

JUNE 2021



# IBS VIGYAN

VISIONING BANKERS

Evangelistically Speaking



**Dear Stakeholders,**

UPDATE or OUTDATE is the Hobson's choice for any Professional. IBS considered it appropriate to mitigate this misery through its VIGYAN series. With H.G. Wells' "Time Machine" continuing to remain a fiction after six score and more years, unlocking time at the hands of a Professional is of prime importance. IBS VIGYAN seeks to achieve this unlocking of time.

This envisioning endeavor of **VIGYAN** is aimed as a monthly engagement so that the updation of the Professional in you is facilitated in a time - independent yet regular manner in a seamless process. **VIGYAN** attempts to encapsulate the past month's market action in one column. Our deep conviction is that this will be of immense value to Professionals who might have missed out on some action. We are also attempting to curate the developments in Regulatory, Legislative and Judicial domains that could impact business in financial sector and present a synopsis in one column.

Any action is likely to slip into outdating. To prevent this malady becoming virulent and with a view to bring afresh the thoughts on basics, we are carrying a Q&A series. This will be ardently looked at by career aspirants appearing for the Certification Examinations of IIBF. At the same time, practicing Professionals can also reassure themselves of the strength of their raft by engaging themselves in this column.

IBS has leapfrogged into leadership position in Banking Education through its continuous improvement in the focus area. We would like to hear from you about the efficacy of this engagement initiative and upgrade our GYAN in envisioning your lives through **IBS VIGYAN**.

Sincerely Yours

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## CURATED CUBE

Bitcoin is legal tender in El Salvador – the first nation to do so. US Dollar is the official currency of this beleaguered Central American nation. If this news spurs you to travel to that nation, be reminded that it also topped the world's crime rate in 2012 and organized crime is still very high there. The pseudonymous nature of crypto currencies lends considerable heft to ease of doing business for gang wars. Bitcoin's electricity consumption is approximately 110 Terawatt hours per year or 0.55% of global electricity production. Seized of this power guzzling drag, the country's President Nayib Bukele is pushing for harnessing renewable energy from volcanoes. El Salvador can draw some encouragement that Basle Committee on Banking Supervision (BCBS) has simultaneously commenced discussion on prudential treatment of Banks' exposure to crypto assets.

Though the US reported headline inflation at thirteen years high of 5%, which was above street expectation of 4.70%, the bond traders seem to have relied more on Powell's blank cheque on liquidity support and holding on to rates, as they pulled back the rising ten-year treasury yield from 1.64% to 1.44%. This also saw the Nasdaq 100 gaining support, while Gold dropped from 1900 to 1879 dollars an ounce. Brent Crude prices remained elevated at \$ 72 a barrel. With Dollar index holding on to 90 levels, Indian Rupee has been maintaining an appreciative bias around 73.00. The forward premia have also remained steady below 4.50% across tenors. RBI's intervention in the currency market is reflected by the forex reserves crossing the 600 billion mark. The reserves have increased by more than USD 100 billion, year – on – year.

Indian Stock Markets witnessed the return of Foreign Institutional Investors in the month of June with net inflows during the month so far nearing Rs 5000 crores. The stock of PNB Housing Finance remained locked in upper circuit continuously following the Aditya Puri led Carlyle's investment announcement. Subsequently, it shed some gains as SEBI began looking into the appropriateness of the deal. Meanwhile, on 7th June, SEBI penalized Franklin Templeton's Asset Management Company for inappropriate investments that were inconsistent with their Investment Policy. SEBI also penalized the AMC's Director Vivek Kuduva, his mother and wife for pulling out their investments from the Mutual Fund based on private information to which he was privy to.

Incremental Credit Deposit ratio has not been encouraging though loan against Gold Jewellery has been growing significantly, reflecting the loss of employment and income among the lower strata of society.

*(Cube gives a third dimension in geometry. Curated Cube is an endeavor to pack the events in the market over the past month.)*

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## Fourth Pillar

- The Monetary Policy Committee (MPC) at its meeting on June 4, 2021 decided to keep Repo and Reverse Rate unchanged at 4.00% and 3.35% respectively and the Marginal Standing Facility (MSF) rate and the Bank Rate at 4.25 per cent.
- Priority Sector Lending limit for loans against Negotiable Warehouse Receipts (NWRs) / Electronic Negotiable Warehouse Receipts (eNWRs) has been enhanced from ₹50 lakh to ₹75 lakh per borrower. The PSL limit backed by the warehouse receipts other than NWR/eNWR will continue to be ₹50 lakh per borrower.
- The limit of maximum balance at the end of the day enhanced from ₹1 lakh to ₹2 lakh per individual customer of Payment Banks with immediate effect.
- The maximum amount outstanding in respect of full-KYC PPIs (KYC-compliant PPIs) has been increased from ₹1 lakh to ₹2 lakh.
- RBI has decided to defer the implementation of Net Stable Funding Ratio (NSFR) guidelines by a further period of six months. Accordingly, the NSFR Guidelines shall come into effect from October 1, 2021.
- The implementation of the last tranche of 0.625 per cent of the Capital Conservation Buffer (CCB) deferred from April 1, 2021, to October 1, 2021.
- CDs can be issued in minimum denomination of ₹5 lakh and in multiples of ₹5 lakh thereafter. Issuing banks are permitted to buyback CDs before maturity. Buyback of CDs can be made only 7 days after the date of issue of the CD.
- Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) – Revision in the threshold for aggregate exposure from ₹25 crore to ₹50 crore.
- Resolution of Covid-19 related stress of Individuals and Small Businesses – Revision in the threshold for aggregate exposure from ₹25 crore to ₹50 crore.
- Regional Rural Banks (RRBs) are now permitted two-way participation in the call/notice/term money market.
- RBI has revised the Interest rates payable on unclaimed interest bearing deposit amount transferred under Depositor Education and Awareness Fund Scheme, 2014 to 3 per cent with effect from May 11, 2021.
- Cash withdrawal shall be permitted in respect of full-KYC PPIs to a maximum limit of ₹2,000 per transaction with an overall limit of ₹10,000 per month per PPI.

*(Fourth Pillar strives to position beyond the three pillars of Basel and is culled from the Four Estates)*



## Inquisitively Speaking

1. As per the prescribed timeline, banks in India were required to maintain (NSFR)Net Stable Funding Ratio of 100 per cent from the year 2020. This NSFR maintenance requirement has been extended up to

- a) 31-10-2020    b) 01-04-2021    c) 31-03-2021    d) 1-10-2021

2. As per RBI's the latest guideline on Basel III capital regulations the implementation of the last tranche of 0.625% of Capital Conservation Buffer (CCB) shall stand deferred from March 31, 2020 to \_\_\_\_\_

- a) June 30th 2020    b) September 30th 2020    c) April 1st 2021    d) 1st October 2021

3. Loans given against warehouse receipt for storing agricultural produce will be classified as priority sector advance if the loan period does not exceed \_\_\_\_\_ months

- (a) 6,    (b) 12,    (c) 24,    (d) no such limit,

4. To stimulate the migration of Prepaid Payment Instruments (PPI's) to full KYC, the maximum amount outstanding in respect of full-KYC PPI's (KYC-compliant PPI's) has been increased to \_\_\_\_\_

- a) ₹1 lakh    b) ₹2 lakh    c) ₹3 lakh    d) ₹5 lakh

### Answer Key

1. (d) 01-10-2021                      2. (d) 1st October 2021  
3. (b) 12                                      4. (b) 2 lakh

## Stretch n Speak

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| 1. CIBIL | Credit Information Bureau India Limited |
| 2. NPCI  | National Payments Corporation of India  |
| 3. ANBC  | Adjusted Net Bank Credit                |
| 4. BCBS  | Basel Committee on Banking Supervision  |
| 5. FATF  | Financial Action Task Force             |