

MAY 2024



IBS VIGYAN

VISIONING BANKERS



Evangelistically Speaking



Dear Stakeholders,

As the ongoing IPL series draws past the elimination round, the spectators keep enjoying the leather hunt and the close finishes some matches have offered. At IBS, it is a different LEATHER milestone – Vigyan is completing its third anniversary. The apt gift for a Leather anniversary is crystal or glassware. Coincidentally, we have opened our Corporate Office at the capital city of Thiruvananthapuram on 6th May at SI Capitol Centre, glistening with attractive glass windows and overlooking the old Secretariat building. Shri S. Adikesavan, former Chief General Manager, SBI inaugurated the office in presence of an invited audience. Shri S. Premkumar, Convenor, State Level Bankers Committee and General Manager, Canara Bank was the Chief Guest. IBS could honour many of our senior resource persons on the occasion. This move to the capital city is expected to deepen our outreach to the career aspirants. Vigyan has been well received by our readers for its brevity and precision.

On brevity, I would invite your attention to the dramatic decline in human attention spans. As per the article “Accelerating dynamics of collective attention” published in *Nature*, the time span has declined from 2.5 minutes to 45 seconds over two decades. (Reference: Article by Shri Ashwini Ravi in *The Hindu* of 17th May 2024).

This vindicates our conscious efforts to stick to the compacted content format of Vigyan over the past thirty six months. Let me hasten to add that we have not carried forward any proclivity for such brevity in our normal academic sessions for the flagship courses of IIBF. Every faculty endeavours to provide comprehensive coverage of the syllabus beyond the examination perspective so that the aspirants are well groomed to be professionals.

I am pleased to record here that beyond Vigyan, our other modes of engagement with the BFSI community like live sessions, recorded videos, mock tests, WhatsApp interactions and bespoke support services have been equally well received. We are committed to excel in our services to keep our legacy protected. While on commitment, let me make use of this opportunity to place on record the commitment displayed by the faculty team working behind Vigyan, led by Shri Rajendra Mohanty and Shri Ramesh Krishnan.

Looking forward to a sustaining engagement with all.

Sincerely yours

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Curated Cube

Risk is all pervasive in any business and any system. The financial sector is no exception. Yet, only by year 2000, the Basel Committee on Banking Supervision (BCBS) considered it expedient to recommend more stringent framework for risk management in Banks. With the increased adoption of technology, operational risk management has assumed larger focus, as it has more severe disruptive potential to business. The BCBS recognized Operational Risk as a distinct class of risk in 2001, outside of credit and market risks and came out with Sound Practices for Management and Supervision of Operational Risk in 2003. Subsequently, these principles were revised in 2011, to incorporate the lessons learnt from the Great Financial Crisis of 2007-09. In 2014, a review of the implementation of these Principles was carried out to assess the extent to which banks had implemented these Principles, identify significant gaps, if any, in their implementation and highlight emerging and noteworthy Operational Risk Management practices at banks which may be included in the Principles. RBI has on 30th April 2024 issued Guidance Note on Operational Risk Management and Operational Resilience, incorporating the BCBS recommendations.

The guidance rests on three pillars, namely:

1. Prepare and protect
2. Build resilience
3. Learn and adapt

Pillar 1 is more about governance and risk culture, casting primary responsibility on the Board. Pillar 2 elaborates on Business Continuity Planning and Testing, bringing to focus ICT and cyber security. Pillar 3 includes disclosures and reporting and the learning from various risk events.

The guidelines outline three Lines of Defence for management of operational risk, namely:

1. Business Unit Management
2. Organisational Operational Risk Management functions including Compliance
3. Audit function

Closely following this guidance note, the Deputy Governor, RBI, Shri J. Swaminathan has flagged these points while addressing the participants at the Conference of Heads of Assurance Functions in UCBs on 17th May 2024. He has stressed that compliance must be a forward looking approach as liquidity runs on banks have accelerated with wider adoption of social media. Hence there has been a perceptible shift in focus of regulation to activity based. He has cautioned the banks to be extremely vigilant against cyber security related risk events which can be totally disruptive to business.

Hence his exhortation for better compliance culture by all regulated entities.

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

ULTRA CRASH COURSE FOR CAIIB - BFM - JUNE/JULY 2024

ADMISSION OPEN

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

FOURTH PILLAR

RBI RETAIL DIRECT SCHEME – MOBILE

APP: It is a one-stop solution which helps individual investors to invest in Government Securities. Any individual retail investor can open a Gilt Securities A/c (Retail Direct Gilt) with RBI, where they can buy and sell G-secs through the online portal. A mobile app is on the anvil to enable the retail investors to do these activities seamlessly.

30 BANKS JOIN RBI UDGAM PORTAL:

UDGAM (Unclaimed Deposit Gateway to Access Information) is an online portal developed by RBI to facilitate registered users to search unclaimed deposit accounts across multiple banks in one place in a centralised manner. As on March 2024, thirty banks joined this portal which covers around 90% of unclaimed deposits in value terms of DEAF (Depositor Education & Awareness Fund).

WOMEN'S CONTRIBUTION IN GDP OF

INDIA: As per the recent study by National Family Health Survey, women population is around 48% of total population of India, and their contribution to India's GDP stands at only 18%, which is low. This is because there is a gender gap in total employment in our country. If this inequality can be bridged, there is a potential that women's contribution can increase to 30%.

FPI (FOREIGN PORTFOLIO INVESTORS):

They are the investors (individual, a group, or firm) who invest in a firm located outside their own country, mostly in the equity of the interested firm or Co. There has been a considerable surge of investment by FPIs to India in the past decade. In the year 2023-24, the net investments by FPI were around US \$ 1.4 billion (₹12000 crore). So far India has crossed US\$ 36.6 billion on net flow of FPI. The earlier high was at US\$ 36.2 billion in the FY 2020-21.

FIVE PSBs TO REDUCE THEIR GOVT STAKE:

To comply with SEBI's minimum public shareholding (MPS) norms 5 Public Sector Banks are planning to reduce the Govt. stake to less than 75%. Out of the 12 PSBs, 4 are already complying the MPS norms as on March 2023. Currently the Govt. Shareholdings of few banks above 75% are as under, who are contemplating to reduce the Government's stakes:

Punjab & Sind Bank – 98.25%

IOB – 96.38%

UCO Bank – 95.39%

Central Bank of India – 93.08%

Bank of Maharashtra – 86.46%

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

INQUISITIVELY SPEAKING

1. As per the revised guidelines on Credit cards, in the event of a cardholder settling all his past dues after having reported as defaulter, the card-issuer shall update the cardholder's status with the Credit Information Co. (CIC) within from the date of such settlement?

- a) 1 month
- b) 30 days
- c) 45 days
- d) 2 months

2. Reserve Bank of India under its Monetary Policy Committee Statement on 5th Apr 2024, has projected the real GDP growth rate for 2024-25 at:

- a) 6.5%
- b) 6.8%
- c) 7%
- d) 7.2%

3. If an Unclaimed depositor's deposit is becoming due to be transferred to DEAF in the month of April, then the bank is required to transfer the entire amount including the accrued interest to DEAF on the last working day in the month of ...

- a) April of the same year
- b) May of the same year
- c) Sept of the same year
- d) March of the next year

4. MSME Ministry has launched a special scheme for informal micro enterprises (IMEs), which are exempted from the Goods and Services Tax (GST) regime, to access collateral-free loans up to ₹... lakh under the government's Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).

- a) 50
- b) 25
- c) 20
- d) 10

5. A Microfinance loan is defined as a collateral-free loan given to a household having annual household income (actual as well as projected) up to ₹... lakh. For this purpose, the household shall mean an individual family unit, i.e., husband, wife and their unmarried children.

- a) 1.50
- b) 2
- c) 2.50
- d) 3

ANSWER KEY

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

Stretch n Speak

NARCL: National Asset Reconstruction Company Ltd.

UDRN: Unclaimed Deposit Reference Number

E-WEE Scheme: Empowering Women & Enhancing their business through E-mobility Scheme

FSDC: Financial Stability & Development Council