



# IBS VIGYAN

VISIONING BANKERS



## Evangelistically Speaking

**Dear Stakeholders,**

The entire world faced the pandemic. Central Bank chiefs mostly responded in unison forsaking inflation for liquidity. Post-pandemic, inflation raised its ugly head. The responses of Shri Shaktikanta Das, Governor, RBI in managing inflation stood out. London based "Central Banking", a prominent organisation that thoroughly covers and examines matters concerning central banks and financial regulators globally chose to confer Governor of the Year to Shri Das. Reserve Bank of Ukraine has also been a prize winner. He has been able to lead the country on a growth path through a combination of innovative measures in managing interest rates and exchange rates. The phased withdrawal of the incremental Cash Reserve Ratio completely by 7th October is a case in point.

After nearly 23 years, RBI has brought in major changes in the classification and valuation of investment portfolio by commercial banks in its Master Directions of 12th September. This is extensively covered in this month's Curated Cube.

Closely following the regulations on floating rate loans that have been made more transparent and borrower friendly, this month, RBI has issued guidelines making it mandatory for regulated entities to return original documents of properties taken as security, within thirty days of closure of the loan and remove the charge from records. This must be seen as another borrower friendly move, where the borrower is eligible to be compensated at ₹ 5000 per day for each day of delay

after the thirty day barrier. His rights to seek any other compensation have not been abrogated.

Professional upskilling is more of a co-skilling activity now. As one aspires to move up the hierarchy in BFSI segment, her all round proficiency is put to test. The Certification examinations of IIBF must be seen from this perspective as the fundamental institutional intervention to facilitate the intended skill upgradation. Hence, my exhortation to all candidates to intensify their preparations and score high marks in the ensuing examinations.

Happy Ganesh Chaturthi wishes.

Looking forward to a sustaining engagement with all.

**Sincerely Yours**

**Sathesh Kumar. S**  
**Managing Director**

## Curated Cube

Market players have always been cautioned not to attempt to catch a falling knife. Loosely translated, it means not to attempt bottom fishing in a falling market. You never know how much more is the fall going to be. RBI's Master Direction of 12th September 2023 on Classification and Valuation of Investment Portfolio of Banks has upended this fear, by removing the impact of depreciation on investment portfolio arising from marking to market on balance sheet date from the P&L and permitting Banks to reflect it in another accounting head AFS Reserve Account, without touching P&L. Resultantly, the bond market has rallied, pulling down the benchmark ten-year bond's yield to below 7%. If the AFS portfolio results in an appreciation, the balance in AFS Reserve account will be eligible to be reckoned as CET 1 Capital. In short, P&L will not be damaged, but Net Worth will be neutral under existing dispensation and under the new guidelines

In prevailing dispensation, while providing depreciation on investments, the net gain in one asset class could not be netted against the net loss in another asset class, say gain in G Secs cannot be offset against loss in equity portfolio. Under the revised guidelines, the gains and losses across all categories are netted, before reflecting in balance sheet. Just like the premium is being amortised on securities in HTM, discount will also accrue like the amortization process. This treatment is also applicable for AFS portfolio. The facility of shifting securities from one category to another at the beginning of the year has been withdrawn, except with permission of RBI.

The Held For Trading category has been subsumed as a sub-category under a new category Fair Value Through P&L (FVTPL). Those instruments which do not satisfy the "Solely Payment of Principal and Interest" (SPPI) criteria like equity shares, capital ranking AT1 and Tier 2 debt that carry loss absorption characteristics, mutual fund units etc. will necessarily figure in this new category. Profit from sales from this category will go directly to P&L. Profit from sale from HTM will be routed through P&L but will be taken to Capital Reserve account below the line. Profit from sale of debt instruments from AFS will be taken out from AFS Reserve account and credited to P&L. In respect of equity, the profit will be taken out from AFS Reserve account and credited to Capital Reserve account. Investments in Associates and Subsidiaries will be classified separately.

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

## CAIIB HINDI CRASH COURSE - OCT/NOV 2023 FROM 20/09/2023

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

## FOURTH PILLAR

**FINANCIAL SYSTEM STRESS INDICATOR:** It is a tool which monitors stress levels in the Indian Financial System. The current FSSI status indicates that the overall stress has diminished, due to improvements of major factors in both Banking & Non-Banking Financial sectors. However, the financial market stress indicator is not-so-good due to stress in equity market.

**UPI LITE:** Google Pay has introduced a new feature called UPI LITE, which allows users to load up to ₹4000 in a day for instant transactions limited to ₹200 per transaction, without the use of UPI PIN. Although UPI LITE is linked to user's bank account, but it does not depend on real time on the issuing bank's core banking system, that facilitates higher payment success rates even during peak transaction hours.

**CREDIT GUARANTEE SCHEME FOR LIVESTOCK SECTOR:** Govt. has launched the credit guarantee scheme for livestock sector, which is aimed at revitalising the rural economy, and empowering MSMEs. A Credit Guarantee Trust Fund to the extent of ₹750 crore has been established to provide credit guarantee to eligible lending institutions, enabling improved access to finance for the livestock sector.

**RUPAY CARD GOES GLOBAL:** To further facilitate and expand payment options for Indians travelling abroad, RBI has allowed issuance of RuPay Forex Cards by Indian Banks for use at overseas ATMs, POS machines and online merchants. Now, RuPay Credit, Debit and Prepaid Cards will be enabled for issuance in foreign jurisdictions that can be used internationally, including India.

**RBI PERMITS TO OPEN VOSTRO ACCOUNTS FROM 22 COUNTRIES FOR TRADE IN RUPEE (₹):** RBI has given permission to 20 banks in India to open Special Rupee Vostro Accounts (SRVAs) of partner banks from 22 countries to promote bilateral trade in local currencies. This would enable exporters and importers to invoice and make payment in their respective domestic currencies enabling the development of a bilateral foreign exchange market.

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



# INQUISITIVELY SPEAKING

1. New Basel III Standardised Approach for calculation of capital for Operational Risk is based on three components. The first two are Business Indicator (BI) and Business Indicator Component (BIC). Which among the following is the 3rd component?

- a. Internal Loss Component
- b. Internal Loss Factor
- c. Internal Loss Multiplier
- d. Internal Loss Data

2. In respect of borrowers subject to compromise settlements, there shall be a 'cooling period' as determined by the respective Board approved policies before the Regulated Entities can assume fresh exposures to such borrowers, provided that the cooling period in respect of exposures other than farm credit exposures shall be subject to a floor of \_\_\_\_\_ months

- a. 9
- b. 12
- c. 15
- d. 18

3. TReDs is an electronic platform for financing trade receivables which facilitates the discounting of .....

- a. Invoices
- b. Bills of exchange
- c. Promissory note
- d. Both a & b

4. The tenor of the Sovereign Gold Bonds will be for a period of \_\_\_ years with an option of premature redemption after 5th year to be exercised on the date on which interest is payable.

- a. 5
- b. 6
- c. 8
- d. 10

5. Under Liberalised Remittance Scheme (LRS), the limit for remittances is set at US\$ \_\_\_ to enable resident individuals, including minors, to freely remit a specific amount during a financial year for any permissible current or capital account transaction or a combination of both.

- a. 100000
- b. 150000
- c. 200000
- d. 250000

## ANSWER KEY

1. c    2. b    3. d    4. c    5. d

## Stretch n Speak

**GIFT CITY:** Gujrat International Financial Tech-City

**ESG:** Environment Social & Governance

**YONO:** You Need Only One

**EWS:** Economically Weaker Section

**WEO:** World Economic Outlook

