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**THE INSTITUTE OF
Company Secretaries of India**
भारतीय कम्पनी सचिव संस्थान
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**Dear Students,**

They say the first steps are the hardest, but I believe that whosoever holds the patience, grit and belief to take that leap of faith is indeed a person of heroic traits. Coming from a place where true heroism lies in the portrayal of professionalism, ethics and integrity, I feel extremely proud and delighted to commend each one of you who has moved a notch up in the ladder of becoming a Company Secretary.

My heartiest congratulations to all of you. May you find many more successes your way...!!!

Friends, it is truly significant, at this juncture, for each one of you to understand that the sails ahead will not be without turbulence. The winds and waters shall try you, your strength and your resolve at every step of the way. Not only will the subjects be new and nothing in comparison to what you might have studied till date, but they shall demand from you a different approach, an open mind and an analytical bent of thought to grasp and understand the real meaning of every line and word.

I believe and you would agree with me that all of that is both necessary and imperative to groom you into seasoned professionals – adept in serving the varied needs of corporates and to live up to the expectations of the Regulators and Regulatory Authorities.

And while some of you might have been reading until now thinking I have forgotten my friends who could not get to the other side. Well... I have not...

It may seem that this group would need external motivation and words of advice and wisdom; but trust me, you don't. Each one of you has by now figured out the troubling areas, your strengths and your weaknesses. You have pinpointed your difficult spots and made a mental map of the exact amount of efforts and hard work needed to sail through.

To each one of you I would say that, my best of best wishes are with you...!

Friends, it is often said that “the future belongs to those who believe in the beauty of their dreams”. I, for one, am of the belief that “the future belongs to those who believe in the strength of their actions”.

Always remember, learning has no limits. The more you learn, the more you explore new things, the closer you will find yourself phenomenally in climbing up the ladder of success leading towards excellence...!

Happy reading !!!

Warm regards,

(CS Manish Gupta)

President

The Institute of Company Secretaries of India

Crucial Facets of Bank Failures*

Introduction

The banks are very important institutions in any given economy due to their role of financing the economy. Banks if not properly regulated can fail and hinder their primary role. A bank failure is when a bank runs short of liquid money. This classifies as a crisis and it negatively affects all the services offered by the bank.

A bank failure is the closing of an insolvent bank by a federal or state regulator. Banks can be closed when they are unable to meet their obligations to depositors and others. When a bank fails, it may try to borrow money from other solvent banks in order to pay its depositors. If the failing bank cannot pay its depositors, a bank panic might ensue in which depositors run on the bank in an attempt to get their money back. This can make the situation worse for the failing bank, by shrinking its liquid assets as depositors withdraw cash.

Causes of bank failures

1. **Poor Risk Management:** Banks are in the business of managing risk, but sometimes they take on too much risk or underestimate the risks they are taking. This can happen when banks are too focused on short-term gains or fail to understand the complex financial instruments they are dealing with. Poor risk management can lead to significant losses, erode the bank's capital, and eventually lead to failure.
2. **Economic Downturns:** Banks are highly dependent on the overall health of the economy. During a recession, banks are more likely to experience loan defaults, lower profits, and higher operating costs. If a bank is not adequately prepared to weather an economic downturn, it may not survive.
3. **Fraud and Mismanagement:** Banks are also vulnerable to fraud and mismanagement, both from within and outside the organization. Insider fraud, such as embezzlement or insider trading, can cause significant financial losses. Meanwhile, mismanagement, such as improper lending practices or inadequate oversight, can weaken the bank's financial position.
4. **Regulatory Compliance Issues:** Banks operate in a highly regulated environment and must comply with a wide range of laws and regulations. Failure to comply with these regulations can result in fines, penalties, and even loss of banking licenses. Regulatory compliance issues can also damage the bank's reputation and erode public trust.

**Dr. Akinchan Buddhodev Sinha, Deputy Director, The ICSI.*

Views expressed are the sole expression of the Author and may not express the views of the Institute.

Failures of Big Banks- Global Scenario

In the past years and currently there have been collapse of numerous banks and some of them are goliaths. The examples of bank failures are as under:

i) *Lehman Brothers*

The failure of Lehman Brothers in 2008 is perhaps the most well-known bank failure in recent history. The investment bank had a significant exposure to subprime mortgages and was unable to raise sufficient capital to cover its losses. Its failure sparked a global financial crisis.

ii) *Silicon Valley Bank (SVB)*

One of the most recent bank failures with a large economical impact would have to be Silicon Valley Bank (SVB). SVB was one of the most prominent lenders in the world of technology start-ups that collapsed on March 10, 2023, forcing the U.S. government to step in.

iii) *Washington Mutual*

Washington Mutual was a large US savings and loan bank that failed in 2008. The bank had significant exposure to subprime mortgages and had also engaged in risky lending practices. The failure of Washington Mutual was the largest bank failure in US history at the time.

iv) *Barings Bank*

Barings Bank was a 233-year-old British bank that collapsed in 1995 due to fraudulent trading activities by one of its traders. The bank was unable to cover the losses resulting from the trader's activities and was eventually sold to another bank.

A comprehensive list of major banks failure in United States of America is provided is provided in exhibit 1

Exhibit 1

Major Banks Failure in United States of America

Largest US bank failures since 2008

Recent bank failures

Company	City, state	Date of failure	Year established	Total assets (\$B)	Total deposits (\$B)	Tangible equity/ tangible assets (%)	Leverage ratio (%)
Washington Mutual Bank	Henderson, NV	09/25/08	1988	307.02	188.26	5.60	7.07
Silicon Valley Bank	Santa Clara, CA	03/10/23	1983	209.03	175.38	7.27	7.96
Signature Bank	New York, NY	03/12/23	2001	110.36	88.61	7.26	8.79
Colonial Bank	Montgomery, AL	08/14/09	1917	25.46	20.07	2.17	4.18
IndyMac Federal Bank FSB	Pasadena, CA	07/11/08	1936	23.48	6.53	-19.66	-23.83
Guaranty Bank	Austin, TX	08/21/09	1988	13.46	11.98	-5.20	-7.11
BankUnited FSB	Coral Gables, FL	05/21/09	1984	13.11	8.78	-3.91	-3.24
U.S. Bank California	Newport Beach, CA	11/21/08	1957	12.78	9.65	7.50	7.48
AmTrust Bank	Cleveland, OH	12/04/09	1889	11.44	8.56	2.41	2.47
United Commercial Bank	San Francisco, CA	11/06/09	1974	10.90	7.65	2.71	2.20
Westernbank Puerto Rico	Mayaguez, PR	04/30/10	1958	10.80	8.42	3.49	3.44
California National Bank	Los Angeles, CA	10/30/09	1998	7.78	6.15	3.29	0.06
Corus Bank NA	Chicago, IL	09/11/09	1913	7.00	7.06	-2.31	-2.08
First Federal Bank of California FSB	Santa Monica, CA	12/18/09	1929	6.14	4.54	4.25	4.25
Doral Bank	San Juan, PR	02/27/15	1981	5.90	4.10	7.18	2.23
Group median						3.29	2.47
Median for failures since 2008						1.28	1.19

Data compiled Mar. 13, 2023.

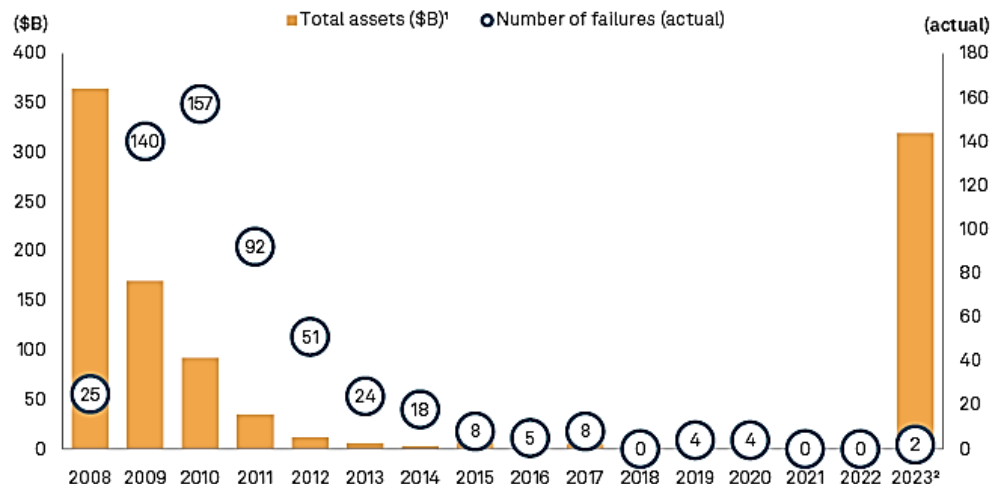
Analysis limited to commercial bank, savings bank, and savings and loan association failures in the U.S. between Jan. 1, 2008, and Mar. 12, 2023.

Financial data based on most recent regulatory filings before failure.

Sources: S&P Global Market Intelligence; Federal Deposit Insurance Corp.

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US bank failures since 2008



Data compiled Mar. 13, 2023.

Analysis limited to commercial bank, savings bank, and savings and loan association failures in the U.S. between Jan. 1, 2008, and Mar. 12, 2023.

¹ Total assets based on most recent regulatory filings before failure.

² Year-to-date through Mar. 12, 2023.

Source: S&P Global Market Intelligence.

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Cases of bank failures in India

The major banks failure in India are as under:

YES Bank

YES Bank's troubles surfaced after the clean up act of bad loans by the RBI, which prompted banks to report their asset quality. After the review of RBI, it was found that the bank had severe stress on the balance sheet and was unable to raise capital for operational business. Moreover, fearing failure, customers started taking deposits back in a big way. The RBI had to take rearguard action, in which it superseded the YES Bank management, imposed a moratorium and later came up with a reconstruction scheme

Read more at:

https://economictimes.indiatimes.com/markets/stocks/news/svb-signature-bank-collapse-how-india-handled-4-bank-failures-in-last-20-years/articleshow/98605917.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Measures to prevent Bank Failures

The following measures may be initiated to avert bank failures:

- i) The central banks should monitor the operations of banks closely so that whenever any fault line is noticed in any bank, the central bank can suitably advise the management of that bank to avoid financial debacle.
- ii) Bank chief executive officers should not be allowed long tenures as seen in the case of several CEOs who witnessed issues with central banks.

- iii) There must be a clear separation of ownership and control of a bank. In this regard, the central bank may issue guidelines to limit promoter holdings. For instance, in India, the Reserve Bank of India has asked banks to cap promoter holdings.
- iv) All the stakeholders, including bank boards, auditors and the regulator must maintain constant vigil, given the high stakes for safety and stability.
- v) The central bank should continuously monitor the lending institutions on various key parameters like loans, non-performing assets, deposits, composition of loans, credibility of the borrowers etc.
- vi) The selection of board of directors needs to be done prudentially.
- vii) The selection procedure of auditors needs to be stringent.
- viii) In case of lapses in corporate governance of a bank, the stakeholders should immediately intervene.

References

1. <https://www.investopedia.com/terms/b/bank-failure.asp>
2. https://www.ijmae.com/article_115219_29573888af2fb1e9dd9f466826c814c1.pdf
3. <https://www.veem.com/library/the-anatomy-of-bank-failure-understanding-the-root-causes/>
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Current Affairs*

- **NITI Aayog Releases Compendium on Best Practices in Social Sector 2023 (May 01, 2023)**

NITI Aayog released the “Best Practices in Social Sector: A Compendium, 2023” in collaboration with the United Nations Development Programme. To commemorate 75 years of India’s independence and highlight and laud the efforts of Union Ministries and State Governments, this compendium includes 75 case studies cutting across 14 key social sectors. The case studies have been sourced from all States/ Union Territories and 30 Ministries and Departments of the Government of India.

“As India is celebrating ‘Azadi Ka Amrit Mahotsav’, NITI Aayog and UNDP is bringing out this compendium showcasing 75 best practices in the social sector which truly highlight the theme ‘Achievements @75’ at the grassroot level”, said Dr. Yogesh Suri, Senior Adviser, NITI Aayog. The seventy-five best practices highlight models which are innovative, sustainable, replicable and impactful. The aim of this exercise has been to synthesise lessons for the future to expand, enhance and improve life at the grassroots level. The cases identified are spread over diverse themes, including education, health and nutrition, e-governance and digitization, agriculture, women’s empowerment, sports, and financial inclusion, among others.

For document: <https://niti.gov.in/sites/default/files/2023-05/Best-Practices.pdf>

For details: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1921207>

- **Launch of Meri LiFE App (May 15, 2023)**

To catalyze youth action for climate change as a build up to June 5, World Environment Day, Union Minister for Environment, Forest, and Climate Change Shri Bhupender Yadav launched a mobile application, called “**Meri LiFE**” (My life). This app is inspired by the concept of LiFE, envisioned by the Prime Minister at COP 26, which emphasizes mindful and deliberate utilization instead of mindless and wasteful consumption. This app will showcase the power of citizens, especially young people in saving the environment. Through this app, simple actions in daily lives can have a larger climate impact.

The Meri LiFE app will help in creating a structured way to track the progress being made on Mission LiFE, a global mass movement inspired by Prime Minister, to nudge individual and community action to protect environment. Upon successful sign-up, users will be guided to participate in a series of LiFE related tasks under the following 5 themes, namely, Save Energy, Save Water, Reduce Single Use Plastic, Adopt Sustainable Food Systems and Adopt Healthy Lifestyle. Through a gamified experience, the app nudges people to take the 5 for 5 challenge- take Five LiFE Actions towards June 5th. The app is available on Google Play Store.

For details: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1924138>

*Mahesh Airan, Assistant Director, The ICSI.

- **Shanghai Cooperation Organisation (SCO) Startup Forum 2023 (May 11, 2023)**

After two successful editions in virtual mode, Startup India, Department of Promotion for Industry and Internal Trade, Ministry of Commerce organized the third edition in the form of first-ever physical Shanghai Cooperation Organization (SCO) Startup Forum in New Delhi recently. The engagement aimed at expanding the startup interactions amongst the SCO Member States, nurturing the spirit of innovation, generating more employment and encouraging young talent to build innovative solutions.

This engagement focused on the spirit of collaboration and entrepreneurship. It aimed at promoting innovation development, particularly through the creation of common platforms and the facilitation of ideas and best practices among the SCO Member States. Various startup-to-startup bilateral meetings were conducted in promoting and achieving this agenda.

By leading such engagements, India undertook an opportunity to share the opportunities of expanding the innovation footprint, knitting the whole ecosystem together and inspiring other SCO Member States to take up similar programs.

Previously, Startup India had organized various initiatives for SCO Member states including:

- SCO Startup Forum 2020: The SCO Startup Forum laid the foundation for multilateral cooperation and engagement for startups among the SCO Member States.
- SCO Startup Forum 2021: The two-day Forum was held virtually through a customized platform representing the Indian culture in augmented reality. SCO Startup Hub, a single point of contact for the SCO startup ecosystem, was launched in this forum.
- Focused Mentorship Program: A 3-month long virtual mentorship series 'Starting-Up' was organized for the nominated startups, to build capacity among the SCO Startup founders.

For details: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1923381>

- **India's overall exports in April 2023 estimated at USD 65.02 billion; a positive growth of 2 percent (May 15, 2023)**

India's overall exports (Merchandise and Services combined) in April 2023* is estimated to be USD 65.02 Billion, exhibiting a positive growth of 2.00 per cent over April 2022. Overall imports in April 2023* is estimated to be USD 66.40 Billion, exhibiting a negative growth of (-) 7.92 per cent over April 2022.

Trade during April 2023*

		April 2023 (USD Billion)	April 2022 (USD Billion)
Merchandise	Exports	34.66	39.70
	Imports	49.90	58.06

Services*	Exports	30.36	24.05
	Imports	16.50	14.06
Overall Trade (Merchandise +Services) *	Exports	65.02	63.75
	Imports	66.40	72.11
	Trade Balance	-1.38	-8.37

** Note: The latest data for services sector released by RBI is for March 2023. The data for April 2023 is an estimation, which will be revised based on RBI's subsequent release. (ii) Data for April 2022 has been revised on pro-rata basis using quarterly balance of payments data.*

For details: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1924221>

Sample Questions

Paper 1 : Business Communication

1. Choose the appropriate article (a, an, the) to fill in the blank.
I waited for _____ hour and then I went home.
 - a. a
 - b. an
 - c. the
 - d. of
2. Choose the correct spelling
 - a. Deceeve
 - b. Decive
 - c. Diecieve
 - d. Deceive
3. _____ to communication may occur if the transmitter and receiver assign different meanings to the same word or use different words for the same meaning.
 - a. Semantic barriers
 - b. Physical barriers
 - c. Socio-Psychological barriers
 - d. None of the above
4. The sum of money lent on which interest is being paid is called:
 - a. Principal
 - b. Tax
 - c. Penalty
 - d. Instalment
5. What is the synonym of Annihilate?
 - a. Devastate
 - b. Investigate
 - c. Delay
 - d. Retaliate

Paper 2 : Legal Aptitude and Logical Reasoning

6. _____ of the Indian Constitution guarantees six categories of fundamental rights.
- Part IX
 - Part VI
 - Part V
 - Part III
7. Which of the following Agreements cannot be enforced and confers no rights on either party?
- Agreement to Sell
 - Valid
 - Quasi-Contract
 - None of these
8. No person shall be deprived of his life or _____ except according to procedure established by law.
- Common Liberty
 - Individual Liability
 - Personal Liability
 - None of these
9. Statement
- There has been a heavy traffic jam on the road in the morning
 - Many Traffic Police officers are deputed for traffic control before start of office hours
- Statement I is the reason and statement II is the response.
 - Statement II is the reason and statement I is the response.
 - Both the statements I and II are the response of some common reasons.
 - Both the statements I and II are the response of not depended reasons.
10. In a certain code, INFORM is written as JPISWS. How is RIGHT written in the same code?
- SKJLY
 - SKJYL
 - SKLJY
 - KSJLY

Paper 3 : Economic and Business Environment

11. The _____ is the difference between the monetary value of exports and imports of output in an economy over a certain period of time.
 - a. Balance of trade
 - b. Balance of payment
 - c. Balance of national accounts
 - d. Balance of Consolidated Fund of India
12. If a company is sued over a data breach of confidential information, the business may need to change how information is collected and stored. This is covered under which of the following?
 - a. Political environment
 - b. Economic environment
 - c. Technological environment
 - d. Social environment
13. The Central Government has constituted the National Company Law Tribunal (NCLT) under section 408 of the _____.
 - a. Income Tax Act, 1961
 - b. Indian Companies Act, 1956
 - c. Negotiable Instruments Act, 1881
 - d. Indian Companies Act, 2013
14. The Central Office of the Reserve Bank was initially established in _____ but was permanently moved to Mumbai in 1937.
 - a. Hyderabad
 - b. Calcutta
 - c. Madras
 - d. Ahmedabad
15. Salaries, subsidies and interest payments of government are covered under which of the following?
 - a. Capital Expenditure
 - b. Miscellaneous Expenditure
 - c. Imputed Expenditure
 - d. Revenue Expenditure

Paper 4 : Current Affairs

16. Which country has now become the India's 3rd largest exporter as per data revealed by Ministry of Commerce in the month of May, 2023?
 - a. UAE
 - b. Netherlands
 - c. UK
 - d. US
17. Name the new CEO of Twitter , who will also become the successor of Elon Musk?
 - a. David Zaslav
 - b. Linda Yaccarino
 - c. Ed Bastian
 - d. Shantanu Narayen
18. Who among the following has been appointed as the interim MD and CEO of the National Investment and Infrastructure Fund (NIIF)?
 - a. Rajeev Dhar
 - b. Rajiv Agarwal
 - c. Ashneer Grover
 - d. Ajay Sinha
19. Which among the following states has introduced a new policy named State Robotics Framework to establish a self-sustaining robotics ecosystem?
 - a. Bihar
 - b. Assam
 - c. Uttar Pradesh
 - d. Telangana
20. Which metro service in the country has introduced paper tickets with QR codes?
 - a. Kolkata Metro
 - b. Lucknow Metro
 - c. Delhi Metro
 - d. Bengaluru Metro

Answer Key:

1	b	6	d	11	a	16	b
2	d	7	d	12	c	17	b
3	a	8	d	13	d	18	a
4	a	9	c	14	b	19	d
5	a	10	a	15	d	20	c

Motto

सत्यं वद। धर्मं चर।

इष्टाकरे त्तेह त्त्पाते. बबेवेह by त्तेह लव.

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"To be a global leader in promoting good corporate governance"

Mission

"To develop high calibre professionals facilitating good corporate governance"



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