



IBS VIGYAN

VISIONING BANKERS

Evangelistically Speaking



Dear Stakeholders,

Facebook to Meta, but Why? Zuckerberg wants to emphatically state that they are Metaverse first, not Facebook first. The aspiration to make web 3.0 free from centralisation. But, is a monopolistic intention driving him in haste to universalise "Open Metaverse"?

Inter-operability and inter-connectedness in Augmented Reality, Virtual Reality, Artificial Intelligence, Block Chains, 3D Virtual Worlds and everything that is set to follow in this sphere is aimed to be compacted under Metaverse. Will Meta become an accepted verb tomorrow? Pedagogy is set to imbibe from these enhancements in advancing its reach and effectiveness.

David Card of USA was awarded 50% of the Nobel Prize money for Economics for his empirical contributions to labour economics. He stated that rise in minimum wages does not lead to less hiring. This has been comfortingly interpreted to read that immigrants do not lower the wages for native labourers! Dutch economist Guido Imbens and Joshua D Angrist shared the balance prize money for their methodological contributions to analysis of causal relationships. Essentially, it was their studying on issues that cannot rely on traditional scientific methods.

Will the National Achievements Survey and the School Children's On-line and Off-line Learning Survey (SCHOOL) bring out any causal relationships in learning loss among students? Let us wait and see.

Looking forward to a meaningful and sustaining engagement.

Sincerely Yours

Satheesh Kumar. S
Managing Director

Reflectively Speaking

True to its stated objective in the first issue, IBS Vigyan is reaching me as a handy update, enabling me to stay updated. Thanks very much.

(Supriya Mhatre, Union Bank of India)

The evangelistic message about Learning Loss is very timely. On the whole, the four pages are worth the read.

(Madhu Balige, Canara Bank.)





CURATED CUBE

In the early nineties, Harshad Mehta succeeded in generating money through the loopholes that existed in processing and accounting of physical Subsidiary General Ledger (SGL) forms at RBI. The saga has been chronicled by Sucheta Dalal and Debasish Basu in their book "The Scam". The subsequent advent of electronic accounting and evolution of Delivery versus Payment (DvP) system in the settlement of Government securities eliminated settlement risk in the Securities Market. Today, Reserve Bank of India has added one more feature, aided by technology, to make available Government Securities as investment option to retail investors. Investors having Domestic Rupee SB accounts (including NRIs) can open Retail Direct Gilt Account (RDG) on the RBI portal. They can invest with minimum lot size of ₹ 10,000. Besides Treasury Bills, Central Government Securities and State Development Loans, investment can be made in Sovereign Gold Bonds (minimum 1 gram) through RDG account. In primary market, retail investor can place one bid and will be allotted at the weighted average cut off price. The maximum investment is ₹ 2 crores in one auction. Investor has to access the NDS-OM segment of CCIL under Odd Lots and Request for Quotes for secondary market trades for both buying and selling.

Informed investor does have an opportunity to realise higher yields than prevailing bank FD rates, but liquidity will be an issue as ease of exit in secondary market will take time to evolve. As a passive strategy, investor can lock his promised YTM into realised YTM by holding on to the bond for its Duration tenor. Duration, distinct from residual tenor, is a time measure of interest rate sensitivity of a bond. The higher returns from Small Savings schemes will be a dampener. Some tax incentives as available for NPS contributions or setting off long term capital gains from property against RDG investments can enhance investor interest. Investments in a Debt Mutual Fund that run for more than three years fetch indexation benefit to the investor and also lower taxation rate as applicable for Long Term Capital gains.

Currency futures introduced in 2008 is today clocking over ₹ 20,000 crores monthly turnover. Will we have to wait that long to witness similar volumes in RDG? *(With inputs from Ratnam Narayanan, Bond Vigilante at Treasury, Model Cooperative Bank, Mumbai)*

(Cube gives a third dimension in geometry. Curated Cube endeavors to conflate events in the market over the past month.)

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FOURTH PILLAR

Enhancing Transaction Limit in IMPS to ₹5 lakh

The per-transaction limit for IMPS transactions has been increased from ₹2 lakh to ₹5 lakh for channels other than SMS and IVRS. The per-transaction limit for SMS and IVRS channels will continue to be ₹5000.

Relaxation in opening of Current Accounts by Banks

For borrowers, where the exposure of the banking system is less than ₹5 crore, there is no restriction on opening of current accounts, subject to obtaining an undertaking from such borrowers that they shall inform the banks, as and when the credit facilities availed by them from the banking system reaches ₹5 crores or more.

In respect of borrowers where exposure of the banking system is ₹5 crores or more, such borrower can maintain current accounts with any one of the banks with which it has CC/OD facility, provided that the bank has at least 10 percent of the exposure of the banking system to that borrower.

Other lending banks may open only collection accounts subject to the condition that funds deposited in such collection accounts will be remitted within two working days of receiving such funds, to the CC/OD account maintained with the credit granting bank. In case none of the lenders has at least 10% exposure of the banking system to the borrower, the bank having the highest exposure may open current accounts. Non-lending banks are not permitted to open current accounts

Dishonour of Cheque issued as a security can also attract offences U/Sec 138 NI Act:

The Supreme Court observed that the dishonour of cheque issued as a security can also attract offence under Section 138 of the Negotiable Instruments. The court added that such contention would arise only in a circumstance where the debt has not become recoverable and the cheque issued as security has not matured to be presented for recovery of the amount, if the due date agreed for payment of debt has not arrived.

Revised Prompt Corrective Action (PCA) Framework for Scheduled Commercial Banks.

The existing PCA Framework for SCBs has since been reviewed and revised to be effective from January 1, 2022. From the existing four parameters that could trigger PCA, RBI has deleted the Profitability trigger, while retaining Capital Ratios, Asset Quality and Leverage parameters.

Investment by Foreign Portfolio Investors (FPIs) in Debt

FPIs are now permitted to invest in debt securities issued by InvITs and REITs. FPIs can acquire debt securities issued by InvITs and REITs under the Medium-Term Framework (MTF) or the Voluntary Retention Route (VRR). Such investments shall be reckoned within the limits and shall be subject to the terms and conditions for investments by FPIs in debt securities under the respective regulations of MTF and VRR.

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

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INQUISITIVELY SPEAKING

1 The government notified its decision to permit _____ foreign direct investment (FDI) under automatic route in the telecom services sector.

- a) 26%
- b) 49%
- c) 72%
- d) 100%

2 As per the framework for Resolution of Stressed Assets, RPs involving restructuring / change in ownership in respect of accounts where the aggregate exposure of lenders is _____ and above, shall require independent credit evaluation (ICE) of the residual debt by credit rating agencies (CRAs) specifically authorised by the Reserve Bank for this purpose.

- a) ₹25 crore
- b) ₹50 crore
- c) ₹100 crore
- d) ₹200 crore

3 The credit rating by external rating agencies is not compulsory from regulatory capital perspective, if the maximum aggregate exposure to one counterparty does not exceed the threshold limit of _____, subject to meeting certain other conditions.

- a) ₹7.5 crore
- b) ₹5 crore
- c) ₹10 crore
- d) ₹2.5 crore

4 The eligible Limit for getting classified under priority sector Advances for loan to agriculture infrastructure is Rs _____ per borrower from the banking system.

- a) ₹5 crore.
- b) ₹10 crore
- c) ₹50 crore
- d) ₹100 crore

Answer Key

- 1. (d) 100%
- 2. (c) ₹100 crore
- 3. (c) ₹7.5 crore
- 4. (a) ₹100 crore

Stretch n Speak

SONIA	Sterling Over Night Interbank Average Rate
SCAs	Statutory Central Auditors
MHA	Ministry of Home Affairs
GMS	Gold Monetization Scheme
GMCTA	GMS Mobilisation, Collection & Testing Agent

IBPS Online Coaching - IBS is well positioned to orient career aspirants to face Bank Selection Examination at all grades – Clerk, Probationary Officer and Specialist Officer in On-Line mode. We have rolled out the sessions in English, Hindi, Malayalam and other vernacular languages.