



IBS VIGYAN

VISIONING BANKERS



Evangelistically Speaking

Dear Stakeholders,

As we enter June 2026, India's financial sector continues its remarkable journey as a global leader in digital transformation. The rapid adoption of technology has fundamentally reshaped the way individuals, businesses, and institutions transact, making our payment ecosystem one of the most advanced and inclusive in the world.

The growth of retail digital transactions—from 162 crore in FY 2012-13 to over 16,416 crore in FY 2023-24—reflects a permanent shift towards a digitally empowered economy. The rise of the Digital Payment Index to 516.76 by September 2025 further demonstrates the depth, accessibility, and acceptance of digital financial services across the country.

Looking ahead, the Reserve Bank of India's Payments Vision 2028 provides a clear roadmap for the future. Anchored in the vision of shaping India's payment frontier, it emphasizes innovation, inclusivity, safety, and resilience through AI-led and data-driven solutions. Emerging initiatives such as the Central Bank Digital Currency (CBDC) hold significant promise in enhancing financial inclusion, improving efficiency, and reducing the costs associated with cash management.

At the same time, the growing digitalization of banking demands heightened attention to cybersecurity, fraud prevention, and forensic accounting. While technologies such as Artificial Intelligence, machine learning, and quantum computing offer unprecedented opportunities, they must be adopted responsibly and securely. Equally important is addressing the human element of risk. Behavioural vulnerabilities such as trust bias, urgency bias, and social engineering continue to be major contributors to digital fraud and require sustained awareness and education.

Technology is also transforming lending and customer engagement. Digital lending platforms are enabling faster credit decisions, greater outreach to underserved segments, and improved customer experiences through personalization and intelligent analytics.

At the Institute of Banking Studies, we remain committed to developing skilled, ethical, and future-ready finance professionals through continuous learning and capacity building. As the financial landscape evolves, let us embrace innovation with responsibility, strengthen our professional competencies, and contribute to building a financial ecosystem that is technologically advanced, socially inclusive, secure, and sustainable.

Wishing all our learners, faculty members, banking professionals, and stakeholders a productive and successful month ahead.

Sincerely yours

Sathesh Kumar. S
Managing Director

Curated Cube

Central Bank Digital Currency: Transforming the Future of Payments and Financial Inclusion

As the global financial ecosystem undergoes rapid digital transformation, Central Bank Digital Currency (CBDC) has emerged as one of the most significant innovations in modern payment systems. Issued and regulated by a central bank, CBDC combines the trust and stability of sovereign currency with the efficiency and convenience of digital technology.

India's digital payments journey has already demonstrated remarkable success through platforms such as UPI, IMPS, and Aadhaar-enabled payment systems. Building upon this strong foundation, the Reserve Bank of India has introduced the Digital Rupee as part of its vision to create a more efficient, secure, and inclusive financial ecosystem. CBDC has the potential to complement existing payment mechanisms while providing citizens with a digital form of legal tender.

The opportunities offered by CBDC are substantial. It can enhance financial inclusion by extending access to digital payments in underserved and remote areas. It can reduce the costs associated with printing, transporting, and managing physical currency while enabling faster and more secure transactions. CBDC can also strengthen transparency, improve payment efficiency, and support innovation in the financial sector.

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

However, the journey toward widespread CBDC adoption is not without challenges. Cybersecurity risks, data privacy concerns, technological infrastructure requirements, and digital literacy gaps must be carefully addressed. Policymakers and financial institutions must ensure that the implementation of CBDC maintains public confidence, safeguards customer information, and preserves financial stability.

Looking ahead, CBDC is expected to play a vital role in shaping the future of banking and payments. Integration with emerging technologies such as Artificial Intelligence, blockchain-based solutions, and advanced analytics can further enhance its effectiveness and reach. As countries continue to explore and refine digital currency frameworks, CBDC is poised to become a cornerstone of the next generation of financial services.

The successful adoption of CBDC will depend not only on technological advancement but also on collaboration, regulation, customer awareness, and continuous capacity building. It represents an important step toward creating a more inclusive, efficient, and resilient digital economy.

ADMISSION STARTED - JAIIB/CAIIB - NOV-DEC 2026

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FOURTH PILLAR

EMERGENCY CREDIT LINE GUARANTEE SCHEME

(ECLGS) 5.0: The ECLGS 5.0 provides credit guarantee cover for 100% to MSMEs and 90% for Non-MSMEs and Airline Sector to the member Lending Institutions by NCGTC – National Credit Guarantee Trust Company Ltd., for the amount defaulted under the additional credit facility extended to the eligible borrowers to tide over any short-term liquidity mismatches in view of the ongoing West-Asia crisis. The aim of the scheme is to incentivize member Lending Institutions to provide additional working capital term loan facility so that the borrowers can navigate through the prevailing economic challenges more effectively.

EXPECTED CREDIT LOSS (ECL) FRAMEWORK:

The RBI (Commercial Banks – Asset Classification, Provisioning & Income Recognition) Directions, 2026 has introduced the ECL framework, which is more forward-looking and globally aligned with IFRS-9. The earlier framework “Incurred Loss Framework” had significant limitations as the losses were recognized only after default happened (Asset turning NPA) leading the delayed stressed asset provisioning. As per the now introduced ECL, banks are required to identify and recognize future economic conditions, probability of default and expected losses, which will facilitate a realistic and risk-sensitive provisioning method. The revised ECL Directions aim to improve transparency and accuracy in financial reporting by ensuring timely recognition of credit losses, thereby preventing overstatement of profits and providing a more realistic representation of credit risk.

INVESTMENT FLUCTUATION RESERVE:

IFR was a type of reserve required to be maintained by banks as an additional buffer against potential losses arising from (i) Increase in interest rate in the market, (ii) Fall in Bond prices, and/or (iii) Mark-to-market losses on Investment Portfolios. This buffer was able to absorb potential losses in their investment portfolios, prevented temporary treasury profits from being distributed as dividends, and strengthened the overall resilience of the banks during the period of market volatility and financial stress. Now, the RBI has withdrawn the mandatory IFR maintenance w.e.f.,

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

18TH May 2026, as the banks are now operating under a stronger prudential framework which prescribes for a much stronger market risk capital charge, improved asset classification norms and higher capital adequacy standards, which makes IFR unnecessary.

INCLUSION OF QUARTERLY PROFITS OF THE BANKS IN THEIR CET-1 CAPITAL:

As per the new amendment, banks can now include their profits earned during the current financial year on a quarterly basis to be included into their CET-1 capital, subject to the condition that the bank's quarterly financial results are audited. Any cumulative net loss up to the end of a quarter must be fully deducted from the CET-1 capital for that reporting period.

7-YEAR CAP PROPOSED ON ASSET HOLDING BY BANKS:

The Reserve Bank of India has issued draft guidelines proposing that banks may hold Specified Non-Financial Assets (SNFAs), such as collateral acquired through loan recovery proceedings, for a maximum period of 7 years after all recovery avenues have been exhausted. The proposal seeks to prevent banks from retaining such assets indefinitely and to encourage their timely monetisation and disposal. The draft framework aims to strengthen recovery practices by ensuring that banks focus on converting seized assets into cash rather than managing non-core assets for extended periods.

FISCAL DEFICIT - FY 2026-27:

According to data released by the Controller General of Accounts (CGA), the Union Government's fiscal deficit stood at ₹3.62 lakh crore in April 2026, accounting for 21.4% of the Budget Estimate (BE) for the full fiscal year. The deficit was nearly double the level recorded during the corresponding period of the previous fiscal year. The higher fiscal deficit reflects increased government expenditure amid rising global crude oil prices, influenced by the ongoing US-Iran conflict.

INQUISITIVELY SPEAKING

1. Lifetime Expected Credit Loss (ECL) will be recognized by banks in which case:
a) Whenever a new Asset is created/sanctioned
b) When the Asset is fully secured by financial collaterals
c) Significant Increase in Credit Risk (SICR) has occurred in the credit
d) Interest recovery is timely

2. Which of the following is true for Expected Credit Loss (ECL)?
a) ECL ignores macroeconomic conditions
b) ECL is based only on historical losses
c) ECL is applied only after default has happened
d) ECL incorporates probability-weighted future scenarios

3. Under ECLGS 5.0, MSMEs & non-MSMEs (excluding Airlines) can avail additional credit facilities up to:
a) 20% of peak fund-based working capital outstanding during Q4 FY 2025-26, subject to a maximum of ₹100 crore
b) Maximum 25% of the Net Worth of the borrower
c) 10% of average Working Capital outstanding during FY 2025-26
d) Maximum up to ₹500 crore irrespective of Working Capital utilization.

4. As per the FEMA (Authorized Persons) Regulations 2026, which of the following statement is not correct?
a) Applications for Authorised Persons must be submitted through the PRAVAAH portal to RBI Regional Offices.
b) Fresh applications for Full Fledged Money Changer (FFMC) authorization are

completely discontinued.
c) The applicant company must ensure that at least 50% of Directors and KMPs have relevant financial services experience.
d) AD Category-II authorization can be granted to entities with a minimum net worth of ₹2 crore.

5. With reference to RBI's proposal on high-value digital payment safety measures, which of the following statements is incorrect?
a) A one-hour cooling-off period is proposed for certain high-value digital transactions above ₹10,000.
b) The proposal includes strengthening authentication mechanisms and transaction limits for suspicious accounts.
c) A customer-controlled "kill switch" is proposed to instantly block digital payment activity.
d) The proposal mandates complete ban on UPI transactions above ₹50,000.

ANSWER KEY

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

Stretch n Speak

UMRN: Unique Mandate Reference Number

EGR: Electronic Gold Receipt

Q-SAFE: Quantum Secure and Adaptive Financial Ecosystem

EIR: Effective Interest Rate

ECF: Economic Capital Framework

SNFA: Specified Non-Financial Assets

GARUDA: Grant for Approval for Rollout upon Document Acknowledgement

DCCO: Date of Commencement of Commercial Operations