Banks Must Focus On Building Strategy And Overcoming Technology Risks, Says RBI Deputy Governor



The Reserve Bank has asked banks to focus on building strategy and overcoming risks, especially technology risks. Speaking at an event organised by Excellence Enablers in Mumbai this morning, RBI Deputy Governor S C Murmu said banks need to invest in technology as well as people to ensure there is no wrongdoing.

Emphasizing that banks need to mull over whether they will incentivise volumes or customer outcomes, Mr. Murmu said mis-selling rarely begins at the branch counter; pointing out that it begins with a sales target and a variable pay scale. Clarifying that outsourcing an activity does not mean outsourcing responsibility as the onus for outcomes remains with the banks, Mr. Murmu said banks must rethink their reliance on external vendors for certain tasks.

Terming the upcoming transition to Expected Credit Loss – ECL framework as a significant milestone, Mr. Murmu said banks will have to provide for losses they expect and not just for losses already incurred. Stating that the system will be shifting to principles based approach, the RBI Deputy Governor said the remaining Basel-III standards will also take effect.

With artificial intelligence-based models now driving parts of credit, collections and fraud detection systems, Mr. Murmu underlined that bank boards need to ensure that decisioning is explainable, fair and accountable. He also said that risks from climate

change or cyberattacks may not have an immediate impact, but the dent will show up in the loan book sooner or later.