

Contents

	Page No.
Foreword	
List of Select Abbreviations	i-iii
Overview	1
Chapter I : Macro-Financial Risks	3-17
Global economy	3
Domestic macro-financial developments	10
Chapter II : Financial Institutions: Soundness and Resilience	18-53
Scheduled commercial banks	18
Performance	18
Risks	24
Resilience – Stress tests	25
Scheduled urban co-operative banks	34
Performance	34
Resilience – Stress tests	35
Non-banking financial companies	35
Performance	35
Resilience – Stress tests	37
Micro, small and medium enterprises exposure of financial intermediaries – A comparative analysis	37
Network of the financial system	42
Chapter III : Financial Sector: Regulation and Developments	54-83
International and domestic developments	54
Other developments, market practices and supervisory concerns	67
Annex 1: Systemic Risk Survey	84
Annex 2: Methodologies	88

	Page No.
LIST OF BOXES	
1.1 Is this time different? Risk-free curve and movement in corporate spreads in US rate increase cycle	5
2.1 PCA banks: Estimating the change in their Systemic Footprint using Contagion Analysis	52
3.1 Financial conglomerates - identification and oversight - A closer look	57
3.2 Framework for Liquidity Risk Management by MFs	68
3.3 Riding on Suptech	74
3.4 Risk Culture	80
LIST OF CHARTS	
1.1 World Economic Growth Rate	3
1.2 JP Morgan Global PMI	3
1.3 Bloomberg Financial conditions index	4
1.4 US fixed income supply	4
1.5 LIBOR-OIS spread	6
1.6 Net acquisition of financial assets - Japan & Euro Area	6
1.7 10-year US Treasury net hedged returns in base currencies of Euro and JPY	7
1.8 Evolution of 1-year Cross Currency Basis	7
1.9 Month-on-month change in global trade volume	7
1.10 US - deviation in real GDP in trade tensions	8
1.11 China - deviation in real GDP in trade tensions	8
1.12 Bloomberg commodity indices	8
1.13 US HY Bond Index and Volatility Index	9
1.14 US Non-financial corporate outstanding debt	9
1.15 EM investment grade spreads over US Treasury	9
1.16 EM currency performance <i>vis-à-vis</i> US dollar Index	10
1.17 National income aggregates	10
1.18 Current account and merchandise trade deficit	11
1.19 Composition of merchandise import growth	12
1.20 Relative valuation of Indian equities	12
1.21 FPI flows	12
1.22 FPI flows – Emerging Markets	13
1.23 VIX and foreign exchange option volatility	13
1.24 Flow of resources to the commercial sector	13
1.25 Mutual Fund resource mobilisation (monthly)	14

	Page No.
1.26 Disaggregated investor analysis - Debt funds	15
1.27 Disaggregated investor analysis - liquid / money market funds	15
1.28 Movement in inter-bank deposit rates	15
1.29 Developments in Housing market	17
1.30 House sales-to-unsold inventory ratio and launches-to-sales ratio	17
2.1 Select performance indicators	19
2.2 Select asset quality indicators	21
2.3 Sectoral asset quality indicators	22
2.4 Select asset quality indicators of large borrowers	23
2.5 Banking stability indicator	24
2.6 Banking stability map	24
2.7 Macroeconomic scenario assumptions	25
2.8 Projection of SCBs' GNPA ratios	25
2.9 CRAR projections	26
2.10 Projection of CET 1 capital ratio	27
2.11 Credit risk - shocks and impacts	28
2.12 CRAR-wise distribution of banks	28
2.13 Range of shifts in CRAR	28
2.14 Credit concentration risk: Individual borrowers – stressed advances	29
2.15 Credit concentration risk: Individual borrowers – Exposure	29
2.16 Tenor-wise distribution of AFS portfolio	31
2.17 Tenor-wise distribution of HFT portfolio	32
2.18 Equity price risk	33
2.19 Liquidity risk – Shocks and impacts on liquid stocks	33
2.20 MTM of total derivatives portfolio - Select banks - September 2018	34
2.21 Stress tests - Impact of shocks on derivative portfolio of select banks	34
2.22 Select ratios of the NBFC sector	36
2.23 Probability of default over 1-year horizon of MSME credits	37
2.24 CRISIL 1-year average transition rate to default for long term ratings (2007-17)	38
2.25 Ratings distribution of MSME credits	38
2.26 Credit Exposure of MSME segment (in ₹ trillion)	38
2.27 Relative movement in market share – shift of market share to PVBs and NBFCs from PSBs	39
2.28 NPA profile in Micro & SME segments – as a per cent of relative exposures	39
2.29 NPA Profile- Lender type-wise	39
2.30 Rating distribution of existing portfolio across lenders : March 2018	40

	Page No.	
2.31	Bilateral Exposures	42
2.32	Network plot of the financial system – September 2018	43
2.33	Net receivables (+ve) / payables (-ve) by the institutions	44
2.34	Inter-bank market	44
2.35	Share of different bank groups in the Inter-bank market	44
2.36	Composition of fund based inter-bank market	45
2.37	Network structure of the Indian banking system (SCBs +SUCBs) – September 2018	46
2.38	Connectivity statistics of the banking system (SCBs)	46
2.39	Gross receivables of asset management companies	47
2.40	Gross receivables of insurance companies	47
2.41	Gross payables of NBFCs	48
2.42	Gross payables of HFCs	48
2.43	CP Market	49
2.44	CPs - Subscribed (+ve)/ Issued (-ve)	49
2.45	A representative contagion plot – impact of failure of a bank	50
2.46	Solvency Losses	51
2.47	Liquidity Losses	51
2.48	Number of Bank Defaults	51
2.49	Contagion impact after macroeconomic shocks (solvency contagion)	53
3.1	Variability in capital adequacy induced by use of internal risk models : 32 major financial institutions	55
3.2	Comparison of risk weights based on internal models & Standardised Approach: 32 major financial institutions	55
3.3	Recovery rates of financial claims at NCLT (upto September 2018)	62
3.4	Growth in the number of SIPs (No. in million)	68
3.5	Per cent of debt issues of listed companies in terms of rating action	70
3.6	Capital raised in the Primary market	71
3.7	Category wise Issuers and Subscribers of corporate bonds	71
3.8	Movement of Indian and International Commodity Indices	72
3.9	Product segment-wise share in All India Derivatives Turnover (Futures & Options)	73
3.10	Frauds reported in the banking sector (amount involved \geq ₹0.1 million)	77
3.11	Relative share of bank-groups in overall fraud amount reported (amount involved \geq ₹0.1 million)	77
3.12	Fraud category share in overall frauds reported (amount involved \geq ₹0.1 million) (June 2017 to September 2018)	78
3.13	Advance related frauds reported (amount involved \geq ₹0.1 million)	78

	Page No.
3.14 Relative share in frauds reported & risk weighted assets for Operational Risk of major bank groups (2014-15 to 2017-18)	79
LIST OF TABLES	
2.1 Credit concentration risk: Group borrowers – exposure	30
2.2 Growth in GNPA's due to subsector specific shocks - September 2018	30
2.3 Number of banks failing under subsector specific shocks	30
2.4 Decline in system level CRAR (in descending order)	31
2.5 Interest rate risk – Bank groups - shocks and impacts	32
2.6 Aggregated balance sheet of the NBFC sector: y-o-y growth	35
2.7 Select ratios of the NBFC sector	36
2.8 Distribution of incremental MSME borrowers across credit spectrum across lenders	40
2.9 Proportion of asset acquisition in CMR 7-10 segment across lenders	40
2.10 Incremental exposure of accounts with aggregate exposure < ₹50 million: March 2016 – March 2017	41
2.11 Incremental exposure of accounts with aggregate exposure < ₹50 million: March 2017 – March 2018	41
2.12 Slippage to NPA in fresh acquisition within a Financial year: FY 2016-17	41
2.13 Slippage to NPA in fresh acquisition within a Financial year: FY 2017-18	41
2.14 Inter-sector assets and liabilities – September 2018 (₹ billion)	43
3.1 Subscriber growth	60
3.2 AUM growth	60
3.3 The corporate insolvency resolution processes (CIRP) - No. of Corporate Debtors	61
3.4 Initiation of corporate insolvency resolution process (CIRP)	61
3.5 Distribution of corporate debtors ending in liquidation	61
3.6 Important regulatory initiatives (June 2018 - November 2018)	62
3.7 Trends in flow of funds (₹ billion)	67
3.8 Frauds reported during the last 5 FYs and H1:2018-19 (amount involved >= ₹0.1 million)	76