdata.com/en/indicator/japan/total-deposits			

9/230	SUBMITTED TEXT	27 WORDS	67% MATCHING TEXT	27 WORDS
Total deposits in Japan was reported at 9,973.169 USD bn in April 2022. This records a decrease from the previous number of 10,534.186 USD bn for		Total Deposits was reported at 898.681 USD bn in Dec 2022 • This records an increase from the previous number of 847.152 USD bn for		
W https://www.ceicdata.com/en/indicator/brazil/total-deposits				
10/230	SUBMITTED TEXT	23 WORDS	92% MATCHING TEXT	23 WORDS
was reported at 9,973.169 USD bn in April 2022. This records a decrease from the previous number of 10,534.186 USD bn for		was reported at 32,725.271 USD bn in Apr 2023 • This records a decrease from the previous number of 32,827.408 USD bn for		
W https://www.ceicdata.com/en/indicator/china/total-loans				
11/230	SUBMITTED TEXT	27 WORDS	80% MATCHING TEXT	27 WORDS
Total deposits in Japan was reported at 9,973.169 USD bn in April 2022. This records a decrease from the previous number of 10,534.186 USD bn for		Total Deposits was reported at 39,566.881 USD bn in Apr 2023 • This records a decrease from the previous number of 39,884.037 USD bn for		
W https://www.ceicdata.com/en/indicator/china/total-deposits				
12/230	SUBMITTED TEXT	23 WORDS	85% MATCHING TEXT	23 WORDS
The data reached an all-time high of 11,981.964 USD bn in December 2020 from a record low of 4,482.367 USD bn in		The data reached an all-time high of 11,981.964 USD bn in Dec 2020 and a record low of 4,482.367 USD bn in		
W https://www.ceicdata.com/en/indicator/japan/total-deposits				
13/230	SUBMITTED TEXT	23 WORDS	85% MATCHING TEXT	23 WORDS
The data reached an all-time high of 11,981.964 USD bn in December 2020 from a record low of 4,482.367 USD bn in		The data reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498 USD bn in		
W https://www.ceicdata.com/en/indicator/brazil/total-deposits				
14/230	SUBMITTED TEXT	20 WORDS	64% MATCHING TEXT	20 WORDS
The data reached an all-time high of 11,981.964 USD bn in December 2020 from a record low of 4,482.367		The data reached an all-time high of 7.5 % in Mar 2010 and a record low of 1.2 %		
W https://www.ceicdata.com/en/indicator/united-states/non-performing-loans-ratio				
15/230	SUBMITTED TEXT	23 WORDS	85% MATCHING TEXT	23 WORDS
The data reached an all-time high of 11,981.964 USD bn in December 2020 from a record low of 4,482.367 USD bn in		The data reached an all-time high of 32,827.408 USD bn in Mar 2023 and a record low of 775.253 USD bn in		
W https://www.ceicdata.com/en/indicator/china/total-loans				

16/230	SUBMITTED TEXT	23 WORDS	85% MATCHING TEXT	23 WORDS
The data reached an all-time high of 11,981.964 USD bn in December 2020 from a record low of 4,482.367 USD bn in		The data reached an all-time high of 39,884.037 USD bn in Mar 2023 and a record low of 819.403 USD bn in		
W https://www.ceicdata.com/en/indicator/china/total-deposits				
17/230	SUBMITTED TEXT	47 WORDS	92% MATCHING TEXT	47 WORDS
As on March 31, 2022, Sumitomo Mitsui Trust Bank was the leading trust bank in Japan, with total assets amounting to more than 62.5 trillion Japanese yen. Mitsubishi UFJ Trust and Banking Corporation followed with total assets of almost 35.4 trillion yen 9		As of March 2022, Sumitomo Mitsui Trust Bank was the leading trust bank in Japan, with total assets amounting to more than 62.5 trillion Japanese yen. Mitsubishi UFJ Trust and Banking Corporation followed with total assets of almost 35.4 trillion yen.		
W https://www.statista.com/statistics/1225344/japan-leading-trust-banks-by-total-assets/				
18/230	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS
https://www.statista.com/statistics/1225344/japan-leading-trust-banks-by-total-assets/#:~:		https://www.statista.com/statistics/1225344/japan-leading-trust-banks-by-total-assets/		
W https://www.statista.com/statistics/1225344/japan-leading-trust-banks-by-total-assets/				
19/230	SUBMITTED TEXT	20 WORDS	64% MATCHING TEXT	20 WORDS
an all-time high of 11,981.964 USD bn in December 2020 from a record low of 4,482.367 USD bn in		an all time high of 17177.42 USD Billion in 2021 and a record low of 503.70 USD Billion in 1966.		
W https://tradingeconomics.com/european-union/gdp				
20/230	SUBMITTED TEXT	14 WORDS	100% MATCHING TEXT	14 WORDS
in the event of a substantial and rapid adjustment in global financial markets,		In the event of a substantial and rapid adjustment in global financial markets,		
W https://www.reuters.com/world/asia-pacific/boj-says-japans-banking-system-stable-warns-risks-2021 ...				
21/230	SUBMITTED TEXT	22 WORDS	85% MATCHING TEXT	22 WORDS
payment institutions would be subject to regulations based on their size and complexity and raising standards for required capital. Further the		payment institutions will be subject to regulations based on their size and complexity and raising standards for required capital. The		
W https://www.reuters.com/technology/brazil-central-bank-announces-tougher-rules-fintechs-2022-03-11/				
22/230	SUBMITTED TEXT	14 WORDS	83% MATCHING TEXT	14 WORDS
percent in 2020 (poverty rate is rate based on the US\$ 5.5/day (PPP)		percent in 2021 (the poverty rate is based on the US\$6.85/day, PPP).		
W https://www.worldbank.org/en/country/brazil/overview				

23/230	SUBMITTED TEXT	27 WORDS	80% MATCHING TEXT	27 WORDS
	the banking industry in Brazil realized a net income of around 92 billion Brazilian reals, less from 118 million reals a year earlier year (2019). In		the banking industry in Brazil generated a net income of around 92 billion Brazilian reals, down from 118 million reals a year earlier. In 2019,	
	W https://www.statista.com/statistics/1118721/banks-net-income-brazil/#			
24/230	SUBMITTED TEXT	51 WORDS	92% MATCHING TEXT	51 WORDS
	total deposits was reported at 780.473 USD bn in Sep 2021. This records a decrease from the previous number of 823.195 USD bn for		Total Deposits was reported at 9,600.038 USD bn in Feb 2023 • This records a decrease from the previous number of 10,017.325 USD bn for	
	W https://www.ceicdata.com/en/indicator/japan/total-deposits			
25/230	SUBMITTED TEXT	52 WORDS	79% MATCHING TEXT	52 WORDS
	Brazil total deposits was reported at 780.473 USD bn in Sep 2021. This records a decrease from the previous number of 823.195 USD bn for		Brazil Total Deposits was reported at 898.681 USD bn in Dec 2022 • This records an increase from the previous number of 847.152 USD bn for	
	W https://www.ceicdata.com/en/indicator/brazil/total-deposits			
26/230	SUBMITTED TEXT	51 WORDS	85% MATCHING TEXT	51 WORDS
	total deposits was reported at 780.473 USD bn in Sep 2021. This records a decrease from the previous number of 823.195 USD bn for		Total Loans was reported at 32,725.271 USD bn in Apr 2023 • This records a decrease from the previous number of 32,827.408 USD bn for	
	W https://www.ceicdata.com/en/indicator/china/total-loans			
27/230	SUBMITTED TEXT	51 WORDS	92% MATCHING TEXT	51 WORDS
	total deposits was reported at 780.473 USD bn in Sep 2021. This records a decrease from the previous number of 823.195 USD bn for		Total Deposits was reported at 39,566.881 USD bn in Apr 2023 • This records a decrease from the previous number of 39,884.037 USD bn for	
	W https://www.ceicdata.com/en/indicator/china/total-deposits			
28/230	SUBMITTED TEXT	20 WORDS	64% MATCHING TEXT	20 WORDS
	The deposits reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498		The data reached an all-time high of 7.5 % in Mar 2010 and a record low of 1.2 %	
	W https://www.ceicdata.com/en/indicator/united-states/non-performing-loans-ratio			
29/230	SUBMITTED TEXT	23 WORDS	85% MATCHING TEXT	23 WORDS
	The deposits reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498 USD bn in		The data reached an all-time high of 11,981.964 USD bn in Dec 2020 and a record low of 4,482.367 USD bn in	
	W https://www.ceicdata.com/en/indicator/japan/total-deposits			

30/230	SUBMITTED TEXT	20 WORDS	73% MATCHING TEXT	20 WORDS
	an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498 USD bn in		an all time high of 17177.42 USD Billion in 2021 and a record low of 503.70 USD Billion in 1966.	
	W https://tradingeconomics.com/european-union/gdp			
31/230	SUBMITTED TEXT	23 WORDS	85% MATCHING TEXT	23 WORDS
	The deposits reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498 USD bn in		The data reached an all-time high of 39,884.037 USD bn in Mar 2023 and a record low of 819.403 USD bn in	
	W https://www.ceicdata.com/en/indicator/china/total-deposits			
32/230	SUBMITTED TEXT	27 WORDS	93% MATCHING TEXT	27 WORDS
	The deposits reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498 USD bn in Sep 2002. Brazil total		The data reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498 USD bn in Sep 2002 • Total	
	W https://www.ceicdata.com/en/indicator/brazil/total-deposits			
33/230	SUBMITTED TEXT	28 WORDS	75% MATCHING TEXT	28 WORDS
	The deposits reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498 USD bn in Sep 2002. Brazil total loans		The data reached an all-time high of 32,827.408 USD bn in Mar 2023 and a record low of 775.253 USD bn in • Loans	
	W https://www.ceicdata.com/en/indicator/china/total-loans			
34/230	SUBMITTED TEXT	21 WORDS	73% MATCHING TEXT	21 WORDS
	was reported at 912.994 USD bn in Feb 2022. This records an increase from the previous number of 883.318 USD		was reported at 32,725.271 USD bn in Apr 2023 • This records a decrease from the previous number of 32,827.408 USD	
	W https://www.ceicdata.com/en/indicator/china/total-loans			
35/230	SUBMITTED TEXT	21 WORDS	73% MATCHING TEXT	21 WORDS
	was reported at 912.994 USD bn in Feb 2022. This records an increase from the previous number of 883.318 USD		was reported at 39,566.881 USD bn in Apr 2023 • This records a decrease from the previous number of 39,884.037 USD	
	W https://www.ceicdata.com/en/indicator/china/total-deposits			
36/230	SUBMITTED TEXT	44 WORDS	92% MATCHING TEXT	44 WORDS
	was reported at 912.994 USD bn in Feb 2022. This records an increase from the previous number of 883.318 USD bn for		was reported at 898.681 USD bn in Dec 2022 • This records an increase from the previous number of 847.152 USD bn for	
	W https://www.ceicdata.com/en/indicator/brazil/total-deposits			

37/230	SUBMITTED TEXT	48 WORDS	79% MATCHING TEXT	48 WORDS
total loans was reported at 912.994 USD bn in Feb 2022. This records an increase from the previous number of 883.318 USD bn for Jan 2022.		Total Deposits was reported at 9,600.038 USD bn in Feb 2023 • This records a decrease from the previous number of 10,017.325 USD for •		
W https://www.ceicdata.com/en/indicator/japan/total-deposits				
38/230	SUBMITTED TEXT	20 WORDS	73% MATCHING TEXT	20 WORDS
The data reached an all-time high of 1,282.172 USD bn in Jun 2014 and a record low of 100.390		The data reached an all-time high of 7.5 % in Mar 2010 and a record low of 1.2 %		
W https://www.ceicdata.com/en/indicator/united-states/non-performing-loans-ratio				
39/230	SUBMITTED TEXT	23 WORDS	92% MATCHING TEXT	23 WORDS
The data reached an all-time high of 1,282.172 USD bn in Jun 2014 and a record low of 100.390 USD bn in		The data reached an all-time high of 11,981.964 USD bn in Dec 2020 and a record low of 4,482.367 USD bn in		
W https://www.ceicdata.com/en/indicator/japan/total-deposits				
40/230	SUBMITTED TEXT	20 WORDS	73% MATCHING TEXT	20 WORDS
an all-time high of 1,282.172 USD bn in Jun 2014 and a record low of 100.390 USD bn in		an all time high of 17177.42 USD Billion in 2021 and a record low of 503.70 USD Billion in 1966.		
W https://tradingeconomics.com/european-union/gdp				
41/230	SUBMITTED TEXT	49 WORDS	79% MATCHING TEXT	49 WORDS
USD bn for Jan 2022. The data reached an all-time high of 1,282.172 USD bn in Jun 2014 and a record low of 100.390 USD bn in		USD bn from Jan 1997 to Apr 2023, with 316 observations • The data reached an all-time high of 32,827.408 USD bn in Mar 2023 and a record low of 775.253 USD bn in		
W https://www.ceicdata.com/en/indicator/china/total-loans				
42/230	SUBMITTED TEXT	49 WORDS	79% MATCHING TEXT	49 WORDS
USD bn for Jan 2022. The data reached an all-time high of 1,282.172 USD bn in Jun 2014 and a record low of 100.390 USD bn in		USD bn from Jan 1997 to Apr 2023, with 316 observations • The data reached an all-time high of 39,884.037 USD bn in Mar 2023 and a record low of 819.403 USD bn in		
W https://www.ceicdata.com/en/indicator/china/total-deposits				
43/230	SUBMITTED TEXT	25 WORDS	100% MATCHING TEXT	25 WORDS
The data reached an all-time high of 1,282.172 USD bn in Jun 2014 and a record low of 100.390 USD bn in Sep 2002.		The data reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498 USD bn in Sep 2002 •		
W https://www.ceicdata.com/en/indicator/brazil/total-deposits				

44/230	SUBMITTED TEXT	37 WORDS	74% MATCHING TEXT	37 WORDS
	Gross Domestic Product) in EU (European Union) was worth 15,276.47 billion US dollars in 2020, as per the official data from the World Bank. The GDP value of EU represents 13.52 percent of the world economy.		Gross Domestic Product (GDP) in European Union was worth 17177.42 billion US dollars in 2021, according to official data from the World Bank. The GDP value of European Union represents 7.68 percent of the world economy.	
	W https://tradingeconomics.com/european-union/gdp			
45/230	SUBMITTED TEXT	14 WORDS	87% MATCHING TEXT	14 WORDS
	there were around 20 thousand bank branches operating in the South American country.		there were nearly 20 thousand bank branches operating in the South American country.	
	W https://www.statista.com/statistics/1118721/banks-net-income-brazil/#			
46/230	SUBMITTED TEXT	20 WORDS	81% MATCHING TEXT	20 WORDS
	Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania,		Czech Republic 245.349 276.914 31.565 1.17 0.292 18 48 Denmark 356.085 396.666 40.581 1.68 0.418 15 35 Estonia 30.626 36.039 5.413 0.153 0.0380 32 98 Finland 269.557 296.016 26.459 1.25 0.312 16 45 France 2,624.420 2,940.430 316.010 12.5 3.10 3 7 Germany 3,843.340 4,230.170 386.830 17.9 4.46 1 4 Greece 189.259 211.645 22.386 0.897 0.223 20 52 Hungary 155.013 180.959 25.946 0.767 0.191 22 56 Iceland 21.718 25.476 3.758 0.108 0.0268 33 110 Ireland 425.549 516.253 90.704 2.19 0.544 12 27 Italy 1,884.940 2,120.230 235.290 8.99 2.23 4 8 Kosovo 7.780 8.958 1.178 0.0380 0.00944 39 148 Latvia 33.478 37.199 3.721 0.158 0.0392 31 96 Lithuania 55.843 62.635 6.792 0.265 0.0660 28 80 Luxembourg 73.205 83.771 10.566 0.355 0.0882 24 67 North Macedonia 12.288 13.885 1.597 0.0588 0.0146 37 135 Malta 14.899 16.695 1.796 0.0708 0.0176 36 128 Moldova 11.912 12.396 0.484 0.0525 0.0131 38 140 Montenegro 4.786 5.494 0.708 0.0233 0.00579 40 153 Netherlands 913.134 1,007.560 94.426 4.27 1.06 7 18 Norway 362.522 445.507 82.985 1.89 0.469 14 32 Poland 595.916 655.332 59.416 2.78 0.690 9 23 Portugal 228.356 251.709 23.353 1.07 0.265 19 49 Romania 248.716 287.279 38.563 1.22 0.303 17 47	
	W https://statisticstimes.com/economy/european-countries-by-gdp.php			

Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden.

Cyprus

..... 32 Czech Republic

..... 34 Denmark

..... 36 Estonia

..... 38 Finland

..... 40

France.....

..... 43 Germany

..... 45 3 | P a g e Greece

..... 47 Hungary

..... 49 Iceland

..... 51 Ireland

..... 53 Italy

..... 55 Latvia

..... 57 Liechtenstein

..... 59 Lithuania

..... 61 Luxembourg

..... 63 Malta

..... 64 The Netherlands

..... 67 Norway

..... 68 Poland

..... 70 Portugal

..... 72 Romania

..... 74 Slovakia

..... 76 Slovenia

..... 78 Spain

..... 80 Sweden

..... 82

48/230	SUBMITTED TEXT	81 WORDS	89% MATCHING TEXT	81 WORDS
	Germany is the largest economy in Europe, followed by United Kingdom, France, Italy, and Russia. These five together hold a 50% share of the European economy. Total ten European economies represent almost 80% share. Seven economies of Europe would have GDP above \$1 trillion, and 23 would have an economy of above \$100 billion. Four European economies are in the list of top ten largest economies worldwide, and nineteen economies are within the top 50 world GDP ranking. All		Germany is the largest economy in Europe, followed by United Kingdom, France, Italy, and Russia. These five together hold a 50% share of the European economy. Total ten European economies represent almost 80% share. San Marino is the smallest economy in Europe. Seven economies of Europe would have gdp above \$1 trillion, and 23 would have an economy of above \$100 billion. In 2021, Ireland will overtake Austria. Four European economies are in the list of top ten largest economies globally, and Nineteen economies are within the top 50 world gdp ranking. All 41	
	W https://statisticstimes.com/economy/european-countries-by-gdp.php			
49/230	SUBMITTED TEXT	19 WORDS	86% MATCHING TEXT	19 WORDS
	With \$399 bn, UK will be the top contributor, followed by Germany (\$387 bn) and France (\$316 bn).		With \$399 bn, United Kingdom will be the top contributor, followed by Germany (\$387 bn) and France (\$316 bn).	
	W https://statisticstimes.com/economy/european-countries-by-gdp.php			
50/230	SUBMITTED TEXT	66 WORDS	95% MATCHING TEXT	66 WORDS
	PPP data, the five largest economies of Europe are Germany, Russia, France, UK and Italy. Eight economies would have GDP above Int. \$1 trillion in 2021 and 28 would have an economy of above Int. \$100 billion. Ireland will move ahead to Austria. Four European economies are in the top ten list, and sixteen economies are within the top 50 world GDP ranking. The European		ppp data, the five largest economies of Europe are Germany, Russia, France, United Kingdom, and Italy. Eight economies would have gdp above Int. \$1 trillion in 2021 and 28 would have an economy of above Int. \$100 billion. Ireland will move ahead to Austria. Four European economies are in the top ten list, and sixteen economies are within the top 50 world gdp ranking. None of the European	
	W https://statisticstimes.com/economy/european-countries-by-gdp.php			
51/230	SUBMITTED TEXT	27 WORDS	42% MATCHING TEXT	27 WORDS
	Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden. and the		Czech Republic Denmark Estonia Europe Finland France Germany Great Britain Greece Hungary Iceland India Indonesia Ireland Israel Italy Japan Luxembourg Mexico Norway Poland Portugal Russia Slovakia South Africa South Korea Spain Switzerland The	
	W https://www.inflation.eu/en/inflation-rates/india/historic-inflation/cpi-inflation-india.aspx			
52/230	SUBMITTED TEXT	100 WORDS	84% MATCHING TEXT	100 WORDS
	Assets and Liabilities of financial corporations in European Zone: Total financial assets of financial corporations in the EU were valued at €75,685 billion in 2020; this was slightly higher than the value of their financial liabilities, which 18		Assets and liabilities Financial assets of EU financial corporations valued in 2021 at 5.6 times GDP Total financial assets of financial corporations in the EU were valued at €81 568 billion in 2021; this was slightly higher than the value of their financial liabilities, which	
	W https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Financial_corporations_-_stati...			

53/230	SUBMITTED TEXT	20 WORDS	100% MATCHING TEXT	20 WORDS
	Germany held around one fifth of the financial assets and liabilities of financial corporations in the EU, followed by		Germany held around one fifth of the financial assets (20.6 %) and liabilities (20.8 %) of financial corporations in the EU, followed by	
	W https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Financial_corporations_-_stati...			
54/230	SUBMITTED TEXT	26 WORDS	45% MATCHING TEXT	26 WORDS
	the financial assets of EU financial corporations were valued at 565.1% of GDP, while financial liabilities were valued at 555.8%; as such, net financial assets		the financial assets and liabilities of financial corporations as a percentage of GDP. In 2021, these assets were valued in the EU at 562 % of GDP, while these liabilities were valued at 555 %, resulting in net financial assets	
	W https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Financial_corporations_-_stati...			
55/230	SUBMITTED TEXT	30 WORDS	38% MATCHING TEXT	30 WORDS
	GDP in China was 14,722.73 billion US dollars in the year 2020, as per the World Bank's official data. Its GDP value represents 13.04 percent of the world economy.		GDP) in European Union was worth 17177.42 billion US dollars in 2021, according to official data from the World Bank. The GDP value of European Union represents 7.68 percent of the world economy.	
	W https://tradingeconomics.com/european-union/gdp			
56/230	SUBMITTED TEXT	3 WORDS	100% MATCHING TEXT	3 WORDS
	https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Financial_corporations_-_statistics_on_financial_assets_and_liabilities		https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Financial_corporations_-_statistics_on_financial_assets_and_liabilities&	
	W https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Financial_corporations_-_stati...			
57/230	SUBMITTED TEXT	125 WORDS	87% MATCHING TEXT	125 WORDS
	previous year (2020). Assets of large commercial banks accounted for nearly 40.5 percent of total banking assets amounting to 136 trillion yuan. Joint-stock commercial banks held assets amounting to 60.3 trillion yuan in 2020. China's multilayered banking industry was developed by large, state-owned banks. On top of the bank-hierarchy were the "Big Four" commercial banks - the Industrial and Commercial Bank of China, the China Construction Bank, the Bank of China and the Agricultural Bank of China. In addition to those, there are also thirteen joint-stock commercial banks including the China Merchants Bank and Bank of Communications. Their asset value was remarkably lesser than the value of the "Big Four". On a local platform, over a hundred commercial banks provide financial services throughout China.		previous year. Assets of large commercial banks accounted for almost 40.5 percent of total banking assets which amounted to 136 trillion yuan. Joint-stock commercial banks held assets valued at 60.3 trillion yuan in 2020. China's banking sector China's multilayered banking industry was developed by large, state-owned banks. On top of the bank-hierarchy were the "Big Four" commercial banks. They included the Industrial and Commercial Bank of China, the China Construction Bank, the Bank of China and the Agricultural Bank of China. In addition to those, there are also thirteen joint-stock commercial banks which include the China Merchants Bank and Bank of Communications. Their asset value was significantly smaller than the value of the "Big Four". On a local level, over a hundred commercial banks provide financial services throughout China.	
	W https://www.statista.com/statistics/277938/total-assets-of-banks-in-china/			

58/230	SUBMITTED TEXT	22 WORDS	66% MATCHING TEXT	22 WORDS
	deposits were reported at 36,906.858 USD bn in May 2022. This records an increase from the previous number of 36,801.826 USD		Deposits was reported at 9,600.038 USD bn in Feb 2023 • This records a decrease from the previous number of 10,017.325 USD	
	W https://www.ceicdata.com/en/indicator/japan/total-deposits			
59/230	SUBMITTED TEXT	22 WORDS	66% MATCHING TEXT	22 WORDS
	deposits were reported at 36,906.858 USD bn in May 2022. This records an increase from the previous number of 36,801.826 USD		Deposits was reported at 39,566.881 USD bn in Apr 2023 • This records a decrease from the previous number of 39,884.037 USD	
	W https://www.ceicdata.com/en/indicator/china/total-deposits			
60/230	SUBMITTED TEXT	25 WORDS	85% MATCHING TEXT	25 WORDS
	total deposits were reported at 36,906.858 USD bn in May 2022. This records an increase from the previous number of 36,801.826 USD bn for		Total Deposits was at 898.681 USD bn in Dec 2022 • This records an increase from the previous number of 847.152 USD bn for	
	W https://www.ceicdata.com/en/indicator/brazil/total-deposits			
61/230	SUBMITTED TEXT	20 WORDS	82% MATCHING TEXT	20 WORDS
	The data reached an all-time high of 38,347.387 USD bn in Mar 2022 and a record low of 819.403		The data reached an all-time high of 7.5 % in Mar 2010 and a record low of 1.2 %	
	W https://www.ceicdata.com/en/indicator/united-states/non-performing-loans-ratio			
62/230	SUBMITTED TEXT	28 WORDS	79% MATCHING TEXT	28 WORDS
	USD bn for Apr 2022. The data reached an all-time high of 38,347.387 USD bn in Mar 2022 and a record low of 819.403 USD bn in		USD bn from Apr 1998 to Feb 2023, with 299 observations • The data reached an all-time high of 11,981.964 USD bn in Dec 2020 and a record low of 4,482.367 USD bn in	
	W https://www.ceicdata.com/en/indicator/japan/total-deposits			
63/230	SUBMITTED TEXT	23 WORDS	92% MATCHING TEXT	23 WORDS
	The data reached an all-time high of 38,347.387 USD bn in Mar 2022 and a record low of 819.403 USD bn in		The data reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498 USD bn in	
	W https://www.ceicdata.com/en/indicator/brazil/total-deposits			
64/230	SUBMITTED TEXT	20 WORDS	73% MATCHING TEXT	20 WORDS
	an all-time high of 38,347.387 USD bn in Mar 2022 and a record low of 819.403 USD bn in		an all time high of 17177.42 USD Billion in 2021 and a record low of 503.70 USD Billion in 1966.	
	W https://tradingeconomics.com/european-union/gdp			

65/230	SUBMITTED TEXT	32 WORDS	87% MATCHING TEXT	32 WORDS
USD bn for Apr 2022. The data reached an all-time high of 38,347.387 USD bn in Mar 2022 and a record low of 819.403 USD bn in Jan 1997. China Total		USD bn from Jan 1997 to Apr 2023, with 316 observations • The data reached an all-time high of 39,884.037 USD bn in Mar 2023 and a record low of 819.403 USD bn in Jan 1997 • Total		
W https://www.ceicdata.com/en/indicator/china/total-deposits				
66/230	SUBMITTED TEXT	33 WORDS	87% MATCHING TEXT	33 WORDS
USD bn for Apr 2022. The data reached an all-time high of 38,347.387 USD bn in Mar 2022 and a record low of 819.403 USD bn in Jan 1997. China Total Loans		USD bn from Jan 1997 to Apr 2023, with 316 observations • The data reached an all-time high of 32,827.408 USD bn in Mar 2023 and a record low of 775.253 USD bn in Jan 1997 • Loans		
W https://www.ceicdata.com/en/indicator/china/total-loans				
67/230	SUBMITTED TEXT	21 WORDS	91% MATCHING TEXT	21 WORDS
was reported at 30,509.607 USD bn in May 2022. This records a decrease from the previous number of 30,517.015 USD		was reported at 9,600.038 USD bn in Feb 2023 • This records a decrease from the previous number of 10,017.325 USD		
W https://www.ceicdata.com/en/indicator/japan/total-deposits				
68/230	SUBMITTED TEXT	21 WORDS	91% MATCHING TEXT	21 WORDS
was reported at 30,509.607 USD bn in May 2022. This records a decrease from the previous number of 30,517.015 USD		was reported at 32,725.271 USD bn in Apr 2023 • This records a decrease from the previous number of 32,827.408 USD		
W https://www.ceicdata.com/en/indicator/china/total-loans				
69/230	SUBMITTED TEXT	21 WORDS	91% MATCHING TEXT	21 WORDS
was reported at 30,509.607 USD bn in May 2022. This records a decrease from the previous number of 30,517.015 USD		was reported at 39,566.881 USD bn in Apr 2023 • This records a decrease from the previous number of 39,884.037 USD		
W https://www.ceicdata.com/en/indicator/china/total-deposits				
70/230	SUBMITTED TEXT	20 WORDS	82% MATCHING TEXT	20 WORDS
The data reached an all-time high of 31,708.715 USD bn in Mar 2022 and a record low of 775.253		The data reached an all-time high of 7.5 % in Mar 2010 and a record low of 1.2 %		
W https://www.ceicdata.com/en/indicator/united-states/non-performing-loans-ratio				
71/230	SUBMITTED TEXT	28 WORDS	79% MATCHING TEXT	28 WORDS
USD bn for Apr 2022. The data reached an all-time high of 31,708.715 USD bn in Mar 2022 and a record low of 775.253 USD bn in		USD bn from Apr 1998 to Feb 2023, with 299 observations • The data reached an all-time high of 11,981.964 USD bn in Dec 2020 and a record low of 4,482.367 USD bn in		
W https://www.ceicdata.com/en/indicator/japan/total-deposits				

72/230	SUBMITTED TEXT	23 WORDS	92% MATCHING TEXT	23 WORDS
The data reached an all-time high of 31,708.715 USD bn in Mar 2022 and a record low of 775.253 USD bn in		The data reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498 USD bn in		
W https://www.ceicdata.com/en/indicator/brazil/total-deposits				
73/230	SUBMITTED TEXT	20 WORDS	73% MATCHING TEXT	20 WORDS
an all-time high of 31,708.715 USD bn in Mar 2022 and a record low of 775.253 USD bn in		an all time high of 17177.42 USD Billion in 2021 and a record low of 503.70 USD Billion in 1966.		
W https://tradingeconomics.com/european-union/gdp				
74/230	SUBMITTED TEXT	33 WORDS	86% MATCHING TEXT	33 WORDS
USD bn for Apr 2022. The data reached an all-time high of 31,708.715 USD bn in Mar 2022 and a record low of 775.253 USD bn in Jan 1997. 10.8		USD bn from Jan 1997 to Apr 2023, with 316 observations • The data reached an all-time high of 32,827.408 USD bn in Mar 2023 and a record low of 775.253 USD bn in Jan 1997 •		
W https://www.ceicdata.com/en/indicator/china/total-loans				
75/230	SUBMITTED TEXT	33 WORDS	86% MATCHING TEXT	33 WORDS
USD bn for Apr 2022. The data reached an all-time high of 31,708.715 USD bn in Mar 2022 and a record low of 775.253 USD bn in Jan 1997. 10.8		USD bn from Jan 1997 to Apr 2023, with 316 observations • The data reached an all-time high of 39,884.037 USD bn in Mar 2023 and a record low of 819.403 USD bn in Jan 1997 •		
W https://www.ceicdata.com/en/indicator/china/total-deposits				
76/230	SUBMITTED TEXT	2 WORDS	100% MATCHING TEXT	2 WORDS
https://www.statista.com/statistics/277938/total-assets-of-banks-in-china/		https://www.statista.com/statistics/277938/total-assets-of-banks-in-china/		
W https://www.statista.com/statistics/277938/total-assets-of-banks-in-china/				
77/230	SUBMITTED TEXT	22 WORDS	83% MATCHING TEXT	22 WORDS
deposits were reported at 18,036.798 USD bn in May 2022. This records a decrease from the previous number of 18,195.625 USD		Deposits was reported at 9,600.038 USD bn in Feb 2023 • This records a decrease from the previous number of 10,017.325 USD		
W https://www.ceicdata.com/en/indicator/japan/total-deposits				
78/230	SUBMITTED TEXT	22 WORDS	83% MATCHING TEXT	22 WORDS
deposits were reported at 18,036.798 USD bn in May 2022. This records a decrease from the previous number of 18,195.625 USD		Deposits was reported at 39,566.881 USD bn in Apr 2023 • This records a decrease from the previous number of 39,884.037 USD		
W https://www.ceicdata.com/en/indicator/china/total-deposits				

79/230	SUBMITTED TEXT	25 WORDS	71% MATCHING TEXT	25 WORDS
	total deposits were reported at 18,036.798 USD bn in May 2022. This records a decrease from the previous number of 18,195.625 USD bn for		Total Deposits was at 898.681 USD bn in Dec 2022 • This records an increase from the previous number of 847.152 USD bn for	
	W https://www.ceicdata.com/en/indicator/brazil/total-deposits			
80/230	SUBMITTED TEXT	20 WORDS	82% MATCHING TEXT	20 WORDS
	The data reached an all-time high of 18,207.879 USD bn in Mar 2022 and a record low of 596.889		The data reached an all-time high of 7.5 % in Mar 2010 and a record low of 1.2 %	
	W https://www.ceicdata.com/en/indicator/united-states/non-performing-loans-ratio			
81/230	SUBMITTED TEXT	28 WORDS	79% MATCHING TEXT	28 WORDS
	USD bn for Apr 2022. The data reached an all-time high of 18,207.879 USD bn in Mar 2022 and a record low of 596.889 USD bn in		USD bn from Apr 1998 to Feb 2023, with 299 observations • The data reached an all-time high of 11,981.964 USD bn in Dec 2020 and a record low of 4,482.367 USD bn in	
	W https://www.ceicdata.com/en/indicator/japan/total-deposits			
82/230	SUBMITTED TEXT	23 WORDS	92% MATCHING TEXT	23 WORDS
	The data reached an all-time high of 18,207.879 USD bn in Mar 2022 and a record low of 596.889 USD bn in		The data reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498 USD bn in	
	W https://www.ceicdata.com/en/indicator/brazil/total-deposits			
83/230	SUBMITTED TEXT	20 WORDS	73% MATCHING TEXT	20 WORDS
	an all-time high of 18,207.879 USD bn in Mar 2022 and a record low of 596.889 USD bn in		an all time high of 17177.42 USD Billion in 2021 and a record low of 503.70 USD Billion in 1966.	
	W https://tradingeconomics.com/european-union/gdp			
84/230	SUBMITTED TEXT	30 WORDS	86% MATCHING TEXT	30 WORDS
	USD bn for Apr 2022. The data reached an all-time high of 18,207.879 USD bn in Mar 2022 and a record low of 596.889 USD bn in Jan 1973.		USD bn from Jan 1997 to Apr 2023, with 316 observations • The data reached an all-time high of 39,884.037 USD bn in Mar 2023 and a record low of 819.403 USD bn in Jan 1997 •	
	W https://www.ceicdata.com/en/indicator/china/total-deposits			
85/230	SUBMITTED TEXT	34 WORDS	77% MATCHING TEXT	34 WORDS
	USD bn for Apr 2022. The data reached an all-time high of 18,207.879 USD bn in Mar 2022 and a record low of 596.889 USD bn in Jan 1973. United States total loans		USD bn from Jan 1997 to Apr 2023, with 316 observations • The data reached an all-time high of 32,827.408 USD bn in Mar 2023 and a record low of 775.253 USD bn in Jan 1997China Total Loans	
	W https://www.ceicdata.com/en/indicator/china/total-loans			

86/230	SUBMITTED TEXT	19 WORDS	70% MATCHING TEXT	19 WORDS
	at 11,206.791 USD bn in May 2022. This records an increase from the previous number of 11,077.538 USD		at 9,600.038 USD bn in Feb 2023 • This records a decrease from the previous number of 10,017.325 USD	
	W https://www.ceicdata.com/en/indicator/japan/total-deposits			
87/230	SUBMITTED TEXT	20 WORDS	71% MATCHING TEXT	20 WORDS
	reported at 11,206.791 USD bn in May 2022. This records an increase from the previous number of 11,077.538 USD		reported at 32,725.271 USD bn in Apr 2023 • This records a decrease from the previous number of 32,827.408 USD	
	W https://www.ceicdata.com/en/indicator/china/total-loans			
88/230	SUBMITTED TEXT	33 WORDS	85% MATCHING TEXT	33 WORDS
	economic development was facing "triple pressure" ? Demand contraction, supply shocks, and weakening expectations. ? Technological advancements and regulatory policy changes continue need to reshape financial development and market competition.		economic development is facing "triple pressure" from a demand contraction, supply shocks, and weakening expectations. Technological advancements and regulatory policy changes continue to reshape financial development and market competition.	
	W https://www2.deloitte.com/cn/en/pages/financial-services/articles/chinese-banking-sector-2021-rev ...			
89/230	SUBMITTED TEXT	22 WORDS	91% MATCHING TEXT	22 WORDS
	reported at 11,206.791 USD bn in May 2022. This records an increase from the previous number of 11,077.538 USD bn for		reported at 898.681 USD bn in Dec 2022 • This records an increase from the previous number of 847.152 USD bn for	
	W https://www.ceicdata.com/en/indicator/brazil/total-deposits			
90/230	SUBMITTED TEXT	20 WORDS	73% MATCHING TEXT	20 WORDS
	The data reached an all-time high of 11,206.791 USD bn in May 2022 and a record low of 27.090		The data reached an all-time high of 7.5 % in Mar 2010 and a record low of 1.2 %	
	W https://www.ceicdata.com/en/indicator/united-states/non-performing-loans-ratio			
91/230	SUBMITTED TEXT	28 WORDS	79% MATCHING TEXT	28 WORDS
	USD bn for Apr 2022. The data reached an all-time high of 11,206.791 USD bn in May 2022 and a record low of 27.090 USD bn in		USD bn from Apr 1998 to Feb 2023, with 299 observations • The data reached an all-time high of 11,981.964 USD bn in Dec 2020 and a record low of 4,482.367 USD bn in	
	W https://www.ceicdata.com/en/indicator/japan/total-deposits			
92/230	SUBMITTED TEXT	23 WORDS	92% MATCHING TEXT	23 WORDS
	The data reached an all-time high of 11,206.791 USD bn in May 2022 and a record low of 27.090 USD bn in		The data reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498 USD bn in	
	W https://www.ceicdata.com/en/indicator/brazil/total-deposits			

93/230	SUBMITTED TEXT	20 WORDS	73% MATCHING TEXT	20 WORDS
	an all-time high of 11,206.791 USD bn in May 2022 and a record low of 27.090 USD bn in		an all time high of 17177.42 USD Billion in 2021 and a record low of 503.70 USD Billion in 1966.	
	W https://tradingeconomics.com/european-union/gdp			
94/230	SUBMITTED TEXT	30 WORDS	80% MATCHING TEXT	30 WORDS
	USD bn for Apr 2022. The data reached an all-time high of 11,206.791 USD bn in May 2022 and a record low of 27.090 USD bn in Jan 1947.		USD bn from Jan 1997 to Apr 2023, with 316 observations • The data reached an all-time high of 32,827.408 USD bn in Mar 2023 and a record low of 775.253 USD bn in Jan 1997 •	
	W https://www.ceicdata.com/en/indicator/china/total-loans			
95/230	SUBMITTED TEXT	30 WORDS	80% MATCHING TEXT	30 WORDS
	USD bn for Apr 2022. The data reached an all-time high of 11,206.791 USD bn in May 2022 and a record low of 27.090 USD bn in Jan 1947.		USD bn from Jan 1997 to Apr 2023, with 316 observations • The data reached an all-time high of 39,884.037 USD bn in Mar 2023 and a record low of 819.403 USD bn in Jan 1997 •	
	W https://www.ceicdata.com/en/indicator/china/total-deposits			
96/230	SUBMITTED TEXT	20 WORDS	64% MATCHING TEXT	20 WORDS
	The data reached an all-time high of 29,129.3 USD bn in Sep 2021 and a record low of 9,167.0		The data reached an all-time high of 7.5 % in Mar 2010 and a record low of 1.2 %	
	W https://www.ceicdata.com/en/indicator/united-states/non-performing-loans-ratio			
97/230	SUBMITTED TEXT	23 WORDS	92% MATCHING TEXT	23 WORDS
	The data reached an all-time high of 29,129.3 USD bn in Sep 2021 and a record low of 9,167.0 USD bn in		The data reached an all-time high of 11,981.964 USD bn in Dec 2020 and a record low of 4,482.367 USD bn in	
	W https://www.ceicdata.com/en/indicator/japan/total-deposits			
98/230	SUBMITTED TEXT	23 WORDS	92% MATCHING TEXT	23 WORDS
	The data reached an all-time high of 29,129.3 USD bn in Sep 2021 and a record low of 9,167.0 USD bn in		The data reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498 USD bn in	
	W https://www.ceicdata.com/en/indicator/brazil/total-deposits			
99/230	SUBMITTED TEXT	20 WORDS	73% MATCHING TEXT	20 WORDS
	an all-time high of 29,129.3 USD bn in Sep 2021 and a record low of 9,167.0 USD bn in		an all time high of 17177.42 USD Billion in 2021 and a record low of 503.70 USD Billion in 1966.	
	W https://tradingeconomics.com/european-union/gdp			

100/230	SUBMITTED TEXT	23 WORDS	92% MATCHING TEXT	23 WORDS
The data reached an all-time high of 29,129.3 USD bn in Sep 2021 and a record low of 9,167.0 USD bn in		The data reached an all-time high of 32,827.408 USD bn in Mar 2023 and a record low of 775.253 USD bn in		
W https://www.ceicdata.com/en/indicator/china/total-loans				
101/230	SUBMITTED TEXT	23 WORDS	92% MATCHING TEXT	23 WORDS
The data reached an all-time high of 29,129.3 USD bn in Sep 2021 and a record low of 9,167.0 USD bn in		The data reached an all-time high of 39,884.037 USD bn in Mar 2023 and a record low of 819.403 USD bn in		
W https://www.ceicdata.com/en/indicator/china/total-deposits				
102/230	SUBMITTED TEXT	21 WORDS	76% MATCHING TEXT	21 WORDS
United States NPL Ratio stood at 1.2% in Mar 2022, compared with the ratio of 1.3% in the previous quarter.		United States Non Performing Loans Ratio stood at 1.2 % in Dec 2022, compared with the ratio of 1.2 % in the previous quarter •		
W https://www.ceicdata.com/en/indicator/united-states/non-performing-loans-ratio				
103/230	SUBMITTED TEXT	18 WORDS	83% MATCHING TEXT	18 WORDS
The data reached an all-time high of 7.5% in Mar 2010 and a record low of 1.2%		The data reached an all-time high of 11,981.964 USD bn in Dec 2020 and a record low of 4,482.367		
W https://www.ceicdata.com/en/indicator/japan/total-deposits				
104/230	SUBMITTED TEXT	24 WORDS	73% MATCHING TEXT	24 WORDS
from Mar 1985 to Mar 2022. The data reached an all-time high of 7.5% in Mar 2010 and a record low of 1.2%		from Mar 2000 to Dec 2022, with 92 observationsThe data reached an all-time high of 1,000.494 USD bn in Jun 2011 and a record low of 118.498		
W https://www.ceicdata.com/en/indicator/brazil/total-deposits				
105/230	SUBMITTED TEXT	18 WORDS	93% MATCHING TEXT	18 WORDS
The data reached an all-time high of 7.5% in Mar 2010 and a record low of 1.2%		The data reached an all-time high of 32,827.408 USD bn in Mar 2023 and a record low of 775.253		
W https://www.ceicdata.com/en/indicator/china/total-loans				
106/230	SUBMITTED TEXT	18 WORDS	93% MATCHING TEXT	18 WORDS
The data reached an all-time high of 7.5% in Mar 2010 and a record low of 1.2%		The data reached an all-time high of 39,884.037 USD bn in Mar 2023 and a record low of 819.403		
W https://www.ceicdata.com/en/indicator/china/total-deposits				

107/230	SUBMITTED TEXT	26 WORDS	92% MATCHING TEXT	26 WORDS
	available from Mar 1985 to Mar 2022. The data reached an all-time high of 7.5% in Mar 2010 and a record low of 1.2% in		available from Mar 1985 to Dec 2022 • The data reached an all-time high of 7.5 % in Mar 2010 and a record low of 1.2 % in	
	W https://www.ceicdata.com/en/indicator/united-states/non-performing-loans-ratio			
108/230	SUBMITTED TEXT	49 WORDS	100% MATCHING TEXT	49 WORDS
	CPI India 2021 5.56% CPI India 2020 3.69% CPI India 2019 9.63% CPI India 2018 5.24% CPI India 2017 4.00% CPI India 2016 2.23% CPI India 2015 6.32% CPI India 2014 5.86% CPI India 2013 9.13% CPI India 2012 11.17%		CPI India 2022 5.50 % CPI India 2012 11.17 % CPI India 2021 5.56 % CPI India 2011 6.49 % CPI India 2020 3.69 % CPI India 2010 9.47 % CPI India 2019 9.63 % CPI India 2009 14.97 % CPI India 2018 5.24 % CPI India 2008 9.70 %	
	W https://www.inflation.eu/en/inflation-rates/india/historic-inflation/cpi-inflation-india.aspx			
109/230	SUBMITTED TEXT	29 WORDS	76% MATCHING TEXT	29 WORDS
	Indian banking system comprises 27 public sector banks, 21 private sector banks, 44 foreign banks, 56 regional rural banks, 1562 25 urban co-operative banks and 93550 rural		Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1485 urban cooperative banks and 96,000 rural	
	W https://www.ibef.org/industry/banking-india			
110/230	SUBMITTED TEXT	24 WORDS	73% MATCHING TEXT	24 WORDS
	The Rise of Fintech in India Acknowledged by IMF as the world's fastest-growing economies, India emerged as one of the fastest-growing Fintech hotspots		The Rise of FinTech in India With one of the world's fastest-growing economies, India has undoubtedly emerged as one of the fastest-growing FinTech hotspots	
	W https://economictimes.indiatimes.com/why-india-is-at-the-forefront-of-a-fintech-revolution/article ...			
111/230	SUBMITTED TEXT	87 WORDS	100% MATCHING TEXT	87 WORDS
	The Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1,485 urban cooperative banks 30		The Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1485 urban cooperative banks	
	W https://www.ibef.org/industry/banking-india			
112/230	SUBMITTED TEXT	37 WORDS	100% MATCHING TEXT	37 WORDS
	and 96,000 rural cooperative banks in addition to cooperative credit institutions. As of September 2021, the total number of ATMs in India reached 2,13,145 out of which 47.5% are in rural and semi urban areas. In		and 96,000 rural cooperative banks in addition to cooperative credit institutions As of September 2021, the total number of ATMs in India reached 213,145 out of which 47.5% are in rural and semi urban areas. In 2020-2022,	
	W https://www.ibef.org/industry/banking-india			

113/230	SUBMITTED TEXT	24 WORDS	100% MATCHING TEXT	24 WORDS
	bank assets across sectors increased. Total assets across the banking sector (including public and private sector banks) increased to US\$ 2.48 trillion in		bank assets across sectors increased. Total assets across the banking sector (including public and private sector banks) increased to US\$ 2.67 trillion in 2022.	
	W https://www.ibef.org/industry/banking-india			
114/230	SUBMITTED TEXT	98 WORDS	96% MATCHING TEXT	98 WORDS
	In FY21, total assets in the public and private banking sectors were US\$ 1,602.65 billion and US\$ 878.56 billion, respectively. During FY16-FY21, bank credit increased at a CAGR of 0.29%. As of FY21, total credit extended surged to US\$ 1,487.60 billion. During FY16-FY21, deposits grew at a CAGR of 12.38% and reached US\$ 2.06 trillion by FY21. Bank deposits stood at ₹ 162.41 trillion (US\$ 2.17 trillion) as of December 31, 2021. According to India Ratings & Research (Ind-Ra), credit growth is expected to hit 10% in 2022-23 which will be a double-digit growth in eight years.		In 2022, total assets in the public and private banking sectors were US\$ 1,594.51 billion and US\$ 925.05 billion, respectively. During FY16-FY22, bank credit increased at a CAGR of 0.62%. As of FY22, total credit extended surged to US\$ 1,532.31 billion. During FY16-FY22, deposits grew at a CAGR of 10.92% and reached US\$ 2.12 trillion by FY22. Bank deposits stood at Rs. 173.70 trillion (US\$ 2.12 trillion) as of November 4, 2022. According to India Ratings & Research (Ind-Ra), credit growth is expected to hit 10% in 2022-23 which will be a double-digit growth in eight years.	
	W https://www.ibef.org/industry/banking-india			
115/230	SUBMITTED TEXT	30 WORDS	76% MATCHING TEXT	30 WORDS
	Indian banking system comprises 27 public sector banks, 21 private sector banks, 44 foreign banks, 56 regional rural banks, 1562 35 urban co-operative banks and 93550 rural		Indian banking system consists of 12 public sector banks, 22 private sector banks, 46 foreign banks, 56 regional rural banks, 1485 urban cooperative banks and 96,000 rural	
	W https://www.ibef.org/industry/banking-india			
116/230	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS
	why-india-is-at-the-forefront-of-a-fintech- revolution/		Why India is at the forefront of a fintech revolution -	
	W https://economictimes.indiatimes.com/why-india-is-at-the-forefront-of-a-fintech-revolution/articl...			
117/230	SUBMITTED TEXT	20 WORDS	52% MATCHING TEXT	20 WORDS
	of thrift institutions in the United States and Europe are savings banks, savings and loan associations, and credit unions.		of depository institutions in the United States. They are commercial banks, thrifts (which include savings and loan associations and savings banks) and credit unions.	
	W https://portal.ct.gov/DOB/Consumer/Consumer-Education/ABCs-of-Banking--Banks-Thrifts-and-Credit-U...			
118/230	SUBMITTED TEXT	18 WORDS	96% MATCHING TEXT	18 WORDS
	The countries that experienced the largest contraction in absolute terms in 2020 were Austria (-29), Germany (-25),		The countries that experienced the largest contraction in absolute terms in 2020 were Austria (-29) and Germany (-25)	
	W https://www.ebf.eu/wp-content/uploads/2022/01/FINAL-Banking-in-Europe-EBF-Facts-and-Figures-2021...			

119/230	SUBMITTED TEXT	24 WORDS	60% MATCHING TEXT	24 WORDS
	The number of credit institutions in the EFTA countries (Iceland, Norway, Switzerland and Liechtenstein) was 398 in 2020, down from 406 in 2019,		The number of credit institutions in the EFTA countries was 398 in 2020, down from 406 in 2019,	
	W https://www.ebf.eu/wp-content/uploads/2022/01/FINAL-Banking-in-Europe-EBF-Facts-and-Figures-2021...			
120/230	SUBMITTED TEXT	19 WORDS	80% MATCHING TEXT	19 WORDS
	EFTA continued experiencing a slower pace with a decline of 19% compared to 33% in the EU-27.		EFTA continues experiencing a lower pace with a decline of 19% compared to 33% in the EU-27. -29 -25 -15 -15 -13 -8 -7 -5 -5 -4 -4 -4 -3 -2 -1 -1 -1 -1 -1 0 0 0 1 2 2 -35 -30 -25 -20 -15 -10 -5 0 5	
	W https://www.ebf.eu/wp-content/uploads/2022/01/FINAL-Banking-in-Europe-EBF-Facts-and-Figures-2021...			
121/230	SUBMITTED TEXT	33 WORDS	91% MATCHING TEXT	33 WORDS
	banking" means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise.			
	SA MFS Notes.pdf (D108581298)			
122/230	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
	linked to less travel and socialising during the health crisis.		linked to less travel and socialising during the health crisis.	
	W https://www.connexionfrance.com/article/Practical/Money/Pandemic-boosted-French-savings-Options-b...			
123/230	SUBMITTED TEXT	30 WORDS	100% MATCHING TEXT	30 WORDS
	There are three major types of depository institutions in the United States. They are commercial banks, thrifts (which include savings and loan associations and savings banks) and credit unions.		There are three major types of depository institutions in the United States. They are commercial banks, thrifts (which include savings and loan associations and savings banks) and credit unions.	
	W https://portal.ct.gov/DOB/Consumer/Consumer-Education/ABCs-of-Banking--Banks-Thrifts-and-Credit-U...			
124/230	SUBMITTED TEXT	105 WORDS	98% MATCHING TEXT	105 WORDS
	Commercial banks are generally stock corporations whose principal obligation is to make a profit for their shareholders. Banks receive deposits, and hold them in a variety of different accounts; extend credit through loans and other instruments: and facilitate the movement of funds. 40		Commercial banks are generally stock corporations whose principal obligation is to make a profit for their shareholders. Basically, banks receive deposits, and hold them in a variety of different accounts; extend credit through loans and other instruments: and facilitate the movement of funds.	
	W https://portal.ct.gov/DOB/Consumer/Consumer-Education/ABCs-of-Banking--Banks-Thrifts-and-Credit-U...			

125/230

SUBMITTED TEXT

167 WORDS

98% MATCHING TEXT

167 WORDS

States and the federal government each issue bank charters. State-chartered banks operate under state supervision and, if they fail, are closed under provisions of state as well as federal law. National banks are chartered and regulated by the Office of the Comptroller of the Currency (OCC), a division of the Treasury Department. Banks can choose between a state or a federal charter when starting their business, and can also convert from one charter to another after having been in business. Commercial banks receive deposit insurance from the Federal Deposit Insurance Corporation (FDIC) through the Bank Insurance Fund (BIF). All national banks, and some state-chartered banks, are members of the Federal Reserve System. Savings and loan associations and savings banks specialize in real estate lending, particularly loans for single-family homes and other residential properties. They can be owned by shareholders ("stock" ownership), or by their depositors and borrowers ("mutual" ownership). These institutions are referred to as "thrifts," because they originally offered only savings accounts, or time deposits.

States and the federal government each issue bank charters. State-chartered banks operate under state supervision and, if they fail, are closed under provisions of state as well as federal law. National banks are chartered and regulated by the Office of the Comptroller of the Currency (OCC), a division of the Treasury Department. Banks can choose between a state or a federal charter when starting their business, and can also convert from one charter to another after having been in business. Commercial banks receive deposit insurance from the Federal Deposit Insurance Corporation (FDIC) through the Bank Insurance Fund (BIF). All national banks, and some state-chartered banks, are members of the Federal Reserve System. Savings and Loans/Savings Banks Savings and loan associations and savings banks specialize in real estate lending, particularly loans for single-family homes and other residential properties. They can be owned by shareholders ("stock" ownership), or by their depositors and borrowers ("mutual" ownership). These institutions are referred to as "thrifts," because they originally offered only savings accounts, or time deposits.

W [https://portal.ct.gov/DOB/Consumer/Consumer-Education/ABCs-of-Banking--Banks-Thrifts-and-Credit-U ...](https://portal.ct.gov/DOB/Consumer/Consumer-Education/ABCs-of-Banking--Banks-Thrifts-and-Credit-U...)

126/230

SUBMITTED TEXT

55 WORDS

100% MATCHING TEXT

55 WORDS

Both savings and loan associations and savings banks may be chartered by either the federal Office of the Comptroller of the Currency (OCC) or by a state government regulator. Generally, savings and loan associations are insured by the Savings Association Insurance Fund (SAIF), and savings banks are insured by the Bank Insurance Fund (BIF).

Both savings and loan associations and savings banks may be chartered by either the federal Office of the Comptroller of the Currency (OCC) or by a state government regulator. Generally, savings and loan associations are insured by the Savings Association Insurance Fund (SAIF), and savings banks are insured by the Bank Insurance Fund (BIF).

W [https://portal.ct.gov/DOB/Consumer/Consumer-Education/ABCs-of-Banking--Banks-Thrifts-and-Credit-U ...](https://portal.ct.gov/DOB/Consumer/Consumer-Education/ABCs-of-Banking--Banks-Thrifts-and-Credit-U...)

127/230

SUBMITTED TEXT

67 WORDS

100% MATCHING TEXT

67 WORDS

Credit unions are cooperative financial institutions, formed by groups of people with a "common bond." These groups of people pool their funds to form the institution's deposit base; the group owns and controls the institution together. Membership in a credit union is not open to the general public, but is restricted to people who share the common bond of the group that created the credit union.

Credit unions are cooperative financial institutions, formed by groups of people with a "common bond." These groups of people pool their funds to form the institution's deposit base; the group owns and controls the institution together. Membership in a credit union is not open to the general public, but is restricted to people who share the common bond of the group that created the credit union.

W [https://portal.ct.gov/DOB/Consumer/Consumer-Education/ABCs-of-Banking--Banks-Thrifts-and-Credit-U ...](https://portal.ct.gov/DOB/Consumer/Consumer-Education/ABCs-of-Banking--Banks-Thrifts-and-Credit-U...)

128/230	SUBMITTED TEXT	131 WORDS	100% MATCHING TEXT	131 WORDS
	<p>Credit unions accept deposits in a variety of accounts. All credit unions offer savings accounts, or time deposits; the larger institutions also offer checking and money market accounts. Credit unions' financial powers have expanded to include almost anything a bank or savings association can do, including making home loans, issuing credit cards, and even making some commercial loans. Credit unions are exempt from federal taxation and sometimes receive subsidies, in the form of free space or supplies, from their sponsoring organizations. Credit unions were first chartered in the U.S. in 1909, at the state level. The federal government began to charter credit unions in 1934 under the Farm Credit Association, and created the National Credit Union Administration (NCUA) in 1970. States and the federal government continue to charter credit unions.</p>		<p>Credit unions accept deposits in a variety of accounts. All credit unions offer savings accounts, or time deposits; the larger institutions also offer checking and money market accounts. Credit unions' financial powers have expanded to include almost anything a bank or savings association can do, including making home loans, issuing credit cards, and even making some commercial loans. Credit unions are exempt from federal taxation and sometimes receive subsidies, in the form of free space or supplies, from their sponsoring organizations. Credit unions were first chartered in the U.S. in 1909, at the state level. The federal government began to charter credit unions in 1934 under the Farm Credit Association, and created the National Credit Union Administration (NCUA) in 1970. States and the federal government continue to charter credit unions;</p>	
	<p>W https://portal.ct.gov/DOB/Consumer/Consumer-Education/ABCs-of-Banking--Banks-Thrifts-and-Credit-U ...</p>			
129/230	SUBMITTED TEXT	23 WORDS	86% MATCHING TEXT	23 WORDS
	<p>the project. The move came against a backdrop of high inflation and penalty charges on banks and savers from negative interest rates.</p>		<p>the news. The move comes against a backdrop of high inflation and penalty charges on banks and savers from negative interest rates,</p>	
	<p>W https://www.reuters.com/markets/europe/germanys-trillion-euro-savings-banks-mull-crypto-wallet-20 ...</p>			
130/230	SUBMITTED TEXT	20 WORDS	77% MATCHING TEXT	20 WORDS
	<p>Punjab and Maharashtra Cooperative (PMC) bank fiasco (September 2019), which left frantic depositors to withdraw their hard-earned money.</p>		<p>Punjab and Maharashtra Cooperative (PMC) bank fiasco, which left frantic depositors visit the branches in attempts to withdraw their hard-earned money.</p>	
	<p>W https://timesofindia.indiatimes.com/business/india-business/explained-why-cooperative-banks-in-in ...</p>			
131/230	SUBMITTED TEXT	66 WORDS	44% MATCHING TEXT	66 WORDS
	<p>increased to 63.70 per cent in the fourth quarter of 2016 from 63.50 per cent in the third quarter of 2016. Home ownership rate in the United States averaged 65.28 per cent from 1965 until 2016, reaching an all-time high of 69.20 per cent in the second quarter of 2004 and a record low of 62.90 per cent in the second quarter of 1965. This</p>		<p>increased to 548967.50 JPY Billion in the first quarter of 2023 from 546814.10 JPY Billion in the fourth quarter of 2022. source: Cabinet Office, Japan GDP Constant Prices in Japan averaged 461539.17 JPY Billion from 1980 until 2023, reaching an all time high of 557533.00 JPY Billion in the third quarter of 2019 and a record low of 268521.80 JPY Billion in the second quarter of 1980. This</p>	
	<p>W https://tradingeconomics.com/japan/gdp-constant-prices</p>			
132/230	SUBMITTED TEXT	1 WORDS	90% MATCHING TEXT	1 WORDS
	<p>business/india-business/explained-why-cooperative- banks-in-india-are-struggling/</p>		<p>Business News • India Business News • Explained: Why cooperative banks in India are struggling</p>	
	<p>W https://timesofindia.indiatimes.com/business/india-business/explained-why-cooperative-banks-in-in ...</p>			

133/230	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
	co-operatives, friendly societies and mutual insurers to grow and develop		co-operatives, friendly societies and mutual insurers to grow and develop	
	W https://www.mutuo.coop/new-bill-to-enhance-operating-environment-for-co-ops-and-mutuals/			
134/230	SUBMITTED TEXT	29 WORDS	43% MATCHING TEXT	29 WORDS
	bill had been introduced to meet the following objectives- a. An option for legacy reserves to be indivisible. b. Tax neutrality for Mutuals Deferred		Bill has been designed to meet a range of objectives. For co-ops: · A new permanent share · An option for legacy reserves to be indivisible For mutual insurers and friendly societies: · Tax neutrality for Mutuals Deferred	
	W https://www.mutuo.coop/new-bill-to-enhance-operating-environment-for-co-ops-and-mutuals/			
135/230	SUBMITTED TEXT	2 WORDS	88% MATCHING TEXT	2 WORDS
	mutuo.coop/new-bill-to-enhance-operating-environment-for-co-ops-and- mutuals/		Mutuo New Bill to enhance operating environment for co-ops and mutuals -	
	W https://www.mutuo.coop/new-bill-to-enhance-operating-environment-for-co-ops-and-mutuals/			
136/230	SUBMITTED TEXT	15 WORDS	100% MATCHING TEXT	15 WORDS
	their businesses while securing their commitment to member ownership and control. The bill		their businesses while securing their commitment to member ownership and control. The Bill	
	W https://www.mutuo.coop/new-bill-to-enhance-operating-environment-for-co-ops-and-mutuals/			
137/230	SUBMITTED TEXT	28 WORDS	35% MATCHING TEXT	28 WORDS
	the Multi-State Co- operative Societies Act, to keep regulatory mechanism of cooperative societies. In tune with the changing economic policies. This step was taken to make management		the Multi-State Cooperative Societies Act, 2002, so as to have an effective regulatory mechanism for the multi state cooperative societies, to keep the legislation in tune with the changing economic policies, to make the management	
	W https://government.economictimes.indiatimes.com/news/governance/centre-proposes-to-amend-multi-co ...			
138/230	SUBMITTED TEXT	2 WORDS	100% MATCHING TEXT	2 WORDS
	news/governance/centre-proposes-to- amend-multi-cooperative-societies-act-for-effective-regulatory-mechanism/88024389		News • Governance • Centre proposes to amend Multi-Cooperative Societies Act for effective regulatory mechanism	
	W https://government.economictimes.indiatimes.com/news/governance/centre-proposes-to-amend-multi-co ...			

139/230	SUBMITTED TEXT	32 WORDS	91% MATCHING TEXT	32 WORDS
	banking" means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise.			
	SA MFS Notes.pdf (D108581298)			
140/230	SUBMITTED TEXT	26 WORDS	84% MATCHING TEXT	26 WORDS
	All the 10 institutions had agreed to work on the LIC IPO for the base fee of ₹ 1 crore each set by the government		All the 10 BRLMs had agreed to work on the LIC mandate for the base fee of Rs 1 crore each set by the government. "	
	W https://www.business-standard.com/article/markets/lic-ipo-banks-get-just-0-06-of-proceeds-to-hand...			
141/230	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS
	lic-ipo-banks-get-just-0-06-of-proceeds-to-handle-india-s-largest-float-122051701192_1.		LIC IPO: Banks get just 0.06% of proceeds to handle India's largest float •	
	W https://www.business-standard.com/article/markets/lic-ipo-banks-get-just-0-06-of-proceeds-to-hand...			
142/230	SUBMITTED TEXT	10 WORDS	100% MATCHING TEXT	10 WORDS
	big-ticket IPOs and emergence of India's tech unicorns from		big-ticket IPOs and emergence of India's tech unicorns from	
	W https://economictimes.indiatimes.com/industry/banking/finance/banking/india-investment-bankers-ea...			
143/230	SUBMITTED TEXT	17 WORDS	90% MATCHING TEXT	17 WORDS
	Regulation of the banking course in India would result in the flourishing of boutique investment banks.		Regulation of the banking course in India will result in the flourishing of boutique investment banks	
	W https://blog.imarticus.org/four-trends-shaping-the-future-of-investment-banking-in-india-blog/			
144/230	SUBMITTED TEXT	19 WORDS	91% MATCHING TEXT	19 WORDS
	Infrastructure spending were bound to make a significant impact on the future of investment banking in the country.		infrastructure spending are bound to make a significant impact on the future of investment banking in the country. •	
	W https://blog.imarticus.org/four-trends-shaping-the-future-of-investment-banking-in-india-blog/			
145/230	SUBMITTED TEXT	17 WORDS	90% MATCHING TEXT	17 WORDS
	strengthened their team sizes and sharpen their expertise to cater to the diverse IPO mandates.		strengthened their team sizes and sharpened their expertise to cater to the diverse IPO mandates.	
	W https://economictimes.indiatimes.com/industry/banking/finance/banking/india-investment-bankers-ea...			

146/230	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS
	industry/banking/finance/banking/india- investment-bankers-earn-record-rs-2200-crore-in-2021/		Industry>Banking/Finance>Banking>India investment bankers earn record Rs 2,200 crore in 2021	
	W https://economictimes.indiatimes.com/industry/banking/finance/banking/india-investment-bankers-earn-record-rs-2200-crore-in-2021/			
147/230	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS
	four-trends-shaping-the-future-of-investment-banking-in-india-		Four Trends Shaping The Future of Investment Banking in India •	
	W https://blog.imarticus.org/four-trends-shaping-the-future-of-investment-banking-in-india-blog/			
148/230	SUBMITTED TEXT	25 WORDS	68% MATCHING TEXT	25 WORDS
	banks. b. Emerging technology was one of the factor that would have a great impact in shaping the future of investment banking in India.		banks. • Technology: Emerging technology is one of the factors that will have a tremendous impact in shaping the future of investment banking in India.	
	W https://blog.imarticus.org/four-trends-shaping-the-future-of-investment-banking-in-india-blog/			
149/230	SUBMITTED TEXT	24 WORDS	97% MATCHING TEXT	24 WORDS
	State Bank of India, Mindtree, Ambuja Cement, Balkrishna Industries, Aditya Birla Fashion & Retail, Indian Energy Exchange, Grindwell Norton, and Balrampur Chini as		State Bank of India, Mindtree, Ambuja Cement, Balkrishna Industries, Aditya Birla Fashion & Retail, Indian Energy Exchange, Grindwell Norton, and Balrampur Chini shares as	
	W https://www.businessinsider.in/stock-market/news/sbi-mindtree-ambuja-cement-iex-4-others-top-pick-			

The Eureka hedge India Hedge Fund Index has outperformed the three other indices in the first five months of 2021, posting a return of 13.08%, which is significantly higher than the returns posted by their Greater China, Asia ex-Japan and global counterparts as they posted returns of 5.45%, 6.83% and 7.77% respectively. Looking at 2020 returns, Indian hedge funds returned 19.88%, outperforming their global hedge fund peers who returned 12.66% but lagged behind their Greater China and Asia ex Japan counterparts who returned 35.57% and 23.12% in 2020 respectively. Comparing the Sharpe ratios across 2 year periods, 3 year periods and 5 year periods, Indian hedge funds have consistently generated Sharpe ratios that are the lowest among the four indices listed. The Sharpe Ratios of Indian hedge funds are lower compared to their peers because of their persistently higher annualised volatility as a result of large exposure to the highly volatile Indian equity market. Indian hedge funds have posted the largest 5 year maximum drawdown among their hedge fund peers of -17.16%. In comparison, Greater China, Asia ex Japan and Global hedge funds posted 5 year maximum drawdown of -16.55%, -11.67% and -8.21% respectively. The more geographically diversified nature of their regional and global hedge fund peers allows hedge fund managers to better limit their downside risk as compared to the more concentrated nature of the Indian mandate. Contd.... Unit 12: Investment Banks 97 In conclusion, even though the numbers indicate that average Indian hedge funds may not be able to generate enough alpha to justify their fees, Indian hedge funds have managed to improve their risk-adjusted returns in the recent years, as seen in their 2 year Shape ratio of 1.06 which is more than double of the 2 year Sharpe ratio recorded by the S&P BSE SENSEX index. As the industry matures, a natural selection process would take place as investors learn more about the region's economy and alternative investment space. Underperforming fund managers would be weeded out, while good performers would attract more investor capital over time, effectively improving the overall industry performance. Some of the hedge fund managers may also look to diversify their investment mandate into broader geographies as their AUM base grows bigger and grow out of the limitations of investing exclusively in a single country. However, as of now, this inability to generate excess returns combined with various challenges the Indian economy is likely to face in the near future may pose headwinds for the country's young and growing hedge fund industry. To address these challenges and attract investments in India, the Indian government has implemented measures such as the raising of FDI limits across key sectors, launching of the Production-Linked Incentive Scheme and expansion of the National Infrastructure Pipeline project. The Reserve Bank of India has also since November 2020 taken conventional and unconventional liquidity infusion measures to facilitate overall credit growth in the Indian economy. Having said that, the Indian government will also have to take steps to ensure that an effective COVID-19 vaccination roll-out strategy is in place and provide skills training to upskill their labour force to enable a strong rebound from the COVID-19 pandemic as well as sustainable and broad-based economic growth in the long-run. With an improved economic environment and supportive government policies in place, the Indian hedge fund industry has the potential to generate better performance and attract more

The Eureka hedge India Hedge Fund Index has outperformed the three other indices in the first five months of 2021, posting a return of 13.08%, which is significantly higher than the returns posted by their Greater China, Asia ex-Japan and global counterparts as they posted returns of 5.45%, 6.83% and 7.77% respectively. Looking at 2020 returns, Indian hedge funds returned 19.88%, outperforming their global hedge fund peers who returned 12.66% but lagged behind their Greater China and Asia ex Japan counterparts who returned 35.57% and 23.12% in 2020 respectively. • Comparing the Sharpe ratios across 2 year periods, 3 year periods and 5 year periods, Indian hedge funds have consistently generated Sharpe ratios that are the lowest among the four indices listed in Table 3. The Sharpe Ratios of Indian hedge funds are lower compared to their peers because of their persistently higher annualised volatility as a result of large exposure to the highly volatile Indian equity market. • Indian hedge funds have posted the largest 5 year maximum drawdown among their hedge fund peers of -17.16%. In comparison, Greater China, Asia ex Japan and Global hedge funds posted 5 year maximum drawdowns of -16.55%, -11.67% and -8.21% respectively. The more geographically diversified nature of their regional and global hedge fund peers allows hedge fund managers to better limit their downside risk as compared to the more concentrated nature of the Indian mandate. In conclusion, even though the numbers indicate that average Indian hedge funds may not be able to generate enough alpha to justify their fees, Indian hedge funds have managed to improve their risk-adjusted returns in the recent years, as seen in their 2 year Shape ratio of 1.06 which is more than double of the 2 year Sharpe ratio recorded by the S&P BSE SENSEX index. As the industry matures, a natural selection process would take place as investors learn more about the region's economy and alternative investment space. Underperforming fund managers would be weeded out, while good performers would attract more investor capital over time, effectively improving the overall industry performance. Some of the hedge fund managers may also look to diversify their investment mandate into broader geographies as their AUM base grows bigger and grow out of the limitations of investing exclusively in a single country. However, as of now, this inability to generate excess returns combined with the various challenges the Indian economy is likely to face in the near future may pose headwinds for the country's young and growing hedge fund industry. To address these challenges and attract investments in India, the Indian government has implemented measures such as the raising of FDI limits across key sectors, launching of the Production-Linked Incentive Scheme and expansion of the National Infrastructure Pipeline project. The Reserve Bank of India have also since November 2020 taken conventional and unconventional liquidity infusion measures to facilitate overall credit growth in the Indian economy. Having said that, the Indian government will also have to take steps to ensure that an effective COVID-19 vaccination roll-out strategy is in place and provide skills training to upskill their labour force to enable a strong rebound from the COVID-19 pandemic as well as sustainable and broad-based economic growth in the long-run. With an improved economic environment and supportive government policies in place, the Indian hedge fund industry has the potential to generate better performance and attract more

investor capital and eventually catch up with their developed country counterparts.

investor capital and eventually catch up with their developed country counterparts.

W <https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy-Profile-July-2021>

151/230

SUBMITTED TEXT

2 WORDS

100% MATCHING TEXT

2 WORDS

<https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy-Profile-July-2021>

<https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy-Profile-July-2021>

W <https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy-Profile-July-2021>

152/230

SUBMITTED TEXT

12 WORDS

100% MATCHING TEXT

12 WORDS

the medium to long term constructive thesis on Indian equities remains

the medium to long term constructive thesis on Indian equities remains

W [https://www.businessinsider.in/stock-market/news/sbi-mindtree-ambuja-cement-iex-4-others-top-pick ...](https://www.businessinsider.in/stock-market/news/sbi-mindtree-ambuja-cement-iex-4-others-top-pick-...)

153/230

SUBMITTED TEXT

15 WORDS

89% MATCHING TEXT

15 WORDS

ICICI Securities, Edelweiss Financial Services and Kotak Mahindra Capital Company as investment bankers for

ICICI Securities, Edelweiss Financial Services and Kotak Mahindra Capital Company have been appointed as investment bankers for

W [https://www.livemint.com/market/ipo/vijaya-diagnostic-ipo-gmp-price-band-date-other-key-details-h ...](https://www.livemint.com/market/ipo/vijaya-diagnostic-ipo-gmp-price-band-date-other-key-details-h-...)

154/230

SUBMITTED TEXT

1 WORDS

83% MATCHING TEXT

1 WORDS

ipo/vijaya-diagnostic-ipo-gmp-price-band-date-other- key- details-here-11629945749925.

Ipo/ Vijaya Diagnostic IPO to open next week: GMP, price band, date, other key details here

W [https://www.livemint.com/market/ipo/vijaya-diagnostic-ipo-gmp-price-band-date-other-key-details-h ...](https://www.livemint.com/market/ipo/vijaya-diagnostic-ipo-gmp-price-band-date-other-key-details-h-...)

155/230

SUBMITTED TEXT

59 WORDS

45% MATCHING TEXT

59 WORDS

Top 10 Banks Fees Changes in Fees % of Fees collected by product Year 2021 (\$m) vs. Prev Period* M&A Equity Bonds Loans JP Morgan 13,369.57 41.00% 33 24 22 21 Goldman Sachs & Co 11,717.60 38.00% 42 33 16 10 Morgan Stanley 9,307.50 28.00% 37 37 19 8 BofA Securities Inc 8,952.17 19.00% 24 25 28 24

Top 10 Banks Fees (\$m) Changes in Fees vs. Prev Period* % of Fees collected by product Year to date 2023 M&AEquityBondsLoans JP Morgan 1,554.55 -22.00% 38132623 Goldman Sachs & Co 1,329.61 -28.00% 5416219 BofA Securities Inc 1,086.28 -30.00% 21133233

W <https://markets.ft.com/data/league-tables/tables-and-trends>

156/230

SUBMITTED TEXT

11 WORDS

100% MATCHING TEXT

11 WORDS

stocks, even though economic growth and company profits were weak.

stocks, even though economic growth and company profits were weak. 5)

W <http://money.cnn.com/2015/07/09/investing/china-crash-in-two-minutes/index.html?>

157/230	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
	losses were even more dramatic on the smaller Shenzhen Composite.		Losses were even more dramatic on the smaller Shenzhen Composite. 7)	
	W http://money.cnn.com/2015/07/09/investing/china-crash-in-two-minutes/index.html?			
158/230	SUBMITTED TEXT	31 WORDS	100% MATCHING TEXT	31 WORDS
	moved aggressively to control the crisis. The government gave money to brokerages to buy stocks – and ordered company executives not to sell their shares. New company listings were suspended.		moved aggressively to control the crisis. The government gave money to brokerages to buy stocks -- and ordered company executives not to sell their shares. New company listings were suspended.	
	W http://money.cnn.com/2015/07/09/investing/china-crash-in-two-minutes/index.html?			
159/230	SUBMITTED TEXT	26 WORDS	100% MATCHING TEXT	26 WORDS
	The central bank cut interest rates to a record low. Regulators and security officials launched an investigation into illegal 54 short selling.		The central bank cut interest rates to a record low. 8) Regulators and security officials launched an investigation into illegal short selling --	
	W http://money.cnn.com/2015/07/09/investing/china-crash-in-two-minutes/index.html?			
160/230	SUBMITTED TEXT	27 WORDS	88% MATCHING TEXT	27 WORDS
	Only approved brokers are allowed to engage in short selling in China. In 2015, Beijing's plan appeared to work, but the Shanghai Composite resumed its decline		Only approved brokers are allowed to engage in short selling in China. 9) For a while, Beijing's plan appeared to work, but the Shanghai Composite has resumed its decline.	
	W http://money.cnn.com/2015/07/09/investing/china-crash-in-two-minutes/index.html?			
161/230	SUBMITTED TEXT	17 WORDS	95% MATCHING TEXT	17 WORDS
	The index dropped more than 40% from its June 12, 2015 peak, erasing all gains.		The index has dropped more than 40% from its June 12 peak, erasing all gains	
	W http://money.cnn.com/2015/07/09/investing/china-crash-in-two-minutes/index.html?			
162/230	SUBMITTED TEXT	24 WORDS	100% MATCHING TEXT	24 WORDS
	A classic bubble developed. The bubble popped on June 12, and the Shanghai index lost about a third of its value before rebounding.		A classic bubble developed. 6) The bubble popped on June 12, and the Shanghai index lost about a third of its value before rebounding.	
	W http://money.cnn.com/2015/07/09/investing/china-crash-in-two-minutes/index.html?			
163/230	SUBMITTED TEXT	17 WORDS	84% MATCHING TEXT	17 WORDS
	Infusion of fresh capital, PE investments and corporate acquisitions had led to strong deal making activity		Infusion of fresh capital through SPACs, PE investments and corporate acquisitions have led to strong deal making activity,	
	W https://www.acuitykp.com/blog/investment-banking-industry-trends-in-2022/			

164/230	SUBMITTED TEXT	22 WORDS	72% MATCHING TEXT	22 WORDS
Capital market activity slowly paved its way back to pre-pandemic levels- Equities were provided moderate returns in 2021 unlike in 2020.		Capital market activity slowly paving its way back to pre-pandemic levels Equities are continuing to provide moderate returns in 2021 unlike in 2020,		
W https://www.acuitykp.com/blog/investment-banking-industry-trends-in-2022/				
165/230	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
more than USD 80bn was raised by SPACs in 1H21. ?		More than USD80bn was raised by SPACs in 1H21,		
W https://www.acuitykp.com/blog/investment-banking-industry-trends-in-2022/				
166/230	SUBMITTED TEXT	22 WORDS	86% MATCHING TEXT	22 WORDS
Investment banks had started following the hybrid conference/roadshows strategies and utilized the latest technology to realign and revamp deal origination strategies.		Investment banks have started following the hybrid conference/roadshows strategies and utilising the latest technology to realign and revamp deal origination strategies.		
W https://www.acuitykp.com/blog/investment-banking-industry-trends-in-2022/				
167/230	SUBMITTED TEXT	17 WORDS	76% MATCHING TEXT	17 WORDS
entering a recession over the next year, and a 25% conditional probability in the second year.		entering a recession over the next year, compared to 15% previously, and a 25% conditional probability of entering a recession in the second year		
W https://www.business-standard.com/article/international/risk-of-us-recession-now-higher-and-more- ...				
168/230	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS
risk-of-us-recession-now-higher-and- more-front-loaded- warns-goldman-122062100294_1.		Risk of US recession now higher and more front-loaded, warns Goldman •		
W https://www.business-standard.com/article/international/risk-of-us-recession-now-higher-and-more- ...				
169/230	SUBMITTED TEXT	17 WORDS	70% MATCHING TEXT	17 WORDS
certify that it had implemented supervisory systems and procedures. e. Failure to comply with the		certify that it has implemented supervisory systems and procedures reasonably designed to comply with the		
W https://www.finra.org/media-center/newsreleases/2022/finra-fines-credit-suisse-securities-9-milli ...				
170/230	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
to disclose potential conflicts of interest when issuing research reports.		to disclose potential conflicts of interest when issuing research reports.		
W https://www.finra.org/media-center/newsreleases/2022/finra-fines-credit-suisse-securities-9-milli ...				

171/230	SUBMITTED TEXT	30 WORDS	70% MATCHING TEXT	30 WORDS
	the Customer Protection Rule and other requirements. b. Failure to maintain possession or control of billions of dollars of fully paid and excess margin securities it carried for customers.		the Customer Protection Rule in two ways. First, the firm failed to maintain possession or control of billions of dollars of fully paid and excess margin securities it carried for customers,	
	W https://www.finra.org/media-center/newsreleases/2022/finra-fines-credit-suisse-securities-9-milli ...			
172/230	SUBMITTED TEXT	29 WORDS	88% MATCHING TEXT	29 WORDS
	new employees specializing in digital skills like cloud technologies, big data, and cybersecurity. ? Expanding the executive leadership teams to include more technical experience and expertise. ?		new employees specializing in digital skills like cloud technologies, big data, and cybersecurity. Financial institutions are expanding their executive leadership teams to include more technical experience and expertise.	
	W https://www.alpha-sense.com/blog/data-analytics-trends-in-investment-banking/			
173/230	SUBMITTED TEXT	18 WORDS	62% MATCHING TEXT	18 WORDS
	Increased accountability for investment banks in the ways they collected, analysed, shared, and reported their data. ?		increased accountability for investment banks in the ways they collect, analyze, share, and report their data.	
	W https://www.alpha-sense.com/blog/data-analytics-trends-in-investment-banking/			
174/230	SUBMITTED TEXT	22 WORDS	85% MATCHING TEXT	22 WORDS
	leadership team to include a Sr-level Chief Technology and Data Officer with a primary focus on data governance and analytics. ?		leadership team to include an SVP-level Chief Technology and Data Officer with a primary focus on data governance and analytics.	
	W https://www.alpha-sense.com/blog/data-analytics-trends-in-investment-banking/			
175/230	SUBMITTED TEXT	20 WORDS	71% MATCHING TEXT	20 WORDS
	analysts a centralized location to search for reputable data, validated and shared information with their clients, resulting in stronger		analysts a centralized location to search for reputable data, helps them quickly source, aggregate, validate and share information with their clients, resulting in stronger	
	W https://www.alpha-sense.com/blog/data-analytics-trends-in-investment-banking/			
176/230	SUBMITTED TEXT	21 WORDS	100% MATCHING TEXT	21 WORDS
	across a wide range of operational and strategic areas mainly, data analytics, keyword extraction, and alerts to newly sourced information.		across a wide range of operational and strategic areas — mainly, data analytics, keyword extraction, and alerts to newly sourced information.	
	W https://www.alpha-sense.com/blog/data-analytics-trends-in-investment-banking/			
177/230	SUBMITTED TEXT	19 WORDS	96% MATCHING TEXT	19 WORDS
	Act was passed on 19th September, 2013. The same was notified on 1st February, 2014. PFRDA is regulating		Act was passed on 19th September, 2013 and the same was notified on 1st February, 2014. PFRDA is regulating	
	W https://www.pfrda.org.in/			

178/230	SUBMITTED TEXT	12 WORDS	100% MATCHING TEXT	12 WORDS
	of India, State Governments and by employees of private institutions/ organizations		of India, State Governments and by employees of private institutions/organizations &	
	W https://www.pfrda.org.in/			
179/230	SUBMITTED TEXT	36 WORDS	100% MATCHING TEXT	36 WORDS
	to promote old age income security by establishing, developing and regulating pension funds, to protect the interests of subscribers to schemes of pension funds and for matters connected therewith or incidental thereto." 13.2		to promote old age income security by establishing, developing and regulating pension funds, to protect the interests of subscribers to schemes of pension funds and for matters connected therewith or incidental thereto.	
	W https://pensionersportal.gov.in/Document/Compendium_of_PFRDA%20Act_Rules_and_Regulations_2021.pdf			
180/230	SUBMITTED TEXT	28 WORDS	50% MATCHING TEXT	28 WORDS
	build retirement savings over a period of time systematically. c. Specifically designed to make regular contributions towards building a savings pool. d. Life-long guaranteed income.		build retirement savings over the long-term. This product has been specifically designed to help one make regular contributions towards building a savings pool and receive a life-long guaranteed income	
	W https://www.financialexpress.com/money/insurance/icici-pru-guaranteed-pension-plan-flexi-launched ...			
181/230	SUBMITTED TEXT	2 WORDS	100% MATCHING TEXT	2 WORDS
	money/insurance/icici-pru-guaranteed-pension-plan- flexi-launched-check-features-of-this-new-annuity-plan/2512679/		money • insurance • icici pru guaranteed pension plan flexi launched check features of this new annuity plan	
	W https://www.financialexpress.com/money/insurance/icici-pru-guaranteed-pension-plan-flexi-launched ...			
182/230	SUBMITTED TEXT	22 WORDS	92% MATCHING TEXT	22 WORDS
	automation technology tools with new capabilities for streamlining processes, eliminating potential human error, and increasing overall efficiency for organizations. ?		automation technology tools continue to emerge with new capabilities for streamlining processes, eliminating potential human error, and increasing overall efficiency for organizations.	
	W https://www.alpha-sense.com/blog/data-analytics-trends-in-investment-banking/			
183/230	SUBMITTED TEXT	15 WORDS	96% MATCHING TEXT	15 WORDS
	creating a universal social security system for all Indians, especially the poor, the under-privileged		creating a universal social security system for all Indians, especially the poor and the under-privileged,	
	W https://financialservices.gov.in/financial-inclusion			

184/230	SUBMITTED TEXT	109 WORDS	94% MATCHING TEXT	109 WORDS
<p>The Government of India has introduced a pension scheme called the Atal Pension Yojana (APY), with effect from 1st June, 2015, pursuant to the announcement in the budget for 2015-16 on creating a universal social security system for all Indians, especially the poor, the under-privileged and the workers in the unorganized sector. The APY is being administered by the Pension Fund Regulatory and Development Authority (PFRDA) under the overall administrative and institutional architecture of the National Pension System (NPS).</p>		<p>The Government of India has introduced a pension scheme called the Atal Pension Yojana (APY), with effect from 1st June, 2015, pursuant to the announcement in the budget for 2015-16 on creating a universal social security system for all Indians, especially the poor, the under-privileged and the workers in the unorganised sector. APY is being administered by the Pension Fund Regulatory and Development Authority (PFRDA) under the overall administrative and institutional architecture of the National Pension System (NPS). 2.</p>		
<p>W https://pensionersportal.gov.in/Document/Compendium_of_PFRDA%20Act_Rules_and_Regulations_2021.pdf</p>				

185/230	SUBMITTED TEXT	14 WORDS	100% MATCHING TEXT	14 WORDS
<p>by the Pension Fund Regulatory and Development Authority (PFRDA) under the</p>		<p>by the Pension Fund Regulatory and Development Authority (PFRDA). The</p>		
<p>W https://www.livemint.com/money/personal-finance/6-recent-changes-in-national-pension-system-nps-r ...</p>				

186/230	SUBMITTED TEXT	106 WORDS	83% MATCHING TEXT	106 WORDS
<p>Option to the spouse of the subscriber to continue contribution to APY on death of the subscriber before attaining the age of 60 years: If the subscriber dies before the age of 60 years, his / her spouse would be given an option to continue contribution to the APY account of the subscriber. The account can be maintained in the spouse's name for the remaining vesting period, till the original subscriber would have attained the age of 60 years. The spouse of the subscriber shall be entitled to receive the same pension amount as that of the subscriber until the death of the spouse.</p>		<p>Option to the spouse of the subscriber to continue contribution to APY on death of subscriber before the age of 60 years: If the subscriber dies before the age of 60 years, his / her spouse would be given an option to continue contributing to APY account of the subscriber, which can be maintained in the spouse's name, for the remaining vesting period, till the original subscriber would have attained the age of 60 years. The spouse of the subscriber shall be entitled to receive the same pension amount as that of the subscriber until the death of the spouse.] 2 [(</p>		
<p>W https://pensionersportal.gov.in/Document/Compendium_of_PFRDA%20Act_Rules_and_Regulations_2021.pdf</p>				

187/230	SUBMITTED TEXT	17 WORDS	62% MATCHING TEXT	17 WORDS
<p>public pensions had made the tremendous developments between closing the gap between plan funding and liabilities</p>		<p>public pensions had made the greatest progress in a century toward closing the gap between plan funding and liabilities.</p>		
<p>W https://www.ai-cio.com/news/governance-issues-loom-over-us-pensions/</p>				

188/230	SUBMITTED TEXT	43 WORDS	36% MATCHING TEXT	43 WORDS
<p>Aditya Birla Sun Life Pension Management Limited. ? HDFC Pension Management Company Limited. ? UTI Retirement Solutions Limited. ? SBI Pension Funds Private Limited. ? ICICI Prudential Pension Funds Management Company Limited. ? Kotak Mahindra Pension Fund Limited. ? LIC Pension Fund.</p>		<p>Aditya Birla Sun Life Pension Management Limited 9 DSP BlackRock Pension Fund Managers Pvt Ltd 8 HDFC Pension Management Company Limited 7 ICICI Prudential Pension Funds Management Co Ltd 4 IDFC Pension Fund Management Co Ltd 5 Kotak Mahindra Pension Fund Ltd 3 LIC Pension Fund</p>		
<p>W https://www.valueresearchonline.com/nps/performance/</p>				

189/230	SUBMITTED TEXT	50 WORDS	85% MATCHING TEXT	50 WORDS
	pension fund administrators in India were: ? Aditya Birla Sun Life Pension Management Limited. ? HDFC Pension Management Company Limited. ? UTI Retirement Solutions Limited. ? SBI Pension Funds Private Limited. ? ICICI Prudential Pension Funds Management Company Limited. ? Kotak Mahindra Pension Fund Limited. ? LIC Pension Fund.		pension fund managers in the Aditya Birla Sun Life Pension Management Limited. • HDFC Pension Management Company Limited. • UTI Retirement Solutions Limited. • SBI Pension Funds Private Limited. • ICICI Prudential Pension Funds Management Company Limited. • Reliance Pension Fund. • Kotak Mahindra Pension Fund Limited. • LIC Pension Fund.	
	W https://cleartax.in/s/top-performing-nps-schemes			
190/230	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS
	tata-asset-and-max-life-insurance- get-approval-to-set-up-pension-funds-121100101521_1.		Tata Asset and Max Life Insurance get approval to set up pension funds •	
	W https://www.business-standard.com/article/companies/tata-asset-and-max-life-insurance-get-approva ...			
191/230	SUBMITTED TEXT	20 WORDS	60% MATCHING TEXT	20 WORDS
	ICICI Prudential Pension Funds Management Company, LIC Pension Fund, Kotak Mahindra Pension Fund, SBI Pension Fund, UTI Retirement Solutions,		ICICI Prudential Pension Fund Management • Kotak Mahindra Pension Fund • LIC Pension Fund • SBI Pension Fund • UTI Retirement Solutions	
	W https://www.etmoney.com/learn/nps/best-nps-fund-managers-which-nps-fund-should-you-invest-in/			
192/230	SUBMITTED TEXT	20 WORDS	68% MATCHING TEXT	20 WORDS
	ICICI Prudential Pension Funds Management Company, LIC Pension Fund, Kotak Mahindra Pension Fund, SBI Pension Fund, UTI Retirement Solutions,		ICICI Prudential Pension Funds Management Company Limited. • Reliance Pension Fund. • Kotak Mahindra Pension Fund Limited. • LIC Pension Fund. SBI Pension Fund, LIC Pension Fund, and UTI Retirement Solutions	
	W https://cleartax.in/s/top-performing-nps-schemes			
193/230	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS
	nps-subscribers-can-soon- switch-asset-allocation-4-times-in-a-year-121122900066_1.		NPS subscribers can soon switch asset allocation 4 times in a year •	
	W https://www.business-standard.com/article/economy-policy/nps-subscribers-can-soon-switch-asset-al ...			
194/230	SUBMITTED TEXT	3 WORDS	100% MATCHING TEXT	3 WORDS
	money/max-life-launches-max-life-smart-guaranteed- pension-plan-check-features/2460825/		money • max life launches max life smart guaranteed pension plan check features	
	W https://www.financialexpress.com/money/max-life-launches-max-life-smart-guaranteed-pension-plan-c ...			

195/230	SUBMITTED TEXT	55 WORDS	28% MATCHING TEXT	55 WORDS
	State Government funds (As of May 2021) Pension Fund Managers 3-year ROI 5-year ROI SBI Pension Fund 11.31% 9.92% LIC Pension Fund 11.17% 9.85% LIC Pension Fund UTI Retirement Solutions 11.25% 9.98% Central Government funds SBI Pension Fund 11.29 9.93 UTI Retirement Solutions 11.29% 10.07% LIC Pension Fund 11.28% 9.93% .		State Government Schemes as of May 2021 Pension Fund Managers 3-year 5- year SBI Pension Fund 11.31% 9.92% LIC Pension Fund 11.17% 9.85% LIC Pension Fund UTI Retirement Solutions 11.25% 9.98% [4] Tier-I Equity Funds Return for Scheme E as of September 2021 Pension Fund Manager Term Returns UTI Retirement Solutions 1-year 58.07% HDFC Pension Fund 3-	
	W https://www.godigit.com/finance/nps/nps-returns			
196/230	SUBMITTED TEXT	18 WORDS	82% MATCHING TEXT	18 WORDS
	Terms and Conditions of Appointment of Independent Directors c Composition of various committees of Board of Directors;		Terms and Conditions of Appointment of Independent Directors and Familiarisation Program for such Directors.) c composition of various committees of board of directors	
	W https://sbi.co.in/web/investor-relations/disclosure-under-regulation-46			
197/230	SUBMITTED TEXT	13 WORDS	100% MATCHING TEXT	13 WORDS
	d Code of Conduct of Board of Directors and Senior Management Personnel		d code of conduct of board of directors and senior management personnel	
	W https://sbi.co.in/web/investor-relations/disclosure-under-regulation-46			
198/230	SUBMITTED TEXT	35 WORDS	79% MATCHING TEXT	35 WORDS
	Criteria of making payments to non-executive Directors f Policy on dealing with related party transactions g Policy for determining 'material' subsidiaries h Details of familiarization programmes imparted to independent directors i The		Criteria of making payments to Non-Executive Directors) g policy on dealing with related party transactions click here h policy for determining 'material' subsidiaries click here i details of familiarization programmes imparted to independent directors including the	
	W https://sbi.co.in/web/investor-relations/disclosure-under-regulation-46			
199/230	SUBMITTED TEXT	18 WORDS	75% MATCHING TEXT	18 WORDS
	email address for grievance redressal and other relevant detail j Contact information of the designated officials		email address for grievance redressal and other relevant details click here k contact information of the designated officials	
	W https://sbi.co.in/web/investor-relations/disclosure-under-regulation-46			
200/230	SUBMITTED TEXT	19 WORDS	100% MATCHING TEXT	19 WORDS
	New name and the old name of the listed entity for a continuous period of one year,		new name and the old name of the listed entity for a continuous period of one year,	
	W https://sbi.co.in/web/investor-relations/disclosure-under-regulation-46			

201/230	SUBMITTED TEXT	84 WORDS	35% MATCHING TEXT	84 WORDS
	Public Pension Rankings by Total Assets (in US\$) Name Total assets (in US \$) Region 1. Social security Trust funds 2,883,274,546,976 N. America 2. Government pension investment fund (Japan) 1,744,680,000,000 Asia 3. Caisse des Depots 1,256,420,000,000 Europe 4. Military Retirement Fund 979,432,811,000 N. America 5. Federal Retirement Thrift Investment Board \$803,115,000,000 N. America 6. National Pension Service of Korea 796,912,575,372 Asia 7. Federal Employees Retirement System 733,815,462,000 N. America 8. Canada Pension Plan Investment Board \$550,951,456,500 North America 9.		Public Pension Rankings by Total Assets Rank Profile Total Assets Type Region 1. Social Security Trust Funds \$2,838,183,544,330 Public Pension North America 2. Government Pension Investment Fund Japan \$1,440,075,375,418 Public Pension Asia 3. Military Retirement Fund \$1,279,144,150,000 Public Pension North America 4. Caisse des Depots \$1,112,376,809,500 Public Pension Europe 5. Federal Retirement Thrift Investment Board \$782,292,000,000 Public Pension North America 6. Federal Employees Retirement System \$733,815,462,000 Public Pension North America 7. National Pension Service of Korea \$711,103,790,415 Public Pension Asia 8. Stichting Pensioenfonds ABP \$522,055,436,000 Public Pension Europe 9. Canada Pension Plan Investment Board \$499,587,555,064 Public Pension North America 10.	
	W https://www.swfinstitute.org/fund-rankings/public-pension			
202/230	SUBMITTED TEXT	16 WORDS	90% MATCHING TEXT	16 WORDS
	Allianz Global Investors (AGI) and three former senior portfolio managers with multibillion dollar securities fraud		Allianz Global Investors and Three Former Senior Portfolio Managers with Multibillion Dollar Securities Fraud	
	W https://www.sec.gov/news/press-release/2022-84			
203/230	SUBMITTED TEXT	19 WORDS	100% MATCHING TEXT	19 WORDS
	AGI US marketed and sold the strategy to approximately 114 institutional investors, including pension funds for teachers, clergy		AGI US marketed and sold the strategy to approximately 114 institutional investors, including pension funds for teachers, clergy,	
	W https://www.sec.gov/news/press-release/2022-84			
204/230	SUBMITTED TEXT	45 WORDS	96% MATCHING TEXT	45 WORDS
	admitted that its conduct violated the federal securities laws and agreed to a cease-and-desist order, a censure and payment of \$315.2 million in disgorgement, \$34 million in prejudgment interest, and a \$675 million civil penalty, a portion of which would be distributed to certain		admitted that its conduct violated the federal securities laws and agreed to a cease-and-desist order, a censure and payment of \$315.2 million in disgorgement, \$34 million in prejudgment interest, and a \$675 million civil penalty, a portion of which will be distributed to certain	
	W https://www.sec.gov/news/press-release/2022-84			
205/230	SUBMITTED TEXT	14 WORDS	76% MATCHING TEXT	14 WORDS
	the Government of India establishing the Pension Fund Regulatory and Development Authority (PFRDA).		the Government of India do hereby constitute the interim Pension Fund Regulatory and Development Authority (PFRDA)	
	W https://pensionersportal.gov.in/Document/Compendium_of_PFRDA%20Act_Rules_and_Regulations_2021.pdf			

206/230	SUBMITTED TEXT	15 WORDS	87% MATCHING TEXT	15 WORDS
	the number of subscribers in various pension schemes under the National Pension System /		The number of subscribers in various schemes under the National Pension System (
	W https://www.business-standard.com/article/pf/pfrda-pension-scheme-subscribers-up-24-to-53-2-milli ...			
207/230	SUBMITTED TEXT	20 WORDS	73% MATCHING TEXT	20 WORDS
	Atal Pension Yojana (APY) registered the highest contributor to the subscriber base by 31.6 per cent to 37.2 million		Atal Pension Yojana (APY) -- the highest contributor to the subscriber base -- registered a growth of 31.6 per cent to 37.2 million	
	W https://www.business-standard.com/article/pf/pfrda-pension-scheme-subscribers-up-24-to-53-2-milli ...			
208/230	SUBMITTED TEXT	14 WORDS	100% MATCHING TEXT	14 WORDS
	for central government employees rose by 5.28 per cent to 22.97 lakh.		for central government employees rose by 5.28 per cent to 22.97 lakh,	
	W https://www.business-standard.com/article/pf/pfrda-pension-scheme-subscribers-up-24-to-53-2-milli ...			
209/230	SUBMITTED TEXT	35 WORDS	80% MATCHING TEXT	35 WORDS
	corporate sector, the number of NPS subscribers increased by 26.83 per cent to 14.69 lakh. ? For the all citizens category, the number jumped by 39.11 per cent to 23.61 lakh during the		corporate sector, the number of NPS subscribers increased by 26.83 per cent to 14.69 lakh, while that for the all citizens category jumped by 39.11 per cent to 23.61 lakh by the	
	W https://www.business-standard.com/article/pf/pfrda-pension-scheme-subscribers-up-24-to-53-2-milli ...			
210/230	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS
	pfrda-pension-scheme-subscribers-up-24- to-53-2-million-by-may-end-122062000870_1.		PFRDA pension scheme subscribers up 24% to 53.2 million by May end •	
	W https://www.business-standard.com/article/pf/pfrda-pension-scheme-subscribers-up-24-to-53-2-milli ...			
211/230	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
	scheme regulated by the Pension Fund Regulatory and Development Authority (Scheme) regulated by the Pension Fund Regulatory and Development Authority	
	W https://pensionersportal.gov.in/Document/Compendium_of_PFRDA%20Act_Rules_and_Regulations_2021.pdf			
212/230	SUBMITTED TEXT	11 WORDS	100% MATCHING TEXT	11 WORDS
	regulated by the Pension Fund Regulatory and Development Authority (PFRDA)		regulated by the Pension Fund Regulatory and Development Authority (PFRDA).	
	W https://www.livemint.com/money/personal-finance/6-recent-changes-in-national-pension-system-nps-r ...			

213/230	SUBMITTED TEXT	22 WORDS	60% MATCHING TEXT	22 WORDS
	the corpus is equal to or less than ₹5 lakh, the subscriber may opt to withdraw the entire accumulated pension wealth		the subscriber is equal to or less than a sum of two lakh rupees, the subscriber shall have the option to withdraw the entire accumulated pension wealth	
	W https://pensionersportal.gov.in/Document/Compendium_of_PFRDA%20Act_Rules_and_Regulations_2021.pdf			
214/230	SUBMITTED TEXT	69 WORDS	79% MATCHING TEXT	69 WORDS
	years. 2) The normal exit should be after 3 years. Scheme. 3) The subscriber could utilise at least 40 per cent of the corpus for purchase of annuity and the remaining amount could be withdrawn as a lump sum. 4) If the corpus is equal to or less than ₹5 lakh, the subscriber may opt to withdraw the entire accumulated pension wealth in a lump sum. 5)		years, the circular said "normal exit shall be after 3 years". " The subscriber will be required to at least 40 per cent of the corpus for purchase of annuity and the remaining amount can be withdrawn as a lump sum," it said. However, the corpus is equal to or less than ₹5 lakh, the subscriber may opt to withdraw the entire accumulated pension wealth in a lump sum,	
	W https://www.livemint.com/money/personal-finance/6-recent-changes-in-national-pension-system-nps-r ...			
215/230	SUBMITTED TEXT	16 WORDS	96% MATCHING TEXT	16 WORDS
	permitted to allocate up to 50 per cent of the funds in equity. 6) The		permitted them to allocate up to 50 per cent of the funds in equity. The	
	W https://www.livemint.com/money/personal-finance/6-recent-changes-in-national-pension-system-nps-r ...			
216/230	SUBMITTED TEXT	22 WORDS	83% MATCHING TEXT	22 WORDS
	exit before the completion of three years and would be treated as 'premature exit. 7) Under premature exit, the subscriber		exit before the completion of three years will be treated as 'premature exit'. Under premature exit, the "subscriber	
	W https://www.livemint.com/money/personal-finance/6-recent-changes-in-national-pension-system-nps-r ...			
217/230	SUBMITTED TEXT	20 WORDS	75% MATCHING TEXT	20 WORDS
	at least 40 per cent of the corpus for purchase of annuity and the remaining amount could be withdrawn		at least 40% of the corpus for purchase of annuity and the remaining amount can be withdrawn	
	W https://www.pfrda.org.in/writereaddata/links/press%20release%20-%20increase%20of%20joining%20age% ...			
218/230	SUBMITTED TEXT	73 WORDS	88% MATCHING TEXT	73 WORDS
	required to utilise at least 80 per cent of the corpus for purchase of annuity and the remaining could be withdrawn in a lump sum. 8) In the case of premature exit, if the corpus is less than ₹2.5 lakh, the subscriber might opt to withdraw the entire accumulated amount in one go.		required to utilise at least 80 per cent of the corpus for purchase of annuity and the remaining can be withdrawn in a lump sum". In the case of premature exit, if the corpus is less than ₹2.5 lakh, the subscriber may opt to withdraw the entire accumulated amount in one go. 5)	
	W https://www.livemint.com/money/personal-finance/6-recent-changes-in-national-pension-system-nps-r ...			

219/230	SUBMITTED TEXT	29 WORDS	94% MATCHING TEXT	29 WORDS
	NPS account holders had been permitted to defer their account up to the age of 75 years. 10) Extension of the online exit process to the Government sector		NPS account holders have been permitted to defer their account up to the age of 75 years. 6) Extension of the online exit process to the Government sector	
	W https://www.livemint.com/money/personal-finance/6-recent-changes-in-national-pension-system-nps-r ...			
220/230	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS
	money/personal-finance/6-recent-changes-in-national-pension- system-nps-rules-you-need-to-know-11634006338769.		Money / Personal Finance/ 6 recent changes in National Pension System (NPS) rules you need to know	
	W https://www.livemint.com/money/personal-finance/6-recent-changes-in-national-pension-system-nps-r ...			
221/230	SUBMITTED TEXT	27 WORDS	68% MATCHING TEXT	27 WORDS
	the subscriber would be required to utilise at least 80 per cent of the corpus for purchase of annuity and the remaining could be withdrawn in		the subscriber will be required to utilize at least 40% of the corpus for purchase of annuity and the remaining amount can be withdrawn in	
	W https://www.pfrda.org.in/writereaddata/links/press%20release%20-%20increase%20of%20joining%20age% ...			
222/230	SUBMITTED TEXT	39 WORDS	71% MATCHING TEXT	39 WORDS
	Looking at 2020 returns, Indian hedge funds returned 19.88%, outperforming their global hedge fund peers of 12.66% but were behind their Greater China and Asia- ex Japan which returned 35.57% and 23.12% in 2020 respectively. Of the		Looking at 2020 returns, Indian hedge funds returned 19.88%, outperforming their global hedge fund peers returned 12.66% but lagged behind their Greater China and Asia ex Japan counterparts who returned 35.57% and 23.12% in 2020 respectively. • Comparing the	
	W https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy-Profile-July-2021			
223/230	SUBMITTED TEXT	14 WORDS	80% MATCHING TEXT	14 WORDS
	Indian hedge funds had posted the maximum drawdown among their hedge fund peers.		Indian hedge funds have posted the largest 5 year maximum drawdown among their hedge fund peers	
	W https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy-Profile-July-2021			
224/230	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS
	https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy- Profile-July-2021#:~:		https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy-Profile-July-2021	
	W https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy-Profile-July-2021			
225/230	SUBMITTED TEXT	2 WORDS	100% MATCHING TEXT	2 WORDS
	The%20Eurekahedge%20India%20Hedge%20Fund%20Index%20has%20outperformed%20the%20three,6.83%25%20		The Eurekahedge India Hedge Fund Index has outperformed the three	
	W https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy-Profile-July-2021			

226/230	SUBMITTED TEXT	40 WORDS	91% MATCHING TEXT	40 WORDS
	Indian hedge funds outperformed their global peers by a large margin in 2020, supported by the strong performance of the Indian equity market over the year. Despite the Indian economy's 7.7% contraction in 2020 as a result of the		Indian hedge funds outperformed their global peers by a large margin in 2020, supported by the strong performance of the Indian equity market over the year. Despite the Indian economy's 7.7% contraction in 2020 as a result of the	
	W https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy-Profile-July-2021			
227/230	SUBMITTED TEXT	1 WORDS	100% MATCHING TEXT	1 WORDS
	https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy-Profile-July-2021#:~:		https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy-Profile-July-2021	
	W https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy-Profile-July-2021			
228/230	SUBMITTED TEXT	50 WORDS	93% MATCHING TEXT	50 WORDS
	impact of the coronavirus pandemic, the Eurekahedge India Hedge Fund Index generated 19.88% return over 2020, compared to the 12.66% return posted by the Eurekahedge Hedge Fund Index over the same period, which also happened to be the best annual performance of the global hedge fund industry since 2009.		impact of the coronavirus pandemic, the Eurekahedge India Hedge Fund Index generated 19.88% return over 2020, dwarfing the 12.66% return posted by the Eurekahedge Hedge Fund Index over the same period, which also happened to be the best annual performance of the global hedge fund industry since 2009.	
	W https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy-Profile-July-2021			
229/230	SUBMITTED TEXT	43 WORDS	100% MATCHING TEXT	43 WORDS
	Since December 2009, Indian hedge funds generated 6.66% annualized return on average, falling behind the 10.02%, 9.55% and 7.56% returns per annum posted by the S&P BSE Sensex, MSCI India Growth IMI index and the MSCI India Value IMI index respectively.		Since December 2009, Indian hedge funds generated 6.66% annualised return on average, falling behind the 10.02%, 9.55% and 7.56% returns per annum posted by the S&P BSE Sensex, MSCI India Growth IMI index and the MSCI India Value IMI index respectively.	
	W https://www.eurekahedge.com/Research/News/2121/Indian-Hedge-Fund-Strategy-Profile-July-2021			
230/230	SUBMITTED TEXT	2 WORDS	100% MATCHING TEXT	2 WORDS
	https://www.statista.com/statistics/255518/mutual-fund-assets-held-by-investment-companies-in-the-united-states/		https://www.statista.com/statistics/255518/mutual-fund-assets-held-by-investment-companies-in-the-united-states/	
	W https://www.statista.com/statistics/255518/mutual-fund-assets-held-by-investment-companies-in-the-united-states/			