



IBS VIGYAN

VISIONING BANKERS



Evangelistically Speaking

Dear Stakeholders,

Let me recall a line from my New Year musings through this column on Artificial Intelligence(AI). While delineating the topic, I had mentioned, "As AI strives to read patterns for predictive analytics, people conveniently adduce the term "intelligence" to its output, which may be a misnomer". As more doyens from the industry air their thoughts on same lines, I consider it apposite to add some more thoughts on it.

AI can be looked at as a mathematical algorithm that operates purely on probability. Therefore, we may fall into a logical trap to believe that AI has thinking capability. I had in the January newsletter covered about the bias that could creep in predictive outputs of AI depending on the data that the machine relies on to generate the output. Hence its GENERATIVE character. The way the computer throws up the next likely word as you type along, it is PRE-TRAINED to read patterns of language usage. Trained models are specific to a particular task and dataset, while pre-trained models have learned general features that can be applied to a wide range of tasks. Its TRANSFORMER characteristic forms the architecture of deep learning. So, AI can be described as a curator of content. AI will fall behind in creativity, emotional intelligence and critical thinking.

"Theirs not to reason why, theirs but to do and die". Lines from Lord Tennyson's "The Charge of the Light Brigade". Similarly, we cannot question the output of AI.

Hence it cannot supplant human intelligence. Emily Bender, a linguistic professor has appropriately referred to AI as a "Stochastic Parrot". Hence the relevance of data literacy. It provides the knowledge required to navigate data and leverage the capabilities of AI. The industry is unhappy that human resources in this field are raw and untrained in generating pre-trained algorithms, though the job market is reflecting skewness towards this. The demand has arisen to incorporate real world data into lesson plans and forge appropriate industry academia partnership.

In lighter vein, Why ChatGPT refused to take a day off? It was afraid of being replaced by ChatGPT2!

AI and ChatGPT will not replace you, but people using them may, as quoted by Jaspreet Bindra, the author of "Tech Whisperer". Hence the ineluctable choice to embrace AI.

Looking forward to a sustaining engagement with all.

Sincerely yours

Sathesh Kumar. S
Managing Director



Curated Cube

A continuation of government with a bruised majority. A strengthened opposition that could be stanching roughshod passage of bills in parliament. The electorate has made a balanced choice.

Reserve Bank decided to transfer ₹2.11 lakh crore as surplus to the Central Government. The Board decided to utilise this opportunity to increase the risk provisioning under the Contingent Reserve Buffer (CRB) to 6.5% of the Reserve Bank's balance sheet for 2023-24 from 6% in 2022-23. This was on the lines of the Dr Bimal Jalan Committee's recommendations on Economic Capital Framework. One must recall that profit is not the motive of RBI but market stability. It's Open Market Operations to guide interest rates and Forex Market Operations to curb exchange rate volatility have yielded it such humongous profits. The country's forex reserves also swelled to over \$ 650 billion.

RBI chose to maintain status quo on policy rates and stance. It has reasoned that headline inflation remains above 4%. In the last Monetary Policy Committee meeting Dr Ashima Goyal has joined Prof. Jayant Varma to mark dissent vote to change the policy stance. As the voting was 4 to 2, RBI Governor did not have to utilize his casting vote.

RBI has increased the threshold of single rupee term deposit from ₹ 2 crores to ₹ 3 crores to define bulk deposit. Growing instances of digital payment frauds highlight the need for a system-wide approach to prevent and mitigate such frauds.

RBI has proposed to establish a Digital Payments Intelligence Platform for network level intelligence and real-time data sharing across the digital payments' ecosystem. To take this initiative forward, the Reserve Bank has constituted a committee to examine various aspects of setting up the Platform. The Governor was categorical to state that RBI does not "follow the Fed" while taking policy decisions. Though the European Central Bank chose to reduce the policy rates ahead of RBI's MPC meeting, RBI has weighed in domestic factors while arriving at their decision. The Governor Shaktikanta Das ended his statement in characteristic fashion with a quote from Mahatma Gandhi.

Elsewhere, Zimbabwe has attempted to reign in hyperinflation that was over 500% by introducing new currency ZiG (Zimbabwe Gold). That this currency is backed by gold reserves may not cut much ice as even America under President Nixon learned the hard way that maintaining gold parity would not be a viable currency management arrangement.

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

ADMISSION STARTED FOR JAIIB/CAIIB - NOV/DEC BATCH 2024

COMMENCEMENT DATE - JAIIB - 26 JUNE 2024, CAIIB - 01 JULY 2024

Online Zoom Classes, Whatsapp/Telegram support, Recorded Videos & Mock Test Series

FOURTH PILLAR

FORENSIC AUDITING: A forensic audit is an analysis and review of financial records of a firm or an individual to extract facts especially in case of fraud, which can be used in court of law. It is the legal determination of whether a fraud has happened and to quantify the amount of fraud. Special techniques are used during the audit to gather evidence and prove that how long such fraud has been carried out, how it was conducted and concealed by the perpetrators.

ELIGIBILITY CRITERIA FOR A SMALL FINANCE BANK TO BECOME AN UNIVERSAL BANK: Now a SFB can convert itself to an Universal Bank, subject to fulfilling the criteria such as; (i) Satisfactory track record of performance for at least 5 years, (ii) Shares of the bank should be listed on a recognised stock exchange, (iii) Minimum Net Worth of ₹ 1000 Crore, (iv) Compliance of minimum CRAR for SFB, (v) Having net profit in the last two financial years, (vi) Having GNPA & NNPA of less than 3% & 1% respectively in the last two financial years.

INSURANCE POLICIES IN ELECTRONIC FORMAT: The IRDA has made it mandatory for all Insurance Companies to issue fresh policies digitally. Now policy holders can maintain, store, and retrieve their policies easily; can modify or revise the policies with speed and accuracy. Currently 4 Insurance repositories, CAMS Repository, Karvy, NSDL Database Management and Central Insurance Repository of India are opening e-insurance accounts.

FLOATER MUTUAL FUND: They mainly comprise of debt securities that provide a varying rate of returns depending on market fluctuations or benchmark indices. Investors can benefit from fluctuations in the business cycle, as they significantly affect the returns generated by fixed income instruments. Floater funds aim to mitigate the risk factor by primarily investing in debt instruments such as Corporate Bonds, Treasury Bills and Certificate of Deposits.

ASSET UNDER MANAGEMENT (AUM): In wealth management, AUM is a metric used to quantify total market value of the assets, say a Mutual Fund manages on behalf of its investors at a specific point of time. This metric is crucial for investors as it reflects the funds size, a pivot to attract investors and potential revenue generation ability. AUM is directly handled by fund houses, where the fund managers supervise the performance of these assets and make investment decisions to help investors enjoy substantial capital appreciation.

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

INQUISITIVELY SPEAKING

1. The term "Primary Territory" in marketing refers to:

- a) The market segment where business aims to be the market leader.
- b) The geographical area where the business has its production unit.
- c) The market segment that the business plans to enter in future.
- d) The geographical area where the business makes most of its sales.

2. The Portfolio Management Service (PMS) that suggests various investment ideas to investors where they can make the final decision is known as:

- a) Passive PMS
- b) Active PMS
- c) Non-discretionary
- d) Discretionary

3. In cybersecurity, a _____ is a security tool that can help computer systems defend against cyber-attacks in unique ways. This network-attached system is used as a decoy to distract cyber attackers from their real targets, deflect and study hacking attempts to gain unauthorized access to information systems.

- a) Honeycomb
- b) Honeypot
- c) Hackpot
- d) Sweetpot

4. RBI pays a commission to Banks on receipt/deposit of challans is ₹.... per transaction in physical mode, ₹.... per transaction in electronic mode & ₹.... for Pension payments.

- a) 40,9,55
- b) 45,9,60
- c) 40,9,60
- d) 40,9,75

5. Govt. has launched on its National Crop Insurance portal to expedite the disbursement of insurance claims to farmers who have availed crop insurance under PMFBY.

- a) PMFBYClaim
- b) DigitalClaim
- c) OnlineINSClaim
- d) DigiClaim

ANSWER KEY

1.d 2.c 3.b 4.d 5.d

Stretch n Speak

NPIRP: Prepacked Insolvency Resolution Process

FOIR: Fixed Obligation to Income Ratio (otherwise EMI/NMI)

PEN: Permanent Education Number

NFRA: National Financial Reporting Authority

DIPAM: Department of Investment and Public Asset Management

LSP: Lending Service Provider