



IBS VIGYAN

VISIONING BANKERS



Evangelistically Speaking

Dear Stakeholders,

The syllabus and books recommended for a graduate course in India have not changed for more than five decades. This static state of affairs will be forced to change soon. The student will be free to make eclectic choice of disciplines that she wants to pursue. The Ministry of Education has put in place the Academic Bank of Credits (ABC) where every student can deposit the credits in various disciplines that she acquires. The National Academic Depository (NAD) will be the digital custodian of such credits. Universities can get onboarded to this process and roll out the "Allocation, Accumulation and Awarding" plan set out for students.

Aligned with this initiative, setting up of the Sam Pitroda led "Trans Disciplinary University (TDU)" could be the game changer in enabling students to pursue bespoke skill acquisition programmes. Once this catches on, the day may not be far off when the likes of IIBF also facilitate the career aspirants to accumulate credits leading to highly specialised skill upgrades.

Against this background, let me revisit the thoughts articulated in last month's bulletin. The efficacy of direct learning from an "Acharya" was reinforced in my shared thoughts. The relevance of proximity to the taught is drilled down in the words "Upadhyay" - teacher who teaches the student from near and "Upasana" - the perfection of the learning process in close proximity to the guru through asanas. Our rolling out of live lectures afresh for every batch must be viewed from this perspective.

The Monetary Policy statement of RBI on 10th August contains some initiatives on expanding the inclusive benefits of UPI transactions, digital lending and the like. It aims to protect the borrowers from extreme vagaries of market risk by mandating the lender to seek the borrower's consent before resetting repayment instalments consequent to changes in interest rates. Processing UPI transactions based on conversational inputs, enabled by artificial intelligence, is going to be a reality soon. Enhancing the limit for small value digital payments from ₹ 200 to ₹ 500 will enhance the inclusiveness of the platform, simultaneously rendering offline processing using Near Field Communication (NFC) technology more efficient. Let us hold hopes on days of more seamless transaction processing.

Looking forward to a sustaining engagement with all.

Sincerely Yours

Satheesh Kumar. S
Managing Director

Curated Cube

One joke on bankers that has been going around is to compare them to a bicycle! Yes, this bicycle has no stand! Bankers do not take any stance. RBI has been an exception. They have always articulated their stance on monetary policy. The Governor's statement on 10th August was no exception. The Central Bank's stance continued to be focused on withdrawal of accommodation. This is to align inflation within the mandated band, the first target being sub 6%.

Against this professed stance of the RBI, did the risk averse commercial banks miss out on responding to the central bank's call on liquidity management. Commercial banks have continuously chosen to park a much higher surplus with RBI in the Standing Deposit Facility (SDF) at 6.25% and keeping as much low as even less than 25% of the SDF quantum in the 14-day Variable Rate Reverse Repo (VRRR) at 6.49%. The amount parked in 14-day VRRR in July and August ranged between ₹ 34,139 crores and ₹ 93,761 crores, while the amount parked in SDF went up to ₹ 1,86,908 crores on 10th August 2023. The durable liquidity continued to be in excess of ₹ 3 lakh crores. Therefore, RBI considered pulling the long rope. They introduced Incremental CRR as a short-term measure. This is projected to suck out more than ₹ 1 lakh crores of liquidity. The banks stand to lose income on this pre-empted fund. If they had chosen to be more aggressive in parking the surplus in 14-day VRRR and assuage RBI's uneasiness on surplus liquidity, they would not have been deprived of the income on this pre-empted fund.

In the present times, when RBI is offering the Auto Sweep In Sweep Out (ASISO) facility to automatically trigger Repo or Reverse Repo up to 2359 hours in a day to fine tune the CRR balance maintenance, were Commercial Banks excessively cautious on liquidity management?

Moving on to the international scene, the liquidity management of the USA has been viewed to reflect elevated risk concerns, forcing Fitch Ratings to downgrade the long-term rating of US Treasury bonds from AAA to AA+. Though markets initially attempted to shrug off the downgrade, roiling inflation and unsustainable debt levels in US have taken the yield on ten-year benchmark sovereign bond to 4.23%. An in-depth evaluation of the rating downgrade has been covered in the article penned by one of our faculty, the link for which is given below.

<https://theaidem.com/en-us-rating-agencies-in-the-spotlight-downgrades-and-consequences/>

The rating downgrade is threatening to snowball into a contagion, the commercial banks like JP Morgan being the likely early targets of the trigger.

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

JAIIB/CAIIB CRASH COURSE - OCT/NOV 2023

JAIIB FROM 01/09/2023 & CAIIB FROM 09/09/2023

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

FOURTH PILLAR

DEFAULT

ARRANGEMENT: It is an arrangement in the case of digital lending, between the regulated entity (RE) and fintech lending service providers (LSPs), whereby the LSP guarantees to compensate the RE for loss due to default up to a certain threshold of the loan portfolio. Since losses only to a certain threshold are covered under this arrangement, it's called as first loss default guarantee or FLDG.

e-RUPI VOUCHER: It is a digital voucher which a beneficiary gets on his phone in the form of an SMS or QR code. It is a pre-paid voucher received by a beneficiary, which can be redeemed at any centre that accepts it. RBI has allowed non-bank Prepaid Payment Instrument (PPI) issuers to issue e-RUPI vouchers.

MAHILA SAMMAN SAVINGS CERTIFICATE

(MSSC – 2023): MSSC is a one-time scheme available from 1.04.2023 to 31.03.2025, that can be opened only in the name of a girl child or woman. A woman or the guardian of a minor girl can open the account with a minimum of ₹1000 and maximum of ₹2 lakh, which will get a return of 7.5% p.a. compounded quarterly. A second MSSC account can be opened after a gap of 3 months from the date of opening of the first account. A partial withdrawal of 40% is available after 1 year period.

GUARANTEE

LOSS

ASBA FOR SECONDARY MARKET TRADING:

SEBI has introduced a ASBA (Application Supported by Blocked Amount) like process for trading in secondary market on blocked funds in investor's bank account, instead of transferring them upfront to the trading member. This will come to effect from 1st January 2024.

SEBI REDUCES IPO LISTING TIME BY HALF:

The IPO listing time, which is currently at T+6 days is going to be T+3 days. It shall be made applicable in two phases, i.e., voluntary for all IPOs opening on or after 1st Sept 2023, and mandatory on or after 1st December 2023.

"100 DAYS 100 PAYS" CAMPAIGN:

Its RBI's initiative under which banks must trace and settle 100 unclaimed deposits within 100 days in every district. Banks have transferred a whopping amount of ₹1.44 trillion from April 2019 to March 2023. Whereas banks have received only ₹5729 crore from DEAF account as a refund towards settling unclaimed deposits within that period.

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



INQUISITIVELY SPEAKING

1. Financial Inclusion Index was introduced by RBI in 2021, to measure the extent of Financial Inclusion, which is based on 3 dimensions. Which is the odd man out?

- a. Quality
- b. Access
- c. Inclusiveness
- d. Usage

2. Compromise settlements where the time for payment of the agreed settlement amount exceeds __ months shall be treated as restructuring as defined in terms of the Prudential Framework for Resolution of Stressed Assets dt June 7, 2019.

- a. 3
- b. 4
- c. 6
- d. 12

3. Under Sovereign Gold Bonds scheme, the issue price of the SGBs will be less by ₹___ per gram for the investors who subscribe online and pay through digital mode.

- a. 25
- b. 50
- c. 75
- d. 60

4. What is the maximum age limit criteria for appointment of Internal Ombudsman for a Bank?

- a. 60
- b. 65
- c. 70
- d. 72

5. What is the maximum amount of Indian currency in denominations of ₹200 and ₹500 notes an individual Indian citizen can carry when travelling to Nepal or Bhutan from India?

- a. No limit
- b. ₹100000
- c. ₹50000
- d. ₹25000

ANSWER KEY

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

Stretch n Speak

FBIL: Financial Benchmarks India Ltd.

FRMS: Frauds Reporting & Management System.

FATCA: Foreign Account Tax Compliance Act

FSWM: Financially Sound & Well Managed

FRRR: Fixed Rate Reverse Repo

