



IBS VIGYAN

VISIONING BANKERS



Evangelistically Speaking

Dear Stakeholders,

Our passion to stay connected has sustained for twelve months. Vigyan turns two years next month. Looking back, the efforts have been rewarding in knowing the pulse of stakeholders and repositioning ourselves to optimise our efficacy.

Our pedagogy has evolved to the "SMILE" approach. Similarly, this communication has also evolved month over month. Through the "Curated Cube" we could touch upon diverse topics like Bitcoins, Account Aggregators, Nobel Prize awards, Retail Direct Gilts, eChoupal, draft guidelines on valuation of investments and aligning with IFRS, to mention some. The "Fourth Pillar" has enabled the finance professionals to stay updated and career aspirants to excel in Certificate Examinations.

Let me place on record my gratitude to the team that has been assiduously striving to make this engagement enriching and effective. I would also fervently request every reader to reach out to us at mail@ibsbankcareer.in with your reflections on this one year's saga, to enable us to add value to it. Looking forward to a meaningful and sustaining engagement.

Sincerely Yours

Satheesh Kumar. S
Managing Director

CURATED CUBE

Was it perspiration or trepidation that forced RBI Governor to announce a mid-policy hike in Repo rate and indicate their open mind to revisit withdrawal of accommodative stance of Monetary Policy? Was he prescient about the inflation number clocking 7.79%? The markets have been anticipating, but the immediate reaction was panic and yield on benchmark bonds kept rising. Domestic currency has also been losing ground against the US Dollar. RBI has drawn more than \$ 40 billion from its reserves to balance the flight of capital by FIIs from Capital Markets. Major indices in US have fallen by more than 30% from their peak, while Indian indices are supported at 20% decline, leaving some apprehension in everyone's minds. While Japanese Yen has declined by close to 20% against US Dollar in last six months, Rupee is well defended within 3% fall. RBI, in its report on Currency and Finance have recorded that surplus liquidity fuels inflation and has calibrated it at 60 basis points for every percentage point increase in liquidity over 1.5% of NDTL of Banks. This perhaps justifies draining out of ₹ 87000 crores through hike in CRR. The report also anchors the Debt to GDP ratio to decline to 66% levels by 2027 for achieving sustainable growth. This appears to be a far cry as the ratio has been steadily climbing above 66% since 2011 and is at 75% for the present.

Annual financial results coming in have been mixed. The fall in the stock markets is translating into more realistic discounting of corporate earnings. Banks have been striving to retain earnings and enhance their Provision Coverage Ratios while the likes of HDFC Bank have led the pack to declare dividend after a forced hiatus of two years. Listing of LIC has finally happened. Subsequent governments in power will find it handy to divest more of such behemoths with defined regularity.

FOURTH PILLAR

INTEROPERABLE CARD-LESS CASH WITHDRAWAL (ICCW) AT ATMS

Card-less cash withdrawal through ATMs is currently offered by a few banks in India for their customers at their own ATMs. Card-less cash withdrawal transactions helps in reducing frauds like skimming, card cloning, device tampering, etc. To encourage card-less cash withdrawal facility across all banks and all ATM networks/operators, RBI has proposed to enable customer authorisation through the use of Unified Payments Interface (UPI) while settlement of such transactions would happen through the ATM networks.

DIGITAL PAYMENTS (DigiSaathi)

To address the queries of digital payment users, the Reserve Bank on March 8, 2022, launched two key initiatives namely:

1)UPI123Pay - Option to make Unified Payments Interface (UPI) payments for feature phone users, and

2) DigiSaathi - A 24x7 Helpline that provides a channel to obtain help on digital payments. Automated responses on information related to digital payment products and services are available in Hindi and English through multiple options like - toll-free number; a short code; website and chatbots.

At present, efficient access to UPI is available on smart phones. UPI can be accessed through NUUP (National Unified USSD Platform) using the short code of *99#. But this option is cumbersome and not so popular. Considering that there are more than 40 crore feature phone mobile subscribers in the country, UPI123pay will materially improve the options for such users to access UPI. UPI123Pay includes four distinct options as below:

a) App-based Functionality: An app would be installed on the feature phone through which several UPI functions, available on smartphones, will also be available on feature phones.

b) Missed Call: This will allow feature phone users to access their bank account and perform routine transactions such as receiving, transferring funds, regular purchases, bill payments, etc., by giving a missed call on the number displayed at the merchant outlet. The customer will receive an incoming call to authenticate the transaction by entering UPI PIN.

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FOURTH PILLAR

c) Interactive Voice Response (IVR): UPI payment through predefined IVR numbers would require users to initiate a secured call from their feature phones to a predetermined number and complete UPI onboarding formalities to be able to start making financial transactions without internet connection. **d) Proximity Sound-based Payments:** This uses sound waves to enable contactless, offline, and proximity data communication on any device.

NEW SYSTEM TO REPLENISH CASH IN ATMS Currently, most of the ATMs (Automated Teller Machines) are replenished by way of open cash top-up or by loading cash in the machines on the spot. The RBI has given extension till March 2023 to banks to implement its direction on use of only lockable cassettes for replenishing cash in their ATMs.

INDIVIDUAL HOUSING LOANS – RATIONALISATION OF RISK WEIGHTS:

Recognising the importance of the housing sector, and its role in supporting the overall credit growth, RBI has decided that the rationalisation of risk weights for individual housing loans linked to LTV ratios as prescribed earlier shall continue for all new housing loans sanctioned from 16th October, 2020 to March 31, 2023, as under:

LTV Ratio	Risk Weight %
< or = 80	35
> 80 & < or = 90	50

Standard asset provision of 0.25% shall continue to apply on such housing loans.

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

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INQUISITIVELY SPEAKING

1 (1) RBI has decided that with effect from Oct. 1, 2022, all AD Cat-1 banks shall obtain the Legal Entity Identifier (LEI) number from the resident entities (non-individuals) undertaking capital or current account transactions of ₹__ crore and above (per transaction) under the FEMA, 1999. In case of non-availability of LEI information with regard to non-resident counterparts/overseas entities, AD, Cat-1 banks may process the transactions to avoid disruptions.

a) 5 b) 10 c) 25 d) 50

2 (2) With the objective to better align guidelines with the Basel Committee on Banking Supervision (BCBS) standard and enable banks to manage liquidity risk more effectively, RBI has decided to increase the threshold limit for deposits and other extensions of funds made by non-financial Small Business Customers from ₹5 crore to ₹__ crore for the purpose of maintenance of Liquidity Coverage Ratio.

a) 6 b) 7 c) 7.5 d) 10

3 (3) 'Large Exposure' under the Large Exposure Framework is the sum of all exposure values of a bank to a counterparty or a group of connected counterparties, if it is equal to or above ____ of the bank's eligible Tier 1 capital base.

a) 10% b) 15% c) 20% d) None

4 (4) To further encourage the use of Unified Payments Interface (UPI) by retail investors, RBI has enhanced the transaction limit for payments through UPI for Retail Direct Scheme and IPO applications from ₹2 lakh to ₹__ lakhs.

a) 3 b) 4 c) 5 d) 7

ANSWER KEYS

(1) d

(2) c

(3) a

(4) c

Stretch n Speak

BBPS – Bharat Bill Payment System

BBPOU – Bharat Bill Payment Operating Unit

FRRR – Fixed Rate Reverse Repo

SDF – Standing Deposit Facility

AFA – Additional Factor of Authentication

CPTC – Collection & Purity Testing Centre (for Gold)

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