



IBS VIGYAN

VISIONING BANKERS



Evangelistically Speaking

Dear Stakeholders,

Wishful thinking is ecstasy. Self-fulfilling fears is agony.

Exporters competed with low-cost producing countries like Bangladesh and an artificially depreciated domestic currency backed China to jostle for space in overseas markets. They worked on wafer thin margins. The covid-led disruption forced Governments to infuse liquidity to promote spending. This liquidity found its way to our capital market. Indian rupee began to appreciate. RBI did well to absorb the inflows, shore up its reserves and keep the appreciation of domestic currency under check. However, the exporter's agony intensified. A product which was contributing say 10% profit margin at an assumed exchange rate of USDINR 75 saw significant erosion in margins when rupee moved to 70 against US Dollar. Could he not have covered in forwards? This would be the natural response of any banker. To hedge or not to hedge is the dilemma!

Post-covid, the inflationary spiral began to surface. Central Banks responded with tight money policy. Dollars flowed out from our capital markets and RBI had to dip into its forex reserves to intervene in the opposite direction, to keep the rupee depreciation under check. Meanwhile, the importer's agony intensified. An import at say USDINR 70 was done,

possibly on three months credit offered by overseas supplier. The importer would have sold it in the domestic market basing his arithmetic on the steady number 70, leaving him say the same 10% margin. On the day the payment for the import was to be made, the importer is in extreme agony as USDINR has moved beyond 80, leaving a big hole in his P&L. Once again, the dilemma of to hedge or not to hedge.

This is what is of concern to a lender as customer's unhedged forex exposures. This month, RBI has collated existing directions on this topic and released Master Directions. The impact of adverse exchange rate movement has been captured as a sensitivity factor on the Customer's Earnings Before Interest and Depreciation (EBID) in the guidelines. Based on the degree of probable impact, additional provision requirements and enhanced risk weightages have been prescribed.

Looking forward to a meaningful and sustaining engagement.

"HAPPY DIWALI TO ALL"

Sincerely Yours

Sathesh Kumar. S
Managing Director

Curated Cube

Some forward-looking research was done in early 1980s. The Great Depression of 1930s formed the raft of this research. This has found merit with the Nobel Committee in 2022. Is this foretelling that recession is about to set in and the research findings will be put to test soon? Dr Ben S Bernanke, who chaired the Fed Reserve between 2006 to 2014 has been awarded the Nobel Prize in economics along with Douglas W Diamond and Philip H Dybvig. The latter two did joint research in 1980 on banks and financial crisis and came up with the Diamond-Dybvig model for bank runs. Bernanke came up with independent research on the same subject, basing his thoughts on the 1930's Great Depression. Many of the findings he could put to practice while discharging his role subsequently as Chairman of Fed Reserve, when he followed the illustrious Alan Greenspan. His overseeing the Global Financial Crisis of 2008 won him the Time's Person of the Year award in 2009.

Collectively, the three have looked at the liability-asset transformation as a continuum in financial intermediation played by banks. Therefore, they focused on precluding bank failures and later how to cope with a crisis. India is replete with implosions of the kind from Global Trust Bank to Lakshmi Vilas Bank impacting the intermediation landscape, that were countered with disparate solutions.

The Nobel Laureates have articulated on deposit insurance as a mitigant. In India, DICGC commenced offering deposit insurance from 1st January 1962. RBI is also relatively agile in their supervisory rigor through Prompt Corrective Action triggers, which has seen the recovery of faltering banks like Uco Bank, Indian Overseas Bank, Indian Bank, to name a few.

Globally, the Basel Committee on Bank Supervision has also been equally responsive by prescribing Capital Conservation Buffer in their present guidelines under Basel III, to withstand the failures like Northern Rock Bank which emanated not because of asset quality issues but structural gaps in asset-liability management.

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

JAIIB CRASH COURSE - NOV 2022

DATE OF COMMENCEMENT - JAIIB - PRINCIPLES & ACCOUNTANCY on 01 TO 05 NOV 2022

CAIIB CRASH COURSE - DEC 2022

DATE OF COMMENCEMENT - 08 NOV 2022



FOURTH PILLAR

SOCIAL STOCK EXCHANGE: SEBI has planned to have Social Stock Exchange, which would allow the listing of Non-Profit Organisations (NPOs), which must have been registered in India as a charitable trust, operating for at least 3 years, and having a valid 80G registration under Income Tax Act.

OPENING/CLOSING NSC & KVP ACCOUNTS ONLINE: The Department of Posts, has implemented online account registration and closure for National Savings Certificates (VIII Issue) (NSC) and Kisan Vikas Patra (KVP) through DOP Online Banking. The facility for opening and closing National Savings Certificates (VIII Issue) Kisan Vikas Patra is now accessible under the 'General Services' section of DOP Internet Banking, allowing individuals to open and close NSC and KVP online.

CONCEPT OF TOKENISATION: Tokenisation refers to replacement of actual card details with an alternate code called the "token", which shall be unique for a combination of card, token requestor (i.e., the entity which accepts request from the customer for tokenisation of a card and passes it on to the card network to issue a corresponding token) and device. Actual card data, token and other relevant details are stored in a secure mode by the authorised card networks. Token requestor cannot store Primary Account Number (PAN), i.e., card number, or any other card detail. Card networks are also mandated to get the token requestor certified for safety

and security that conform to international best practices/ globally accepted standards.

SMALL FINANCE BANKS (SFBs) ELIGIBLE FOR AUTHORISED DEALER CATEGORY-I LICENSE:

With the objective of giving more flexibility to SFBs to meet their customers' foreign exchange business requirement, RBI permitted all the scheduled SFBs, after completion of at least two years of operations as Authorised Dealer Category-II, to be eligible for Authorised Dealer Category-I license, subject to compliance with the following eligibility norms;

- The bank should have been included in the Second Schedule to RBI Act 1934 and should have completed at least two years of operations as Authorised Dealer Category-II.
- It should have a minimum net worth of Rs.500 crore and its CRAR should not be less than 15%.
- The net NPAs of the bank should not exceed 6%, during previous four quarters.
- It should have made profit in the preceding two years.
- It should not have defaulted in maintenance of CRR/ SLR during previous two years.
- It should have sound internal control systems and should not have any major regulatory and supervisory concerns.

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

CLASSES FOR - STATE BANK OF INDIA - JIBO

DATE OF COMMENCEMENT - 12 NOV 2022





INQUISITIVELY SPEAKING

1) As per recent announcement by RBI, any future scheme launched by CGTME, NCGTC etc, in order to be eligible for 0% risk weight by Banks, shall provide for settlement of the eligible guaranteed claims within ___ days from the date of lodgement, and the lodgement shall be permitted within ___ days from the date of default.

- a. 90, 30 b. 30, 60
c. 60, 90 d. None of the above

2) What is the full form of KFS, related to digital lending?

- a. Know Your Financial Statements
b. Key Folio Statement
c. Know Your Financial Services
d. Key Fact Statement

3) As per the revised definition, the threshold criteria for paid up capital and turnover for small companies has been increased to not exceeding ___ & ___ respectively.

- a. Rs.2.00 crore and Rs.20.00 crore
b. Rs.4.00 crore and Rs.40.00 crore
c. Rs.5.00 crore and Rs.50.00 crore
d. Rs.3.00 crore and Rs.25.00 crore

4) Provisioning Coverage Ratio (PCR) is the proportion of funds set aside by a bank for bad debt losses. A high PCR help banks to protect themselves against losses if NPAs begin to rise rapidly. As per the 25th issue of Financial Stability Report (FSR), the PCR in Banking system has increased to __ % in March 2022 from 67.6% in March 2021.

- a. 69.6 b. 71.2 c. 70.9 d. 71.9

5) The Unique Identification Authority of India (UIDAI) has launched a face authentication feature through a new mobile app called _____. For authentication, Aadhaar card holders no longer need to physically visit an enrollment centre for iris and fingerprint scans. The UIDAI has started using face authentication as a method of confirming an Aadhaar holder's identity.

- a) AadhaarFaceRd b) AadhardarpanRd
c) AadhaarFacelD d) Aadharbiometric

6) In Hybrid security model under CGTMSE Coverage, CGTMSE will have what type of charge on Primary and Collateral Securities:

- a. 1st Charge on both
b. 1st Charge on Primary & 2nd Charge on Collateral
c. Pari-passu charge on Primary & 1st Charge on Collateral
d. Pari-passu charge on Primary & 2nd Charge on Collateral

ANSWER KEYS

- (1) B (2) D (3) B (4) C (5) A (6) D

Stretch n Speak

IPPB – India Post Payments Bank

NMFI – National Mission for Financial Inclusion

ECLGS – Emergency Credit Line Guarantee Scheme

FSIB – Financial Services Institution Bureau

MLTGD - Medium- & Long-Term Government Deposit

CLASSES FOR STATE BANK OF INDIA - PROMOTION

DATE OF COMMENCEMENT - PEON TO CLERK ,TO & JMG SCALE 1-2 & SCALE 2-3 on 21 NOV 2022

CLASSES FOR CAIIB - ELECTIVE SUBJECT - RETAIL BANKING

DATE OF COMMENCEMENT - ENGLISH BATCH on 08 NOV 2022 MALAYALAM BATCH on 07 NOV 2022

