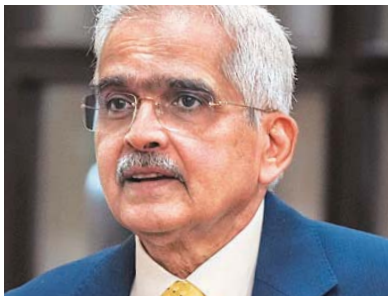


# Growth key, but not with undue risks: RBI gov



**“PURSUIT OF BUSINESS GROWTH IS IMPORTANT, BUT IT SHOULD NEVER COME AT THE EXPENSE OF TAKING ON UNACCEPTABLE RISK”**

**SHAKTIKANTA DAS,**  
RBI governor

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**MANOJIT SAHA**

Mumbai, 20 June

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Banks and non-banking financial companies (NBFCs) should not take “unacceptable risks” in the pursuit of growth and they must have robust risk mitigation framework, Reserve Bank of India (RBI) Governor Shaktikanta Das said here on Thursday. He was speaking at the Global Conference on Financial Resilience organised by the College of Supervisors.

“Pursuit of business growth is important, but it should never come at the expense of taking on unacceptable risks,” Das said. “While business models may be designed to drive profitability and growth, they sometimes contain vulnerabilities that may not be apparent,” he said, adding that both regulated entities and supervisors need to be vigilant to risks, if any, in their business models. Turn to Page 6 ▶

# Sebi tightens norms...

Stock exchanges may also seek explanations for such cancellations or modifications in prices. The real-time data for bids will also be made available on the website. These norms will kick-in after three months.

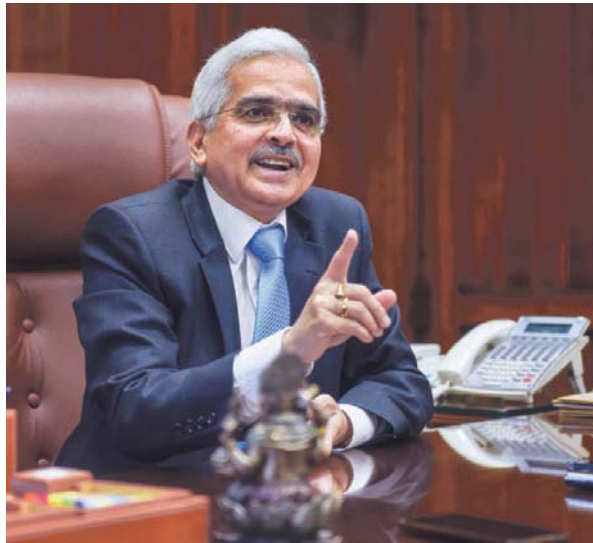
Prior to implementation of the call auction methodology, share prices used to witness huge volatility on the day of listing. The special pre-open session for IPO shares is conducted between 9am and 10am before normal trading resumes. It is conducted in three phases — open order placement session lasts for the first 45 minutes during which orders may be entered, modified and cancelled, but no orders are executed during this time.

Between 9:45 am and 9:55 am, order matching and execution session takes place. Based on the demand and supply for IPO shares in the first 45 minutes, exchanges arrive at a so-called “equilibrium price”, which acts as the opening price. The remaining five minutes is buffer period to facilitate the transition from pre-open to the normal trading session.

For IPO size of less than ₹250 crore, the price band is 5 per cent for normal trading. Share prices of companies with IPOs of more than ₹250 crore are allowed to move in a 20 per cent band during normal trading on the first day.

# Das...

The RBI Governor said robust risk mitigation ensures long-term success and resilience of



**RBI Governor Shaktikanta Das said strong governance was at the core of resilience — especially in the financial sector**

a regulated entity as well as of the overall financial system.

“I wish to highlight the importance of ethics in governance, which involves compliance with laws and regulations, both in letter and spirit; pursuit of sustainable business practices; and avoidance of mindless pursuit of bottom lines,” Das said.

He said strong governance is at the core of resilience — especially in the financial sector — which is the bedrock of informed and strategic decisions that align with long-term goals and risk-management principles. The RBI emphasises on governance of regulated entities and has imposed business restrictions on some of them due to “material supervisory” concerns.

Das said when serious

problems appear in a financial entity, an RBI officer of the rank of executive director addresses the full board of that organisation and shares the regulator’s concerns.

When material discrepancies are found between an auditor’s report and RBI’s supervisory findings, or when certain material issues are not properly addressed, the central bank invites the auditors for a direct discussion.

“We now look at the sustainability of business models of banks and NBFCs. Root cause analysis of problems and vulnerabilities are undertaken,” he said, adding that advance action is initiated wherever the regulator notices or smells a crisis.

Commenting on the RBI’s last November decision to

increase risk weights for loans for unsecured credit and bank loans to NBFCs, Das said it brought down credit growth in these segments.

“Our timely action has resulted in a situation where the growth of unsecured loans (is down) — it was in the order of 30 per cent year-on-year for credit cards, now moderated to 23 per cent. Similarly, bank lending to NBFCs, which was 29-30 per cent, has come down to 18 per cent,” he said.

“Please mark my words, we thought if left unattended, these vulnerabilities can become a bigger problem,” he said, adding it was better to act in advance and slow down the credit growth as RBI could see some evidence of dilution of underwriting standards — “some evidence of proper (credit) appraisal not being done”.

In view of regulated entities leveraging technology while managing their risks, resulting in higher dependency on third-party vendors and service providers, Das cautioned that vendors’ inability to deliver services reliably can directly impact the regulated entities’ operations and customer service.

“Therefore, a thorough due diligence becomes necessary before selecting third-party vendors. This includes assessing their financial sustainability, technical capabilities, security standards, and their ability to comply with regulations,” Das said and emphasised that there should be continuous monitoring of third-party vendors to ensure that they adhere to the agreed standards and practices.

