



IBS VIGYAN

VISIONING BANKERS

Evangelistically Speaking



Dear Stakeholders,

As the Government made a hasty retreat from the Singhu border, the agitating farmers from Punjab too completed their return to the fields. My thoughts rolled back to June 2000 when ITC rolled out the UNIDO award winning eChoupal. It aimed at capturing the Farm to Factory Gate value chain and enhance its worth. A trained farmer was made a Sanchalak to represent a cluster of farmers. ITC monetarily compensated his services to some extent. ITC ensured that the middlemen continued to exist in the technology driven architecture as Samyojaks. However, they were transformed as transparent aggregators of farm produce with price expected to be discovered electronically in a dynamic manner. Yet, they fulfilled their role in providing logistics support to the farmers and facilitate cash disbursements in the year 2000. The number of eChoupals exceeding 6100 and reaching out to 35000 villages validated their international recognition. In 2020, ITC rolled out the Version 4 which brought real time inputs on weather and forward linkages to the farmers. This portal imparted significant cost saving to the produce aggregator like ITC.

This rendered eChoupals win-win to Farmers and Factories. When the dust settles down at Singhu and Indraprastha, will it be worthwhile to revisit this model and reorient the initiatives to synthesise the political and commercial objectives that the repealed laws intended to achieve ?

The IT sector is already witnessing such a synthesis of skills from front-end to back-end to data management to cloud services management in the form of Full Stack Engineers. A similar round-up cannot be ruled out in financial sector too. Hence the relevance of the Certification Programs of IIBF!

Looking forward to a meaningful and sustaining engagement.

"With Best Wishes for the New Year from Team IBS"

Sincerely Yours
Sateesh Kumar. S
Managing Director

CURATED CUBE

“Vasudhaiva Kutumbakam” envisages universal well-being. Beginning from the crumbling of the Berlin wall to the disintegration of USSR and beyond, world has witnessed opposing forces at work in integration and disintegration. The General Agreement on Tariffs and Trade (GATT) gave way to World Trade Organization (WTO) from 1st January 1995 which encompassed close to 90% of global trade in a unified tariff regime. Slowly, we are witnessing country specific sanctions, bilateral trade settlement plans as discussed between Russia and China or Russia and India that attempt to reverse the one-family approach.

Derivatives derive their price from the value of an underlying. If the underlying chooses to be unobtrusive perennially, are we inviting disasters or enabling dark web trades to be legalized? The anxiety is over the speculation being built on cryptos, which do not fall into a currency nor an asset. Hence the blind spot between RBI and SEBI in assuming a Regulator’s role. Block Chain might be the enabling technology to mine crypto coins, but their fungibility with fiat currency remains a moot question. RBI has moved ahead with outlining its plans of a regulated Digital Currency while the over borrowed El Salvador prefers to finance its needs by legalizing Bitcoins!

In contrast to the apathy in stepping up regulatory rigour on cryptos, RBI has moved in with Prompt Corrective Action (PCA) framework for NBFCs. This is a welcome move, seen coordinated with RBIs ambitious aspirations on financial inclusion which it is driving through co-lending norms between NBFCs and Banks, when the co-mingling of risk is a likely fallout.

The copy book responses from Central Bankers in US and England to combat roiling inflation by raising interest rates has been on expected lines. Bank of Japan has also announced its deceleration in bond buyback programs. Yet they seem to be living more in hope than policy effect in taming inflation. The expansionary effect of unbridled Quantitative Easing and resultant growth in Central Banks’ Balance Sheets is now manifesting in elevated price levels without matching growth in GVA. The behaviour of Indian Bond Markets till March 2022 will significantly impact the bottom lines of Banks from the market risk charge dimension. Government’s inability to come anywhere close to the budgeted disinvestment program during this fiscal will add pressure to the markets. The next year’s Budget is just a month away

Cube gives a third dimension in geometry.

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FOURTH PILLAR

- **Reversal to Pre-Covid levels for MSF:** Banks will be able to dip into the Statutory Liquidity Ratio (SLR) up to **two** percent of NDTL instead of **three** percent for overnight borrowing under the MSF with effect from January 1, 2022.
- **Introduction of Legal Entity Identifier for Cross-border Transactions:** LEI has been introduced by the Reserve Bank in a phased manner for participants in the over the counter (OTC) derivative, non-derivative markets, large corporate borrowers and large value transactions in centralised payment systems. In order to further harness the benefits of LEI, it has been decided that AD Category I banks, with effect from October 1, 2022, shall obtain the LEI number from the resident entities (non-individuals) undertaking capital or current account transactions of ₹50 crore and above (per transaction) under FEMA, 1999.
- **Co-acceptance of bills:** While sanctioning co-acceptance limits to their customers, the need should be ascertained, and such limits should be extended only to those customers who enjoy other limits with the bank. Only genuine trade bills should be co-accepted, and the banks should ensure that the goods covered by bills co-accepted are actually received in the stock accounts of the borrowers.
- **Norms for unsecured advances & guarantees :** Banks' Boards have been given the freedom to fix their own policies on their unsecured exposures. "Unsecured exposure" is defined as an exposure where the realizable value of the security, as assessed by the bank/ approved valuers / Reserve Bank's inspecting officers, is not more than 10 percent, ab-initio, of the outstanding exposure. 'Security' will mean tangible security/ properly charged to the bank and will not include intangible securities like guarantees (including State government guarantees), letter of comfort, etc.

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) In order to prevent unaccounted issue of guarantees, as well as fake guarantees, bank guarantees should be issued in serially numbered security forms. This was recommended by which committee.

- a) Tandon Committee
- b) Goiporia Committee
- c) Tarapore Committee
- d) Ghosh Committee

2) RBI has proposed to increase the per transaction limit of IMPS for channels other than SMS and IVRS from ₹2 lakh to

- a) ₹3.00 Lakh
- b) ₹4.00 Lakh
- c) ₹5.00 Lakh
- d) ₹10.00 Lakh

3) The per-transaction limit in IMPS, is currently capped at ₹..... for SMS and IVRS channels.

- a) ₹.2000
- b) ₹.5000
- c) ₹.10000
- d) ₹.100000

4) As per Revised PCA framework for Scheduled Commercial Banks, which of the following are the key area for monitoring .

- a) Capital (CRAR/ Common Equity)
- b) Asset Quality (Net NPA Ratio)
- c) Leverage (Tier I Leverage Ratio)
- d) All the above

Answer Key

1. (d) Ghosh Committee
2. (c) ₹ 5.00 Lakh
3. (b) ₹ 5000
4. (d) All the above

Stretch n Speak

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| DAY-NULM | Deendayal Antyodaya Yojana – National Urban Livelihoods Mission |
| SLBC | State Level Bankers Committee |
| EDP | Entrepreneurship Development Program |
| CDES | Currency Distribution & Exchange Scheme |
| LEF | Large Exposures Framework |

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