



IBS VIGYAN

VISIONING BANKERS



Evangelistically Speaking

Dear Stakeholders,

HDFC Bank has been the earliest to declare impressive financials on 15th April. The Bank Nifty could also remain supportive, backed by RBI Governor's assurances on systemic strength of Indian financial sector. RBI has moved away from following the US Fed and made a pause on 6th April in its rate hikes, though subtly discarding the likelihood of the "pause" to be a pivot on interest rate direction. Yet, the market has taken the cues and bond prices have risen.

The UN Climate Change Conference of 12th December 2015 is more popularly known as the Paris Climate Accord. India is one among the 196 nations that has committed to the Conference of the Parties (COP 21). As a sequel to this, RBI has commenced Green Bond Auctions. Following this, they have announced the framework for Green Deposits. This month's Curated Cube dwells on this topic.

Amidst the sweltering heat, the summer opens a spigot of entertainment and travel, IPL included. At the same time, many youngsters will be niggling their parents amidst their preparations for competitive examinations, some for academics and others for employment. The front pages of most newspapers carry the tall claims of those who are guiding these candidates to success.

For career bankers appearing for the Certificate examinations of IIBF, this summer is going to be a long grind, coping with limited time and augmented content. While the intent of the apex institution remains in upskilling the bankers to be more responsive to dynamic situations, the efforts from the candidates need to be doubled. I consider it worthwhile to flag some guidance to the career aspirants in their preparations for the exams.

1. Observe the wrong choices in mock test questions, as also the unfamiliar choices. Read on those areas to build clarity.
2. A gist on a topic in your own words will come in handy for a speedy revision before the exam. Keep updating this gist, as you observe gaps.
3. Try to capture the key points on select topics on a table. Do mind mapping to internalise the table.
4. Draw confidence from topics that you have studied. Revise them to perfection. Do not worry about the unfamiliar topics.

Sincerely Yours

Satheesh Kumar. S
Managing Director



Curated Cube

Going green is the in-thing. This Diwali, my son refused to enjoy crackers. He declared he has gone green. Beyond homes and the youth, Governments have become seized of this. India recently declared its Nationally Determined Contributions (NDC) to the Paris Climate Accord of 2015 that it will generate 50% of its electricity from non-fossil fuel sources by 2030 and achieve Net Zero Emission by 2070. Closely following this, RBI announced the framework for Sovereign Green Bonds on 9th November 2022. They termed the likely difference in coupon between a normal Government bond and a Green Government Bond as GREENIUM.

More jargons have followed in RBI's framework on Green Deposits, made applicable to all Commercial Banks, Small Finance Banks and Deposit Taking NBFCs and Housing Finance Companies. They have flagged GREENWASHING concerns, where resources mobilized under the Green initiative are allocated towards uses ostensibly presenting themselves as Green Initiatives. To address this, RBI has stipulated that Banks must establish Independent Third-Party Verification / Assurance and Impact Assessment for all projects funded by them under green initiative. Some sector specific verifiable parameters have also been laid down for arranging this impact assessment. The sectors are 1) Renewable Energy 2) Energy Efficiency 3) Clean Transportation 4) Climate Change Adaptation 5) Sustainable Water and Waste Management 6) Pollution Prevention and Control 7) Green Buildings 8) Sustainable Management of Living Natural Resources and Land Use 9) Terrestrial and Aquatic Biodiversity Concentration.

The tenure, pricing and other methodologies of raising green deposits have been left to the individual entities as per their Board approved policy, within RBI's existing Master Directions on deposits. As a facilitating asset-liability management tool, lenders can park the green resources in non-green assets with original tenure up to one year.

RBI has published draft guidelines on Fair Lending Practices. All practices of levying penal interest will now be couched under "Penal Charges". But such charges are not permitted to be capitalized in the loan accounts. Therefore, no further interest can be levied on such charges. Banks' Boards will have to put in place a policy on levying, recovering and accounting such charges. We might see a dip in Net Interest Margins at the expense of rising non-interest income.

The market will be eagerly awaiting the guidelines on operationalizing the announcement in the Monetary Policy about permitting operation of pre-sanctioned credit lines at Banks through UPI. This could pose a threat to Credit Card business, simultaneously adding to the retail product suite of Commercial Banks.

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



FOURTH PILLAR

PAYTM PAYMENTS BANK LAUNCHES UPI LITE: Paytm Payments Bank went live with its UPI LITE - features enabled by NPCI for multiple small-value UPI transactions. The features enable faster real-time transactions with a single click through Paytm as the bank aims to drive the adoption of digital payments across the country.

RUPAY CREDIT CARD ON UPI: Rupay credit card holders can now link their cards for UPI based transaction through BHIM. The linking process is same as linking to bank account. However, you cannot make payments for transferring (i) Money to another individual (P2P), (ii) Money to another Credit card and (iii) Money to small merchants (P2PM) who have an expected inward UPI transaction less than or equal to ₹50000 per month limit (small vendors on street etc.)

UPI FOR INBOUND TRAVELLERS TO INDIA: RBI has introduced the facility to enable all inbound travellers to India (NRIs and Foreign Nationals) to make payments in India through UPI from 1st Feb 2023. Eligible travellers would be issued PPI wallets linked to UPI for making

merchant payments in India. ICICI Bank, IDFC First Bank and two PPI issuers have started this payment system currently.

AADHAR MITRA: UIDAI has launched an AI/ML based Chatbot named Aadhar Mitra to help people get an answer to their queries related to Aadhar. The chatbot has enhanced features like checking Aadhaar enrollment/update status, tracking of Aadhaar PVC card status, and information on enrollment centre location. Residents can also register their grievances and track them using the bot.

UPI INTERCHANGE FEE: The NPCI has indicated that UPI transactions made via prepaid instruments, such as wallets will attract an interchange fee of 1.1% for certain merchant payments of above ₹ 2000 from April 1, 2023.

The interchange fee will not be applicable to peer-to-peer (P2P) transactions or peer-to-peer-merchant (P2PM) transactions between a bank and the prepaid wallet. The interchange fee would be levied on the merchants (as it is applicable in case of credit card transactions), and not to the customers.

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



INQUISITIVELY SPEAKING

UNION BUDGET 2023-24 RELATED Q&A:

1. Conversion of Gold into Electronic Gold and vice versa will not be treated as:

- a) Net Gain
- b) Total Gain
- c) Capital Gain
- d) Windfall Gain

2. TDS rate to be reduced from 30% to on taxable portion of EPF withdrawal in cases where PAN has not been registered:

- a) 10
- b) 15
- c) 20
- d) 25

3. It has been proposed to restrict filing of returns/statements to a maximum period of years from the due date of filing such relevant returns/statements.

- a) 2
- b) 3
- c) 4
- d) 5

4. Which of the following is to be set up to serve as Central Repository for Financial & Ancillary information for facilitating efficient flow of Credit, promoting financial inclusion, and fostering financial stability.

- a) National Financial Informatics Registry
- b) National Finance Information Repository
- c) National Financial Information Registry
- d) National Finance Information Registrar

5. The minimum slab under Income Tax has been increased to ₹.... Lakh per annum under the new regime which would be made the new default regime?

- a) 5
- b) 7
- c) 8
- d) 10

ANSWER KEY

- 1. C
- 2. C
- 3. B
- 4. C
- 5. B

Stretch n Speak

TReDS: Trade Receivable Discounting System

GeM: Government e-Marketplace

TBTF: Too Big to Fail

QCVM: QR-Code based Coin Vending Machines

CIRPs: Corporate Insolvency Resolution Processes

