AUGUST 2026

IBS VIGYAN

VISIONING BANKERS

Evangelistically Speaking

Dear Stakeholders,

As we celebrate our 80th Independence Day, we proudly remember the sacrifices of our freedom fighters and salute the spirit of a nation that continues to move forward with confidence, resilience and hope.

Independence is not merely freedom from foreign rule; it is also the freedom to think, learn, question, innovate and contribute meaningfully to society. Education is the foundation of such freedom. True education does not merely prepare us for examinations or careers—it prepares us for life. It develops knowledge, character, discipline, compassion and the courage to stand by what is right.

For students and young professionals, especially those preparing for competitive examinations, success should never be measured only by marks, ranks or promotions. Knowledge becomes truly valuable when it is accompanied by integrity and human values. Honesty, empathy, respect, responsibility and commitment to society are the qualities that ultimately build strong individuals and a strong nation.

The vision of Dr. A.P.J. Abdul Kalam beautifully reminds us that dreams, knowledge and action must go together. His message to young minds was to dream big, acquire knowledge, work hard and remain committed to a larger purpose. His life demonstrated that education can transform not only an individual but also the destiny of a nation.

On this Independence Day, let us therefore pledge to make our education purposeful, our knowledge meaningful and our actions responsible. Let us strive not merely to become successful professionals, but good human beings and responsible citizens who contribute to the progress of our country.

May the spirit of freedom inspire us to learn continuously, serve selflessly and work together towards a stronger, more enlightened and compassionate India.
Jai Hind!

Sincerly yours

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Curated Cube

A Steady Hand: RBI Holds Repo Rate at 5.25%, Keeps Its Stance Neutral

In a decision that surprised few but quietly reassured many, the Reserve Bank of India's Monetary Policy Committee (MPC) once again chose continuity over change at its bi-monthly August 2026 meeting. Convened from 3rd to 5th August and announced by Governor Sanjay Malhotra, the committee left the benchmark repo rate untouched at 5.25% and retained its 'neutral' stance — a posture that keeps every option open, in either direction, as the delicate growth–inflation narrative continues to unfold.

The supporting rates moved in lockstep with this caution. The Standing Deposit Facility (SDF) held at 5%, while the Marginal Standing Facility (MSF) rate and the Bank Rate settled at 5.5%, leaving the interest-rate corridor firmly and deliberately in place.

On prices, the Governor was measured. Underlying inflation, he observed, has stayed contained for some time and should converge with core inflation by the close of the financial year. The near term, however, carries a familiar caveat: headline inflation is likely to climb, peaking in the third quarter on the perennial pressures of food and fuel before moderating thereafter. He cautioned that such costs could yet ripple outward into broader, second-round inflation.

Describing the RBI as "neither dovish nor hawkish," Malhotra signalled a considered wait-and-watch approach — allowing the rate cuts already delivered earlier in this cycle to transmit fully through the economy before the next move is contemplated.

The meeting also carried a regulatory note of intent. The central bank, the Governor said, will issue draft guidelines to revive the licensing of urban cooperative banks (UCBs), building on the feedback gathered from its earlier discussion paper — a quiet but meaningful signal for the sector.

Markets, for their part, warmly welcomed the predictability, reading it as a firm foundation for steadier borrowing costs and cleaner policy transmission across the system. For now, the central bank watches and waits, content to let earlier action do its work — with its next verdict due on 5th–7th October 2026.

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

FOURTH PILLAR

ASSET QUALITY OF BANKS: According to the recent Financial Stability Report of RBI, there has been a continuous improvement in the asset quality of banks in India. The asset quality of Scheduled Commercial Banks has significantly improved, with an overall Gross NPA ratio declining to around 1.8% as on 31st March 2026. Within this, the performance of Public Sector Bank also shows substantial improvement, with a GNPA ratio of 1.93% and the NNPA ratio at 0.39% during the same year end. The improvement in asset quality was due to lower fresh slippages, higher recoveries from the stressed loan accounts, write-offs and strong monitoring mechanisms.

CAPITAL ADEQUACY: The Financial Stability Report also states that the Indian Banking Sector is maintaining a comfortable capital levels above the required regulatory level. Scheduled Commercial Banks have maintained a strong Capital to Risk Weighted Asset Ratio (CRAR) at around 17.7% within which the CET1 CRAR stands at 15.3%. This demonstrates that the Indian Banks possess adequate loss-absorbing capacity and financial resilience to withstand potential shocks while continuing to support economic growth.

BETTER PROVISIONING COVERAGE RATIO: The Financial Stability Report states that the PSBs are maintaining a much better PCR as ever, which remains above 90% level, indicating sufficient provisioning against potential loan losses thereby strengthening their ability to absorb future asset quality shocks. Higher provisioning coverage, along with declining NPAs and improved recoveries has enhanced the confidence in Public Sector Banks' Balance Sheet and reduced the vulnerability to credit risk.

ENHANCEMENT OF TRANSACTION LIMIT FOR ON-DEVICE BIOMETRIC AUTHENTICATION IN UPI: To promote a secure, convenient and wider adoption of biometric-based UPI payments, the NPCI has introduced On-Device Biometric Authentication as on additional authentication option for UPI, alternative to the existing UPI PIN Authentication. With effect from 7th August 2026, the revised transaction limit is ₹10000 per transaction as against the earlier ₹5000 per transaction.

REVISED TIMELINE FOR PILLAR III DISCLOSURE BY BANKS: The RBI has revised the timeline for implementation of the enhanced disclosure (Basel III – Pillar III) framework, taking into account the feedback received from the Banks and FIs. This is intended to strengthen transparency, comparability and market discipline by requiring banks to make comprehensive disclosures about their capital, risks and risk weighted assets in particular. For Quarterly Disclosures the first reporting period would be quarter ending 30th June 2027; Semi-annual Disclosures the first reporting period would be Half-year ending 30th Sept. 2027; and for Annual Disclosures the first reporting period would be financial year-ending 31st March 2028.

CREDIT DEFAULT SWAP (CDS): CDS is a Credit Derivative contract, in which one counterparty called the Protection Seller, commits to pay to the other counterparty called the Protection Buyer, in the case of credit event with respect to a reference entity (RE) and in return, the Protection Buyer makes periodic payments (premium) to the Protection Seller until the maturity of the contract or the credit event, whichever is earlier.

TOTAL RETURN SWAP (TRS): TRS is a credit derivative contract under which one counterparty (total return payer) commits to transfer the entire economic performance of a reference asset to the other counterparty (total return receiver), and, in return, receives a pre-determined fixed or floating rate linked to a benchmark.

NPA VATSALYA SCHEME UPDATION: This scheme was launched on 18th Sept. 2024 under the National Pension System (NPS), which is meant for minors below 18 years of age, with the minor as the sole beneficiary and the account being operated by their parent or legal guardian. The minimum contribution has been reduced to ₹250, both for opening the account and as the minimum annual contribution. There is no maximum contribution limit for the scheme.

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

INQUISITIVELY SPEAKING

1. What is the prescribed process and timeline for settlement of complaints in bona fide fraudulent electronic banking transactions (EBTs)?
a) The bank shall wait for investigation completion and compensate within 30 working days after RBI approval.
b) If the complaint is found bona fide, the customer's bank must provide an application form and compensate the customer within 5 calendar days of receiving the application.
c) The bank shall directly credit compensation without any application within 10 calendar days of complaint receipt.
d) The customer must approach court, and compensation is paid only after legal order

2. A customer will incur Zero Liability in case of a third-party breach if the unauthorized electronic banking transaction is reported to the bank within:
a) 5 Business Days
b) 7 Calendar Days
c) 5 Calendar Days
d) 3 Calendar Days

3. The Reserve Bank of India's revived polymer banknotes proposal covers durable ₹ ..... & ₹ ..... banknotes.
a) 100, 500 b) 50, 100
c) 20, 50 d) 10, 20

4. On June 30, 2026 the Ministry of Home Affairs has launched an electronic booklet meant for Overseas Indian Citizens which allows to store, access and present the credentials through a mobile device alongside a foreign passport for immigration clearance. This is called:
a) Free Access OCI Card b) e-Booklet for OCI
c) e-OCI Card d) Digital-Booklet

5. The Chief Compliance Officer (CCO) of a Bank should not be more than .... Years of age at the time of appointment, and have at least ..... years of overall experience in banking & financial services, including a minimum of ..... years of experience in Audit, Finance, Compliance, legal or risk management functions.
a) 55, 15, 5 b) 58, 10, 5
c) 52, 10, 3 d) 54, 15, 5

6. An entity that acts as a buyer to every seller and as a seller to every buyer, guaranteeing settlement and reducing the counterparty risk in case of Derivative contracts is known as:
a) Auction Settler
b) Counterparty Arbitrator
c) Reference Drivatar
d) Central Counterparty

ANSWER KEY

1.b 2.d 3.d 4.c 5.a 6.d

Stretch n Speak

FSDC: Financial Stability & Development Council
TDTR: The Digital Threat Report
SoF: Scale of Finance
SLTC: State Level Technical Committee
PRAN: Permanent Retirement Account Number
CCP: Central Counterparty
SRVA: Special Rupee Vostro Account
MTM: Mark to Market
SNFA: Specified Non-Financial Asset