



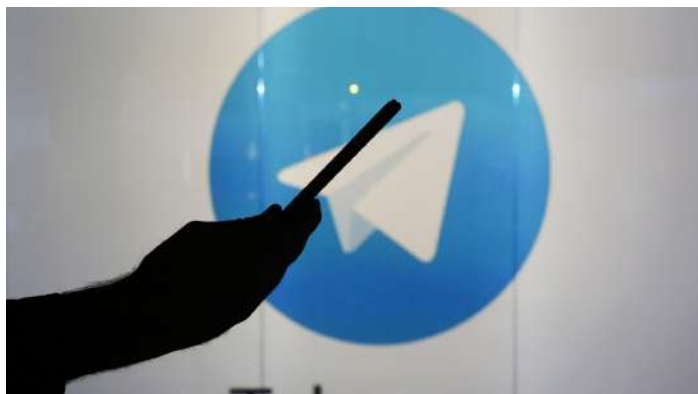
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Monetization of Social Media

In today's world, we have an array of digital services at our fingertips, free of charge, thanks to this competitive market. But are they really free? The truth is revealed by the famous quote, 'When you are not paying for the product, you are the product'. ...**Page (01)**



North Korean hackers push crypto app on telegram to lure victims

It's not clear how many people downloaded Somora, which isn't available on the Google Play marketplace or Apple App Store links to the app spread on Telegram, directing users to a website that hosts the file ... **Page (06)**

Mortgage rates drop for a fifth straight week

This year's surge in borrowing costs has pummeled demand in the housing market, sidelining potential buyers and even leading some sellers to hold off on listing homes. But rates have started to ease over the past month. ... **Page (08)**



Monetization of Social Media

In today's world, we have an array of digital services at our fingertips, free of charge, thanks to this competitive market. But are they really free? The truth is revealed by the famous quote, 'When you are not paying for the product, you are the product'. Seems bizarre, doesn't it? But it's true. Think about when you get sample items for free. The only reason they are free is so that the company can conduct a survey on how the market is going to receive the product, the areas it falls short and so on. So based on the reviews given by you, they improve their product. So, it might seem like they are giving away free stuff when what's actually happening is that they are investing in you to improve their final product. Social media works in a similar way where their major income source is their users. They sell their user's data to earn money. That's why it's a free service. Let's find out more about social media platforms and their income sources.

"DISPLAY ADVERTISING"

The primary method of income generation for all these social media platforms is display advertising. An 'Advertiser Supported Model' is used. Under this, they don't charge their users but instead sell their data to companies who wish to advertise their product or service. The user data that they get from people using their platform helps the companies to target specific groups based on gender, age, nationality, etc. To acquire this data, companies pay the platforms which is how they earn money. It is to note that this feature is not just for big corporations but can also be used by individuals and small businesses. Sometimes the ads on your feed promote an individual's account rather than a product. These ads also are shown to you based on what kind of content you watch and is thus different for all users. All ads shown to you are tailored based on your history and preferences. So someone who, say, watches a lot of makeup tutorials will get ads promoting companies selling makeup products or influencers who make similar content. The charge of advertising and promotion is determined based on the size of the target audience and a few other factors. Note that prices also get affected by the

size of the user base of the platform itself. Social media marketing is gaining an increasing importance in today's world. In fact, it has come to the point where it's crucial for brands to maintain a digital presence. This bodes well for companies too because social media platforms have a growing and diverse audience open to new products and ideas.

"PREMIUM SUBSCRIPTIONS"

Although display advertising revenue forms a major part of their income, and is sufficient to turn a social media company profitable, who says no to extra money? Do you remember the time when word got out that whatsapp might not be as secure for conversations? And how fast WhatsApp users dropped and shifted to Telegram? The point is, the current market is very volatile because of the level of prevailing competition. If tomorrow Instagram starts charging for a subscription, we'll simply shift to Snapchat. So all platforms have some sort of basic version accessible to all users. But in addition to this, some platforms create a premium version with extra features that is exclusively available to users willing to pay for it.

In June 2021, Twitter rolled out a premium version of itself called Twitter Blue. At the time, it was only available in Australia and Canada. Since then, it has expanded to the UK, the US, and New Zealand with plans for further expansion. Twitter Blue has a number of added features for users who subscribe to it. They include special bookmarks that let you separate your saved posts to different folders, an undo button for thirty seconds before the tweet gets published, customizable icons for the app, and different colour themes. After the company's recent acquisition by Tesla CEO Elon Musk, Twitter blue rolled out a new feature where it lets users pay for the blue check marks that used to appear in front of verified accounts. For a brief time, anyone willing to pay a monthly subscription of \$7.99 would get the blue tick. However, this feature caused the company to face some backlash as fake accounts crept up all across the platform. So Twitter had to differentiate between the

- paid blue tick and the one which appears in front of the verified accounts
- Facebook and Instagram have a feature where it lets users support their favourite creators through a monthly subscription. In return, they get access to exclusive content and items like a badge that identifies them as a supporter.
- YouTube's advertisement of its premium subscriptions is mostly based on the feature of ad-free viewing. Other features include access to offline videos, picture-in-picture playback and background playing.
- LinkedIn has different tiers of premium subscriptions for its users. There's Business, Career, Sales, and Hiring. All the tiers have some common extended features over the basic free versions like access to extended profiles, Inmail feature for connecting with people even for outside your network, being able to see who has viewed your profile, and search filters to narrow your search based on specific criteria. There are different features in all four tiers customised for recruiters, job seekers, people in sales, and people looking to grow their businesses. LinkedIn Business and Career premium gives you access to courses that help hone your professional ability to grow your business or be more appealing to recruiters. LinkedIn Sales Navigator offers advanced search filters to help reach potential customer bases.

"SELLING AND TRANSACTION FEES"

Social media nowadays has become a popular platform for many businesses to sell their products and services. Once you open a business account it offers you a variety of features that will help sell, market and grow your product. There's a charge associated with these services. You can open a virtual shop on many social media platforms now. But every time a customer buys something from your page, you get charged with a small commission on your sale. This charge is 5% on Meta platforms. Past a certain limit, WhatsApp charges all businesses based on the number of conversations they have with their customers. The charges are different based on who initiated the conversation- the business or the user.

To summarize:

PLATFORM	CHARGES
Instagram Shop	5% per shipment
Facebook Shop	5% per shipment
Whatsapp Business Accounts <ul style="list-style-type: none"> • User initiated • Business Initiated 	<ul style="list-style-type: none"> • Free for the first 24 hours then INR 0.35 per conversation • INR 0.55 per conversation

Revenue Earned

- Meta, formerly Facebook, is considered one of the biggest American IT companies. Owned and run by Mark Zuckerberg, the company's growth has only increased. Its revenue generation has doubled, even tripled in recent years. This can be attributed to Mr. Zuckerberg's eye for potential and the growing mobile consumer base. Sources revealed that its revenue generated for the year 2021 stood at \$97.5 Billion. Its primary source of revenue is selling advertising which generates as much as 97.5 percent of the total. Its subsidiary companies include WhatsApp and Instagram.
- Instagram: Out of all the Meta owned social media platforms, Instagram has by far the fastest growing user base. Facebook (now Meta) bought Instagram for about \$1 billion in 2012, and by 2018, it was worth an estimated \$100 billion. Instagram reached two billion active users in Q3 2021 and has continued to grow at a steady pace. It is on track to reach 2.5 billion by 2023. Its primary source of revenue is through advertising. Instagram's ad

revenues from 2022 represent a 25.66% increase from 2021, when Instagram's annual revenues from ads stood at \$26.5 billion. Instagram generated an estimated \$47.6 billion revenue in 2021, accounting for almost 50% of Meta's total revenue. With a young and global base of consumers, it's currently at the top of the market. Its user base is the most likely to click on commercial links and open-minded about trying new products, making it a top platform for companies to market and sell their products.

- WhatsApp: WhatsApp up until 2014 charged a one-time payment of \$1 to its users for downloading the apps and then \$1 as an annual subscription. But this charge was scrapped when the company was acquired by Meta. Now WhatsApp is free-of-cost for all its regular users. One of the most popular messaging platforms to exist with a user base of over 2.2 billion. Its revenue forms a very small part of the total revenue generated by Meta. Since Meta doesn't reveal a breakdown of its revenue by companies, data can only be estimated. Revenue for WhatsApp in 2021 was estimated to be \$8.7 billion.
- LinkedIn: As of February 2022, LinkedIn had 830+ million registered members from over 200 countries and territories. Its revenue generated accounted for about US \$10 Billion.

Conclusion

So we can say that we are the products that social media platforms sell. When we use their apps, we generate data that they sell to interested companies looking to sell their real products. Recent surveys reveal the importance and superiority of social media marketing over the traditional methods of marketing. So, obviously, they have a bright future lying ahead of them. With the user base of smartphones and laptops and our dependence on technology continuously growing, these platforms will have a larger market to tap into each year. Even though these platforms directly don't charge their customers for their services, they have high profitability doing what they do. To earn a little extra money on the side, they offer their users with premium subscriptions that would give them exclusive features over the other users which is a great selling point in today's market. These platforms also make money by charging commission and other types of selling and transaction fees to their virtual shops

and business accounts.

- Adeeba Haider

What is CBDC? And it's History?

Central Bank Digital Currency, popularly known as CBDC, is a legal tender issued by a central bank, but in a digital form. It is the same as a sovereign currency, i.e., it is a fiat currency and is exchangeable one-to-one at par with the fiat currency, states the Reserve Bank of India. The launch of the Digital Rupee will give a big boost to the digital economy, leading to a more efficient and cheaper currency management system, cite experts. The Bahamas (in the West Indies) were the first country to roll out a national central bank digital currency, called the Sand Dollar, in October 2020. Nigeria has more than 200 million citizens, meaning that the eNaira is currently the largest active CBDC project in the world. As of December 2021, more than 600,000 eNaira 'Speed Wallets' have been created and 35,000 transactions have been completed, according to the PwC report.

Across the globe, more than 60 central banks have expressed interest in CBDC, with a few implementations already under pilot across both Retail and Wholesale categories and many others are researching, testing, and/or launching their own CBDC framework. As of July 2022, there are 105 countries in the process of exploring CBDC, a number that covers 95% of the global Gross Domestic Product (GDP). 10 countries have launched a CBDC, the first of which was the Bahamian Sand Dollar in 2020, and the latest was Jamaica's JAMDEX. Currently, 17 other countries, including major economies like China and South Korea, are in the pilot stage and preparing for possible launches. China was the first large economy to pilot a CBDC in April 2020 and it aims for widespread domestic use of the e-CNY by 2023. Increasingly, CBDCs are being seen as a promising invention and as the next step in the evolutionary progression of sovereign currency. The Bahamas was the first of the 10 countries to launch its own CBDC. The primary motive behind the 'Bahamian Sand Dollar' launch in October 2020 was to cater better to its unbanked and under-banked citizens.

The launch of a CBDC has helped countries cut transaction costs and reduce turnaround times drastically.

Digitized currency will minimize the costs involved in printing, distribution and logistics management of cash. "India's 17% cash propensity, the ratio of cash withdrawn to GDP, is higher than those of the Nordic countries, such as UK and Australia. Moving to digital payments and digital currency could reduce dependency on cash," said Manoj Dalmia, a director at Bank of America.

India- One of the Pioneers in Introducing CBDCs?

Having already introduced the first pilot in the Digital Rupee - Wholesale segment (e₹-W) on November 1, 2022, the Reserve Bank has announced the launch of the first pilot for retail digital Rupee (e₹-R) on December 01, 2022. This places India as one of the front runners as most of the major economies of the world have not introduced the Central Bank Digital Currency (CBDC) as yet.

Let us take a look at some other major economies that have adopted CBDCs:

China:

China's central bank started putting in place policies for a Digital Yuan, or e-CNY, as early as 2014. It is currently conducting large-scale public trials in selected cities and the e-CNY was one of only three payment methods accepted during the Winter Olympics earlier this year. Users of the service were able to use hardware wallets that resembled payment cards or download the digital wallet application from app stores to store their digital Yuan. According to the PwC report, payments worth two million Yuan have occurred daily during the trial.

Ukraine:

Ukraine is ranked first in Europe for its efforts in rolling out CBDCs. The war-torn nation's first CBDC pilot was launched in September 2018, and involved tests for distributed ledgers and a study on the impact of CBDCs

on the macroeconomic stability of the country. In July last year, the Ukrainian government signed the 'On Payment Services' bill which allowed the National Bank to issue a CBDC, called e-hryvnia.

CBDC, CRYPTOCURRENCY AND UPI: Why it is much safer to use CBDC over Crypto and how CBDC is supposed to complement UPI not replace it!

Cryptocurrency:

Cryptocurrency is fast becoming popular and many financial institutions such as remittances players and credit card networks are turning to the technology. Increasingly, a school of thought is emerging that cryptocurrencies are at an inflexion point: they are set to transition from being an asset class, which is bought, held, and/or sold, to a payment method that can support real world transactions in the retail landscape. As crypto assets are maintained in decentralized distributed ledgers, which are nested in computer nodes spread all across the globe, there is a greater likelihood of execution of unauthorized trades not in consonance with any regulatory framework.

Currently there are a lot of concerns over the use of cryptocurrency from a global standpoint namely: Money laundering, Terror Financing, Loss of Monetary Sovereignty as well as Tax Evasion. Cryptocurrency is widely frowned upon because of its image marred by shams and criminal activity, its' scalability issue, they are viciously volatile, ESG factor- Blockchain and cryptocurrency transactions require tonnes and tonnes of computing power to keep the blockchain up successfully validate transactions. And as the adoption is increasing, more and more power is being consumed. Further, add the cooldown cost of these machines that work round the clock to support the network. Some of the reports around this do not give a happy picture.

The objective of digital rupee was to counter foreign crypto currency as CBDC is easier to track by the government. The digital rupee is to be issued using blockchain technology by the RBI and it is designed for stability and safety of use. The only similarity between the two are both of them are digital assets.

Digital rupee (e₹) will be used for issuing virtual currency for transactions in government securities. The money will be in virtual form just like other cryptocurrencies but the digital rupee will not be decentralized, it will be regulated by the Reserve Bank of India.

UPI:

Unlike CBDC, digital payments made via payment methods like UPI and IMPS require that every rupee transferred by this mode is backed by physical currency or on the settlement of the transacting banks with the central. The advantage of the digital currency is that it will be settled instantly as it will be transacted by a clearing house that has the direct backing of the central and not by bank intermediaries as is the case with UPI where each bank has a different UPI handler. CBDC is theoretically to provide a more efficient and much smoother transaction than UPI. It doesn't even require persons to link bank accounts or a middle man. The advantage of not requiring the intermediate step of linking bank accounts with online payment systems makes CBDC more efficient but at the same time it allows the government to have more visibility into real-time transactions.

The RBI concept note has said clearly that CBDCs will supplement the current financial system and not replace it. This allows multiple payment tools like UPI (Unified Payments Interface), digital wallets and even crypto, for that matter, to exist in the same financial ecosystem. But then, one can't help but question the need for a CBDC in a country that has such a robust digital payments economy, currently being spearheaded by a paragon of digital payments technology, UPI.

What kind of impact is CBDC trying to achieve with UPI already registering record transactions on a daily basis?

"Over 90 percent of the money in any country (including India) is created by commercial banks through the act of lending. And since they (RBI's CBDC) are not touching the current financial systems, it means 90 percent of the money supply will remain with the commercial banks. And since they're also not going to replace cash, it means

the contribution of CBDCs would be a small percentage.” Sunil Aggarwal, Dean of Blockchain Technology

Better Regulatory Control?

Verification of the transaction via digital currency has a positive effect. It assuages the fear of customers who would otherwise resist from holding many such digital currencies. The negative factor for individuals would be that, unlike transactions in cash, the central bank will have the oversight and control of financial transactions thus allowing them to track and record the movement of money and possibly prevent illicit transactions.

The RBI will have the capability to monitor and trace money transactions as well as to revert them or block them. The benefit is that it will make it easier to identify financial crimes such as tax evasion, financing terrorism and the sale of illicit goods.

RBI data shows that from 2018 to 2020, Indian banks lost approximately USD 50 billion to fraud. According to a CVC report, one of the main reasons for the top 100 cases of fraud is the improper end-use of lent funds. While the current system relies on post-facto checks such as CA audit reports and stock statements etc., a digital currency could address these problems proactively with installed programmability and regulated traceability.

Cybersecurity Threat In The Name Of Regulatory Control

With more nations getting on the CBDC bandwagon, privacy and cybersecurity concerns are also increasing. Federal Reserve Chair Jerome Powell recently listed “cyber risk” as his number one worry relating to financial stability, and a recent UK House of Lords report specifically described cybersecurity and privacy risks as potential reasons not to develop a CBDC.

These concerns are not unfounded. CBDC vulnerabilities could be exploited to compromise a nation’s financial system. CBDCs would be able to accumulate sensitive payment and user data at an unprecedented scale. In the wrong hands, this data could be used to spy on citizens’

private transactions, obtain security-sensitive details about individuals and organizations, and even steal money. If implemented without proper security protocols, a CBDC could substantially amplify the scope and scale of many of the security and privacy threats that already exist in today’s financial system

The issue to tackle is the heightened risk to the privacy of users—given that the central bank could potentially end up handling an enormous amount of data regarding user transactions. This has serious implications given that digital currencies will not offer users the level of privacy and anonymity offered by transacting in cash. Besides, the data stored with the central bank in a centralized system will hold grave security risks, and robust data security systems will have to be set up to prevent data breaches. Thus, it is important to employ the right technology that will back the issue of CBDCs.

Could It Face As A Challenge To Functioning Of Banks?

Disintermediation of Banks- The shift to CBDC can be detrimental for the bank’s ability to plough back funds into credit intermediation, if broad enough. And as e-cash becomes more popular and if RBI places no limit on the amount that can be stored in mobile wallets, weaker banks could struggle to retain low cost deposits.

If the popularity for individuals to move their deposits from commercial banks to the CBDC holdings increases over time, this will put pressure on banks and lead to loss of funding for the institutions. This could lead to a knock-on effect for businesses and households as the banks may not be able to make loans.

Forms of CBDCs:

CBDC can be structured as ‘token-based’ or ‘account-based’. A token-based CBDC is a bearer-instrument like banknotes, meaning whosoever holds the tokens at a given point in time would be presumed to own them. In contrast, an account-based system would require maintenance of record of balances and transactions of all holders of the CBDC and indicate the ownership of the monetary balances. Considering the features offered by

both the forms of CBDCs, a token-based CBDC is viewed as a preferred mode for CBDC-R as it would be closer to physical cash, while an account-based CBDC may be considered for CBDC-W.

WHOLESALE AND RETAIL CBDCs

There is a lot of confusion over the term “wholesale CBDC” to mean any large-value payment in central bank money, regardless of who is making and receiving the payment. So let’s clarify what it means.

Wholesale CBDC stands for financial institutions carrying reserve deposits with a central bank. It helps in facilitating the improvement in payments and securities settlement efficiency. Moreover, these wholesale CBDCs help towards reducing the risks associated with counterparty credit and liquidity. Wholesale CBDC refers to the settlement of interbank transfers and related wholesale transactions in central bank reserves.

"The first pilot in the Digital Rupee - Wholesale segment (e₹-W) i.e., the central bank digital currency (CBDC) will commence today", the Reserve Bank of India announced on Monday, October 31, 2022. According to the RBI, nine banks, namely, the State Bank of India, Bank of Baroda, Union Bank of India, HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Yes Bank, IDFC First Bank and HSBC have been identified for participation in the pilot project. On day one of the pilot launch, the nine identified banks undertook 48 transactions aggregating Rs 275 crores.

On the other hand, the retail CBDC can be summarised as one of the currency which has been issued to the general public. It is based on DLT, i.e., distributed ledger technology and has anonymity and traceability as its features. Moreover, these retail CBDCs are available round the clock and all year through, along with the feasibility of an interest rate application. Generally speaking, a currency is always issued at a wholesale level by the Reserve Bank, which then makes its way to retail hands through designated institutions.

Though both Wholesale CBDC and Retail CBDC are digital currencies issued by the central bank, one witnesses a variety of use cases in the case of wholesale

CBDCs as the latter is used in the interbank system to effect a cross-border payment.

Anonymity for Wallet to Wallet Transactions

On December 1, the pilot project for testing digital currency started by the Reserve Bank of India in which four banks are participating across four cities.

All the wallet-to-wallet transactions of the central bank digital currency (CBDC) in the retail segment are anonymous as those transactions are not reflected in the core banking system of banks — a feature that shall boost customer confidence to use the digital rupee in India.

How is CBDC-R wallet different from UPI apps?

The basic difference between the CBDC R wallets and UPIs is that there is no intermediation of bank in CBDC R wallets. As clarified by the governor of RBI, when we use a UPI app, the message goes to our bank, and the bank account gets debited, money gets transferred to the recipients, to the receiver’s bank, his account gets credited and he gets a message in his mobile phone. So, there is an intermediation of the bank in that process. In CBDC, just as paper currency, you will draw the digital currency and keep it in your wallet which will basically be your mobile phone and when you go and make a payment in a shop or to another individual, it will move from your wallet to his wallet. There is no routing or there is no intermediation of the bank.

In other words, the e-Rupee is money and UPI is their payment method. You can use UPI to load your e-Rupee wallet. But while making payments or receiving money in the e-Rupee wallet you don’t need UPI as long as the other party has a wallet address too.

Conclusion

The mainstream financial world faces a brave new dawn as central banks prepare to introduce digital currencies. The move is fraught with risks, but necessary to avoid losing control of the economies to unregulated cryptocurrency markets. And it could, ironically, be the best move central banks ever make in fighting financial

CBDC, the central bank digital currency, holds a lot of promises by way of ensuring transparency, and low cost of operations among other benefits and the potential to expand the existing payment systems to address the needs of a wider category of users. CBDCs allow RBI to trace and monitor money transactions demonstrating a firm regulatory control with respect to UPI and cryptocurrency but also raising questions regarding data protection laws which India presently does not have. If well designed and implemented, CBDCs offer a genuine and most likely, the best solution to the financial inclusion and remittance problems that currently challenge India.

CBDC is likely to bring a pragmatic shift to the economy with digital monetary transactions in the near future. With the adoption of this currency system, there will be both improvement and efficiency in the overall monetary infrastructure. Apart from offering convenience, it will also boost the government's objective to shift towards a digital economy. We need to, however, wait and watch whether CBDC can establish an ecosystem for faster real-time remittances across the globe.

- *Malak Gada*

ESGs Risks in Banks

ESG stands for Environmental, Social, and Governance, and it refers to the three key factors in determining the sustainability and ethical impact of a business or company investment. ESG criteria are used by the majority of socially responsible investors to screen investments.

It is a generic term used in capital markets and is commonly used by investors to evaluate company behaviour and predict future financial performance. Environmental, Social, and Governance factors are a subset of non-financial performance indicators that include ethical, sustainable, and corporate governance issues such as ensuring accountability and managing the corporation's carbon footprint.

The Environmental criteria, looks at how a company acts as a steward of our natural environment, focuses on:

- waste and pollution
- resource depletion
- greenhouse gas emission
- deforestation
- climate change

The Social criteria, examines how a company treats its employees and it focuses on:

- employee relations & diversity
- working conditions, including child labor and slavery
- local communities; seeks explicitly to fund projects or institutions that will serve poor and underserved communities globally
- health and safety
- conflict

The Governance criteria, examines how a corporation polices itself – how the company is governed, and focuses on:

- tax strategy
- executive remuneration
- donations and political lobbying
- corruption and bribery
- board diversity and structure

How will ESG compliance bring new challenges for banks?

According to expert, Sannemarije van Arend, there have been sustainability related regulations and it has been the top front agenda for everyone nowadays. The banking sector has been made somewhat compliant to adhere to it. There are some 20 regulations that will be coming in the way of the banks in the upcoming years. The banks need not worry as much because some of these will take time to develop over the years and some of these will gradually increase over the years.

The main focus for banks should be the environmental part because in comparison to the social and government compliances, it is easier.

There are a few risks of which the managers and banks should be aware of:

- Macro economical risks
- Operational risks
- Financial risks, and
- Reputational risks

The main challenges that the managers should be aware of are:

- 1) Inconsistent understanding of ESGs across the organization
- 2) Wide range of stakeholders with different concerns need to be engaged
- 3) Balancing the Short term and the Long term
- 4) Ensuring a joined-up approach across the individual elements of ESG and the organization
- 5) Integrating ESG into the ERM framework.

Where should the Banks look first?

As per Diligent Corporation, a Software as a Service (SaaS) company dealing in governance, risk, compliance and audit collectively termed as "Modern Governance"

that enables leader to create a connect between risk, compliance, audit and ESG for stronger governance, There are places where banks should look in order to eliminate or lessen the impact of any ESG risks. However, all the places cannot be looked at together and some of them need to be prioritised over the others, below we have given the five places that should be prioritised by banks to eliminate ESG risks.

1) Regulations: Global crises are typically followed by increased regulator and legislative oversight, particularly for financial institutions, as we witnessed through the Sarbanes-Oxley Act of 2002 and the financial reforms enacted after the 2008 economic crisis. In response to the COVID-19 pandemic, the banks should be expecting similar developments and increased enforcement.

UDAAP (Unfair, Deceptive, or Abusive Acts and Practices) enforcement actions, as an example, may be a focus as banks introduce new products and innovations in a business environment which have been made more competitive by COVID-19 and fintech-driven digital transformation.

2) Responsible Banking: To keep up with evolving regulations, many banks are adopting voluntary guidelines such as the Equator Principles, UN Principles for Responsible Banking, and the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Early adopters can gain a significant competitive advantage in the marketplace, as well as a useful framework for developing and enforcing ESG policies. Following the guidelines, on the other hand, necessitates time, commitment, and resources.

3) Environmental Risks: The 'E' in ESG is both ascending and expanding as a priority for banks and other financial institutions.

Activists, consumers, and institutional investors such as BlackRock are using a plethora of standards to scrutinise businesses' environmental impacts. At the same time, the World Economic Forum guidelines could lead to industry-specific environmental benchmarks. Changing regulations necessitate more oversight of a bank's

operations, from green bonds to mortgage loans for energy-efficient homes.

4) Climate Change and Disaster Risks: In 2019, Europe was ravaged by extreme weather events. Flooding cost Italy \$3.5 billion in damages in a single year, while droughts cost Spain \$1.7 billion and floods cost \$2.5 billion.

On recognizing the broad economic impact, the United Nations Office for Disaster Risk Reduction is urging credit rating agencies to explicitly incorporate sustainability factors into their assessments and it also encourages institutional investors, asset managers, and board members to consider disaster risk reduction, climate change adaptation, and resilience when making decisions.

5) Social Risks: Consumers and investors are both interested in where banks put their money, what they prioritise in terms of diversity, equity, and inclusion, how they treat their customers and employees, and other factors. Official guidelines contain some of the 'S' in ESG. For example, the Equator Principles include strong standards for indigenous peoples, labour standards, and consultation with locally affected communities. Others are determined by changing stakeholder sentiment.

We have stated what places the banks should look first and assess in order to minimise ESG risks, but how do they do it? They have assessed what risks are there but how do they work on it?

There are some tools to take action for these:

1) Regulations: Boards can identify potential UDAAP red flags by assessing how banks deliver on marketing programme promises and analysing customer complaint data. Centralized corporate records delivered via an entity management system increase visibility and transparency into licences and registrations, resulting in better overall compliance.

2) Voluntary Guidelines: Using business intelligence tools, bank directors can monitor ESG standards, trends,

regulations, and guidelines. This allows directors to spot red flags and keep management and fellow board members up to date on anything that needs to be addressed or changed.

3) Environmental Issues: Banks can use digital platforms to set environmental goals and track their progress toward them. Banks can begin by developing risk management protocols, improvement planning, internal audit solutions, and a comprehensive library of standards. Meanwhile, banks can use data analytics to compare their impacts to those of their peers by measuring low-carbon patents or amounts of 'green' revenue.

4) Climate Change and Disaster Risks: As with other ESG risk areas in the banking sector, integrated governance platforms can assist bank boards in staying ahead of new development trends, identifying ESG issues in their operations, and tracking progress toward ESG goals.

5) Social Risks for banks: Corporate governance intelligence tools can assist bank boards in staying current with both evolving frameworks and public opinion on what it means to be a good corporate citizen, and ensuring that their company's actions keep pace with both.

ESGs are another way of assessing the company, without looking at its balance sheet and seeing how it impacts the broader society at large.

The question as to why the banks should care about the ESG framework arises from the fact that the investors care if the company they're investing in is having a good impact on the society, considering the Environmental, Social and Government factors. Proving that the banks also need to take a look at the ESG framework to take care of the investments made into the bank.

An ESG framework can help investors avoid companies with bad practices. Taking the example of Facebook. It wasn't included in the large cap ETF(Exchange-Traded Funds) because it scored relatively poorly compared to other companies over data privacy concerns.

Considering Facebook alone, it did not have a bad performance in the ESG scoring. It was in comparison to other firms that Facebook performed poorly, and investors started disinvesting from Facebook stock. Facebook's market value fell by over 36 billion dollars during the time it had data privacy concerns. Although Facebook is not a banking company, it still shows us how the ESG scoring and the company's performance at a social level can affect it. Balance Sheets and Annual Reports show us how well the company is performing quantitatively, whereas the ESG factors show the quality factors and how well run is the company.

- Sarthak Sharma

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