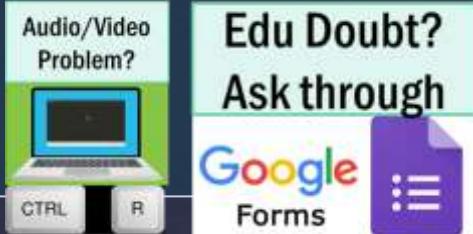


Pillars of Economy



A-1

- Money: barter to Bitcoin

A-2

- RBI's monetary policy
- CRR, SLR, Repo etc

B-1

- Classification of Banks-NBFC

B-2

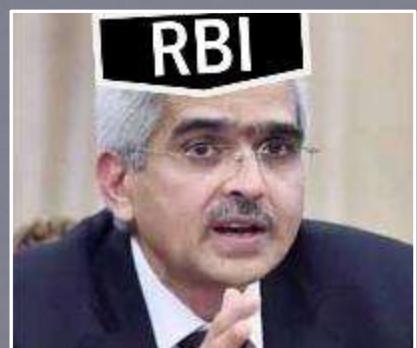
- Burning issues in Banking sector
- NPA, IBC, BASEL...

C

- SEBI Sharemarket

D

- Insurance, Pension, Fin. Inclusion



1) MBFI



2) Budget



3) Intl. Trade

• Handout#4 uploaded



4) Sectors of Economy

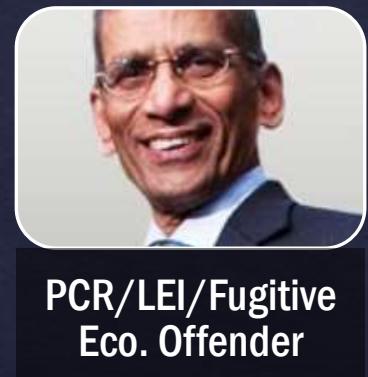
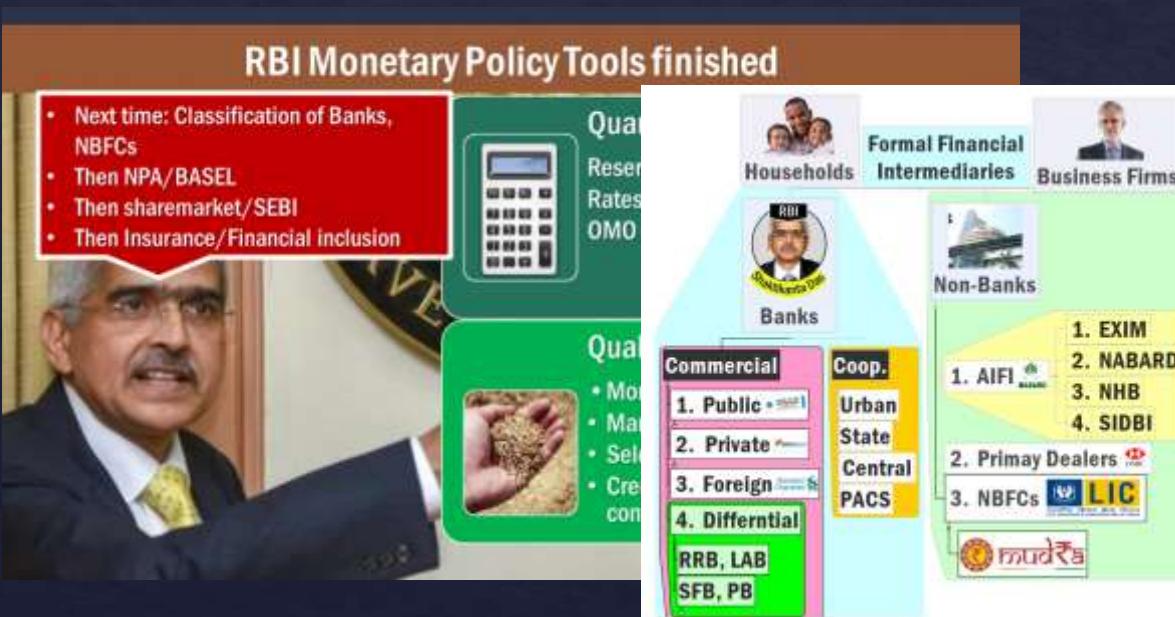
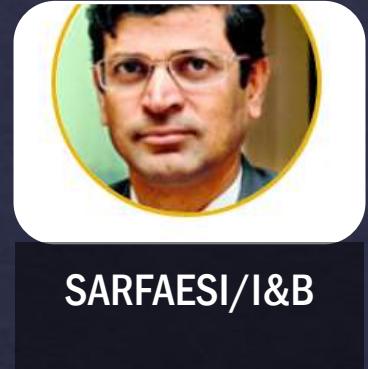
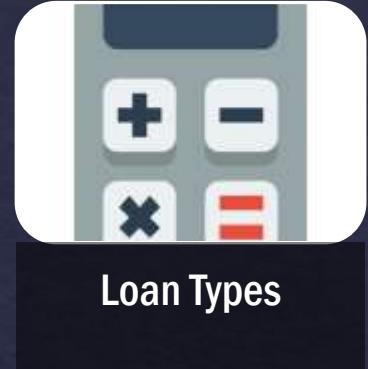


5) Infrastructure



6) HRD

Pillars of Economy → 1b2: Bad loans & other burning issues





YES



Fixed interest

**Rs 3 lakh agri loan
@7% fixed interest**

**is loan interest rate
constant / FIXED**

NO

- **Fixed Interest.** ब्याज दर निश्चित है
 - e.g. Short-term crop loans upto Rs.3 lakh rupees for farmers at fixed Interest 7% -
 - % will not be changed throughout the loan tenure.

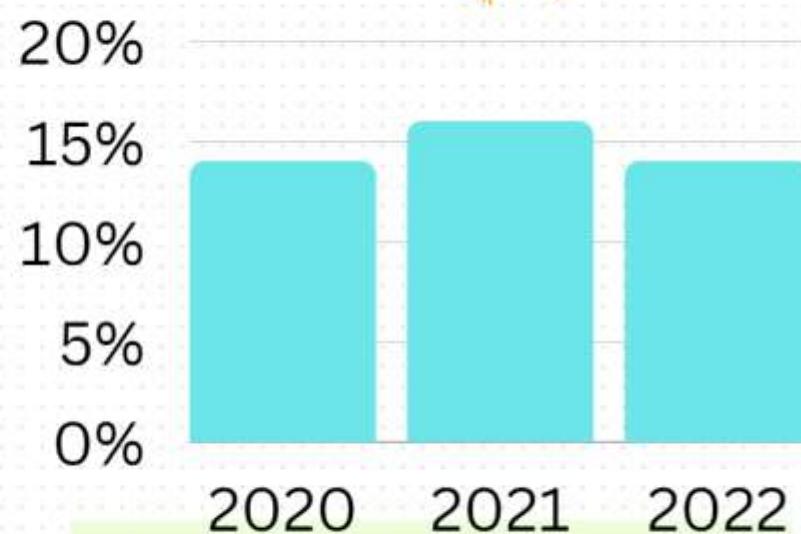


YES



**is loan interest rate
constant / FIXED**

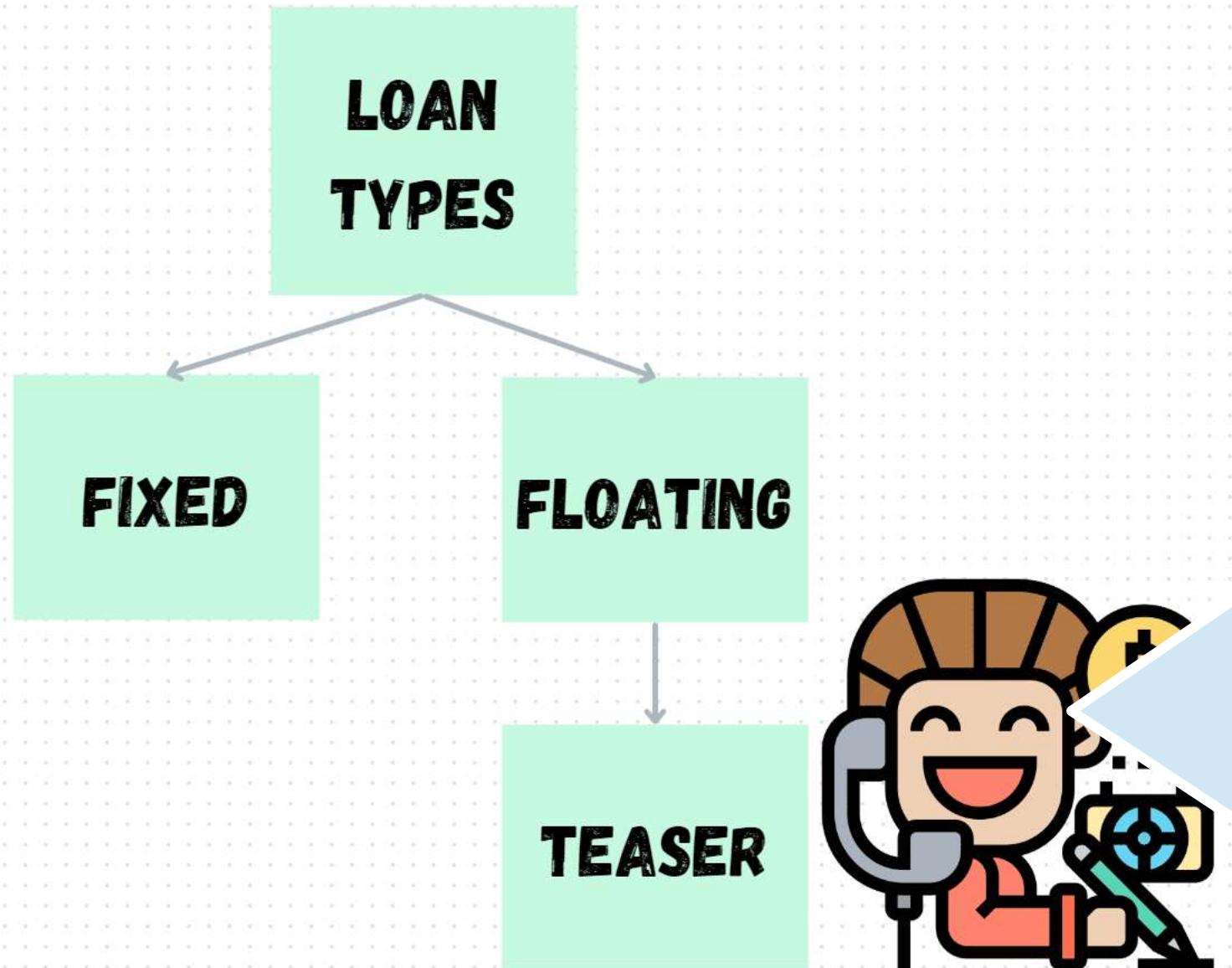
NO



Fixed interest

**Rs 3 lakh agri loan
@7% fixed interest**

**External Benchmark
loan linked with REPO**



- ग्राहक को लुभाने के लिए शुरू शुरू में बहुत ही कम ब्याज दर
- लेकिन फिर अचानक से बढ़ा दिया जाए
- RBI tougher regulations on Teaser loans
- since 2011.

E.g. 5% for 1st three years [then 15%]

Question from a student in previous batch

**SPECIAL
DEAL**

Limited time offer!

Teaser Loan

- A type of floating interest rate loan, where initial years: low interest, but afterwards- higher interest rate.

E.g. 5% for 1st three years then 15%

Why would person borrow at teaser loan!!!? When he knows the interest will  after some years and he'll suffer! अगर कर्जदार को पता है कि ब्याज दर भविष्य में बढ़ेगा तो वह लोन क्यों लेगा?

- ❖ Bcoz he may be thinking his biz/salary will increase afterwards. OR शायद उसको लगता हो आमदनी बढ़ेगी
- ❖ He may be so desperate to get the loan for present requirement. मरता क्या न करता? डूबते को तिनके का सहारा



Sub-prime crisis in USA (2007-08)



2) Used those loan papers to create new
Securities / Bonds in the market → acquired
more money → system collapsed

लोन के उनका कागजात की मदद से बाजार में नए बांड जारी किए
लेकिन फिर यह पूरा गुब्बारा फूट गया

1) Bankers gave loan to weak
borrowers

कर्ज वापस करने की जिनकी क्षमता नहीं थी
ऐसे लोगों को घर खरीदने के लोन दे दिए



do u have capacity to repay loan?



YES

**Prime
Borrower**



**Person
Sub-prime borrower**

NO



**Company
overleveraged company**

do u have capacity to repay loan?



Person
Sub-prime borrower

No



Company
overleveraged company



Zombi Lending

= **Bank giving loan to above parties**
कमजोर बैंक नालायक को लोन देते रहे



Pillars of Economy → 1b2: Bad loans & other burning issues

the loan tenure.	interest rate may increase or decrease throughout the tenure of loan.
	Teaser Loan: A sub-type of Floating interest rate loan, wherein initial years have low interest, but afterwards- higher interest rate. While RBI has not banned Teaser loans but has put stricter regulations on them from 2011.

14.12 TYPES OF LOANS: BASED ON BORROWERS

Table 2: Type of Borrowers

 Prime Borrower	He has the capacity to repay loans.
 Subprime Borrower (Individual)	Such person doesn't have the capacity to repay loan. Giving teaser rate home loans to sub-prime borrowers was among the reasons for Sub-prime Crisis in USA (2007-08), which ultimately led to Global Financial Crisis (GFC). (More in Pillar#3).
 Overleveraged Borrower (Company)	Such company has borrowed too much money than its ability to pay it back. An Overleveraged company has high ratio of Debt (Bonds/loans) to Equity (Shares). वापस करने की क्षमता से भी अधिक कर्ज ले लिया है
 Zombie Lending	When a weak bank keeps giving new loans to a subprime / overleveraged borrower. कमज़ोर बैंक, कमज़ोर कर्जदार को लोन देता रहता है

Q Why is the offering of "teaser loans" by commercial banks a cause of economic concern? (Asked in UPSC-Pre-2011)

1. The teaser loans are considered to be an aspect of sub-prime lending and banks may be exposed to the risk of defaulters in future.
2. In India, the teaser loans are mostly given to inexperienced entrepreneurs to set up manufacturing or export units.

Answer Codes: (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 or 2

14.13 NON-PERFORMING ASSETS (अनर्जक परिसंपत्तिया)

14.13.1 NPA - NPA / TBS Problem: Three Stages of

1. Till mid-2000s: Boom period in global economy. Indian Corporates were taking large amount of loans & became overleveraged. (भुगतान की क्षमता से बढ़ा लोन लेना)



Loan Types



NPA/TBS Resolution



SARFAESI/I&B



PCR/LEI/Fugitive Eco. Offender



FRDI/ PARA/ PCA



PNB/IL&FS/PMC



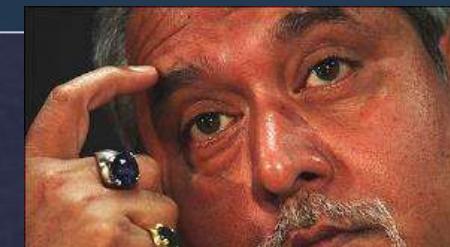
BASEL-III/EASE



RBI
Dividend/Sec7

ES2013-14: Twin Balance sheet (TBS) problem: Stage#1

दोहरे तुलन पत्र की चुनौती- चरण 1



- Till mid-2000s
- Boom in global economy

Loan Le Io Bhai
Loan..
Cheap loans,
Teaser Loans

Surge in
Borrowing



अर्थतंत्र में काफी तेजी थी
अमरीका लोग जमकर खरीदारी कर रहे थे
बैंकों को लगा ढेर सारा लोन देते हैं
उद्योगपति एयरपोर्ट बनाए
हाईवे बनाएं
फेक्टरी बनाए
ढेर सारा माल कमाए

Twin Balance sheet (TBS) problem: Stage#2



CWG, 2g, Coal: ministers and IAS will not take decisions fearing media & courts.
Delay in decision making..

- Till mid-2000s
- During Boom

Loan Le lo Bhai
Loan..Cheap
loans, Teaser
Loans



Surge in Borrowing

USA & EU economy down.
So tourism, airtravel, hotel,
IT-exports... ↓ 😞

Fall in Demand

- GFC, Scams,
Policy Paralysis-
environment
clearance



लेकिन फिर अमेरिका में मंदी आई^{*}
जिसके चलते भारत के निर्यात में कमी

--*-*-*-*

बहुत सारे कांड हुए
जिसके चलते मंत्री और अफसर निर्णय
लेने से डरने लगे
जिसके चलते बहुत सारे प्रोजेक्ट रुक गए
क्योंकि

- 👉 जमीन संपादन नहीं हो पाया
- 👉 पर्यावरण की अनुमति नहीं मिली
- 👉 खनन पर रोक लगा दी गई

Interest coverage ratio (IC)

Is ur company earning enough ₹₹ to repay interest of the loan? क्या आपकी कंपनी इतना पैसा कमा रही है कि कर्ज का ब्याज चुका सके?

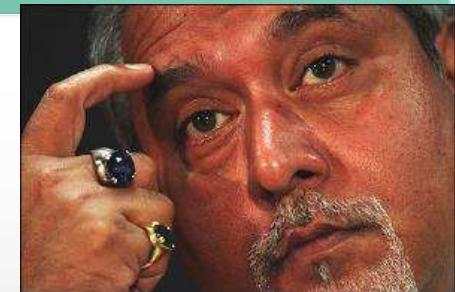


- $IC > 1$



- $IC < 1$ (or $IC \leq 1$)

- मतलब कि यह कंपनी डूबने वाली है.
- ब्याज चुकाने की जिसकी हैसियत नहीं हो तो सोचो वह कितने नुकसानी में चल रही होगी !



Twin Balance sheet (TBS) problem: Stage#3

अंततः सरकारी बैंकों की बैलेंस शीट भी कमजोर हो गई और बड़ी-बड़ी कंपनियों की बैलेंस शीट भी कमजोर हो गई



- Till mid-2000s
- During Boom

Loan Le lo Bhai
Loan..Cheap
loans, Teaser
Loans

Surge in
Borrowing

Fall in Demand

- GFC, Scams,
Policy Paralysis-
environment
clearance



USA & EU economy down.
So tourism, airtravel, hotel,
IT-exports... ↓ 😞

- ICICI cos= can't even repay interest

債務 servicing
Problem



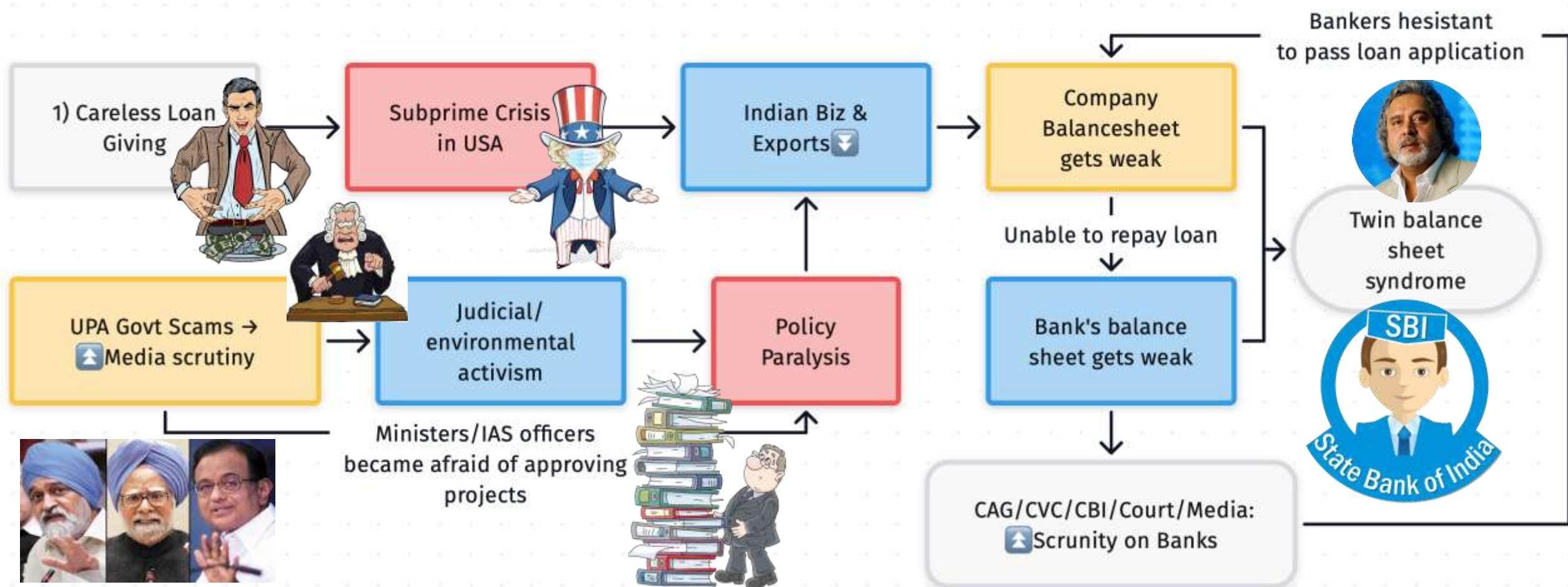
My corporate
company
balance sheet
is stressed 😞



हर भारतीय का बैंक

My Public Sector
Bank balance
sheet is also
stressed 😞

Bad Loan Problem → Twin Balance Sheet Syndrome



non performing asset (NPA)

loan for which the principal or interest payment remained overdue for more than 90 days.

JANUARY

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

FEBRUARY

S	M	T	W	T	F	S
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28				

MARCH

S	M	T	W	T	F	S
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
27	28	29	30	31		

APRIL

S	M	T	W	T	F	S
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

**if EMI due date
1st Jan-2023**



**2nd April
91st Day = NPA**

Classification of Bank's assets- बैंक की संपत्तियों का वर्गीकरण



अनर्जक परिसंपत्तियाँ

Std. Asset

NPA

Substd.

Doubtful

Loss

Borrower repaying loan on time.

नियमित रूप से कर्जदार अपनी किश्ते चुका रहा है

Classification of Bank's assets

अनर्जक परिसंपत्ति : किस्त चुकाने की अंतिम तारीख के ऊपर भी 90 दिन से ज्यादा हो गया



अनर्जक परिसंपत्तियाँ

Std. Asset

NPA

Substd.

Doubtful

Loss

- >90 Days:
Principal / Interest
overdue
- Agri: crop season

How is crop season counted?

Ans. notIMP

- From the due date of (loan installment) payment.
- If **>90 days passed**. Then
- Non-performing asset

Classification of Bank's assets



अनर्जक परिसंपत्तियाँ

Std. Asset

NPA

Substd.

Doubtful

Loss

- >90 Days: Principal / Interest overdue
- Agri: crop season

- NPA+12 months/>

- Substandard+12 months/>

- When RBI or Bank's Auditor says "Little /No salvage value"

Equity
Shares



Bonds
(Debt)



Deposits



Profit
or
Loss



- Assets
- CRR
- SLR

• Good Loans
Bad Loans (NPA)



- **total of all the NPA (Nirav, Vijay)**
- = **Gross NPA**





- total of all the NPA (Nirav, Vijay)
- = Gross NPA



minus Provisioning

= NET NPA

"Provisioning" = bank will be required to set aside some funds against NPA to cover losses.

यह सब खराब संपत्तियों का नुकसान भरपाई करने के लिए कुछ पैसा अलग से आरक्षित रखना होगा

**NOT
IMPORTANT**

Classification of Bank's assets

किश्त की आखिरी तारीख के 90 दिन बाद अगर हम आग बुझाने बैठे तो सही नहीं होगा। अग्रिम सूचना कैसे मिले?



How to find early symptoms of disease?

Before std. asset turns into NPA?

Ans. "Special Mention Accounts" (SMA)



Std. Asset

NPA

Substd.

Doubtful

Loss

अनर्जक परिसंपत्तियाँ

- >90 Days: Principal / Interest overdue
- Agri: crop season

- NPA+12 months/>

- Substandard+12 months/>

- When RBI or Bank's Auditor says "Little / No salvage value"

Classification of Bank's assets

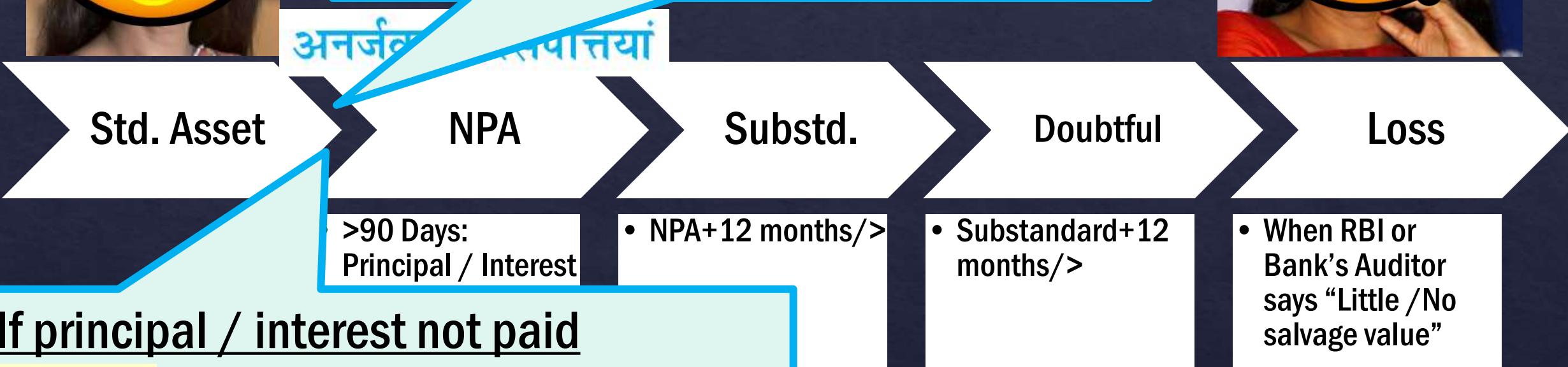
किश्त की आखिरी तारीख के 90 दिन बाद अगर हम आग बुझाने बैठे तो सही नहीं होगा। अग्रिम सूचना कैसे मिले?



How to find **early symptoms of disease?**

Before std. asset turns into NPA?

Ans. “Special Mention Accounts” (SMA)



If principal / interest not paid

SMA-0: 1-30 days from due date

SMA-1: 31-60 days

SMA-2: 61-90 days

non performing asset (NPA)

loan for which the principal or interest payment remained overdue for more than 90 days.

JANUARY						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

FEBRUARY						
S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28				

MARCH						
S	M	T	W	T	F	S
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13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

APRIL						
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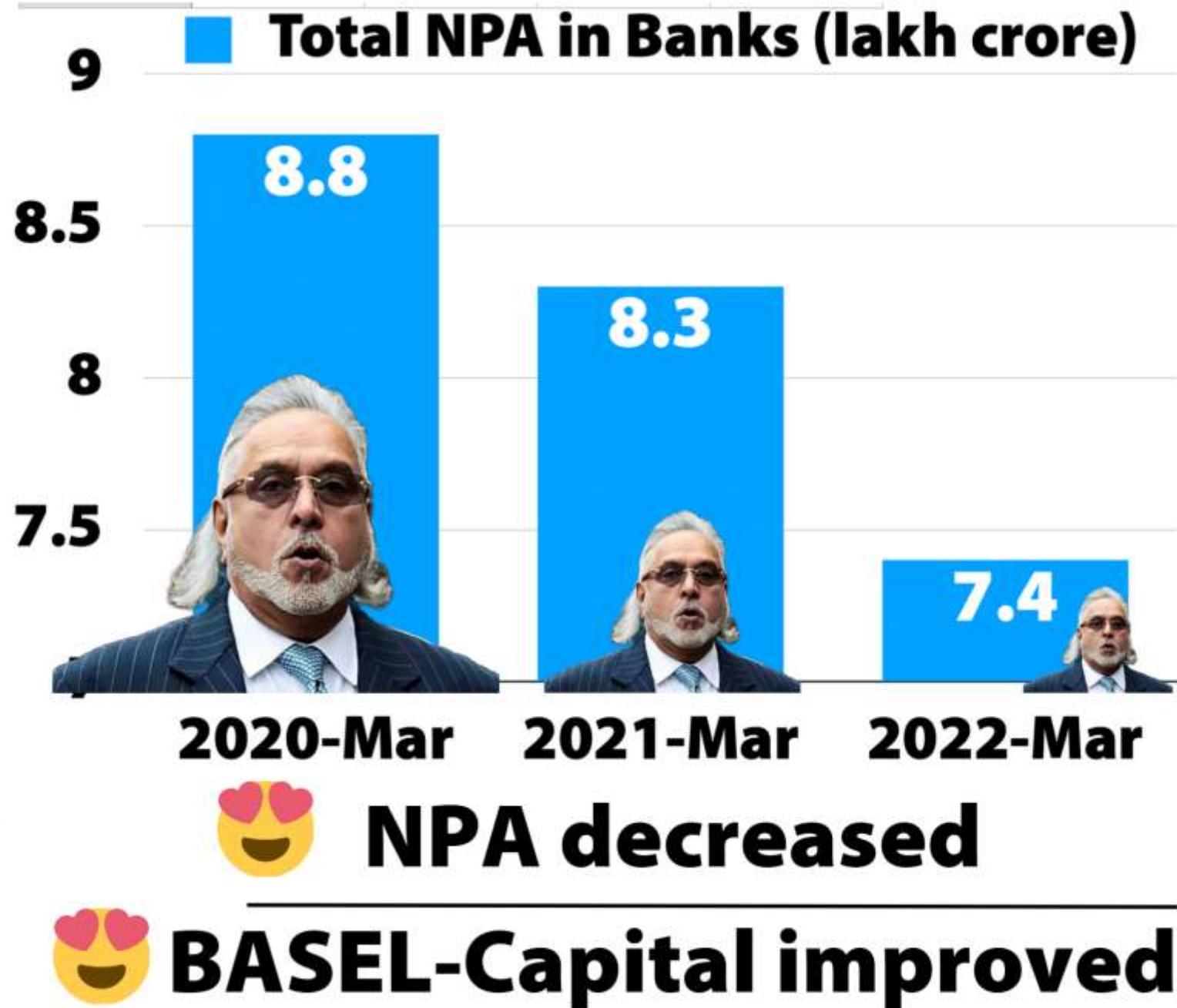
if EMI due date
1st Jan-2023

2nd April
91st Day = NPA





धी दूध की नदियां बह रही हैं
Indian Economy में
-Eco.Survey 2023



Loan restructuring: कर्ज का पुनर्गठन = कर्जदार यदि लोन चुकाने में असमर्थ हो तो
ब्याज में कटौती , अवधि में बढ़ोतरी करना 



Interest

15%

Tenure

**15
years**



Loan restructuring: कर्ज का पुनर्गठन = कर्जदार यदि लोन चुकाने में असमर्थ हो तो
ब्याज में कटौती , अवधि में बढ़ोतरी करना 



interest

15%



Tenure

15
years

Loan restructuring:



interest

12%



Tenure

 20
years

Misc. Terms: What is ‘haircut’? पूरी लोन नहीं चुका सकते तो कम से कम आंशिक रूप से लोन चुकाओ। बाकि नुकसान हम खुद भुगत लेंगे।

Asset (Outgoing)

CRR: 4

SLR: 18

Good loan: 58

Bad loan: 20

Liability (Incoming)

Time Deposits

Demand Deposits



- SBI: @Vijay Mallya pay us only Rs.15 out 20 pending bad loan.
- We’re willing to suffer “Rs.5” haircut.
- But this is one time-settlement (OTS) only.
- पूरी रकम एक बार में देनी होगी और दूसरी बार मौका नहीं देंगे

Misc. Topics: What is loan waiver क्रण माफी / कर्ज माफी



We'll pay his loan
(more in pillar4A)

किसान की एवज में सरकार
उसकी लोन चुकाये



~~Not repaying the loan~~



Asset (Outgoing)

CRR: 4

SLR: 18

Good loan: 58

Bad loan: 20

Liability (Incoming)

Time Deposits

Demand Deposits



Loan Write-Off: It's is an accounting exercise.

खराब लोन को बैंक से बैलेंस शीट से हटा दिया जाए ताकि बैंक को टैक्स में राहत मिले।



(Paid up)
Share
Capital



Bonds



Deposits



NET
Profit



Assets

Loan Write-Off:

- Loan deleted from asset side of balance sheet
- to tax liability of bank. (HOW? Not-here-for-CA-exam)
- Bank can still recover it via SARFAESI Act/IBC. बैंक उसके बाद भी चाहे तो कर्ज की वसूली कर सकता है

1. Std Asset
2. NPA Asset

Misc. Terms: Stressed Assets?

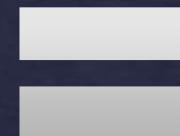
NPA



Restructured Loans



Loans Written Off



Stressed Assets

Unpaid >90 days
from due date.

Interest
Tenure

Mere accounting
exercise.

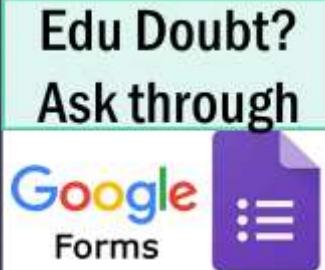


Pillars of Economy \Rightarrow 1b2: Bad loans & other burning issues

	<ul style="list-style-type: none"> Provisioning: As per RBI norms, banks must set aside funds to cover losses against their NPA. Such 'provisioning of funds' decreases the profitability of the Bank. <p>Gross NPA MINUS Provisioning = NET NPA. WHATITMEANSNOTIMP</p>
Substandard asset	When loan account remains in the NPA classification for 12 months/> ($\text{रुपये}/\text{चटिया परीमेपति}$)
Doubtful	When loan account in substandard classification for 12 months/>
Loss Asset	When a bank, its auditor or RBI declares that given doubtful asset has little / no salvageable value. ($\text{नीलामी करके भी नुकसान भरपार्द असंभव}$)
Loan write-off	When loan is written off from the 'asset-side' of the bank balance sheet, to save corporation tax (How? = we-are-not-here-for-CA-exam). Loan write-off doesn't waive bank's right to recover that bad loan, it's merely an accounting exercise for tax-benefits.
Restructured loan	When principal / interest rate / tenure of the loan is modified. Banks may do it when borrower facing difficulty in repaying loans.
Stressed Asset	NPA + Loans Written-Off + Restructured Loans = Stressed Assets (तनावपूर्ण संपत्ति)
OTS with Haircut	If bank allows the borrower to pay 60% of dues & forgoes 40% as loss, then bank has offered "Onetime Settlement (OTS) with 40% haircut" कर्व का कुछ हिस्सा बैंक लुढ़ ही नुकसानी समझकर मारक कर दे.
Evergreening of loans	When a borrower taking a new loan to pay off his old loan. पुराना कर्ज चुकाने के लिए नया कर्ज लिया

- 14.14 ATMANIRBHAR \rightarrow LOAN/EMI/NPA RELIEF / MORATORIUM
- \Rightarrow (ऋण अद्यायी पर रोक) IF a loan is outstanding as of THEN 2020-March: RBI allowed moratorium/suspension of loan repayment for 6 months for March, April, May, June, July, Aug.
- \Rightarrow This applies to: All commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, All-India Financial Institutions, and loan giving NBFCs (such as housing finance companies and micro-finance institutions)

2020 How loan moratorium/suspension works	
March	Suppose there is due date for monthly loan instalment but borrower opts for moratorium so he need not pay principal/interest.
April	Same as above
May	Same as above
June	Same as above
July	Same as above
Aug	Same as above
Sept	Due date for monthly loan instalment AND borrower needs to Pay.
Oct	Due date for monthly loan instalment AND borrower needs to Pay.
Nov	Due date for monthly loan instalment AND borrower needs to Pay.
Dec	<ul style="list-style-type: none"> \Rightarrow IF borrower stopped paying loan instalments since Sept's due date, then by this time it'll have crossed 90 days from due date. \Rightarrow And we know that Non-Performing Asset (NPA: अनर्जक परीमेपति)= if principal or interest unpaid for more than 90 days from due date.



Edu Doubt?
Ask through

Google Forms



Loan Types



NPA/TBS Resolution



SARFAESI/I&B



PCR/LEI/Fugitive Eco. Offender



FRDI/PARA/PCA



PNB/IL&FS/PMC



BASEL-III/EASE



RBI Dividend/Sec7

COVID-19 Ex-gratia payment on interest difference.

यानि की सरकार आपका कुछ ब्याज भरेगी

MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Principal	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12000
Interest	100	100	100	100	100	100	100	100	100	100	100	100	1200

- real life **EMI formula much complex**
- Above table is **simple illustration, & technically not correct.**
- But **we are here NOT for**
- **✋ bank manager exam**
- **✋ CSAT paper 2**



Real EMI calculation more complex BUT
we need not PHD / overcomplicate things here..basic idea required

Flat Interest Rate:

EMI = (Principal + Interest)/Period in Months

Reducing Balance Method:

EMI = $[P \times R \times (1+R)^N] / [(1+R)^N - 1]$

P = Principal Loan Amount is P, the

R = Rate of Interest (on a monthly basis)

N = Tenure of the loan (duration in months)

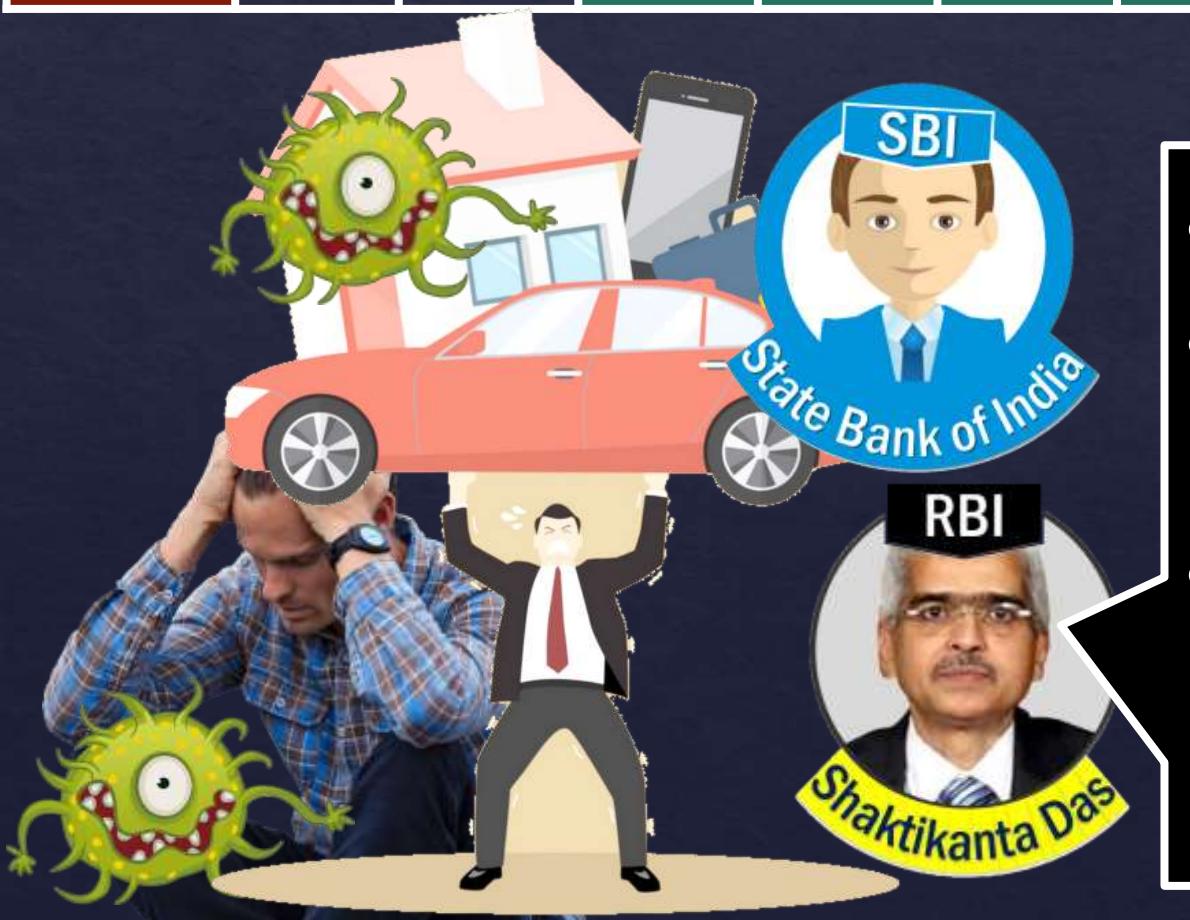
इस हिसाब से टेक्नीकली सही उदाहरण समजने में अपने को वक्त बर्बाद नहीं करना

 क्योंकि GS में आपको वो कोई पूछने वाला नहीं है # थोड़ा-पढ़ो-आगे-बढ़ो

Corona job loss → difficult to repay installment → RBI allows loan moratorium

रिजर्व बैंक ने कोरोना के दौरान 6 महीने तक किस्त नहीं चुका होगे तो भी चलेगा (रोक/मुक्ति)

MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Principal	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12000
Interest	100	100	100	100	100	100	100	100	100	100	100	100	1200



- if you can pay = well and good.
- if you cannot pay installment →
👉 don't worry →
- I'm allowing **moratorium** on loan payment for **6 months** for March to august 2020.

Corona job loss → difficult to repay installment → RBI allows loan moratorium

रिजर्व बैंक ने कोरोना के दौरान 6 महीने तक किस्त नहीं चुका होगे तो भी चलेगा (रोक/मुक्ति)

MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Principal	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12000
Interest	100	100	100	100	100	100	100	100	100	100	100	100	1200



- Temporary relief: eventually borrower need to repay this 6000 (Principal) + 600 (Interest)
- कर्जमाफी नहीं दी है. अस्थाई रूप से राहत दी है
- कभी ना कभी तो यह रकम भी आपने चुकानी तो पड़ेगी ही.

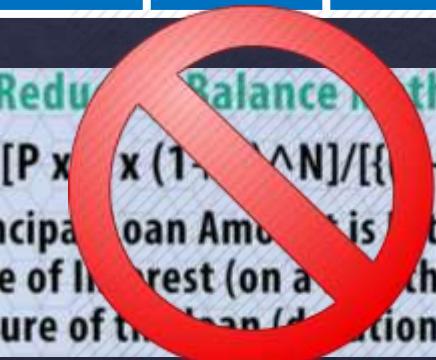
RBI loan moratorium: problem of 'interest on interest'

आपको अस्थायी राहत दी है। कर्ज माफी नहीं। इसलिए ब्याज के ऊपर ब्याज चढ़ते रहेगा

MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Principal	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12000
Interest	100	100	100	100	100	100	100	100	100	100	100	100	1200

If u opt for moratorium 6 months
₹6,000 principal unpaid
₹600 interest unpaid
=6600 unpaid

Reduced Balance Method:
 $EMI = [P \times R \times (1+R)^N] / [(1+R)^N - 1]$
P = Principal loan Amount (this is the amount you borrowed)
R = Rate of Interest (on a monthly basis)
N = Tenure of the loan (duration in months)



MONTH	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Principal	1000	1000	0	0	0	0	0	0	2500	2500	2500	2500	12000
Interest	100	100	0	0	0	0	0	0	250	250	250	250	1200

So in remaining months burden may .

Monday, November 16, 2020

Centre waives compound interest on loans up to Rs 2 crore: How will the cashback work?

Loan cash back scheme: A borrower with a Rs 50 lakh home loan outstanding, for example, will get a sum of around Rs 12,425 in the form of savings on accounts of compound interest for a six months period assuming the rate of interest at 8 per cent.



What is Covid Ex-Gratia Compound Interest Rate scheme ?

- Outdated for 2023.
- I've removed it from handout.
- Feel free to waste time going through earlier batches (PCB6) ke recorded video

'Interest on interest' waiver: What you

OCTOBER 30, 2020 12:52 IST

UPDATED: OCTOBER 30, 2020 13:08 IST



Burning Issues of Banking Sector



Loan Types



NPA/TBS Resolution



SARFAESI/I&B



PCR/LEI/Fugitive
Eco. Offender



FRDI/BadBank/PCA



PNB/IL&FS/PMC



BASEL-III/EASE



RBI Dividend/Sec7

Continued from IBC

If Audio Video stuck: control R; if queries: google form @top of chatbox.

AB
CD ? MCQ. Find Correct about credit rating agencies (CRA) in India?

1. They are regulated by the Reserve Bank of India. SEBI Regulates
2. The rating agency popularly known as ICRA is a public limited company.
3. Brickwork Ratings is an Indian credit rating agency.

Which of the statements given above are correct ?

- (a) 1 and 2 only (b) 2 and 3 only
(c) 1 and 3 only (d) 1, 2 and 3



Even if u did not know the BizGK about Statement2 and 3

U can tick.

100% Surety

50:50

E) Sk

Around 10 PYQs from what we studied last night.

But we'll not solve it today. reason

◆ 10 MCQ x 1 minute timer + 2 minutes

explanation = 30 minute

◆ = half hr in just PYQ. = NOT RAFTAAR. I need to cover more 'topics' in teaching.

◆ I'm shifting them to Wednesday Quiz.

◆ I'll only cherry pick 3 MCQs here in live class.

- ? RBI acts as a bankers' bank. What does it mean? (UPSC-Prelims-2021)
1) Other banks retain their deposits with the RBI.
2) The RBI lends funds to the commercial banks in times of need.
3) The RBI advises the commercial banks on monetary matters.

Answer codes: (a) 2 & 3 only (b) 1 and 2 only (c) 1 and 3 only (d) 1, 2 & 3

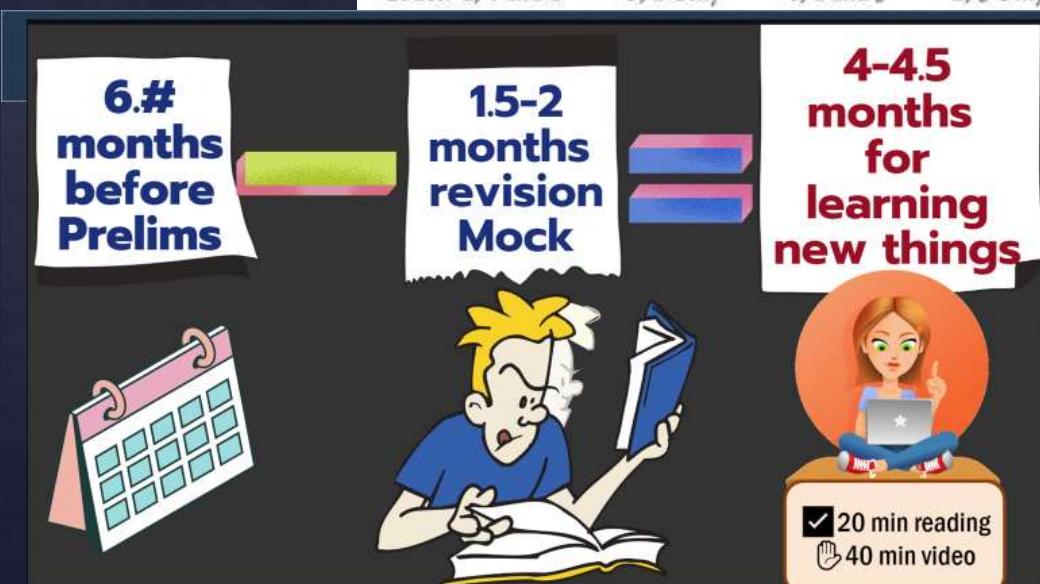
- ? RBI regulates the commercial banks in matters of (Asked in UPSC Prelims-2021)
1) Liquidity of assets 2) Branch expansion 3) Merger of banks

Answer Codes: (a) 1 & 4 only (b) 2, 3 & 4 only (c) 1, 2 & 3 only (d) 1, 2 & 4

- ? In India, the central bank's function as the 'lender of last resort' is (Prelims-2021)
अंतिम उपाय का क्राणदाता कहा जाता है इस शब्द का मतलब क्या है?

1. Lending to trade and industry bodies when they fail to borrow from other banks [कोई बैंक से कर्ज नहीं मिले तो केंद्रीय बैंक कर्ज देता है]
2. Providing liquidity to the banks having a temporary crisis. [अस्थाई समस्या के बैंकों को लिकिडिटी देता है]
3. Lending to governments to finance budgetary deficits [बजट चाटा पूरा करने के लिए सरकार को लिकिडिटी देता है]

Codes: a) 1 and 2 b) 2 Only c) 2 and 3 d) 3 Only



MCQ: Find correct Statement(s) about NBFCs in India

1. They cannot engage in the acquisition of securities issued by government. सरकारी प्रतिभूतियां नहीं खरीद सकते
2. They cannot accept demand deposits like savings account. बचत खाते की डिमांड डिपॉज़िट नहीं ले सकते

Answer Codes

- a) Only 1 b) Only 2
c) Both 1 and 2 d) Neither 1 nor 2 e) skip



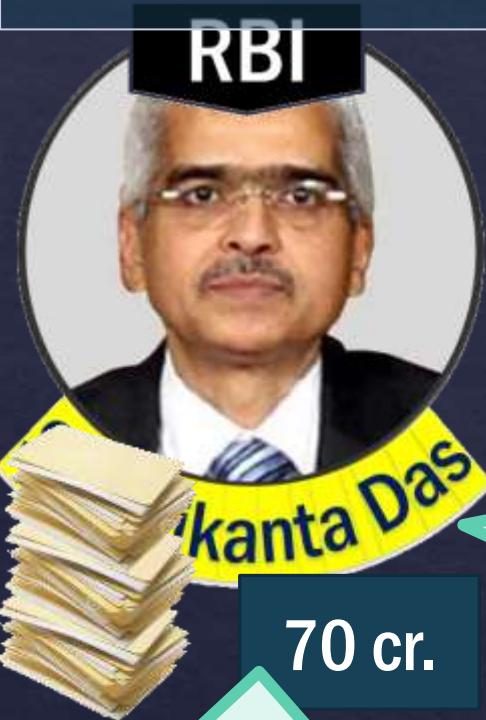
NBFC के बारे में सही वाक्य ढूँढिए

100% Surety

50:50

E) Skip

RBI: public debt manager: सरकार को कर्ज लेना है तो रिजर्व बैंक उसका व्यवस्थापन करती है- प्राथमिक विक्रेता उस खेल में मदद करते हैं



70 cr.

Unsold G-sec are bought by RBI.
If RBI doesn't have cash, it'll print new cash

Sold through
RBI's e-kuber
platform

10 cr.

Primary dealers & Banks will buy



20 cr.



G-Sec: 100 Cr. @8% for 1 year



Tax collection & income is always lower than cost of welfare programs. So have to borrow

MCQ: Find **correct** Statement(s) about NBFCs in India

1. They **cannot engage** in the acquisition of securities issued by government. **WRONG**
2. They cannot accept demand deposits like savings account. **Right**

Answer Codes

- a) Only 1
- b) Only 2
- c) Both 1 and 2
- d) Neither 1 nor 2
- e) skip



वह G-sec खरीद सकते हैं,
किंतु जनता से Demand
Deposits नहीं ले सकते

100% Surety

50:50

E) Skip

What is the importance of the term “Interest Coverage Ratio” of a firm in India?

1. It helps in understanding the present risk of a firm that a bank is going to give a loan to. वर्तमान जोखिम दिखाता है
2. It helps in evaluating the emerging risk of a firm that a bank is going to give a loan to. भविष्य का जोखिम दिखाता है
3. The higher a borrowing firm's level of Interest Coverage Ratio, the worse is its ability to service its debt. अनुपात ज्यादा होगा तो कर्ज नहीं चुका पाएगा

Answer Code:

- (a) 1 and 2 only (b) 2 only (c) 1 and 3 only (d) 1, 2 and 3



किसी एक व्यापारिक
इकाई के Interest
Coverage Ratio का
क्या महत्व है ?

100% Surety

50:50

E) Skip

Interest coverage ratio (IC)

Is ur company earning enough ₹₹ to repay interest of the loan? क्या आपकी कंपनी इतना पैसा कमा रही है कि कर्ज का ब्याज चुका सके?

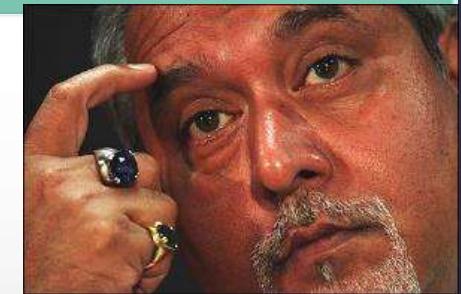


• IC>1



• IC<1 (or IC1)

- मतलब कि यह कंपनी डूबने वाली है.
- ब्याज चुकाने की जिसकी हैसियत नहीं हो तो सोचो वह कितने नुकसानी में चल रही होगी !

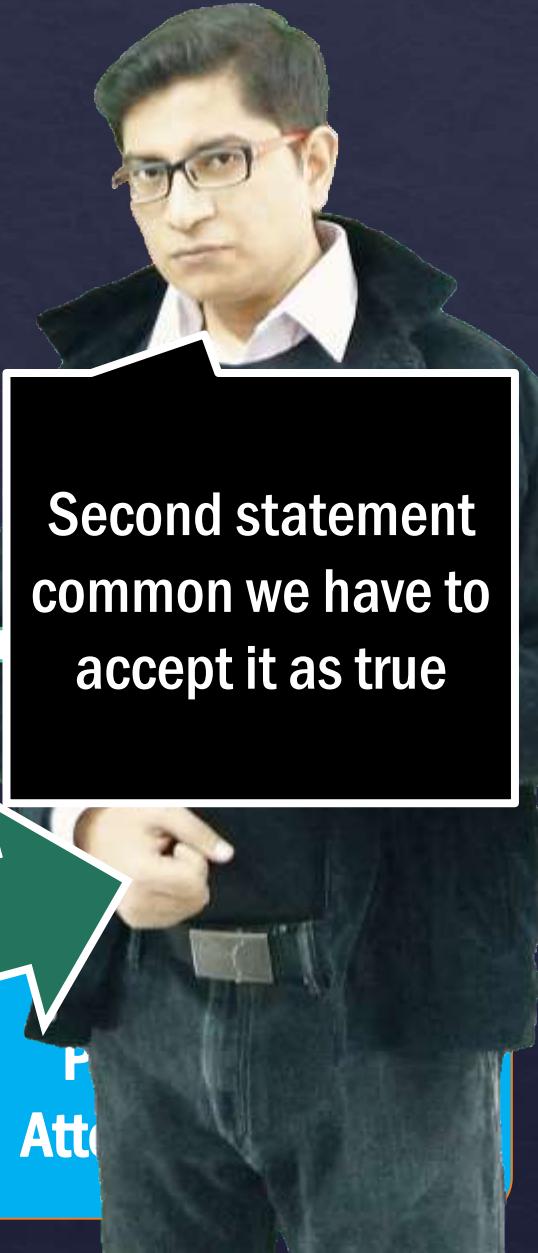


What is the importance of the term “Interest Coverage Ratio” of a firm in India?

1. It helps in understanding the present risk of a firm that a bank is going to give a loan to. वर्तमान जोखिम दिखाता है-
2. It helps in evaluating the emerging risk of a firm that a bank is going to give a loan to. भविष्य का जोखिम दिखाता है
3. The higher a borrowing firm's level of Interest Coverage Ratio, the worse is its ability to service its debt. अनुपात ज्यादा होगा तो कर्ज नहीं चुका पाएगा

Answer Code:

- (a) 1 and 2 only (b) 2 only
(c) 1 and 3 only (d) 1, 2 and 3



Second statement
common we have to
accept it as true



100% Surety

50:50



IC= stronger company

E) Skip

P
Atte

The official Hindi translations in UPSC are very cumbersome so better you solved mcq through the English translation

3. The higher a borrowing firm's level of Interest Coverage Ratio, the worse is its ability to service its debt.

इसलिए अंग्रेजी वाला वाक्य पढ़ लेना चाहिए। कम समय में पेपर खत्म कर पाएंगे 

3. उधार लेने वाली फर्म का ब्याज-व्याप्ति अनुपात जितना अधिक होगा, उसकी ऋण समाशोधन क्षमता उतनी ही खराब होगी

अनावश्यक रूप से कनिष्ठ किसी का हिदी प्रयोग होता है आदमी समझे कम, **confuse** ज्यादा हो जाए पेपर **solve** करने की आपकी **speed** को कम करता है

Interest coverage ratio (IC)

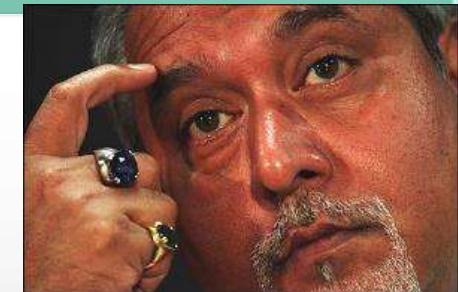
Is ur company earning enough ₹₹ to repay interest of the loan? क्या आपकी कंपनी इतना पैसा कमा रही है कि कर्ज का ब्याज चुका सके?



- $IC > 1$



- $IC < 1$ (or IC1)



- मतलब कि यह कंपनी डूबने वाली है.
- ब्याज चुकाने की जिसकी हैसियत नहीं हो तो सोचो वह कितने नुकसानी में चल रही होगी !

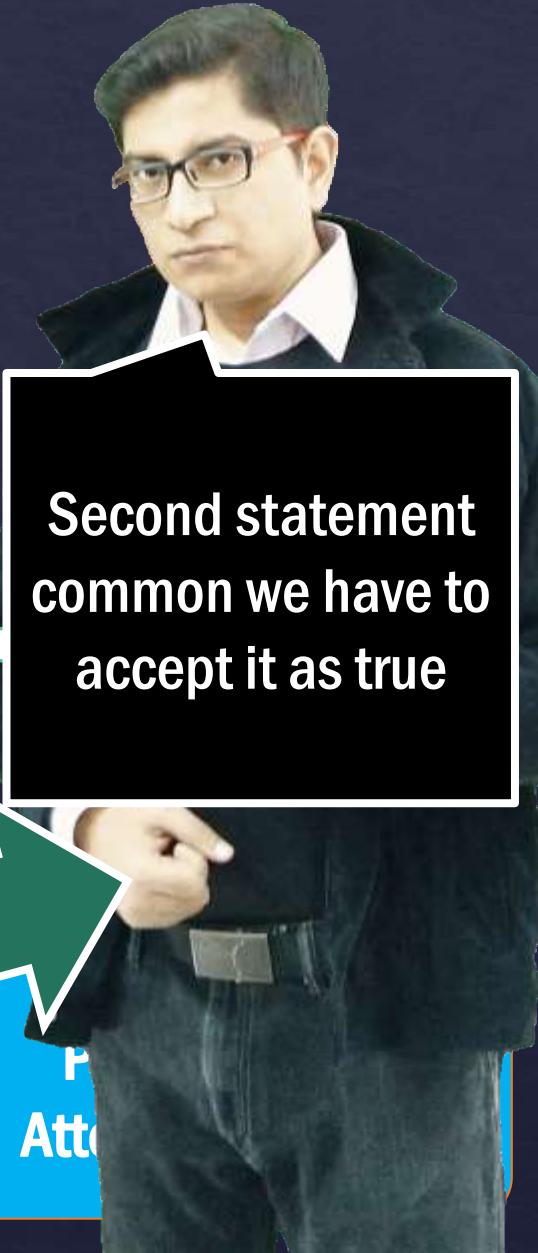
- **Present:** वर्तमान में भी जोखिम में है 😔
- **Future** भविष्य में भी जोखिम में ही रहेगी 😔

What is the importance of the term “Interest Coverage Ratio” of a firm in India?

1. It helps in understanding the present risk of a firm that a bank is going to give a loan to. वर्तमान जोखिम दिखाता है-
2. It helps in evaluating the emerging risk of a firm that a bank is going to give a loan to. भविष्य का जोखिम दिखाता है
3. The higher a borrowing firm's level of Interest Coverage Ratio, the worse is its ability to service its debt. अनुपात ज्यादा होगा तो कर्ज नहीं चुका पाएगा

Answer Code:

- (a) 1 and 2 only (b) 2 only
(c) 1 and 3 only (d) 1, 2 and 3



Second statement
common we have to
accept it as true



100% Surety

50:50



IC= stronger company
E) Skip

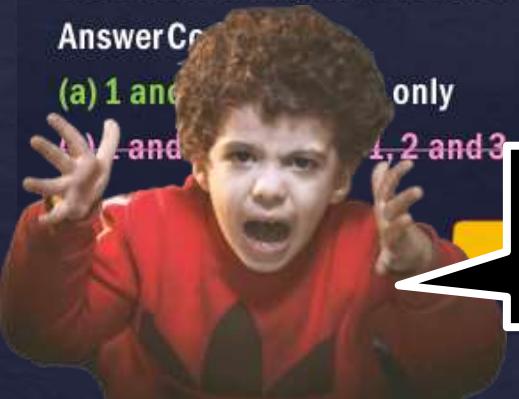
P
Atte

What is the importance of the term “Interest Coverage Ratio” of a firm in India?

1. It helps in understanding the present risk of a firm that a bank is going to give a loan to. वर्तमान जोखिम दिखाता है-
2. It helps in evaluating the emerging risk of a firm that a bank is going to give a loan to. भविष्य का जाखिम दिखाता है
3. The higher a borrowing firm's level of Interest Coverage Ratio, the worse is its ability to service its debt. अनुपात ज्यादा होगा तो कर्ज नहीं चुका पाएगा

Answer C

- (a) 1 and 2 only
(b) 1 and 3 only
(c) 1, 2 and 3



I disagree the answer should be “X”



Official
Answerkey
says “A”.



Asked in UPSC-Pre-2011

MCQ. Why is the offering of "teaser loans" by commercial banks a cause of economic concern?

1. The teaser loans are considered to be an aspect of sub-prime lending and banks may be exposed to the risk of defaulters in future. कर्जदार पैसा वापस नहीं करने का जोखिम बढ़ता है
 2. In India, the teaser loans are mostly given to inexperienced entrepreneurs to set up manufacturing or export units. ज्यादातर उत्पादन और निर्यात क्षेत्र के उद्यमी को ऐसे लोन दिए जाते हैं

Answer Codes:



टीजर लोन को क्यों
चिता की नजर से देखा
जाता है?

100% Surety

50:50

E) Skip

P
Atte

Question from a student in previous batch

**SPECIAL
DEAL**

Limited time offer!

Teaser Loan

- A type of floating interest rate loan, where initial years: low interest, but afterwards- higher interest rate.

E.g. 5% for 1st three years then 15%

Why would person borrow at teaser loan!!!? When he knows the interest will  after some years and he'll suffer! अगर कर्जदार को पता है कि ब्याज दर भविष्य में बढ़ेगा तो वह लोन क्यों लेगा?

- ◆ Bcoz he may be thinking his biz/salary will increase afterwards. OR शायद उसको लगता हो आमदनी बढ़ेगी
- ◆ He may be so desperate to get the loan for present requirement. मरता क्या न करता? डूबते को तिनके का सहारा



MCQ. Why is the offering of "teaser loans" by commercial banks a cause of economic concern? (Asked in UPSC-Pre-2011)

1. The teaser loans are considered to be an aspect of sub-prime lending and banks may be exposed to the **risk of defaulters** in future.
2. In India, the teaser loans are **mostly given to inexperienced entrepreneurs** to set up manufacturing or **export units**.

Answer Codes:

- (a) **1 only** (b) **2 only**
~~(c) Both 1 and 2~~ (d) **Neither 1 or 2**



Teaser loans- mostly associated with consumers, home, car, personal loans. यह सामान्य उपभोक्ताओं को आकर्षित करने के लिए उद्योगपति तो समझदार होते हैं वह यह लफड़े में नहीं पड़ते

100% Surety

50:50

Twin Balance sheet (TBS) problem: Stage#3

अंततः सरकारी बैंकों की बैलेंस शीट भी कमजोर हो गई और बड़ी-बड़ी कंपनियों की बैलेंस शीट भी कमजोर हो गई



- Till mid-2000s
- During Boom

Loan Le lo Bhai
Loan..Cheap
loans, Teaser
Loans

Surge in
Borrowing

Fall in Demand

- GFC, Scams,
Policy Paralysis-
environment
clearance



USA & EU economy down.
So tourism, airtravel, hotel,
IT-exports... ↓ 😞

- ICICI cos= can't even repay interest

債務 servicing
Problem



My corporate
company
balance sheet
is stressed 😞



हर भारतीय का बैंक

My Public Sector
Bank balance
sheet is also
stressed 😞

RBI “3R” Framework to solve NPA problem (2015-19)

RECTIFICATION:



RESTRUCTURING:



RECOVERY



DELETING THIS For RAFTAAR....



Loan restructuring: कर्ज का पुनर्गठन = कर्जदार यदि लोन चुकाने में असमर्थ हो तो
ब्याज में कटौती , अवधि में बढ़ोतरी करना 



interest

15%



Tenure

15
years

Loan restructuring:



interest

12%



Tenure

 20
years

RBI's KV Kamath Report Resolution Framework for Covid19-related Stress

- ◆ 2020: RBI had setup this Committee
- ◆ to look into loan restructuring
- ◆ for large companies hit by Corona pandemic.
- ◆ KV Kamath identified 26 vulnerable sectors
- ◆ gave various technical guidelines
- ◆ ⚡ But as such not enough MCQ worthy stuff.

कोरोनावायरस → बड़ी कंपनियां
कर्जा वापस नहीं कर पा रही
उनके लोन का पुनर्गठन कैसे करें
बताइए?



हाँ मैं आपको बताता हूं किन्तु यूपीएससी में पूछा जा सके ऐसा कोई जोरदार उपाय नहीं है
👉 भले चाहे Youtubers/CA-PDF-wale 25 page ki summary बना दे

Burning Issues of Banking Sector: continued



Loan Types



✓ NPA/TBS Resolution



SARFAESI/IBC



PCR/LEI/Fugitive
Eco. Offender



FRDI/BadBank/PCA



PNB/IL&FS/PMC



BASEL-III/EASE



RBI Dividend/Sec7

SARFAESI Act: WHY?

एक जमाने में बैंकों के लिए कर्जा वसूलना बहुत मुश्किल था



Debt Recovery
tribunal '93



Narsimhan-I
1991

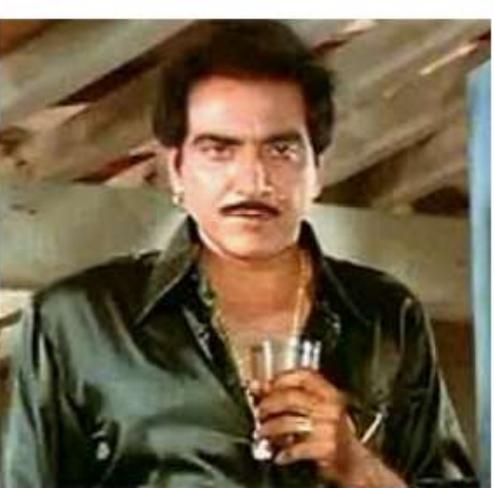


भारतीय स्टेट बैंक
State Bank of India
हर भारतीय का बैंक
THE BANKER TO EVERY INDIAN

70s-80s: Took loans, won't repay, lengthy legal process, political backing.

- हम क्यों लोन वापस करेंगे?
- हम नहीं करेंगे!
- कोर्ट कचेरी तो हमारा रोज का आना जाना है!
- और सरकार हमारी जेब में है

SARFAESI Act: WHY? बिना कोर्ट की अनुमति के संपत्ति को जप्त और नीलाम करने का पावर



- To strengthen DRTs
- Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act (**full form for bank exams**)

Debt Recovery
tribunal '93



Narsimham-I
1991

Sarfaesi'02



Narsimham-II
1997-1998

SARFAESI Act'02 Recovery

- Not agriculture loans
- Secured / mortgage loans.

जिसमें आपने कुछ गिरवी रखा है

- Attach assets **without court order** बिना कोर्ट की अनुमति के

Lender can:

Auction/sale

Change board
of directors



लेनदार बिना कोर्ट अनुमति के जप्ति
और नीलामी...

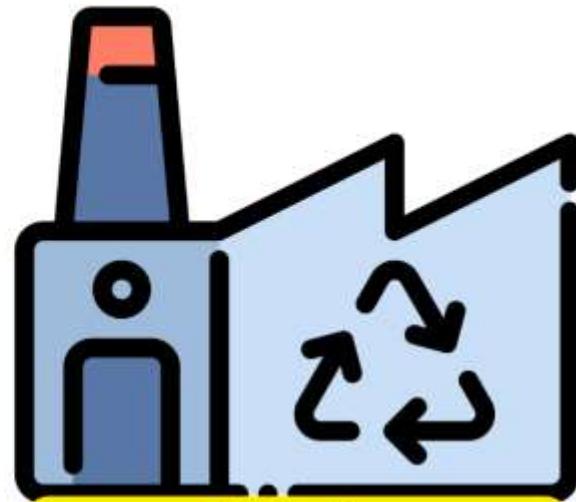


RS.5



**kabaadi-walla
collecting from your home**

RS.8



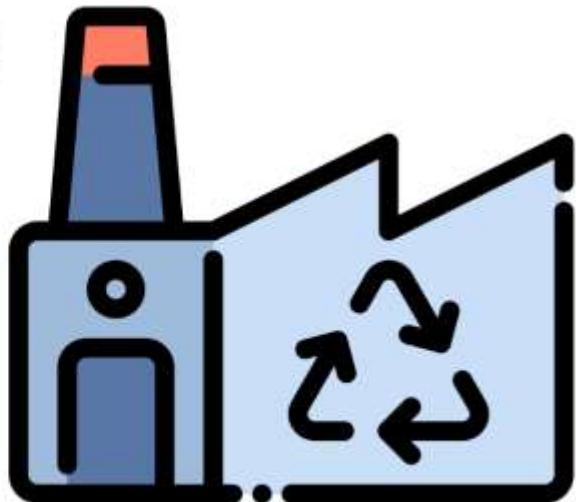
**recycling factory
25 kms away**

why don't u sell newspaper directly to recycling factory?

Ans. Transport will be expensive



RS.8



SARFAESI Act'02 Recovery

2) Banks may sell to me, when they can't find buyers directly in auctions

बैंक ने संपत्तियों को जप्त किया नीलाम करने की कोशिश करते हैं लेकिन अच्छे दाम मिल नहीं रहे तो वह चीजें मुझे कबाड़ी में बेच सकते हैं



1) Banks can even sell such assets to Asset Reconstruction Companies (NBFC).



FAQ Question in previous batch

❖ Why would ARC company buy bad loan assets !!???

❖ Ans.

❖ Why would kabaddi-walla buy used newspapers and broken plastic buckets from you? → so, he can sell to recycler and make profit.

❖ Every consumer don't have time and resources to approach the recycler on his own.

❖ आप पुराने अखबार रही वाले को क्यों बेचते हैं? सीधा जाकर रीसाइकिलिंग कंपनी में क्यों नहीं बेच देते?



SARFAESI: Who is the lender? कौन यह जप्ती और नीलामी कर सकता है?

1. All types of Banks
2. Housing Finance Companies (HFCs)
3. if an NBFC fulfills two conditions
 - ✓ 1) The NBFC having asset size of ₹100 cr or more, AND
 - ✓ 2) loan given is at least ₹20 lakhs.
 - ✓ For example Bajaj Finserv, Reliance Capital, Muthoot Finance, IL&FS.



SARFAESI Act'02 Recovery-

हम तो नीलामी करेगा
कोर्ट कचहरी से नहीं डरेगा

How can I stop this auction?

नीलामी रुकवाऊँ तो कैसे? 😠 😠



👉 Fee exact figures not important but the motive- that fees discourage frivolous appeals.



goto



Then go to

- Borrower can get stay order from **Debt Recovery Tribunal (DRT)**.
- But Fee: ₹12k to ₹1.5L

- Borrower can file further appeal to **Debt Recovery Appellate tribunal (DRAT)**
- But must deposit 50% of loan dues first

Suppose hotel in a faraway location- किसी दूरदराज के इलाके में कोई होटल हो-
नीलामी करने पर भी कोई निवेशक मिलना मुश्किल 😞



Pending loans 10cr

- 1) SARFAESI auction
- 😞 May be no bidder offers good price. ₹5 cr may be recovered.
- 😞 + jobloss for hotel staff

Suppose hotel in a faraway location- किसी दूरदराज के इलाके में कोई होटल हो- नीलामी करने पर भी कोई निवेशक मिलना मुश्किल 😞



Pending loans 10cr

- 1) SARFAESI auction
- 😞 May be no bidder offers good price. ₹5 cr may be recovered.
- 😞 + jobloss for hotel staff



Interest

10%

8% 🔻

Tenure

12 years

15 🔺

- 2) But what if they engaged in 'arbitration' (मांडवाली/ मध्यस्थता)
- Repay ₹8 cr. @lower interest rate and higher tenure. I'll also find you a biz.partner
- 🎉 = no jobloss for staff.

Problems in SARFESI Act??

- ◆ SARFAESI : Liquidation/ auction of the company = jobloss for workers.
- ◆ In some businesses- auction may not yield best return or may not find suitable buyers. So,
- ◆ “Restructuring” is more optimal but ✌ SARFAESI act doesn’t allow it.
- ◆ DRT, DRAT understaffed, so recovery time-consuming. Erosion of asset value (plant-machinery-aeroplane) [~1 lakh cases pending]
- ◆ So, govt enacted law named, I&B Code 2016



अगर यह करते तो बेहतर होता

Interest	Tenure
10%	12 years
8%	15



Burning Issues of Banking Sector



Loan Types



NPA/TBS Resolution



SARFAESI/I&B



PCR/LEI/Fugitive
Eco. Offender



FRDI/BadBank/PCA



PNB/IL&FS/PMC



BASEL-III/EASE



RBI Dividend/Sec7

Continued from IBC

If Audio Video stuck: control R; if queries: google form @top of chatbox.

3) lenders approach National Company Law tribunal → IP appointed

- 1) individual / partnership firm / company
- 2) not able to repay business loan of ₹1cr / >

4) Insolvency Professional (IP)



Insolvency and Bankruptcy Code 2016
शोधन अक्षमता और दिवालियापन संहिता क्या है

lenders approach National Company Law tribunal → IP appointed

individual / partnership
firm / company not able to
repay business loan of
₹"X" / >

Insolvency Professional (IP)



1) IP makes resolution plan
in "Y" days.



- Lenders forgive a part of loan / **haircut**
- ↓ interest rate: 12% → 10%
- ↑ repayment tenure: 8 years → 10 years.
- **Get New Investor** → partial change of ownership company etc...

Voting power in I&B Code 2016?

Insolvency Professional (IP)

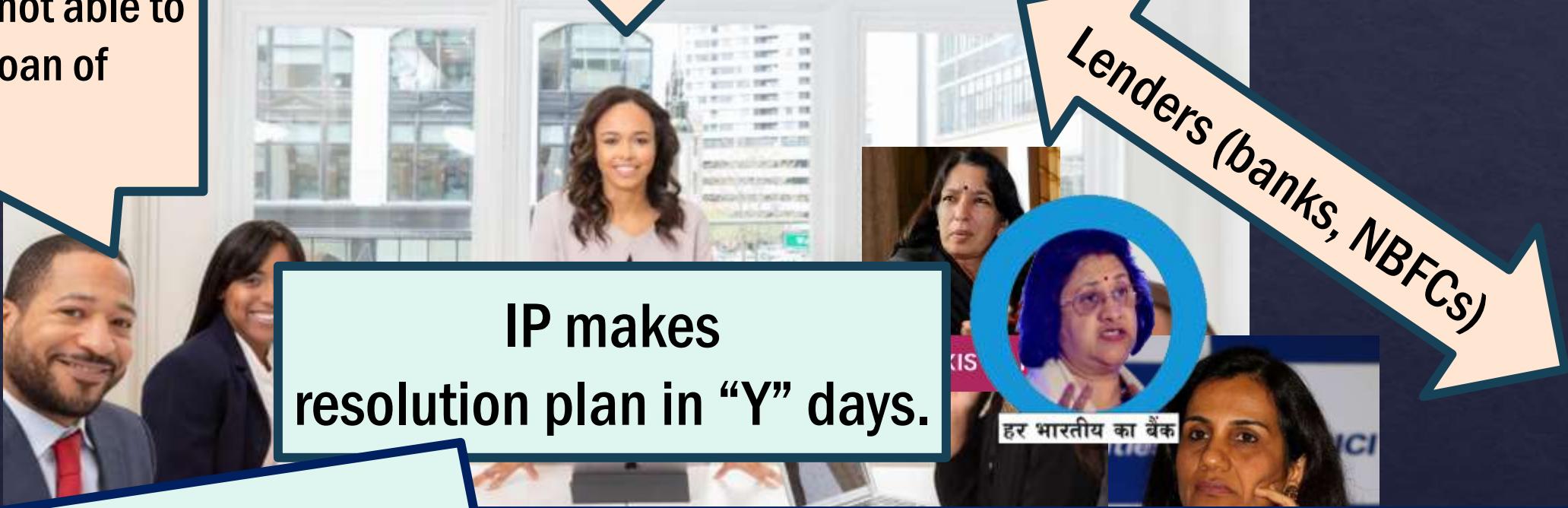


lenders approach National Company Law tribunal->IP appointed

अगर बहुमति ने इस प्रस्ताव को नामंजूर किया तो फिर संपत्तियों की नीलामी होगी

individual / partnership
firm / company not able to
repay business loan of
“₹X” / >

Insolvency Professional (IP)



If resolution plan not accepted by majority of lenders then IP will auction/liquidate the assets.

(Lender's Voting power depends on how much ₹₹ he loaned?)

Appeal structure in I&B Code 2016?

NCLAT

DRT under
SARFAESI Act

Insolvency Professional (IP)

If borrower is
company

Individuals and
partnership firms

I&B code: Appeal structure



3) But I want to get stop this auction!

मुझे यह नीलामी रुकवानी है ⚡ 😞

Who is not eligible for I&B resolution process?

इन लोगों के साथ कोई समझौता नहीं होगा → उनकी तो संपत्ति जप्त और नीलाम होगी



Insolvency Professional (IP)



Lenders (banks, NBFCs)

SBI finally tags Vijay Mallya 'wilful defaulter, dragging feet. We need special courts to fix cro...
Dinesh Unnikrishnan Nov 23, 2015 12:46:47 IST

1. **Wilful defaulters:** Has capacity to repay, but not repaying the loan
2. **Borrower's account is in NPA** over a year, and no capacity to repay.
3. **Connected persons / partners / companies with 1 or 2.**

For them SARFAESI Act → direct attachment / auction only.

Moral outrage is not required, mitron!

❖ When we have I&B code then why do we have SARFAESI Act!!!?

❖ Because their motives are different:

❖ wilful defaulters, incapable defaulters not eligible for I&B resolution.

❖ Non-Biz loans not eligible in IBC. For them SARFAESI

❖ If your suggestion is to ‘merge’ both acts into one, then send it to your MP/ PM. अगर आपको ऐतराज है तो प्रधानमंत्री को कहिए कानूनों को मिला दे

❖ Until that happens- remember the things given in Handout for MCQs.



यह दो कानून अलग
अलग कैसे हैं?
इनको मिला क्यों नहीं
देते?

Burning Issues of Banking Sector



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BASEL-III/EASE



RBI Dividend/Sec7

Continued from IBC

If Audio Video stuck: control R; if queries: google form @top of chatbox.

IBC Steps





Type of Creditors / lenders under IBC Code 2016

Financial creditors (FC)

- Banks, NBFC, bond holders
- Home buyers (मकान खरीदने के लिए बिल्डर को एडवांस पैसा दिया है)



Operational creditors (OC)

- Suppliers, contractors, employees etc.
- to whom company owes money
- कंपनी ने जिनको बकाया पैसा नहीं दिया



	<u>Financial creditors</u> (FC)	<u>Operational creditors</u> (OC)
 can complaint to NCLT?	YES 	Yes 
 can sit in the Committee of creditors (CoC)	YES	NO*



**Lender/
Creditor**



**complaint
to NCLT**



**Committee of
Creditors formed**



**loan restructure/
liquidation**

	can complaint to NCLT?	Financial creditors (FC) YES	
	can sit in the Committee of creditors (CoC)	YES	



**Lender/
Creditor**



**complaint
to NCLT**



**Committee of
Creditors formed**



**loan restructure/
liquidation**

	<u>Financial creditors</u> (FC)	<u>Operational creditors</u> (OC)
 can complaint to NCLT?	YES 	Yes 
 can sit in the Committee of creditors (CoC)	YES	NO*



ATMANIRBHAR → Insolvency Bankruptcy Code suspended till Mar-2021

👉 इस कानून में कोई नया केस नहीं लिया जाएगा, मार्च 2021 तक

एक तो धंधा ठप है और ऊपर से नीलामी
हो गई तो हम क्या करेंगे? 😱

इस कानून को थोड़े वकत
के लिए रोक देते हैं



IP makes resolution plan.
If lender reject → liquidation

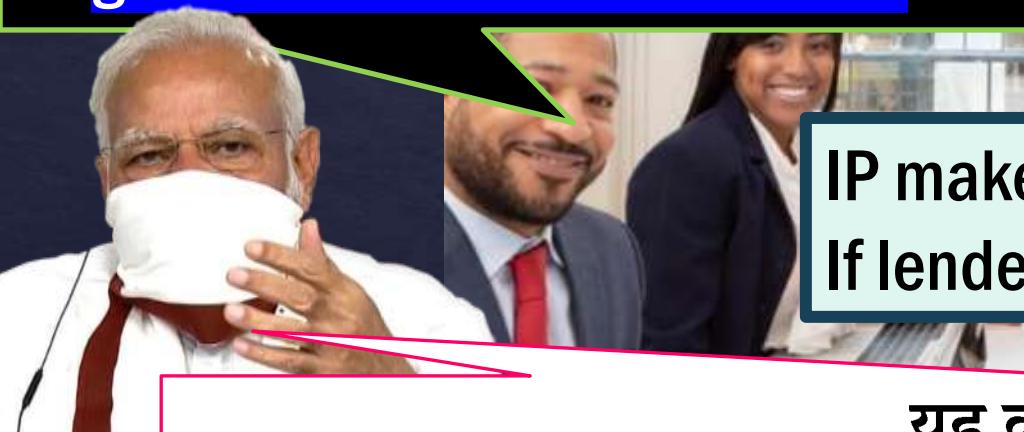


ATMANIRBHAR → IBC ordinance 2020 → No new cases
will be registered till March 2021

ATMANIRBHAR → Insolvency Bankruptcy Code Reforms

Minimum loan amt to register case

- 😢 BEFORE: ₹1 lakh or MORE
- 🎯 AFTER: ₹1 cr. (So even after suspension lifted, small bizmen sparred). MORE in 1D: govt loan guarantee schemes for MSME



IP makes resolution plan.
If lender reject → liquidation



यह कानून वापस शुरू भी होगा

👉 तो small biz loan के के खिलाफ फरियाद सुनी नहीं जाएगी।

☑️ small biz loan के पुनर्गठन के लिए सरकार की अलग योजनाएं होंगी।

Pillar1-B-2: Burning Issues of Banking Sector

PrePack

IBBI

Project Sashakt

Crossborder

ES Obs-

Voluntary Liquidation

Regulatory Forbearance



Types of loans and borrowers



NPA/TBS Resolution



SARFAESI/I&B



PCR/LEI/Fugitive Eco. Offender

Audio/Video Problem?



CTRL

R

Edu Doubt?
Ask through

Google Forms



FRDI/BadBank/PCA



PNB/IL&FS/PMC



BASEL-III/EASE



RBI Dividend/Sec7

Statutory: INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (IBBI)

Chairman:

- Term 5 years / 65 age whichever earlier;
reappointment yes



Members:

- 9 from RBI & Govt.

Administrative work

- Ministry of corporate affairs (MCA)

यह IBC कानून को लागू करने के
लिए
उसकी देखरेख के लिए
कोई वैधानिक संस्था है कि नहीं?

Functions : INSOLVENCY AND BANKRUPTCY BOARD OF INDIA

यह संस्था काम क्या करती है

1. Monitoring and guidelines to implement this code in practical manner. Awareness generation
2. Select IPA
3. Select IU



अगर विजय माल्या की कंपनी की
नीलामी में उसका बेटा ही बड़ी बोली
लगाकर खरीद लेगा
लेकिन पैसा चुकाए का नहीं तो
हमारा केस अनसुलझा रह जाएगा

IBBI selects the INSOLVENCY PROFESSIONAL AGENCIES (IPAs)

IP की तालीम, परीक्षा और पंजीकरण के लिए संस्थाएं चुनेगा

1) IBBI selects IPA



2) Look after the Training ,
Exam, Registration

IPAs in India

Institute of
Chartered
Accountants
of India

Institute of
Company
Secretaries of
India

Institute of
Cost
Accountants
of India

3) Insolvency Professional (IP)
> 3000 such people now



IBBI → selects Information utility (IU)

सभी लेनदार ने पूरा डाटा इस संस्था में देना होगा

1. IBBI has selected NeSL company selected as IU.

2. Compulsory for lenders to share data with IU.

3. IU stores financial data related to borrowings, default and collateral securities

4. Lenders can make informed decisions. ताकि नए बैंक को पता चले कि विजय माल्या का पुराने बैंक में पहले से कितना कर्जा है बाकी है

5. helps to establish defaults and verify claims expeditiously, @Liquidation, @NCLT, DRT. दस्तावेज़/सबूत पेश करने में मदद हो



Pillar1-B-2: Burning Issues of Banking Sector

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Types of loans and borrowers



NPA/TBS Resolution



SARFAESI/I&B



PCR/LEI/Fugitive Eco. Offender

Audio/Video Problem?



CTRL

R

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FRDI/BadBank/PCA



PNB/IL&FS/PMC



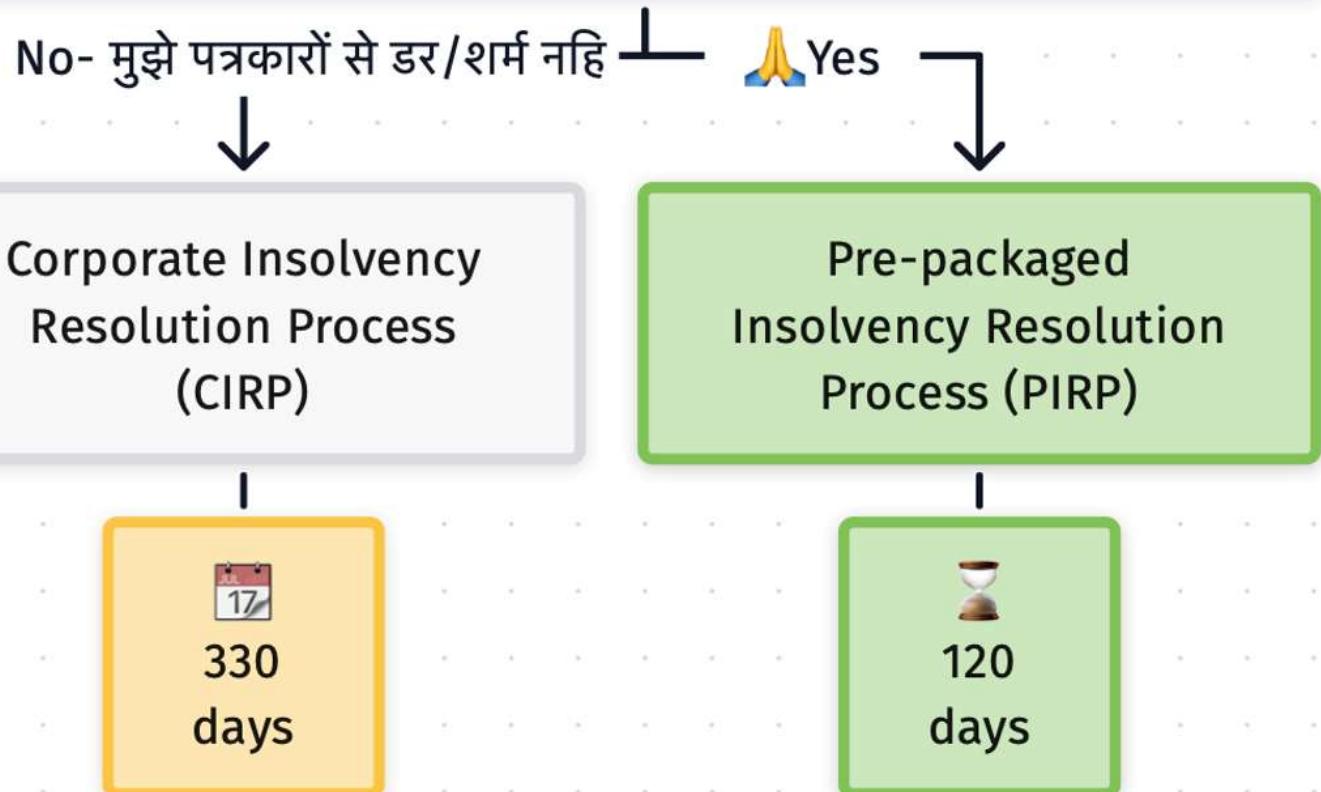
BASEL-III/EASE



RBI Dividend/Sec7

What is IBC Prepack?

Does MSME-Businessman settle IBC case quickly behind curtains, outside media limelight?
(क्या लघु उद्योगपति को चुप चाप और तेज़ी से केस खत्म करना है)



मेरा केस अखबार की सुर्खियों में नहि आना चाहिए। चलो, चुपचाप पर्दे के पीछे समझौता करते है





**Lender/
Creditor**



**complaint
to NCLT**



**Committee of
Creditors formed**



**loan restructure/
liquidation**



timeline to finish case = 330 Days

ELSE liquidation

Known as Corporate Insolvency Resolution Process (CIRP)



I'll not buy this company's fridge, IF I fear company will shutdown, then who'll honor Warrenty?



- once the matter is formally taken up in NCLT
- 😢 too much media coverage= 😢 bad publicity for the company, brand image 🔕
- 😢 Future clients /customers 🔕
- एक बार औपचारिक रूप से फरियाद हो गई तो पलकार हुंगामा मचा देते हैं और बहुत ही फजीहत होती है



- **Pre-packaging = Borrower company informally (discreetly) negotiates a resolution plan with its lenders / buyer-parties**
- before approaching IBC/NCLT process.
- (प्री पैकिंग = विधिवत रूप से कोर्ट/कानूनी प्रक्रिया शुरू होने से पहले ही अनौपचारिक रूप से कर्जदार कंपनी अपने कर्जदाता तथा भविष्य की नीलामी में रुचि रखने वाले खरीदारों से पट्टे के पीछे/बंदू ढरवाजे में चुपचाप समझौता कर कर ले.)

Corporate Insolvency Resolution Process (CIRP)



Timelimit to finish the case = 330 days.

कर्जदार बैंकरों को कहेगा कि कृप्या सीधा कोर्ट में शिकायत मत करो
चाय पे मिलते हैं. मैं कुछ नए निवेशक लेकर आता हूँ
और हम अनौपचारिक रूप से समझौता कर लेते हैं

Pre-packaged Insolvency Resolution Process (PIRP)

- @SBI, plz don't directly complaint to NCLT. 😢 🔍
- Let's meet informally 😢 🔍
- Here is my new partner Mahindra.
- We'll revive Biz & return 80% loan



Corporate Insolvency Resolution Process (CIRP)



Timelimit to finish the case = 330 days.

Pre-packaged Insolvency Resolution Process (PIRP)

- 1) @SBI, plz don't directly complaint to NCLT. 😞 🚨
- Let's meet informally 😞 🚨
- Here is my new partner Mahindra.
- We'll revive Biz & return 100% loan after 10 years



Borrower

- 2) Ok we approve this. ठीक है मंजूर
- SBI sends letter to NCLT abt this resolution.
- Matter to be over in 120 Days

Prepack → Swiss Challenge if 100% loan repayment not offered

मान लीजिए इस प्रक्रिया में कर्जदार अनिल अंबानी 100% रकम वापस नहीं कर रहा तो चुनौती

- 1) @SBI, plz don't directly complaint to NCLT. 😞 🚫
- Let's meet informally 😞 🚫
- Here is my new partner Mahindra.
- We'll revive Biz & return 80% loan after 10 years



Borrower

- 3) @Anil. Match the offer. Repay 95% else company goes to Mukesh

Challengers



Prepack → Swiss Challenge if 100% loan repayment not offered

- 1) @SBI, plz don't directly complaint to NCLT. 😞 🚨
- Let's meet informally 😞 🚨
- Here is my new partner Mahindra.
- We'll revive Biz & return 80% loan after 10 years



- 3) @Anil. Match the offer. Repay 95% else company goes to Mukesh

Challengers



- 2) @SBI. ⌛ Hold on
Anil offering only 80% loan back.
- We've better offer. We will repay 95%
- Give the Anil's company to us!
- अनिल अंबानी तो पूरा कर्ज वापस नहीं कर रहा तो आप ये कंपनी हमको बेच दीजिए हम आपको अनिल अंबानी से ज्यादा कर्ज वापस करके देंगे

मुझे

Ph.d कराओ

स्वाभाविक है कुछ लोग भावुक हो जाएंगे और पीएचडी करेंगे

It is inevitable that some people will try PHD on this.



How can Mukesh Ambani know this? When prepack is done behind closed doors?

यदि पर्दे के पीछे हो रहा है तो कैसे मुकेश अंबानी को पता चलेगा कि अनिल अंबानी ने कम पैसा ऑफर किया है



- 1) SBI may upload some notice on its website.
- 2) SBI managers may contact interested parties like Tata, Mukesh to see if they've interest in becoming Swiss challengers
- 3) वो असल जिदगी में कैसे करेंगे वो अपने को पंचात करने की जरूरत नहीं





Pre-Pack=
चुपचाप पर्दे के पीछे
समझौता कर लेते हैं



Benefit of Pre-Packing

- a quick (**speedy**) and discreet (**confidential**) way of completing the insolvency resolution process.
त्वरित और गुप्त रूप से मसले को समेट लिया जाए
- prevalent in the United Kingdom and the United States
- 2021-Jul: IBC Amendment Bill.
- But **only for MSME industries**

Pillar1-B-2: Burning Issues of Banking Sector

PrePack

IBBI

Project Sashakt

Crossborder

ES Obs-

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Audio/Video Problem?



CTRL

R

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FRDI/BadBank/PCA



PNB/IL&FS/PMC



BASEL-III/EASE



RBI Dividend/Sec7

FinMin → Sunil Mehta Committee → Project Sashakt 2018

सरकारी बैंक स्वयं से ही समाधान कर ले → बाहर के IP को बुलाने की जरूरत ना रहे

Committee on faster resolution of NPA involving multiple Public Sector Banks(PSBs)



**DELETED from Raftaar Handout
because Too old for 2023**



- Basically, it requires PSBS
- to solve NPA problem internally, before approaching the 'outsider' Insolvency professional

Pillar1-B-2: Burning Issues of Banking Sector

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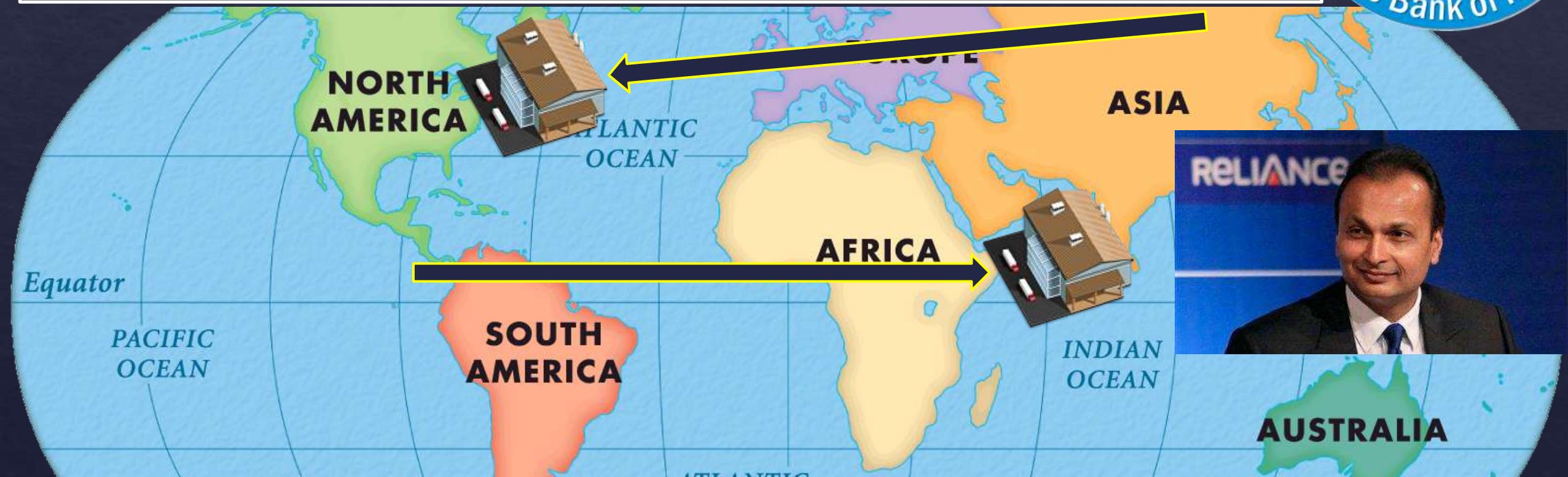
BASEL-III/EASE



RBI Dividend/Sec7

Cross border insolvency? सीमापार का दिवालियापन

- 1) Anil Ambani defaulted on my loans in India.
- How can I attach his factory in America?
- अनिल अंबानी ने भारत में कर्जा नहीं चुकाया मैं उसकी अमेरिका की फैक्ट्री नीलाम करना चाहता हूं



Cross border insolvency? सीमापार का दिवालियापन

Jeff Bezos



1) Anil Ambani defaulted on my loans in India.

How can I attach his factory in America?

अनिल अंबानी ने भारत में कर्जा नहीं चुकाया मैं उसकी अमेरिका की फैक्ट्री नीलाम करना चाहता हूं



BANK OF AMERICA

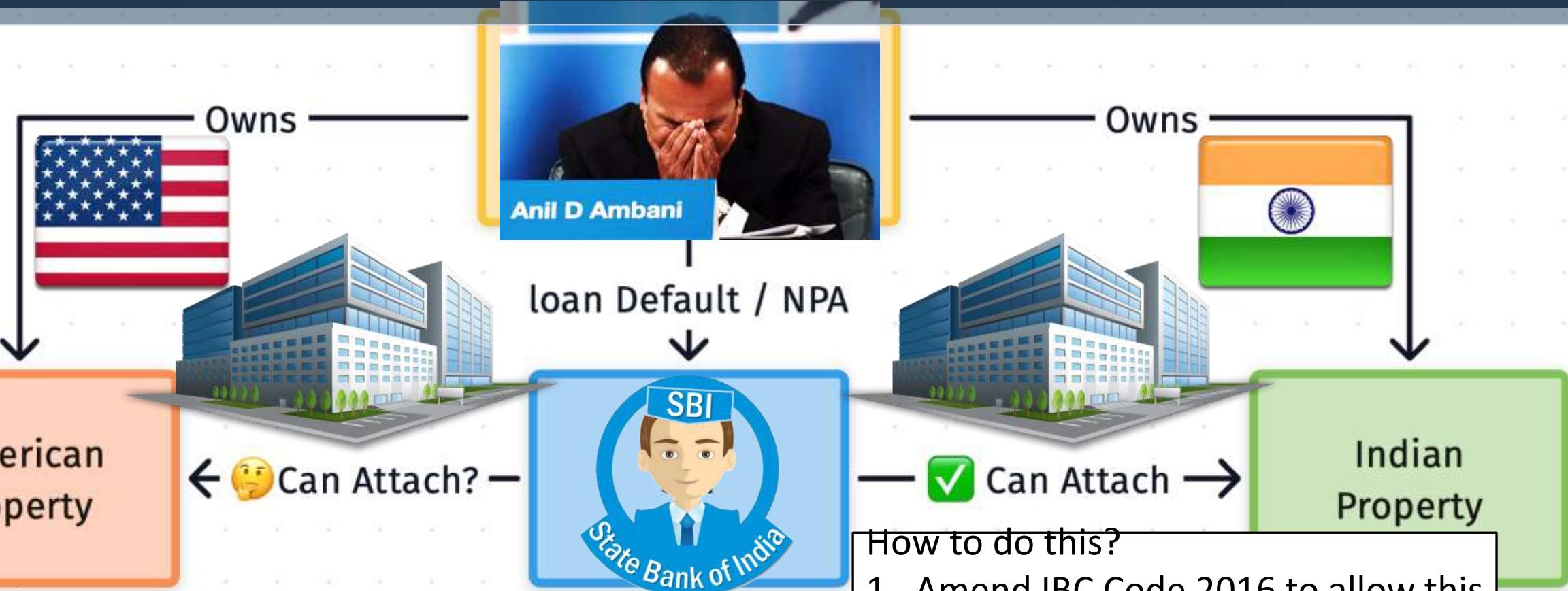


2) Jeff Bezos defaulted my loans in USA.

How can I attach his AMAZON warehouse in India?

जेफ़ बेजोस ने अमेरिका में मेरा कर्जा नहीं चुका है मैं उसकी भारत की फैक्ट्री नीलाम करना चाहता हूं

Cross-border insolvency? सीमा पार का दिवालियापन



कर्जदार कि भारतीय सम्पत्ति को जब्त कर → नीलामी हो सकती है लेकिन
कर्जदार कि विदेशी संपत्ति की जब्ती और नीलामी हो सकती है कि नहीं?

Solution for: Cross-border insolvency? सीमा पर का दिवालियापन

Cross-border insolvency? सीमा पर का दिवालियापन



कर्जदार कि भारतीय सम्पत्ति को जब्त कर → नीलामी हो सकती है लेकिन
कर्जदार कि विदेशी संपत्ति की जब्ती और नीलामी हो सकती है कि नहीं?

2) We'll amend IBC-2016 Act for
this - Budget-2022

1) Pass UNCITRAL Model Law-
says ES22



Nages
-waran



Ball by ball not imp until finalized... misc topics ki every small time Committee not imp.

Cross border insolvency: Krishnan panel submits report to Ministry

New Delhi | Updated on May 29, 2020 | Published on May 29, 2020



MCA Secretary Injeti Srinivas - PTI

Code (IBC) has submitted its report.

The report was submitted to the Committee

मेरे को इस पर PHD
करवाओ



हमें रोजाना कॉलम लिखने के
लिए इस पर DAILY 500
बार चर्चा करनी पड़ती है



Youtubers &
CA-PDF walla

Pillar1-B-2: Burning Issues of Banking Sector

PrePack

IBBI

Project Sashakt

Crossborder

ES Obs-

Voluntary Liquidation

Regulatory Forbearance

Shifted to mains



Types of loans and borrowers



NPA/TBS Resolution



SARFAESI/I&B



PCR/LEI/Fugitive Eco. Offender

Audio/Video Problem?



CTRL

R

Edu Doubt?
Ask through

Google Forms



FRDI/BadBank/PCA



PNB/IL&FS/PMC



BASEL-III/EASE



RBI Dividend/Sec7

Pillar1-B-2: Burning Issues of Banking Sector

continued

PrePack

IBBI

Project Sashakt

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ES Obs-

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Regulatory Forbearance



Types of loans and borrowers



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BASEL-III/EASE



RBI Dividend/Sec7



Anil D Ambani

Loan Default



liquidation



Involuntary

IBC

SARFAESI

Liquidation : act of shutting down the company
& selling-off its asset

परि-समापन का मतलब है कंपनी को बंद करना और उसकी संपत्तियों को बेच देना



1) Voluntary Liquidation : ✋ NOT done loan default

😢 but Owner wants to shut down.

दिवालियापन नहीं दिखाया लेकिन धंधे में बरकत भी नहीं → मालिक उसे बंद करना चाहते हैं

2) तो विभिन्न विभागों से NOC लाना होगा कि कोई भी मामला बकाया नहीं है

Slow! 😢 unpredictable

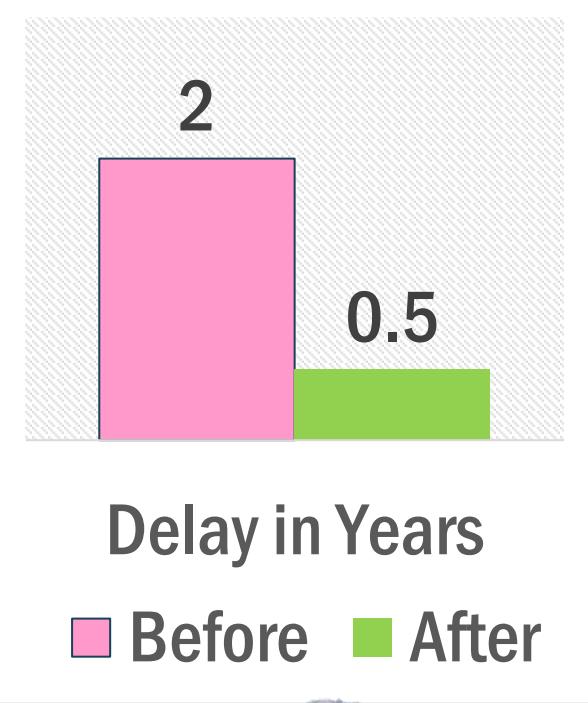
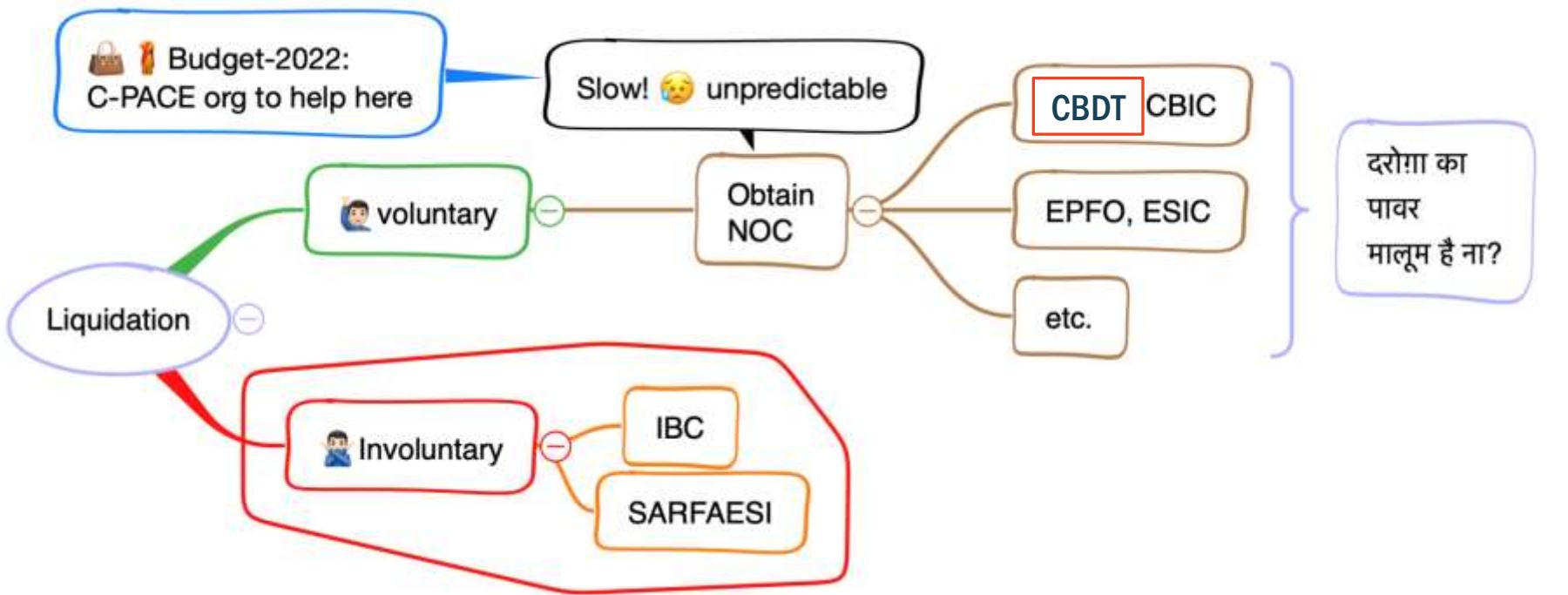
CBDT, CBIC



5) No SOP/Deadline for giving SOP. जब मेरी मर्ज़ी होगी तो आराम से ढूँगा

3) No tax/TDS matter is pending
📄 Pillar#2

4) Workers' SS contributions submitted
📄 Pillar#1D.



 1) Lots of Rona–Dhonaa about this problem → No Ease of Doing Biz



2) Centre for Processing Accelerated Corporate Exit (C-PACE)- to fix this

Pillar1-B-2: Burning Issues of Banking Sector

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Types of loans and borrowers



NPA/TBS Resolution



SARFAESI/I&B



PCR/LEI/Fugitive Eco. Offender

Shifted to Mains

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CTRL R

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PNB/IL&FS/PMC



BASEL-III/EASE

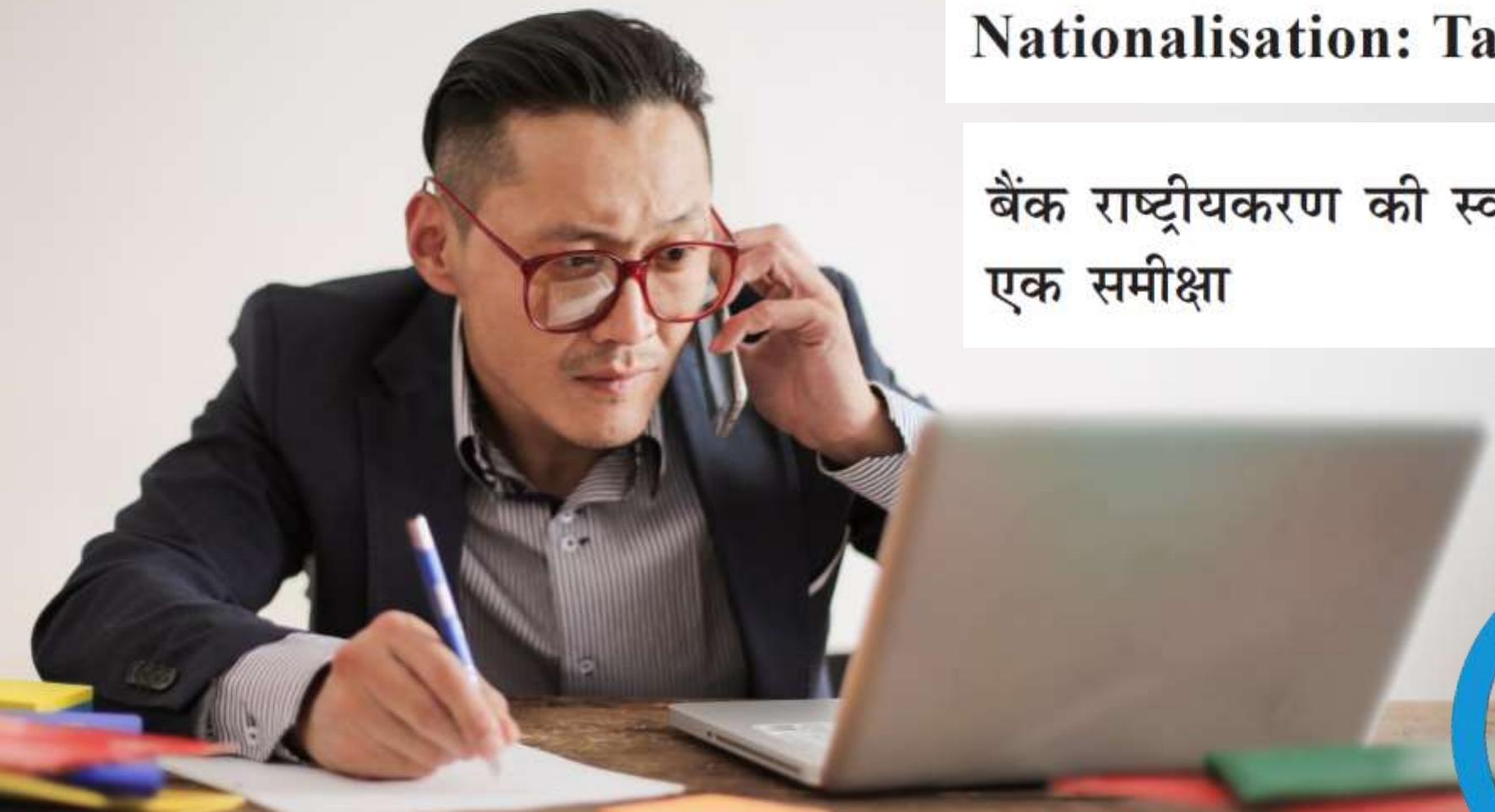


RBI Dividend/Sec7

Golden Jubilee of Bank Nationalisation: Taking Stock

बैंक राष्ट्रीयकरण की स्वर्ण जयंती:
एक समीक्षा

Shifted to Mains
#RAFTAAR for Prelims



bad
loans

Use AL-ML

Geotagging

PSBN
Network



CEA

K. Subramanian

Pillar1-B-2: Burning Issues of Banking Sector

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Audio/Video Problem?



CTRL

R



FRDI/BadBank/PCA



PNB/IL&FS/PMC



BASEL-III/EASE



RBI Dividend/Sec7

Edu Doubt?
Ask through

Google
Forms



Information asymmetry? जानकारी की विषमता?



भारतीय स्टेट बैंक
State Bank of India
हर भारतीय का बैंक
THE BANK FOR EVERY INDIAN

But we don't know everything
about your financial history



हमे आपके बारे में सबकुछ नहीं पता 😞

We know everything about your
bank, its establishment year,
annual profit, board of directors...

हमे आपके बारे में सबकुछ पता है 🌐



Information asymmetry? जानकारी की विषमता?



But we don't know everything
about your financial history



- Whether these people are reliable? भरोसेमंद है कि नहीं
- Should we give them loan?
- If **unreliable people**, still we may give loan but charge higher interest for taking the “RISK” अगर भरोसेमंद नहीं है तो भी हम कर्ज दे देंगे लेकिन जोखिम के हिसाब से ज्यादा ब्याज मांगेंगे
- But we don't have information... लेकिन पहले जानकारी मिले तो सही



We know everything about
your bank, its
establishment year, annual
profit, board of directors...

DO U HAVE CAPACITY TO REPAY LOAN?



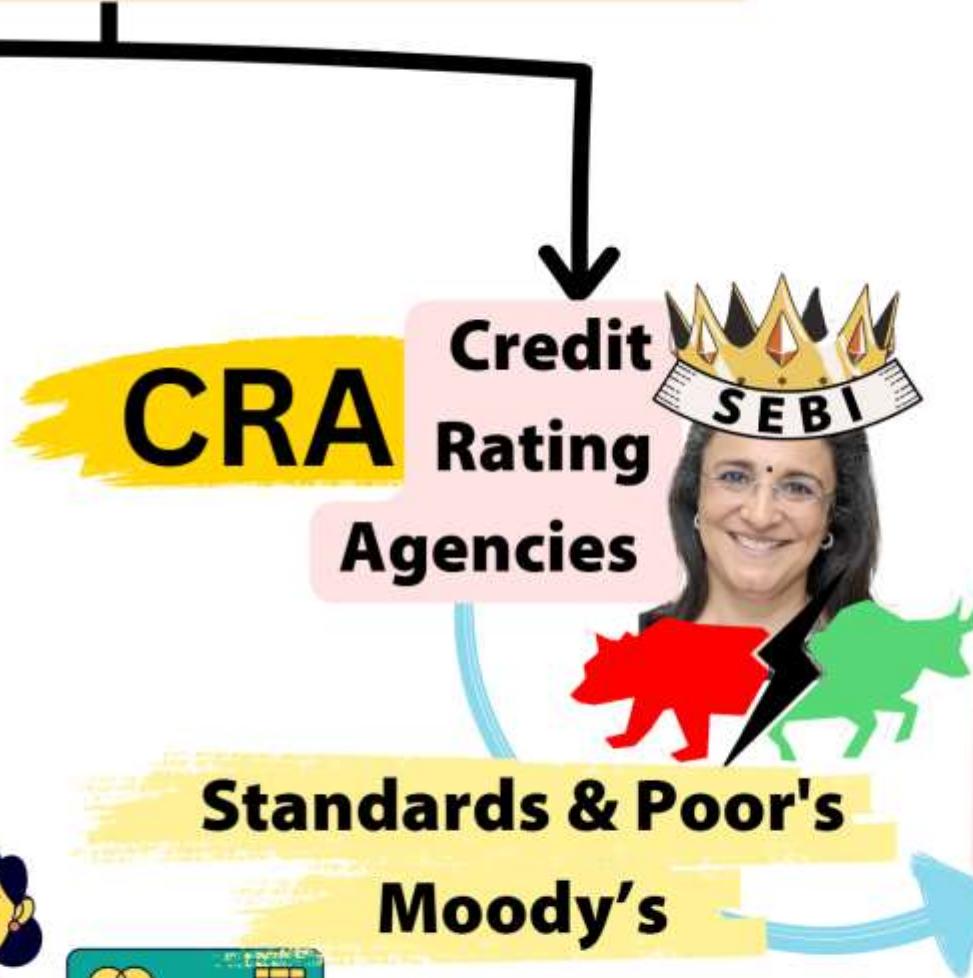
Individual
Borrower



RBI
CIC Credit
Information
Companies



CIBIL



Reliance
Industries Limited
adani
Company
Borrower



1. पहले कितना कर्जा लिया था
2. वह चुकाया था कि नहीं
3. कौन सी संपत्तियां पुराने लोन के लिए गिरवी रखी हैं
4. कितना इनकम टैक्स और जीएसटी भरते होंगे
5. कंपनी का नफा नुकसान का बैलेंस शीट

**National Financial
Information Registry
(NFIR) with help of RBI**



Reliance
Industries Limited

adani
Company



RBI

Shaktikanta Das



similar initiatives in the past

ref: Handout

Portal	Description
CIC and CRA	Learned in the previous section
Information Utility (IU).	Created by Insolvency and bankruptcy board of India (IBBI) with help of National e-governance services Ltd (NeSL)
CRILC	RBI has setup “Central Repository of Information on Large Credits (CRILC)” for Loans above Rs 5 cr. Banks & NBFCs have to submit weekly updates in this portal.
Public Credit Registry (PCR)	Proposed by RBI's <u>Yeshwant M. Deosthalee</u> Committee. RBI yet to set it up.
NFIR	Proposed in the Budget 2023. <Next section>

Pillar1-B-2: Burning Issues of Banking Sector

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Types of loans and borrowers



NPA/TBS Resolution



SARFAESI/I&B



PCR/LEI/Fugitive
Eco. Offender/PSBN

Audio/Video
Problem?



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R

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BASEL-III/EASE



RBI Dividend/Sec7

Legal Entity Identifier (LEI)= “like a Global Aadhar No. for Corporate borrowers”



- What if we setup new companies in foreign nation!
- and borrow money from foreign banks!
- विदेश में जाकर दूसरी फर्जी कंपनी बना लेंगे तो
उनकी विदेशी बैंकों को क्या पता चलेगा, कि हमने
भारत में क्या कांड किए थे!!??

Inko Kya Hi Pata Chalega

Legal Entity Identifier (LEI): 'global Aadhar card for Corporate borrowers'

Passport #, Aadhar #, PAN #



G20 & Financial Stability Board suggested.

20 digit alpha-numeric code for companies.

LEI is like UID-Aadhar number

companies have to mention during global
Financial transactions across the world. वैश्विक

स्तर पर पैसों की लेनदेन करते वक्त यह नंबर लिखना होगा

Else companies blacklisted in Indian Banks,
might go abroad to borrow & vice-versa.

बदमाश कंपनी का भांडा फूट जाए

RBI issued directions about this.

LEI #



Loan Application



- Suppose Person's name in Public Credit Registry,
 - He has also obtained LEI number.
 - YET, one day he runs away from India without paying loans/ doing financial scam. Then
- WHAT???**



आर्थिक अपराध करके देश से भाग गए
तो क्या उखाड़ लोगे हमारा!!?? 😠😠😠

[MPs & MLAs ▾](#)
 [Parliament ▾](#)
 [Bills & Acts ▾](#)
 [Budgets ▾](#)
 [Policy ▾](#)
[LAMP](#)

[Home](#) » Bills & Acts » Bills Parliament » Finance, Industry and Labour » The Fugitive Economic Offenders Bill, 2018

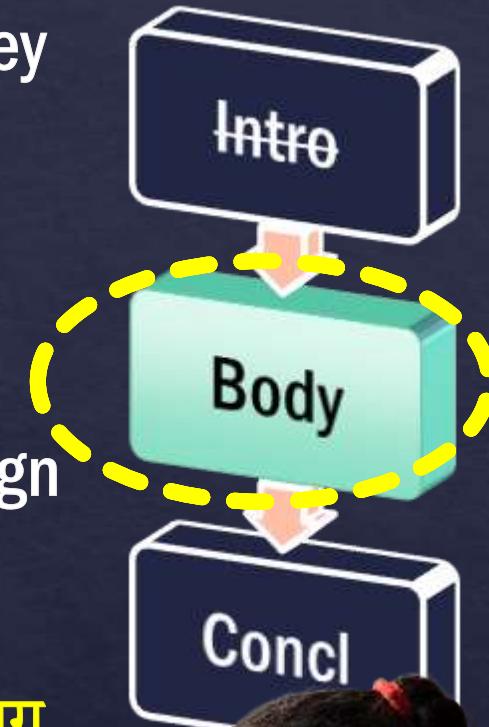
The Fugitive Economic Offenders Bill, 2018

Ministry: Finance, Corporate Affairs and Information & Broadcasting

Introduced	Passed	Passed
Lok Sabha	Lok Sabha	Rajya Sabha
Mar 12, 2018	Jul 19, 2018	Jul 25, 2018

Fugitive Economic Offenders Act, 2018 (भगोड़ा आर्थिक अपराधी)

- ❖ **economic offenders** = cheque dishonor, loan / investment scam, money laundering etc. worth 100 cr /> (to prevent court burden)
- ❖ To confiscate properties of **economic offenders** who have left the India to avoid facing criminal prosecution.
- ❖ Special PMLA court orders the **villain to appear within 6 weeks**, if not then he's declared “fugitive economic offender”- attach Indian / Foreign / *Benami* properties. (more in pill#2)
- ❖ Once property attached- the Union Government will oversee its administration / liquidation. अपराधी कोर्ट में हाजिरी देने की जगह देश छोड़कर भाग जाए तो उसकी संपत्ति जप्त की जाएगी केंद्र सरकार उसकी नीलामी करें
- ❖ No ordinary civil court / tribunal can give stay order.
- ❖ Appeal can be made only in High court and SC.



Nirav Modi's assets worth Rs 329 cr seized by ED under fugitive law

The businessman and his uncle Mehul Choksi among others are being probed by the ED on money laundering charges in connection with an over USD 2 billion alleged bank fraud at a PNB branch in Mumbai.

INDIA Updated: Jul 08, 2020 18:44 IST

ht Press Trust of India | Posted by Niyati Singh
New Delhi



Nirav Modi can be extradited to India in PNB scam case, says U.K. court

SPECIAL CORRESPONDENT

NEW DELHI, FEBRUARY 25, 2021 16:44 IST
UPDATED: FEBRUARY 25, 2021 20:08 IST

SHARE ARTICLE f t g e m PRINT A A A



Youtubers &
CA-PDF walle

5 minute Video

भाईसाब इसपे 4 hrs video के youtube विडियो बनाएँगे

1. Daily Newspaper summary = 1 hr
2. Polity: fugitive eco act= 1 hr
3. Economy: how PNB scam happen= 1 hr
4. theHindu columns summary on this= 1 hr



👉 If u can understand something by reading for 15 min, don't waste time watching its videos for 60 min.

AD1 before video

AD2 After Video

1 hour video

AD1

AD2

AD3

AD4

AD5

AD6

AD7

Pillar1-B-2: Burning Issues of Banking Sector

PrePack

Crossborder

Voluntary Liquidation

Audio/Video
Problem?



Types of loans and
borrowers



NPA/TBS Resolution



SARFAESI/I&B



PCR/LEI/Fugitive Eco.
Offender



Edu Doubt?
Ask through



DICGC/BadBank/PCA



PNB/IL&FS/PMC



BASEL-III/EASE



RBI Dividend/Sec7

What is insurance?



Father pays '₹5k premium' for insurance policy to LIC

Father dies. Family gets large amount of ₹50 lakh



What is insurance?



Father pays '₹5k premium' for insurance policy to LIC

Father dies. Family gets large amount of ₹50 lakh



Asset

Loans

Liability

All types of Deposits...



भारतीय स्टेट बैंक
State Bank of India
हर भारतीय का बैंक
THE BANKER TO EVERY INDIAN

Bank pays 'premium' for "DEPOSIT" insurance policy to DICGC



Deposit Insurance and Credit Guarantee Corporation



Bank collapses → depositor gets ₹1 lakh-₹5 lakhs (2020-Budget)



- ◆ Act 1961: 100% owned by RBI, HQ-Mumbai
- ◆ Compulsory for banks to buy insurance on deposits.
- ◆ If banks merge = no ₹₹. Because new (Anchor) bank responsible for deposits.
- ◆ If bank failed= DICGC gave upto ₹1 lakh back to depositor. Budget-2020 it to ₹5 lakhs
- ◆ Once upon a time, DICGC gave covered bank's losses in PSL-loan defaults. But now other organizations looks after it. (More in Pillar1D)

अगर बैंक बंद हो गया तो मैं
जमाकर्ताओं की ₹₹ यह
संस्था वापस करेगी



भारतीय स्टेट बैंक
State Bank of India

हर भारतीय का बैंक
THE BANKER TO EVERY INDIAN

THE BANKER TO EVERY INDIAN

अगर बैंक बंद हो गया तो मेरी
डिपॉज़िट कौन वापस करेगा??



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भारतीय स्टेट बैंक
State Bank of India
हर भारतीय का बैंक
THE BANKER TO EVERY INDIAN

Bank pays 'premium' (Rs. 10 Paisa per Rs.100 "DEPOSIT") insurance policy to DICGC



Deposit Insurance and Credit Guarantee Corporation



Bank collapses → depositor gets ₹1 lakh-₹5 lakhs (2020-Budget)

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Father pays '₹5k premium' for insurance policy to LIC



Father dies. Family gets large amount of ₹50 lakh

Government amended law to allow DICGC to this premium / fees to 12-15 Paisa

Asset

Loans

Liability

All types of Deposits...



भारतीय स्टेट बैंक
State Bank of India
हर भारतीय का बैंक
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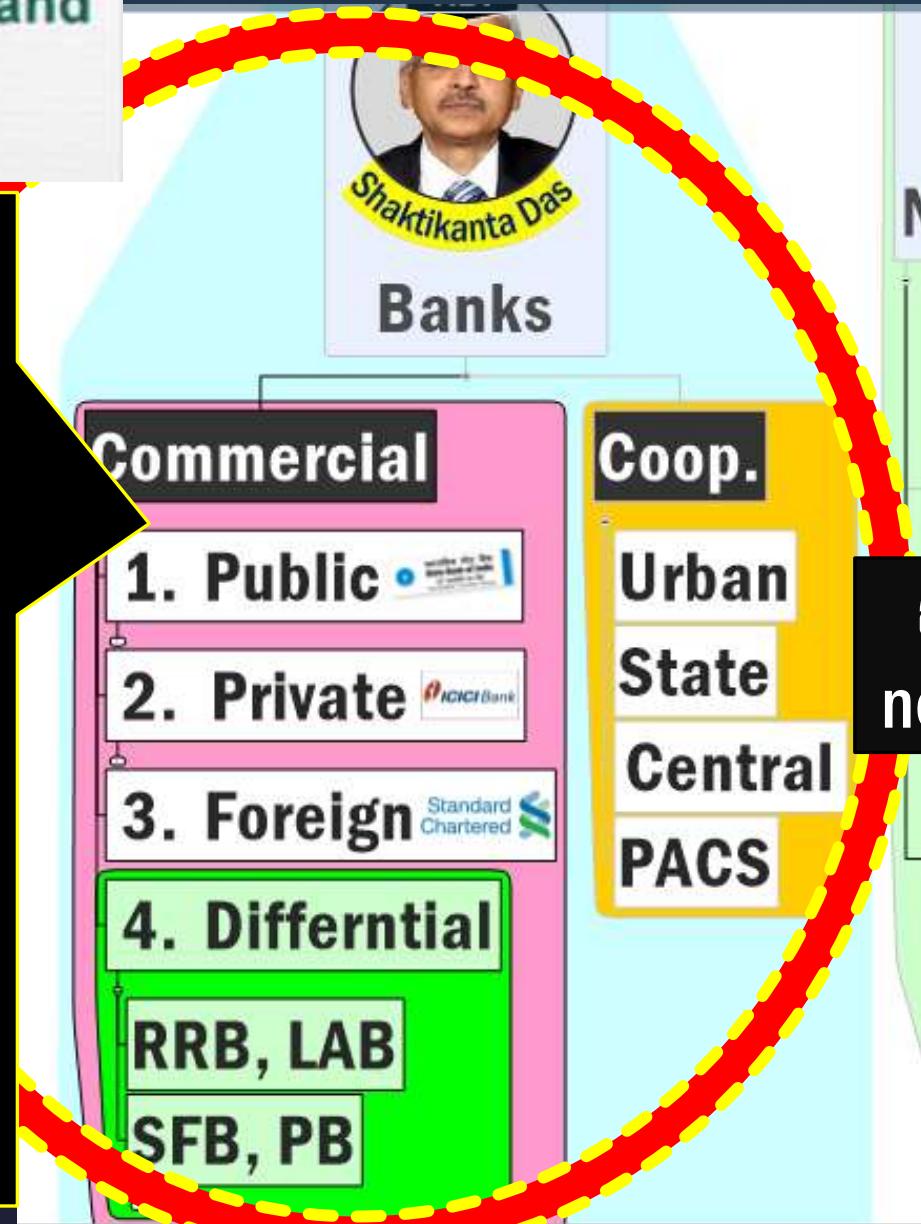


Limitations of DICGC मर्यादा



Deposit Insurance and Credit Guarantee Corporation

- 1) ☹ Max. 5 lakh is insured. What if depositor has given more money? = wait till Liquidation of Bank. 500000 के ऊपर की रकम के लिए बैंक की नीलामी होने तक रुकना पड़ेगा
- 2) ☹ But difficult in cooperative banks because dual regulation: RBI + State registrar . (until new ordinance 2020)



Non-Banks



☹ 3) NBFCs not covered. ☹

☹ 4) Once UTI-Mutual fund- money stuck so govt had to "bail out"

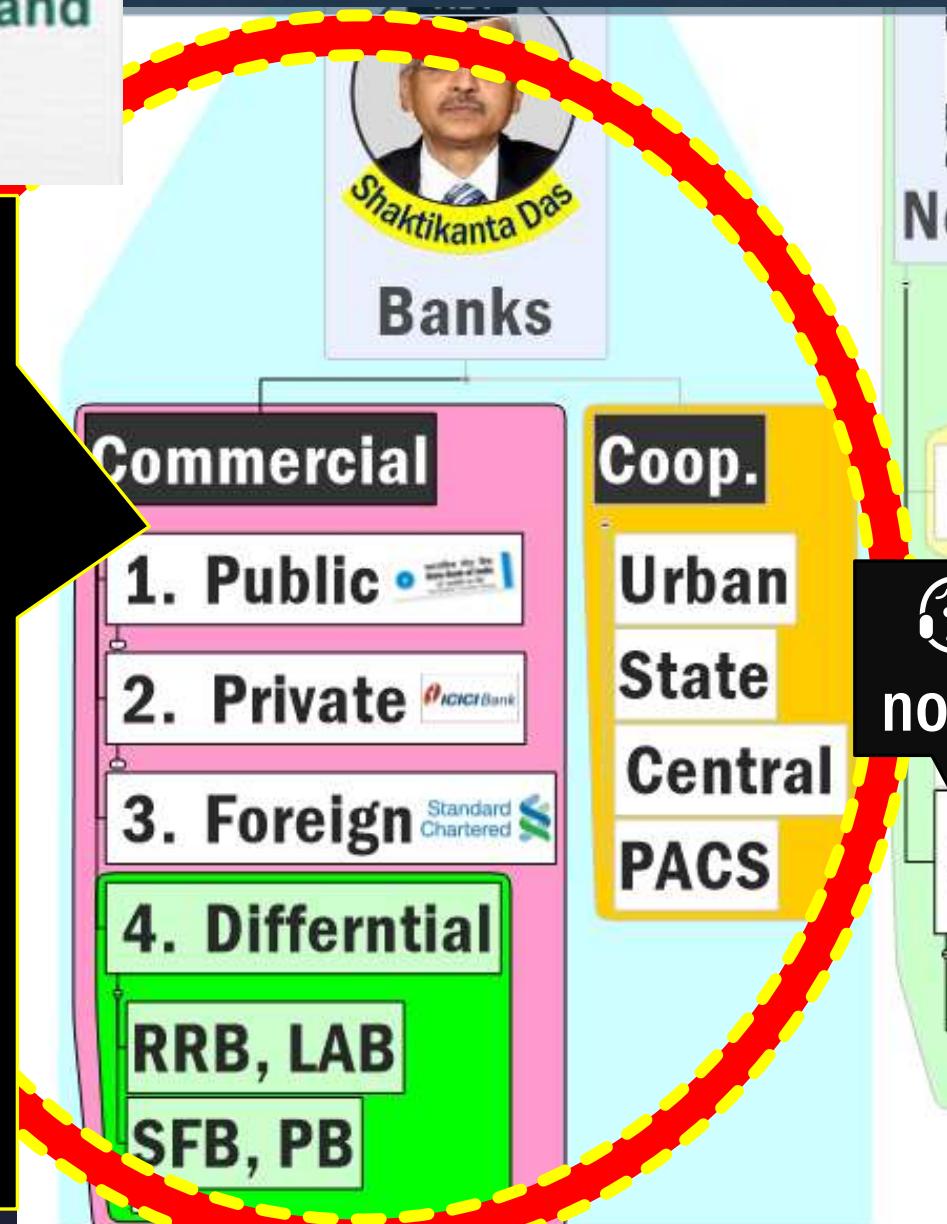


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- 3) NBFCs not covered.
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Justice B N Sri Krishna's Committee suggested new bill

Financial Resolution and Deposit Insurance (FRDI) Bill 2017



Deposit Insurance and
Credit Guarantee
Corporation

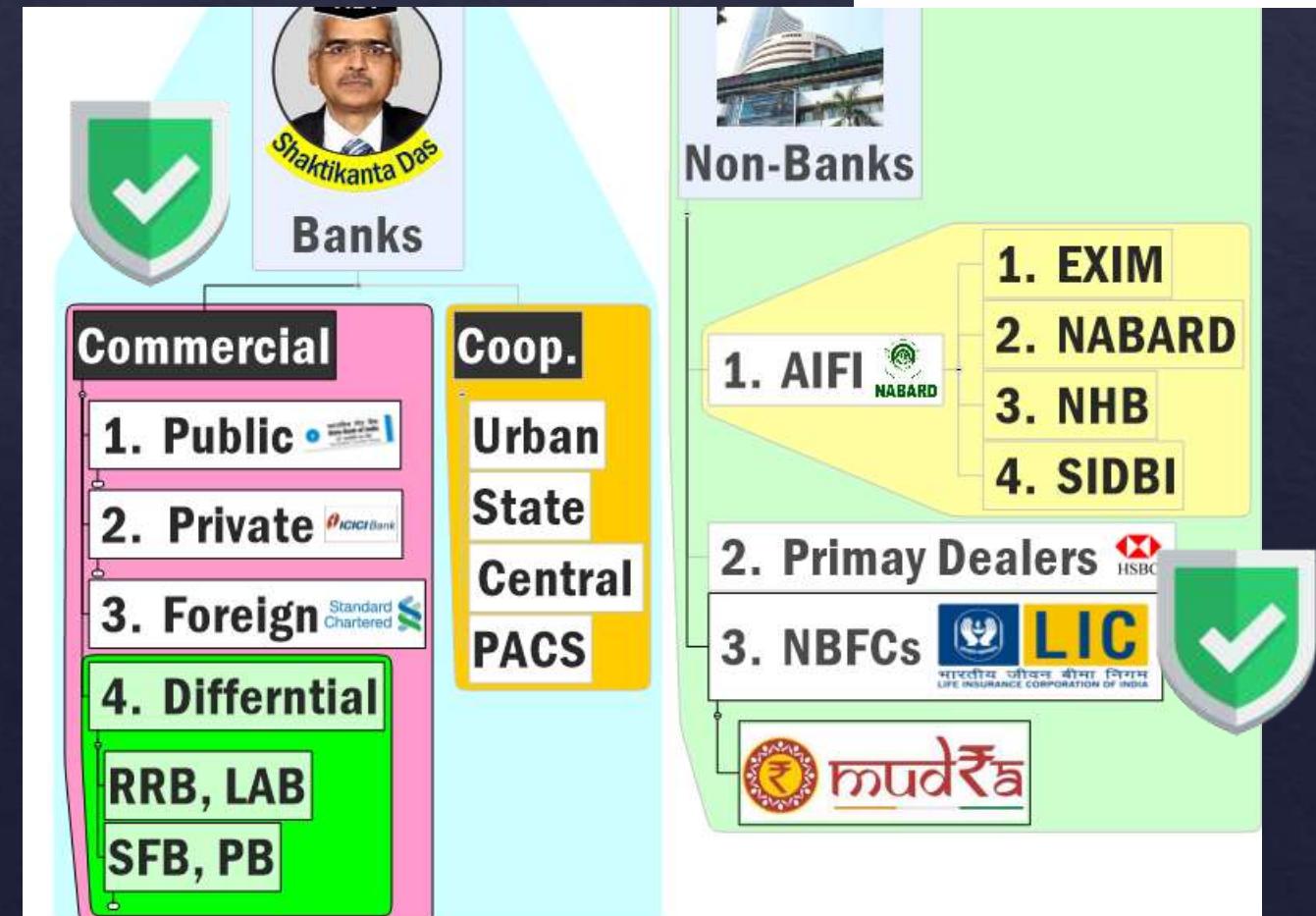
1) Transform DICGC into
Resolution Corporation (RC)

पुरानी संस्था को बदल की यह नई संस्था बनाओ

Resolution

3. Banks and NBFC buy
'insurance' from Resolution
Corporation.

4. RC monitors them for risk and
helps according to crisis.



Government tried to allay the fears but...media & opposition party

Beware of Fake Propaganda...

Beware of fear mongering against banks to keep people away from banking services...



GOVERNMENT OF INDIA ASSURES SECURITY OF MONEY DEPOSITED IN THE BANKS !

- Government of India is strengthening the mechanism to protect depositors
- Proposed FRDI Bill is presently before joint committee and the act in this regard is yet to be passed
- Rights of depositors will be fully protected at the time of legislation
- Banks being strengthened by infusion of over Rs 2 lakh crore

Government of India is strengthening rights of depositors like never before, special care being taken of small depositors

Unprecedented steps for financial inclusion of poor and common man in the last 3 years

- Over 30 crore bank accounts opened
- Over 18 crore people get insurance

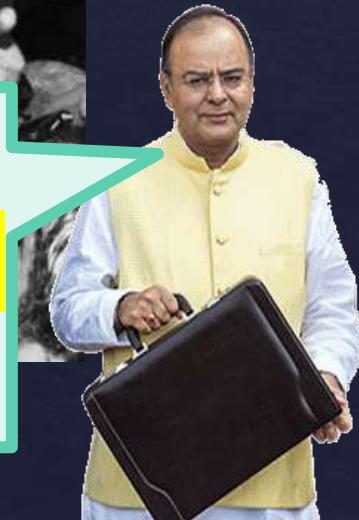
Fake propaganda creates unnecessary panic and is against India's interest

this bill has XYZ problems.

विपक्ष और मीडिया ने बहुत हंगामा किया



बैठ जाइए, कृपया शांत हो जाइए.
किसान कानून की तरह हम इसको
रद्द कर रहे हैं



So we need not PHD on what could have been / would have been

बहुत बवाल, इसलिए सरकार ने विधेयक वापस ले लिया हमको इसमें घुसने की अब जरूरत नहीं

The screenshot shows the homepage of The New Indian Express. At the top, the masthead 'THE NEW INDIAN EXPRESS' is displayed with social media icons for various platforms. Below it, a navigation bar includes links for NATION, WORLD, STATES, CITIES, BUSINESS, SPORT, ENTERTAINMENT, GALLERIES, VIDEOS, SPECIALS, and OPINIONS. A banner for 'ELECTIONS' is also visible. The main headline reads 'Government withdraws FRDI Bill from Lok Sabha'. A subtext below the headline states: 'The FRDI Bill sought to make an enabling law for the creation of an independent resolution corporation to carry out the speedy and efficient resolution of financial firms in distress, among others.' Below the article, there are sharing options for Facebook, Twitter, Google+, and Email. The publication details show it was published on 07th August 2018 at 11:55 PM and last updated on the same day at 11:55 PM. A video thumbnail of the Lok Sabha is shown at the bottom.

UPSC asks mostly passed bills (=Acts).

And as such 'withdrawn controversial bill' from 2017= very less likely to be asked.



Latest

- | 100 per cent chances for hacking EVMs, says Chandrababu Naidu
- | Australian Open: Rajeev Ram-Barbora Krejcikova win mixed-doubles final
- | JACTTO-GEO appears undaunted by overnight swoop down on leaders, determines to intensify stir
- | Tamil Nadu CM greets Pranab Mukherjee on being conferred Bharat Ratna



Whenever columnists don't have content for filling up column.
They'll write about these old things. DON'T WASTE TIME

Pillar1-B-2: Burning Issues of Banking Sector

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SARFAESI/I&B



PCR/LEI/Fugitive Eco.
Offender



CTRL

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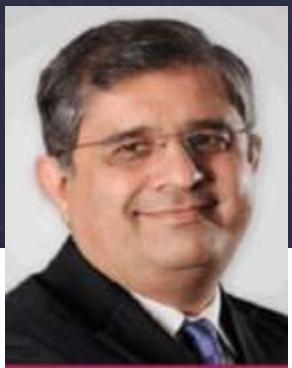


BASEL-III/EASE



RBI Dividend/Sec7

Bad Bank?



Bad Loan
Asset

मैं खरीदूँगा
थोड़ा रोकड़ा और
थोड़ा रसीद देके



NARCL
ARC

- Sold Asset →

- Transfer Asset →



IDRCL
-AMC

मैं उस संपत्तीमें से
पैसा निकालने की
कोशिश करूँगा

Recover ₹₹
from
Asset

↑
Payment



सुरक्षा रसीद भुगतान का वचन!

15% Cash
85% Security receipts (SR)



Gov't
guarantee
on SR



Why Economic Survey had recommended “Bad bank”?

1) SARFAESI, DRT

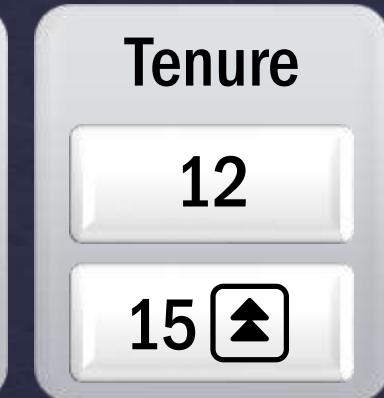
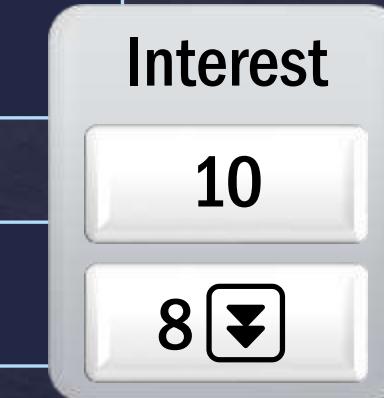
- Overburdened with cases

5/25, SDR /S4A etc. schemes (2015s)

- Very Few cases solved

I&B Code

- Baby-stage
- PSBs fear Court, CBI, CVC, CAG .



2) If we vote in favour of loan restructuring in IBC then media will say banker has taken bribes! Court, CBI, CVC etc will investigate 😞
अगर हम लोन का पुनर्गठन करें तो मीडिया वाले हम पर भ्रष्टाचार के आरोप लगाते थे 😞 😞

3) These existing mechanisms failed to treat NPA disease.
Something Unique is required. आओ कुछ नया सोचे!

SARFAESI Act'02 Recovery

2) Banks may sell to me, when they can't find buyers directly in auctions
बैंक ने संपत्तियों को जप्त किया नीलाम करने की कोशिश करते हैं लेकिन अच्छे दाम मिल नहीं रहे तो वह चीजें मुझे कबाड़ी में बेच सकते हैं



1) Banks can even sell such assets to Asset Reconstruction Companies (NBFC).



NPA/Bad Loans in India

₹500cr
Loan#1



₹500cr
Loan#2



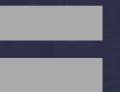
₹8000cr
Vijay



₹1800cr
Videocon



Etc, Etc



₹2 lakh
cr



1) But what is the big deal?
Bankers should auction them to ARC
in SARFAESI Act!
इन सब की नीलामी करवा दो ना

Asset Reconstruction
Companies (ARC)



悲惨な状況
भाई मेरे खुद के वांधे चल रहे हैं इतनी
मोटी रकम की बोली में नहीं लगा सकता
I don't have this much money!



NPA/Bad Loans in India

₹500cr
Loan#1



₹500cr
Loan#2



₹8000cr
Vijay



₹1800cr
Videocon



Etc, Etc



₹2 lakh
cr



1) But what is the big deal?
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इन सब की नीलामी करवा दो ना

Asset Reconstruction
Companies (ARC)



Let's setup a **BAD BANK**
to take care of this





₹ 200 cr



Auction this in SARFAESI

नीलामी में बोली लगाओ रे



₹100 cr



₹95 cr



₹92 cr



U won the auction. Give me
the money. ABHI ke ABHI



₹15 cr
(CASH)



₹85cr
SR



₹100
cr

धीरे धीरे ढूंगा । सब्र रखो ।

- In reality, transfer through RTGS/Cheque. (Ref:1A1)
- Due to Income Tax Act ke restriction on Cash transaction above Rs.2 lakh

Security Receipt (SR)

Bad Bank promising Axis,
e.g.

“I'll pay ₹85 cr
after 5 years”



1) But I can't wait for 5 year. मैं नहीं इतना ही
देर इंतजार कर सकता मुझे पैसों की बहुत किल्लत है



2) ₹80 Cr sold
@present.

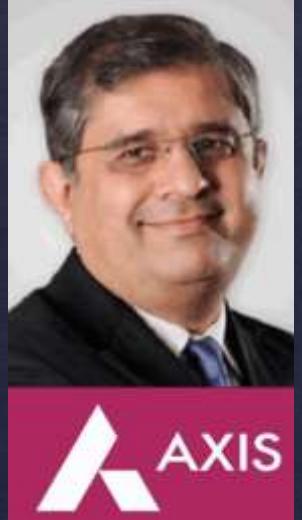


Will pay SR-holder
₹85cr After 5 YRS



1) Suppose Axis Bank has patience, they keep SR for 5 years

मान लीजिए रसीद अपने पास रखता है



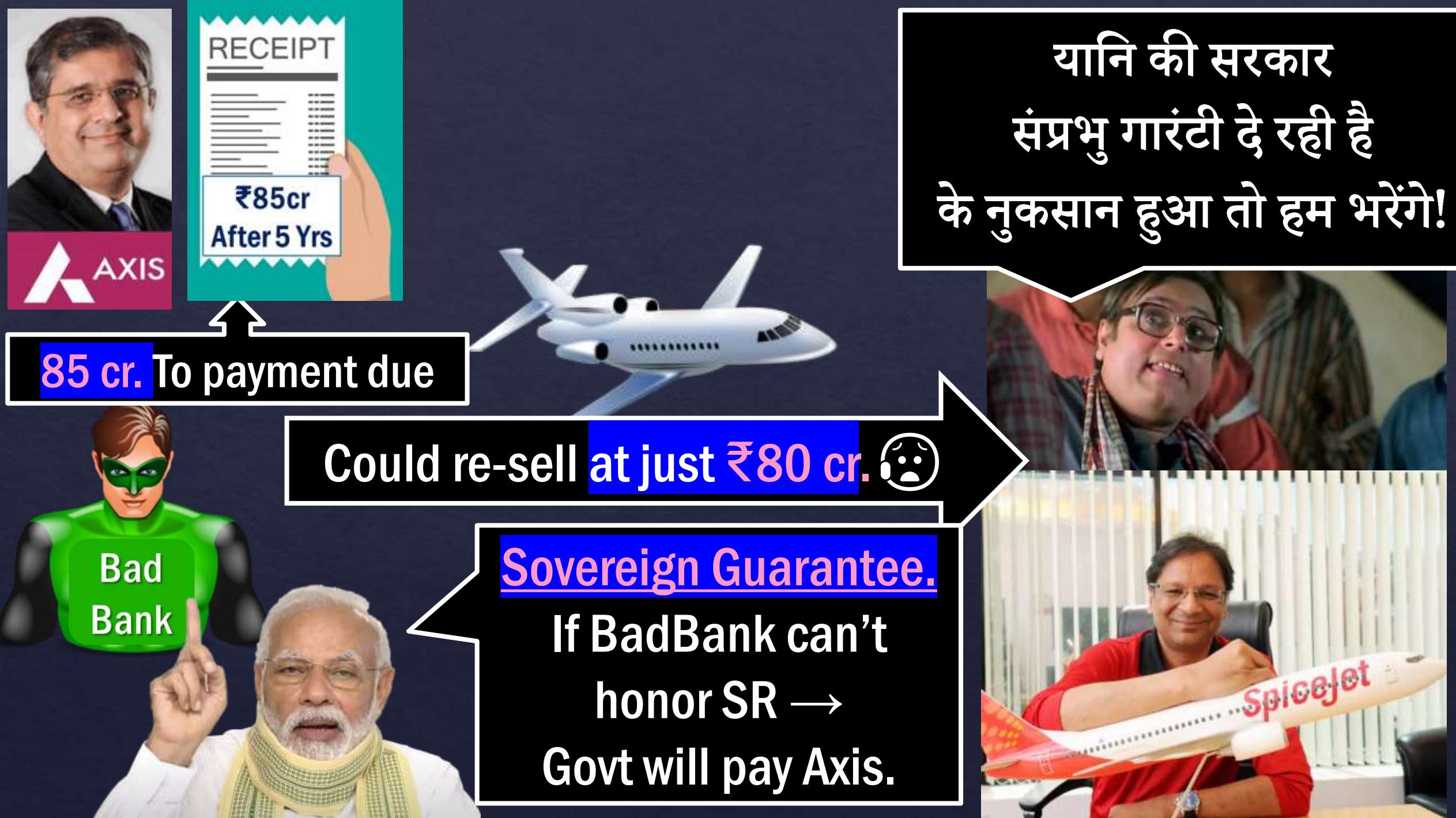
2) 85 cr. To payment due



Could re-sell at just ₹80 cr.

3) इसका तो पंचर निकालना पड़ेगा
नया color करना पड़ेगा
Seat cover का रफू करना पड़ेगा
बहुत खर्च है





असल में ये दो संस्थाये हैं - actually two organizations:

National Asset
Reconstruction
Company
Limited
(NARCL-ARC)

I'll buy the bad
loans
मैं **Badloan**
खरीदूँगा



मेरे करण अर्जुन यानी की
NARCL-IDRCL आएंगे

India Debt
Resolution
Company Ltd.
(IDRCL-AMC)

I'll 'manage/sell'
the bad loans
purchased by
you. आपने जो खरीदा
है उन चीजों की मरम्मत
करके मैं उसको आगे
बेचूँगा

National Asset Reconstruction Company Limited (NARCL-ARC)

I'll buy the bad loans
मैं **Badloan** खरीदूँगा



India Debt Resolution Company Ltd. (IDRCL-AMC)

I'll 'manage/sell' the bad loans purchased by you. आपने
जो खरीदा है उन चीजों की मरम्मत
करके मैं उसको आगे बेचूँगा



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नया color करना पड़ेगा
Seat cover का रफ़्तार करना पड़ेगा
बहुत खर्चा है



Budget-2021: yes we'll set up a Bad Bank (but different name)

Budget-2021: we will setup

NARCL-Asset Reconstruction Company (ARC)

IDRCL-Asset Management Company (AMC)



	NARCL-ARC	IDRCL-AMC
Full Form	National Asset Reconstruction Company Limited (NARCL)	India Debt Resolution Company Ltd. (IDRCL) =
Type	Registered company under companies act. (So not a statutory/constitutional body) Given license by RBI for ARC.	Registered company under companies Act. (कंपनी कानून में पंजीकृत कंपनियां हैं ये कोई वैधानिक या संवैधानिक संस्थाएं नहीं हैं)^^
Function	To purchase bad loan assets from banks. (यह बैंकों से अनर्जक परिसम्पत्तियां खरीदेगा)	To manage/value addition/ auction those bad loan assets which were purchased by NARCL. (e.g. factory, airplanes, bulldozer). (खरीदी हुई संपत्तियों का प्रबंधन, मूल्य वर्धन, नीलामी करेगा)
Ownership/ Shareholding	⇒ 51% PSBs like SBI, BoB, PNB** ⇒ 49% by Pvt banks and NBFCs#	⇒ 49% (Public Sector Banks, NBFCs) ⇒ 51% (private sector bank, NBFCs).*

** NARCL Ownership 51% shareholding/ownership among 8 public sector banks (PSB) viz. SBI (13.17%), Punjab National Bank (12%), Bank of Baroda, Canara Bank, Bank of Maharashtra, Union Bank of India, Indian Bank, Bank of India. (Note: Future Some of these PSBs may get merged so the % may change.)

FAQs:

- ⇒ "what are their names? Ans. Not explicitly mentioned in Pressnote. # 📲 थोड़ा-पढ़ो-आगे-बढ़ो
- ⇒ ^^AMC got license from RBI or SEBI? Ans. Same as above
- ⇒ Bad Bank means "ONLY NARCL" or (NARCL+IDRCL) Ans. Same as above. But from how 📲 ES17 had given the vision of Bad bank, it should be the combined work of (NARCL+IDRCL)= Bad Bank.

Ownership, full form = Handout

Bad Bank?



Bad Loan
Asset

मैं खरीदूँगा
थोड़ा रोकड़ा और
थोड़ा रसीद देके



NARCL
ARC

- Sold Asset →

- Transfer Asset →



IDRCL
-AMC

मैं उस संपत्तीमें से
पैसा निकालने की
कोशिश करूँगा

Recover ₹₹
from
Asset

↑
Payment

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Budget-2021: we will setup

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IDRCL-Asset Management Company (AMC)



यूपीएससी के बाबू शोने

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Function	To purchase bad loan assets from banks. (ये देश में अन्तर्काल परिवर्तनिया जारी होगा)	To manage/value addition/ auction those bad loan assets which were purchased by NARCL. (e.g. factory, airplanes, bulldozer). (जिनको इन्हे खरीदनेवाले का प्रधान, मुख्य वर्षा, नीतियाँ चेताएं।)
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May Prelims
Less than 6 months left



1. ये ऐसा क्यों है? Why it I like this?
2. I've 500-jaat ke PHD-doubts/counter-arguments/better suggestion after reading the Hindu columns.

1. ये ऐसा ही है. It is like this.
2. Send them to finance ministry. Until implemented, prepare as given in Handout.



CRITICISM: Bad Bank: नुकसान की भरपाई तो आम आदमी ही कर रहा है

200cr ka maal sold @₹100 cr.

=LOSS borne eventually by Depositors

(because = Lower deposit interest rates in future) 😢 😢



मुझे बैंक बचत पर अच्छा
ब्याज दर क्यों नहीं मिल रहा



CRITICISM: नुकसान की भरपाई तो आम आदमी ही कर रहा है

मैं जो इनकम टैक्स और जीएसटी
भर रहा हूं उससे नए स्कूल कॉलेज
अस्पताल क्यों नहीं बन रहे



Ultimately Security receipt pe
Government's **sovereign guarantee**
paid by Loss bourn by
TAX PAYERS. 😢 😢

Pillar1-B-2: Burning Issues of Banking Sector

PrePack

Crossborder

Voluntary Liquidation

Audio/Video
Problem?



Types of loans and
borrowers



NPA/TBS Resolution



SARFAESI/I&B



PCR/LEI/Fugitive Eco.
Offender



CTRL

R

Edu Doubt?
Ask through



continued



PNB/IL&FS/PMC



BASEL-III/EASE



RBI Dividend/Sec 7

#1B2:: Burning Issues of Banking Sector



Types of loans and
borrowers



NPA/TBS Resolution



SARFAESI/I&B



PCR/PSBN/LEI/Fugitive
Eco. Offender

What if loan not repaid?

How to
moniter



FRDI/
 BadBank/
PCA



BASEL-III/EASE



PNB/IL&FS/PMC



RBI Dividend/Sec7

रिजर्व बैंक अन्य बैंकों पर सख्ती और निगरानी बढ़ाएं - शारारती विद्यार्थियों का ब्लैक लिस्ट

Prompt Corrective Action framework (PCA)

स्कूल प्रिंसिपल शरारती विद्यार्थियों की ब्लैक लिस्ट बनाएगा और उनको सजा देगा



भारतीय स्टेट बैंक
State Bank of India
इंडिया का बैंक
THE BANKER TO EVERY INDIAN

Parameter

NPA

BASEL
Capital

leverage

#1

#2

#3

As risk threshold increase..



How much loans bank
itself has taken

RBI



- I'll monitor all banks on these parameters and then
- I'll punish them.
- नानी याद करवा दूँगा
इन सबको

Prompt Corrective Action framework (PCA)

इस लिस्ट में नाम आ गया तो आरबीआई क्या बिगाड़ लेगी सापके बैंक का?



भारतीय स्टेट बैंक
State Bank of India
हर भारतीय का बैंक
THE BANKER TO EVERY INDIAN

Parameter

NPA

BASEL
Capital

leverage

As risk threshold increase..

#1

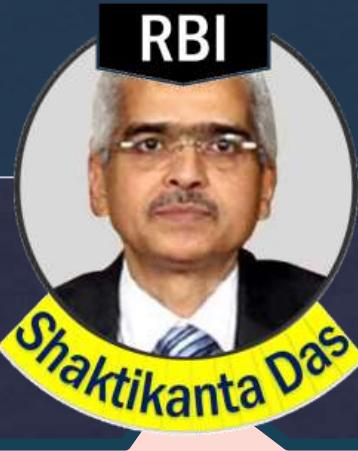
#2

#3

🚫 Restriction on Directors' salaries, Dividend distribution

🚫 Restriction on branch expansion & lending activities

Finally Force MERGER or shutting down



- Banking regulation Act empowers me to take such **DIRECT ACTION** against weak banks.



Parameter

NPA

BASEL Capital

Profitability

Prompt Corrective Action framework (PCA)

As risk threshold increase..

#1 #2 #3

Restriction on Directors' salaries, Dividend distribution

Restriction on branch expansion & lending activities

Finally Force MERGER or shutting down



Shaktikanta Das

- Banking regulation Act
- empowers me to take such
- DIRECT ACTION
- against weak



To be merged with



LVB

isn't beyond saving.

Since 2019 Lakshmi Vilas Bank was under Prompt Corrective Action (PCA) framework →
2020-Nov: to be merged with DBS Bank (Singapore-
Foreign bank in India)

लेकिन क्योंकि वो नालायकी की सारी हृदों को पार कर गया,
तो विलीनीकरण होगा



Youtubers &
CA-PDF walle



👉 Not imp4EXAM
Maximum one-liner MCQ
(recall **PMC bank** asked in
CDS-2020).



यह सब क्यों नहीं पढ़ाया आपने?
इसकी पूरी डिटेल में **1hr** पंचात करने बैठो



RBI – PCA framework for (Deposit Taking) NBFCs from 2022-October



Applicable on



deposit-taking

NBFCs. सिर्फ़ इन पर लागू होता है



Not Applicable-

Government's NBFCs (UTI MF)

Primary dealers

housing finance companies (e.g. DHFL)

non-deposit taking NBFCs (e.g ILFS)



Regulations Review Authority (RRA 2.0)



1) 😞 😞 @RBI

You're rules regulations very
tough. Please simplify them.

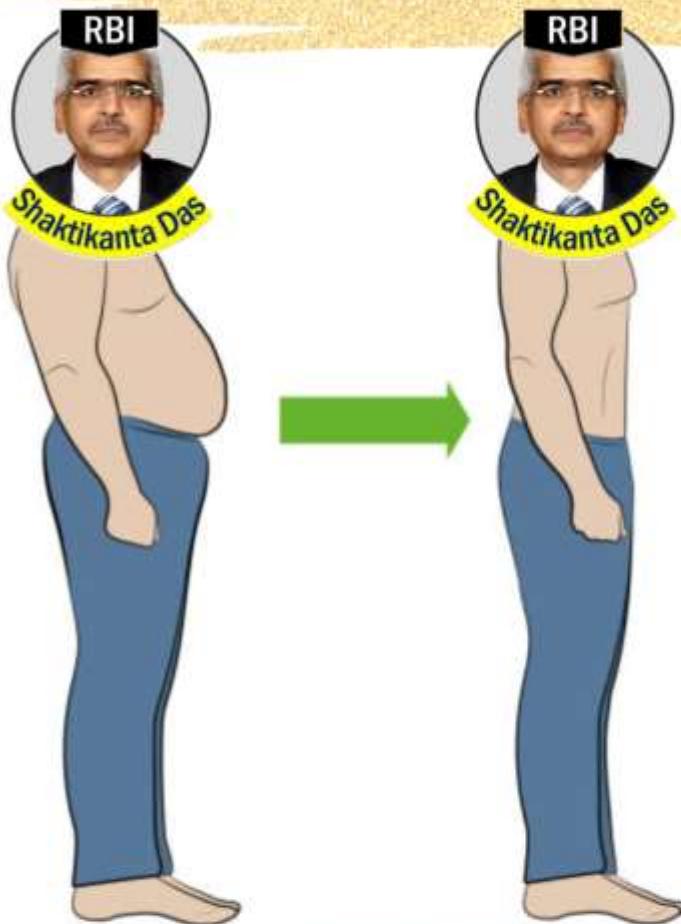
आपके नियम बहुत सख्त हैं हमको उसका
अनुपालन करने में मुश्किलें आ रही हैं



2) Thik hai. Send your suggestions to
Regulations Review Authority.
We'll simplify.

अपने सुझाव इस RRA 2.0 प्राधिकरण को भेज दो

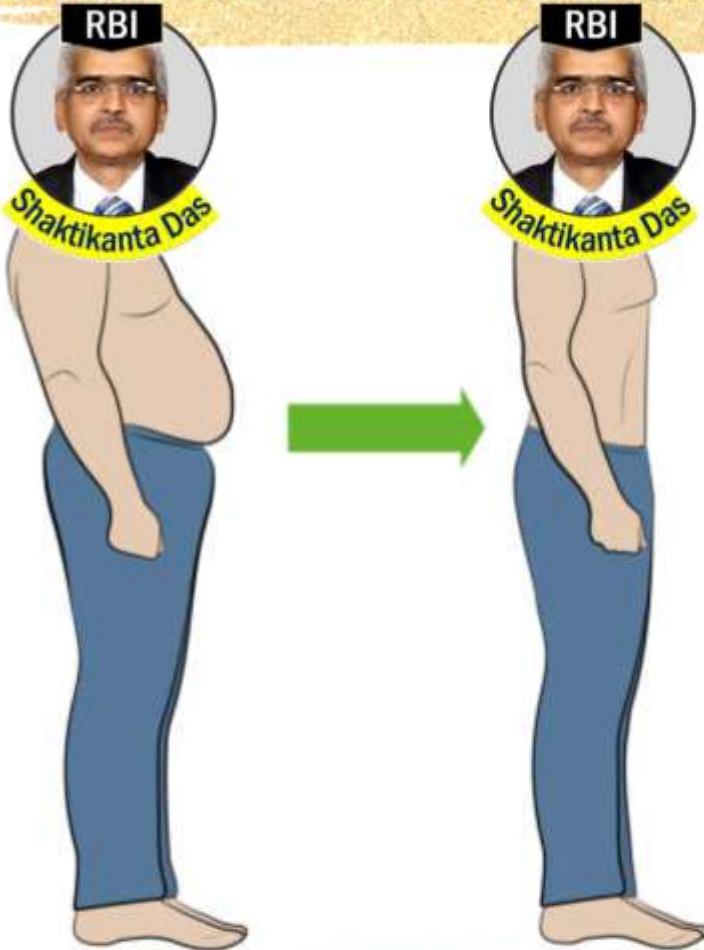
Utkarsh-2022 roadmap



**RBI officers supervising
more effectively**

**रिजर्व बैंक के अफसरों
द्वारा बैंक तथा
एनबीएफसी की
निगरानी ज्यादा चुस्ती
फुती से की जाए। ऐसी
सब मार्गदर्शिका को
उत्कर्ष-२०२२ कहते हैं**

Utkarsh-2022 roadmap



RBI officers supervising
more effectively

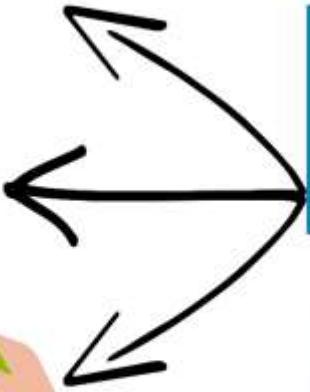
Daksh web system 2022



RBI monitoring Bank/NBFC
more effectively.



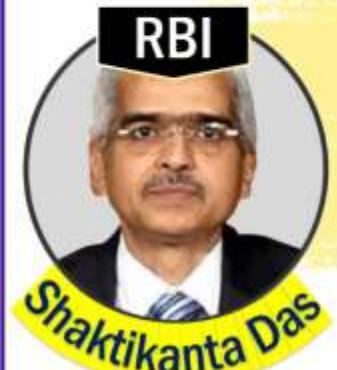
borrowers



**Fintech companies/
Loan Service Provider (LSP)**



**Bank/NBFCs
giving loans**



RBI

रोज सुबह उठकर
तुम्हारे पर नए सख्त
नियम बनाऊंगा।

रोज सुबह इसपे PHD
आर्टिकल लिखूँगा



दो लाइन का मुद्दा है परीक्षा
के लिए। रोज उठके ये क्या
शोरगुल करते हो





FIRST LOSS DEFAULT GUARANTEE (FLDG)



FIRST LOSS DEFAULT GUARANTEE (FLDG)

कर्जदार पैसा वापस ना करें तो फिनटेक कंपनी ने बैंक के नुकसान की कुछ भरपाई करनी होगी इस पर रिजर्व बैंक के कुछ दिशानिर्देश

#1B2:: Burning Issues of Banking Sector



Types of loans and
borrowers



NPA/TBS Resolution



SARFAESI/I&B



PCR/PSBN/LEI/Fugitive
Eco. Offender

What if loan not repaid?

How to
moniter



- FRDI/
- BadBank/
- PCA



BASEL-III/EASE



PNB/IL&FS/PMC



RBI Dividend/Sec7

रिजर्व बैंक अन्य बैंकों पर सख्ती और निगरानी बढ़ाएं - शारारती विद्यार्थियों का ल्लैक लिस्ट

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Types of loans and
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PCR/LEI/Fugitive Eco.
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CTRL

R

Edu Doubt?
Ask through

Google
Forms



DICGC/BadBank/PCA



PNB/IL&FS/PMC



BASEL-III/EASE



RBI Dividend/Sec 7

#1B2:: Burning Issues of Banking Sector



Types of loans and
borrowers



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SARFAESI/I&B



PCR/PSBN/LEI/Fugitive
Eco. Offender

What if loan not repaid?

How to
moniter



- FRDI/
- BadBank/
- PCA



continued

BASEL-III/EASE



PNB/IL&FS/PMC



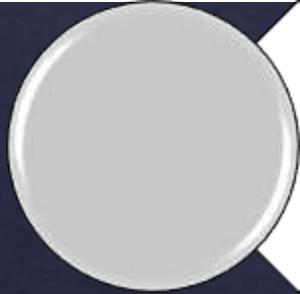
RBI Dividend/Sec7

रिजर्व बैंक अन्य बैंकों पर सख्ती और निगरानी बढ़ाएं - शारारती विद्यार्थियों का ल्लैक लिस्ट

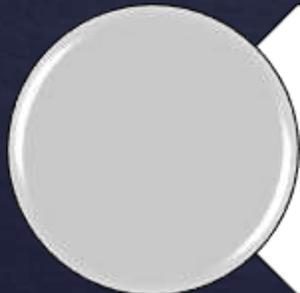


BIS

Mechanism not
important
MOTIVE is..



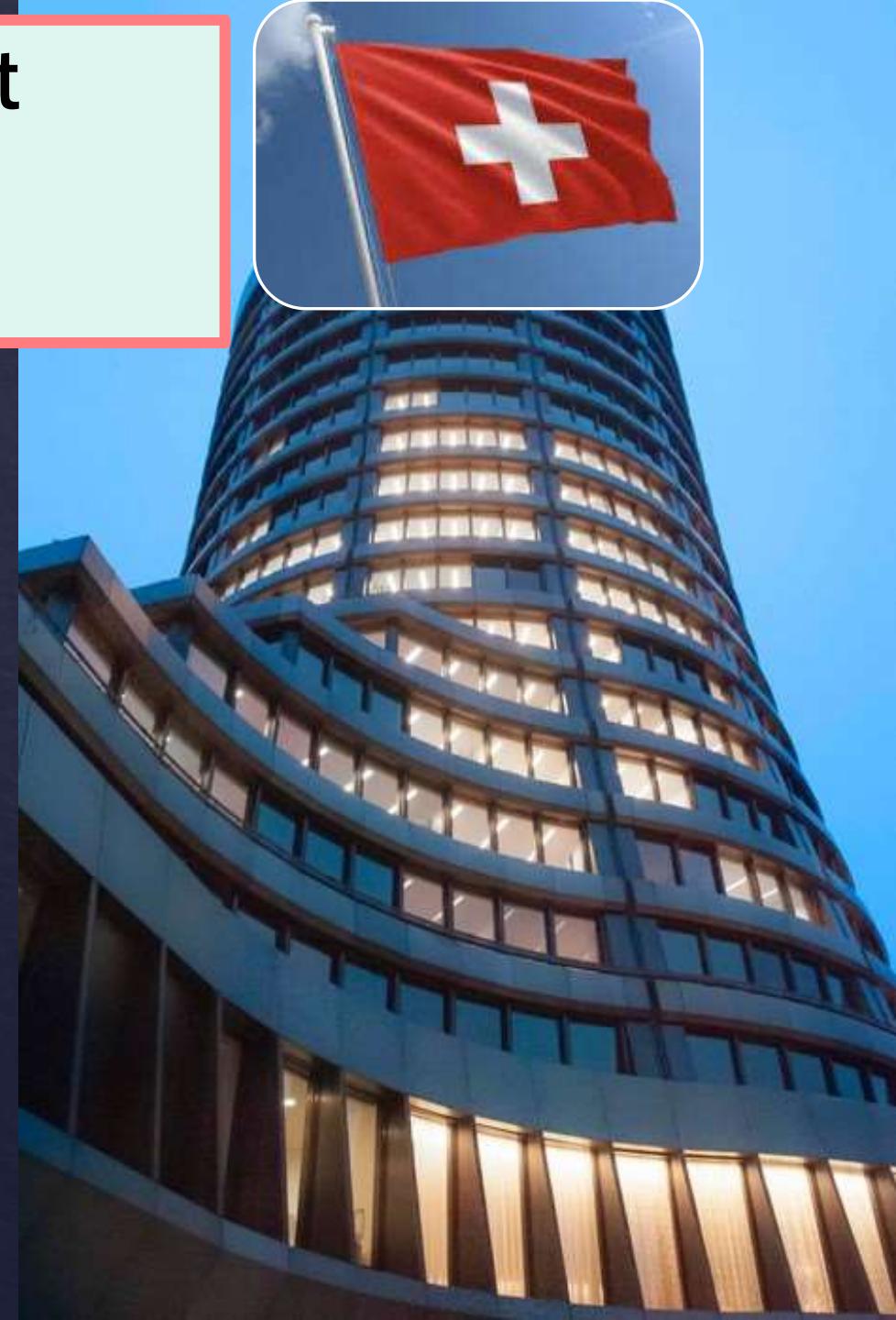
BASEL-III Norms,



D-SIB,



**Recapitalization of
PSBs**



UN convention on Transboundary Movements of Hazardous Wastes

जहरीले कचरे का सीमा पार परिवहन

Bank for international Settlement,
Committee on Banking supervision.
SETUP IN 1930, 60 CENTRAL BANKS,



Shares = investor gives capital to bizman.

If bizman makes profit, he may give dividend to investor



MORE in
Pillar#
1C



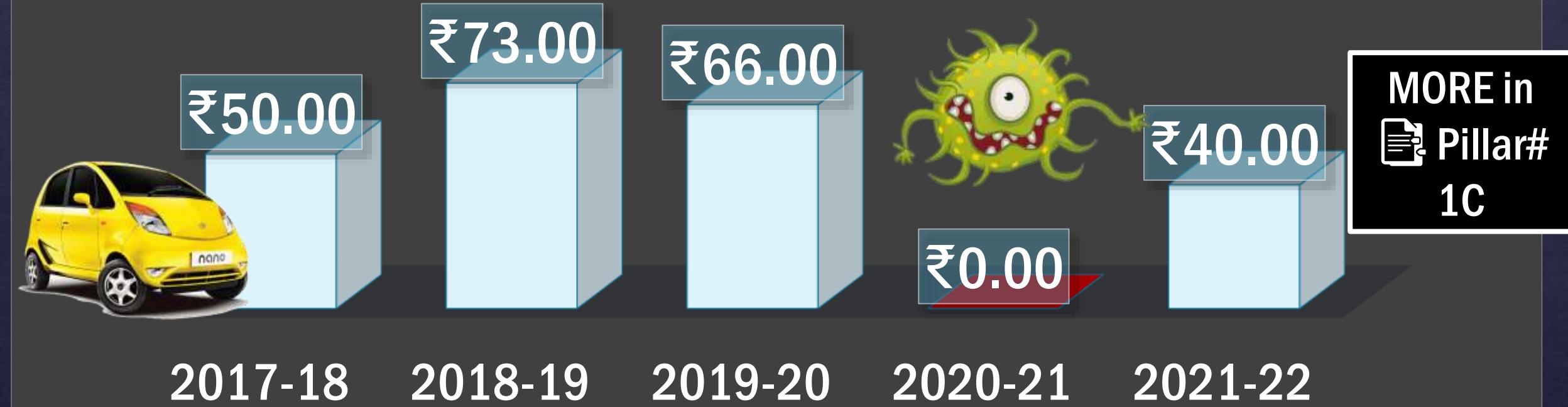
- तुम मेरी कंपनी का शेयर खरीदो और मुझे पूँजी दो अगर मेरी कंपनी को मुनाफा हुआ तो मैं तुम्हें मुनाफे में से लाभांश/डिविडेंड दूँगा.
- ₹ मुनाफा नहीं हुआ तो डिविडेंड नहीं दूँगा



Shares = investor gives capital to bizman.

If bizman makes profit, he may give dividend to investor

■ 2017-18 ■ 2018-19 ■ 2019-20 ■ 2020-21 ■ 2021-22



2017-18 2018-19 2019-20 2020-21 2021-22



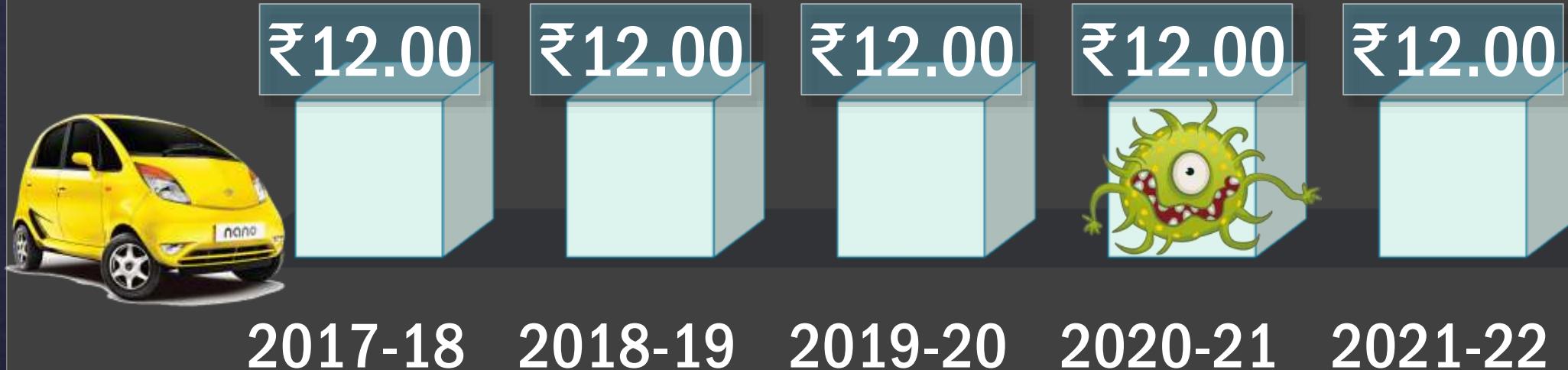
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- ⚡ मुनाफा नहीं हुआ तो डिविडेंड नहीं दूँगा।



Bond / Debenture = a type of loan instrument

Bizman repays principal + Interest, irrespective of biz profit

■ Interest Amount (hypothetical numbers for illustration / example only)



- तुम मेरी कंपनी का बॉन्ड खरीदो और मुझे पूँजी दो
- मैं तुम्हें व्याज और मूलधन वापस करूँगा
- चाहे मेरी कंपनी को मुनाफा हो रहा हो या न हो रहा हो, मैं तुम्हें व्याज दूँगा



When a Banking company is started- बैंक शुरू करने के लिए भी पूँजी चाहिए

When any company / Banking company
is setup → Capital is required

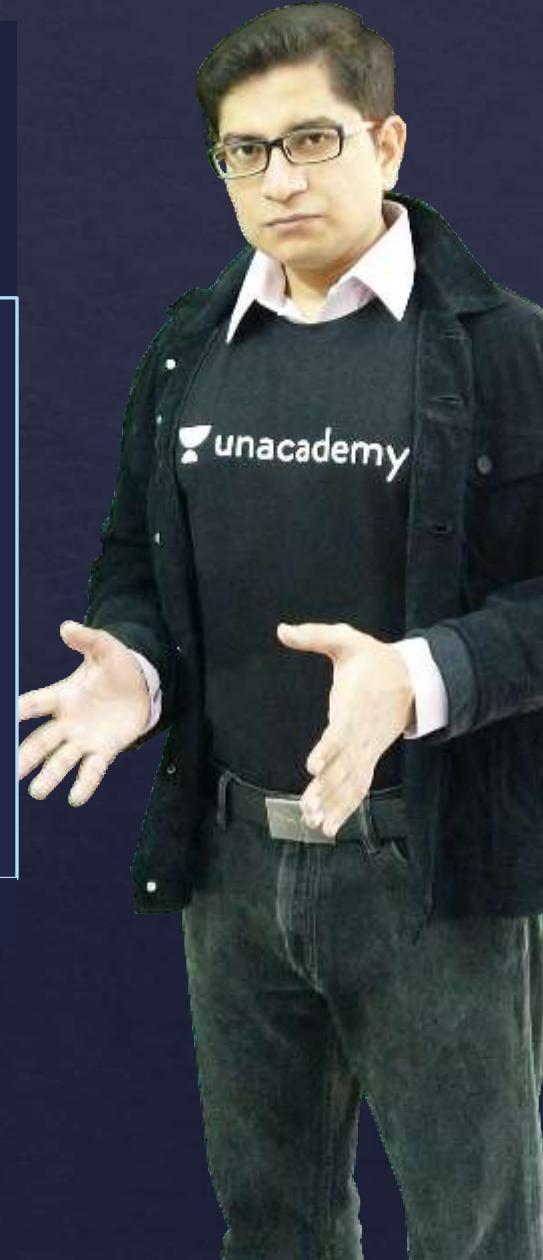
Equity (हिस्सेदारी)

- **Buy our shares**, If we profit then we'll pay 'dividend'



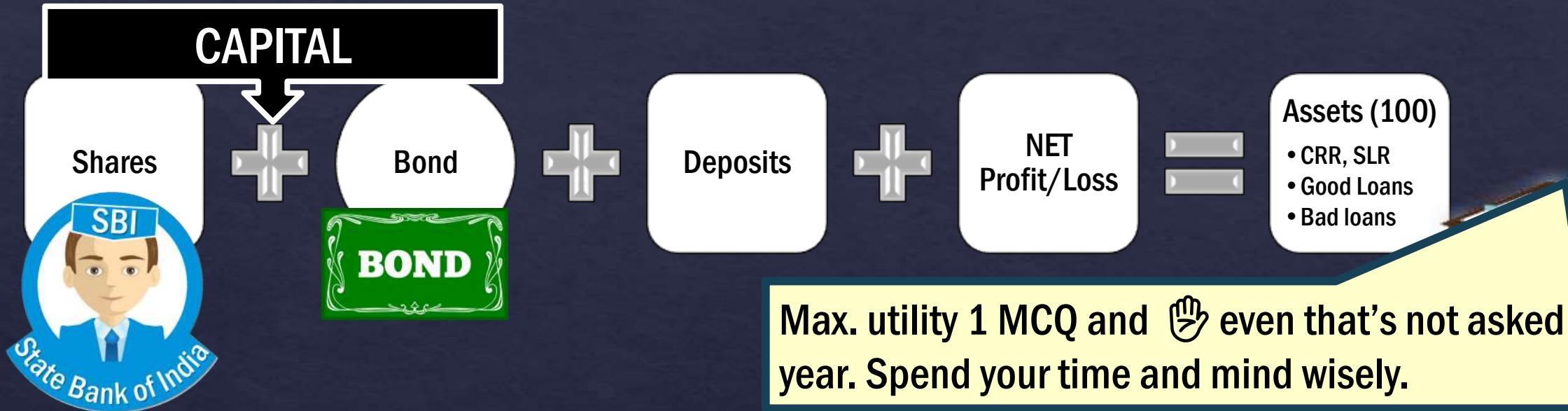
Debt (कर्जा लेकर)

- **Buy our Bonds:** We'll pay you interest irrespective of our profit or loss.



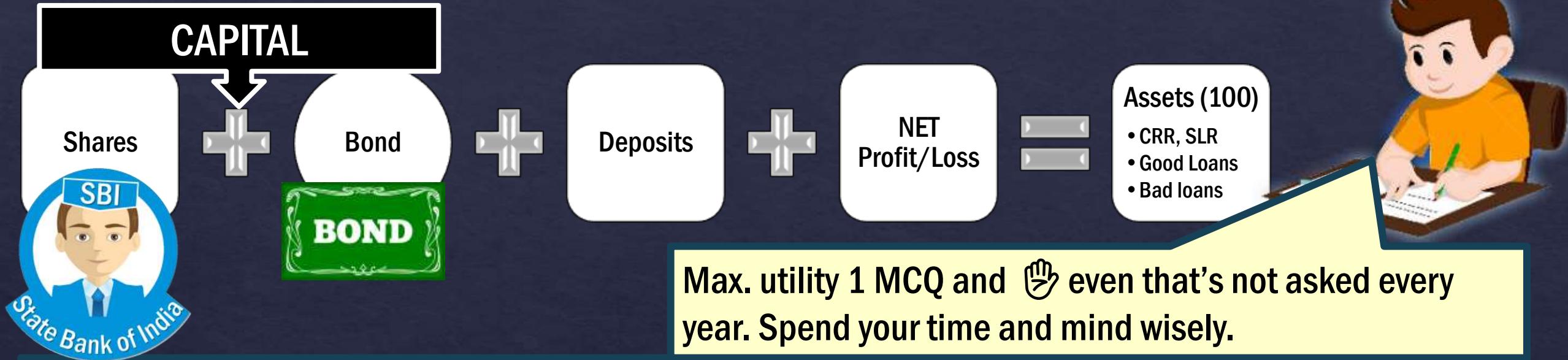
Sufficient to remember: BASEL Norms

बैंकों में खराब लोन की माला बढ़ेगी तो उन्होंने ज्यादा पूँजी हासिल करनी होगी



Sufficient to remember: BASEL Norms

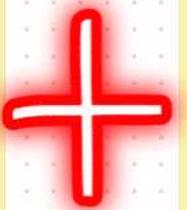
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Max. utility 1 MCQ and even that's not asked every year. Spend your time and mind wisely.

- Banks required to keep capital in proportion to their **risk weighted assets (RWA)**
- bad loans = RWA = capital required.
- Process of gathering additional capital is '**recapitalization**'.
- Technical words: Capital conservation buffer (CCB), Counter cyclic capital buffer (CCCB), tier-1 tier-2 capital, HQLA-LCR etc are associated with BASEL.
- RBI % & deadlines = different depending on type of bank & type of NBFC

Reading



Breathing



Score in
mock Test



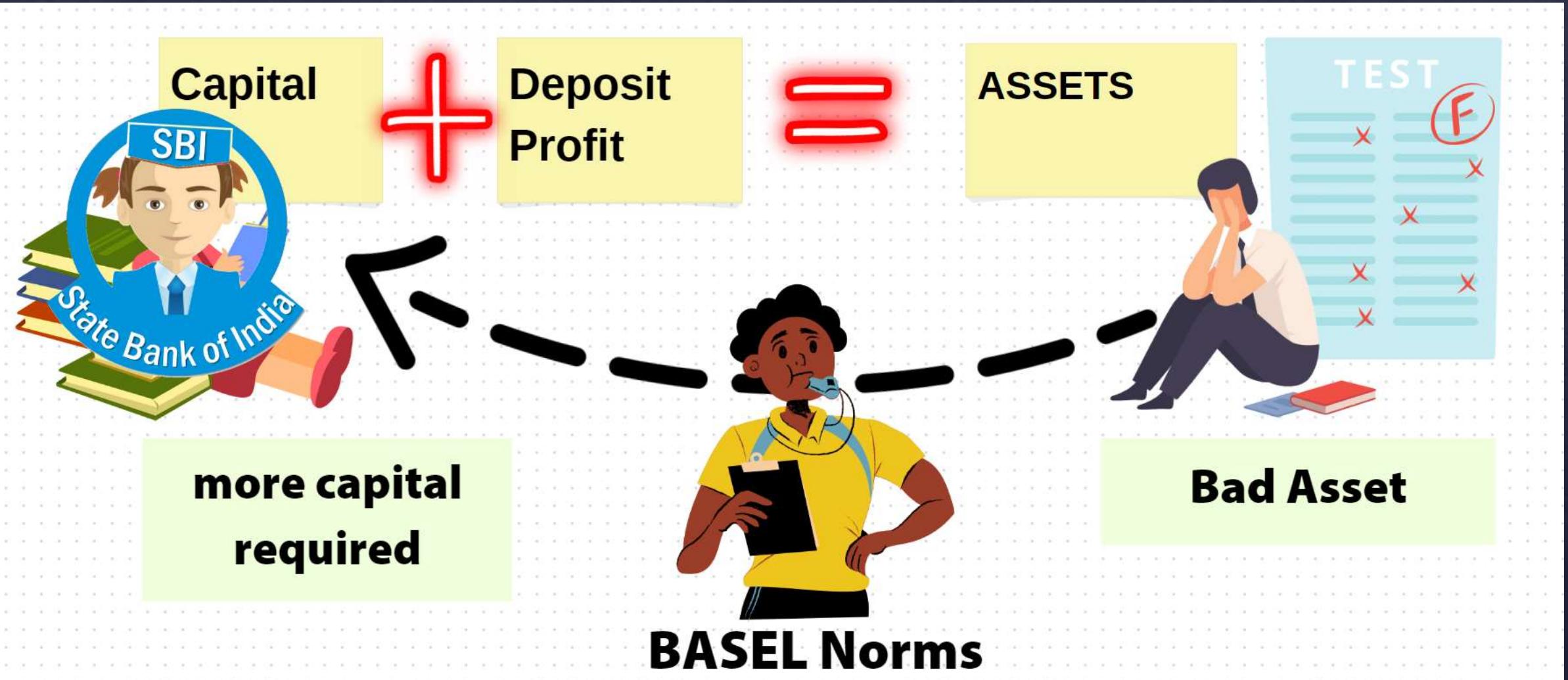
TEST



more reading



Bad Score





BASEL norms: 88 (I), '04 (II), '11(III)



Share & Bond Capital (₹1)



Liabilities

- deposits ₹99



Profit (0)



Assets (₹100)

- CRR, SLR
- Good Loans
- Bad loans

First Calculate

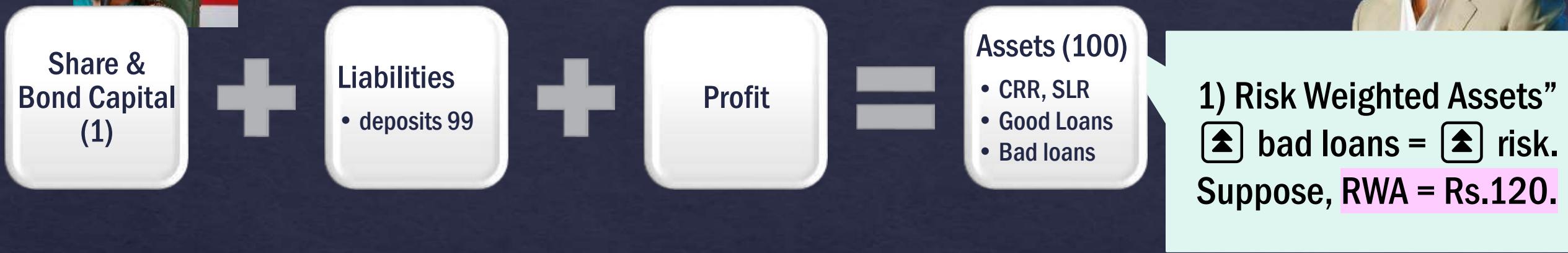
- “Risk Weighted Assets” (RWA: formula / mechanism not imp)
- More bad loans = risk assigned. → bigger RWA figure
- Suppose RWA = Rs.120.

वास्तव में भले ₹100 हो किन्तु जोखिम के हिसाब से सम्पति को बड़ा दिखाए (₹120)

ऐसा है RWA का गणित सूल



BASEL norms: 88 (I), '04 (II), '11(III)



$$CRAR \text{ Ratio} = \frac{\text{Capital}}{\text{Risk weighed Assets}} = \frac{1}{120} * 100 = \text{less than } 1\%$$

2) फिर आपने यह
रकम ढूँढ़नी होगी

3) इतना मामूली अनुपात काफी नहीं है 😠
कम से कम यह 9% होना मंगता है

Minimum 9% or more required



BASEL norms: 88 (I), '04 (II), '11(III)



Risk Weighted Assets”
⬆ bad loans = ⬆ risk.
Suppose, RWA = Rs.120.

$$CRAR \text{ Ratio} = \frac{\text{Capital}}{\text{Risk weighed Assets}} = \frac{1}{120} * 100 = \text{less than } 1\%$$

BASEL-III norms (WEF 31/3/2019)

- Capital to Risk weight Asset Ratio (CRAR) must be minimum 9%



BASEL norms: 88 (I), '04 (II), '11(III)



Share &
Bond Capital
(1)



Liabilities
• deposits 99



Profit



Assets (100)

- CRR, SLR
- Good Loans
- Bad loans

Risk Weighted Assets”
 bad loans = risk.
Suppose, RWA = Rs.120.

3) then we've to
capital

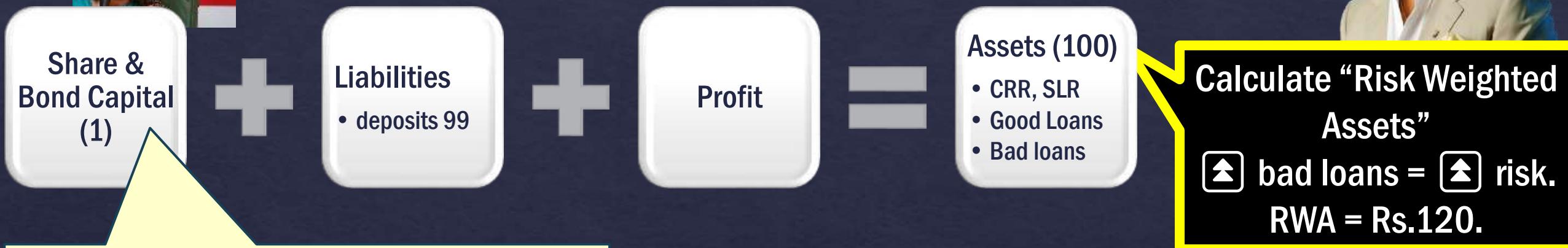
1) How can we
this to 9% ?

$$CRAR\ Ratio = \frac{Capital}{Risk\ weighed\ Assets} = \frac{\text{₹}1}{\text{₹}120} * 100 = less\ than\ 1\%$$

2) We can try to bad loans → RWA , but easier said
than done. कहेना आसान, करना मुश्किल।



BASEL norms: 88 (I), '04 (II), '11(III)



3) But Bank has only ₹1 capital & requires ₹11. 😢

- So extra $11-1=\text{₹}10$ capital req.
- Process of obtaining extra capital = **recapitalization**
- पुनः पूँजीकरण करना होगा

1) What if we had ₹11 as capital

2) YES YES YES mission accomplished! 🎉

$$CRAR \text{ Ratio} = \frac{\text{Capital}}{\text{Risk weighed Assets}} = \frac{11}{120} * 100 = 9\%$$



BASEL norms: 88 (I), '04 (II), '11(III)



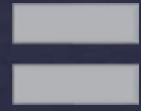
Share &
Bond Capital
(1)



Liabilities
• deposits 99



Profit



Assets (100)

- CRR, SLR
- Good Loans
- Bad loans

1) Additional capital required to comply with BASEL.

2) process of gathering that capital = Recapitalization

- If not done then what?
- पुनःपूँजीकरण नहीं किया तो क्या उखाड़ लेगा रिजर्व बैंक मेरा?
1. Bank has to resolve NPA or sell assets to RWA, and thereby its capital requirements.
 2. 😠 Else RBI can restrict your banks' lending operations, branch expansion, even force its merger (Prompt Corrective Action -PCA framework याद करो)

BASEL norms: 88 (I), '04 (II), '11(III)

Share &
Bond Capital
(1)

+
Liabilities
• deposits 99

+ Profit

= Assets (100)
• CRR, SLR
• Good Loans
• Bad loans



- 1) Additional capital required to comply with BASEL.
- 2) process of gathering that capital = Recapitalization.

If not done then what?

पुनःपूँजीकरण नहीं किया तो क्या उखाड़ लेगा रिजर्व बैंक मेरा?

1. Bank has to resolve NPA or sell assets to ↓ RWA, and thereby its capital requirements.
2. Else RBI can restrict your banks' lending operations, branch expansion, even force its merger (Prompt Corrective Action -PCA framework)

1. I have not understood a single thing
2. I have 500 type of question over this equation and percentage

Ans. then only remember a single line

Bad Loan → Bank required to arrange capital = BASEL NORMS
जितने खराब लोन बढ़ेंगे उस हिसाब से बैंक में अतिरिक्त पूँजी जमा करनी होगी



BASEL capital requirements by 31/3/19: table not imp.



यह सारे आंकड़े हमने याद नहीं करनी है

Table 1: Transitional Arrangements-Scheduled Commercial Banks
(excluding LABs and RRBs)

Tier1, tier2 not imp.

	April 1, 2013	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Minimum capital ratios							
Minimum Common Equity Tier 1 (CET1)	4.5	5	5.5	5.5	5.5	5.5	5.5
Capital conservation buffer (CCB)	-	-	-	0.625	1.25	1.875	2.5
Minimum CET1+ CCB	4.5	5	5.5	6.125	6.75	7.375	8
Minimum Tier 1 capital	6	6.5	7	7	7	7	7
Minimum Total Capital*	9	9	9	9	9	9	9
Minimum Total Capital +CCB				5	10.25	10.875	11.5
Phase-in of all deductions from CET1 (in %) #				0	100	100	100

What is CCB: Not imp.

Additionally Capital Conservation Buffer (CCB) = x%.

Separate % and deadlines for

- SFB & PB,
- RRBs, UCB & state coos,
- AIFI
- certain categories of NBFC.

Basic idea is sufficient. Don't waste time.

BASEL capital norms Central bank decides- could be different for each country

अलग-अलग देश की केंद्रीय बैंक अपने हिसाब से इन्हें लागू कर सकती है

Jurisdictions	Minimum Common Equity Ratio	Minimum Tier 1 Capital Ratio	Minimum Total Capital Ratio
Basel III Prescriptions			8.0
Brazil		11 from 2013, gradually aligning to Basel III by 2019 – subsequently as per Basel	
China			8.0
India			9.0
Mexico (CCB is integrated into minimum requirements)			10.5
Singapore			10.0
South Africa			9.0
Switzerland			8.0 to 19.0
Turkey			12.0

Source: Regulatory Consistency Assessment Programme (RCAP) reports of the Bank for International Settlements (BIS)



Figures not important but absolute fact is...that
“BASEL not same everywhere”

Ball by ball commentary notimp.

Cabinet approves Rs 6,000 recap of EXIM Bank

The EXIM Bank will be infused with Rs 4,500 crore before March and Rs 1,500 crore in the next fiscal.

PTI | Jan 16, 2019, 07.13 PM IST



Getty Images



The EXIM Bank will be infused with Rs 4,500 crore before March and Rs 1,500 crore in the next fiscal.

0
Comments

Save
A+

New Delhi: The Union Cabinet on Wednesday approved capital infusion of Rs 6,000 crore in Export-Import Bank of India (EXIM Bank) through recapitalisation bonds to boost the bank's capacity in export financing.

"The EXIM Bank will be infused with Rs 4,500 crore before March and Rs 1,500 crore in the next fiscal," Union Minister Piyush Goyal told reporters after the Cabinet meeting chaired by Prime Minister Narendra Modi

what is EXIM Bank?
Ans. AIFI (Ref Pillar1B1)

And we know what is recapitalization.

👉 Pdf/mag-walla making lengthy thesis on this, not required.

 Q) What do they mean? Ans NOTIMP. Sufficient to know they're related to BASEL-III

Norms बस हमने इतना याद रखना है कि यह सारी शब्दावली के BASEL-norms के साथ जुड़ी हुई है

Capital to Risk Weighted Assets Ratio" (CRAR)

Capital Conversation Buffer (CCB)

Counter Cyclic Capital Buffer (CCCB)

Leverage ratio (LR)

Net Stable Funding Ratio (NSFR)

High quality liquid assets (HQLA)

Liquidity Coverage Ratio (LCR)

IRB approach for credit risk

operational risk framework

CVA framework

market risk framework

Pillar 3 disclosure requirements

- Corona → many of these norms got deferred (अभी स्थगित।)
- Some rules got deferred by RBI इसमें से कुछ नियम आरबीआई ने खुद स्थगित किए
- Some rules got deferred by BASEL's top body. कुछ स्विजरलैंड में बैठी संस्था ने स्थगित किए हैं
- when is the new deadline? ANS NOT IMP 



Domestic Systemically Important Banks (D-SIB)



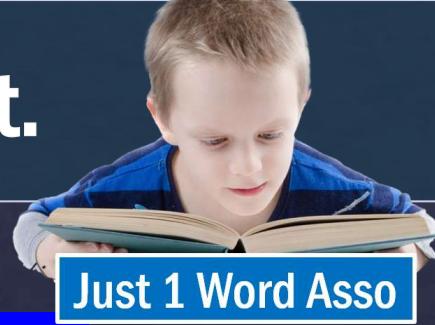
Kabhi kabhi lagta hai apun hi bhagwan hai



SBI, ICICI, HDFC

IndAS Accounting standards format.

- ❖  THIS IS NOT BASEL NORMS.
- ❖ Ordered by Ministry of Corporate Affairs
- ❖ All companies in India required to present balance sheet in this format.
- ❖  Benefit? Easier for investors/regulators to understand company's financial situation. कंपनी की वित्तीय स्थिति के बारे में सही जानकारी मिल सके
- ❖ Banks also need to do this,
- ❖ BUT RBI Will decide implementation date for banks. → 2019 = deferred. Then Corona = not urgently implementing. रिजर्व बैंक इस चीज को बेंको पार भविष्य में लागू करेगा।



Just 1 Word Asso

Balance Sheet
[USD \$ millions]

2014 2015

Assets		
Current assets:		
Cash	167,971	181,210
Accounts Receivable	5,100	5,904
Prepaid expenses	4,806	5,513
Inventory	7,805	9,601
Total current assets	185,682	202,228
Property & Equipment	45,500	42,350
Goodwill	3,580	3,460
Total Assets	234,762	248,038
Liabilities		
Current liabilities:		
Accounts Payable	3,902	4,800
Accrued expenses	1,320	1,541
Unearned revenue	1,540	1,560
Total current liabilities	6,762	7,901
Long-term debt	50,000	50,000
Other long-term liabilities	5,526	5,872
Total Liabilities	62,288	63,773

तुलन पत्र बनाने के मानदंड / सिद्धांत

इस प्रारूप/ढांचे के अनुसार हिसाब किताब के आँकड़े प्रस्तुत करने होंगे

#1B2:: Burning Issues of Banking Sector



Types of loans and
borrowers



NPA/TBS Resolution



SARFAESI/I&B



PCR/PSBN/LEI/Fugitive
Eco. Offender

What if loan not repaid?

How to
moniter



- FRDI/
- BadBank/
- PCA



BASEL-III/EASE

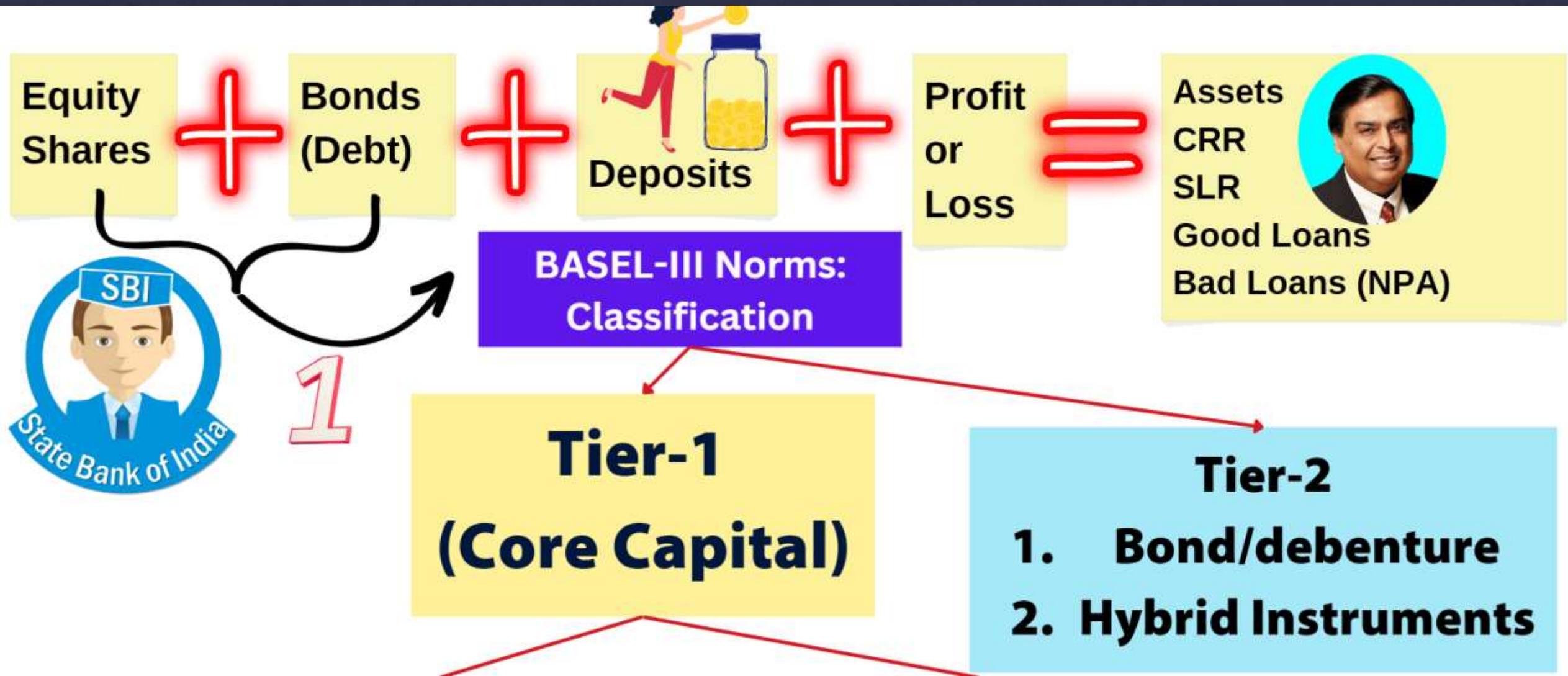


PNB/IL&FS/PMC



RBI Dividend/Sec7

AT1 BONDS





1

BASEL-III Norms: Classification

**Tier-1
(Core Capital)**



- Tier-2**
1. Bond/debenture
 2. Hybrid Instruments

**Common Equity Tier-1
(CET1)**

- Ordinary Shares

Addl. Tier-1 (AT1)

1. Preferential Shares
2. AT1 Bonds

Debt Instrument	Principal returned ↑	Interest Returned ↗
Normal Bonds	✓	✓
AT1 Bond: when Bank running normally	◆ No*	✓ (for infinite years)

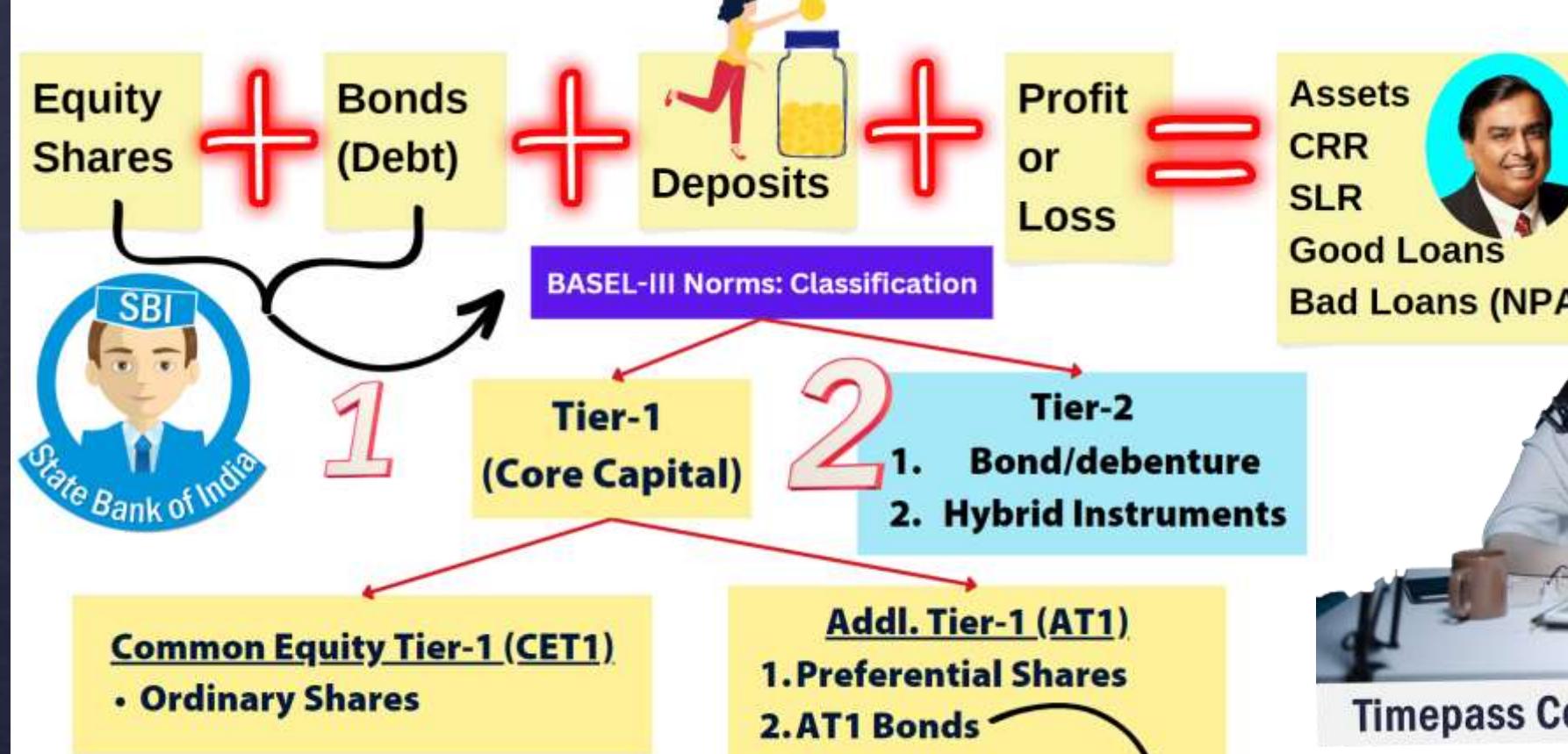
Debt Instrument	Principal returned ↑	Interest Returned ↑
Normal Bonds	✓	✓
AT1 Bond: when Bank running normally	◆ No*	✓ (for infinite years)
AT1 Bond: when Bank suffers a SCAM/crisis	◆ No*	◆ No*

जब बैंक में कांड होता है तो नुकसान की भरपाई के लिए AT1 Bond Holder पैसों का इस्तेमाल होता है और उसके बोंड की देयता को खत्म कर दिया जाता है

✓ **RBI PERMITS**

✓ **BASEL-III PERMITS**





Debt Instrument	Principal returned ↗	Interest Returned ↗
Normal Bonds	✓	✓
AT1 Bonds	◆ No*	✓ (for perpetuity/ infinite years)



हमारी बैंक में बहुत बड़ा कांड हुआ है इसलिए नुकसान की भरपाई के लिए तुमरे AT1 Bonds को हम बर्खास्त करते हैं। ना तुम्हें ब्याज देंगे। और मूलधन तो वैसे भी नहीं देते। Both RBI & BASEL Norms permit this.

लेकिन मेरे को पता ही नहीं था कि ऐसे प्रावधान होते हैं।



Pillar#1B2 → Burning Issues of Banking Sector



Types of
Loans &
Borrowers



NPA/TBS
Resolution



SARFAESI/IB
C'16/ Sashakt



PCR/LEI/PSBN/F
ugitive Eco. Offender



FRDI/ PARA/
PCA



BASEL-III
PSB recapitalization



YES bank
IL&FS
PNB
 PMC



RBI
Dividend/Sec7

सरकारी बैंकों का
पुनःपूँजीकरण

EASE
BBB

Audio/Video
Problem?



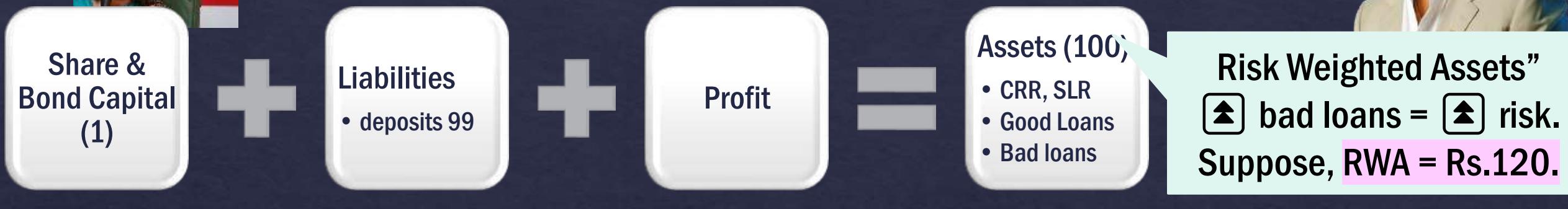
Edu Doubt?
Ask through



CTRL R



BASEL norms: 88 (I), '04 (II), '11(III)



3) then we've to \uparrow capital

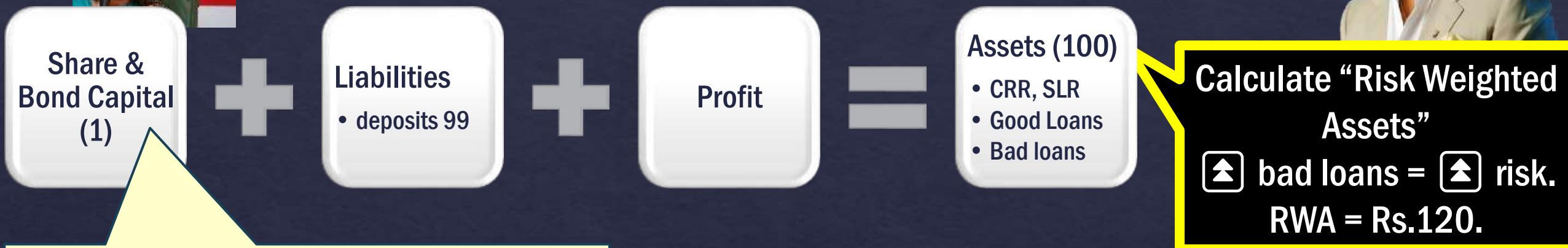
1) How can we \uparrow this to 9% 😢 ?

$$CRAR\ Ratio = \frac{Capital}{Risk\ weighed\ Assets} = \frac{\text{₹}1}{\text{₹}120} * 100 = less\ than\ 1\%$$

2) We can try to \downarrow bad loans \rightarrow RWA \downarrow , but easier said than done. कहेना आसान, करना मुश्किल। 😢



BASEL norms: 88 (I), '04 (II), '11(III)



3) But Bank has only ₹1 capital & requires ₹11. 😭

- So extra $11-1=\text{₹}10$ capital req.
- Process of obtaining extra capital = **recapitalization**
- पुनः पूँजीकरण करना होगा

1) What if we had ₹11 as capital

2) YES YES YES mission accomplished! 🎉

$$CRAR \text{ Ratio} = \frac{\text{Capital}}{\text{Risk weighed Assets}} = \frac{11}{120} * 100 = 9\%$$



BASEL norms: 88 (I), '04 (II), '11(III)



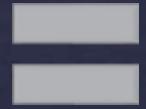
Share &
Bond Capital
(1)



Liabilities
• deposits 99



Profit



Assets (100)

- CRR, SLR
- Good Loans
- Bad loans

1) Additional capital required to comply with BASEL.

2) process of gathering that capital = Recapitalization

- If not done then what?
- पुनःपूँजीकरण नहीं किया तो क्या उखाड़ लेगा रिजर्व बैंक मेरा?
1. Bank has to resolve NPA or sell assets to RWA, and thereby its capital requirements.
 2. 😠 Else RBI can restrict your banks' lending operations, branch expansion, even force its merger (Prompt Corrective Action -PCA framework याद करो)



BASEL norms: 88 (I), '04 (II), '11(III)

Share & Bond Capital (1)

Liabilities
+ deposits 99

Profit

Assets (100)

- CRR, SLR
- Good Loans
- Bad loans



- Additional capital required to comply with BASEL.
- process of gathering that capital = Recapitalization.

If not done then what?
पुनःपंजीकरण नहीं किया तो क्या?

- Bank has to resolve NPA or sell assets to RWA, and thereby its capital requirements.
- Else RBI can restrict your banks' lending operations, branch expansion, even force its merger (Prompt Corrective Action / PCA framework)

- बासेल मानदंडों का पालन करने के लिए
- अगर सरकारी बैंक बाजार में नए शेयर जारी करता है
- तो फिर भी कोई बेवकूफ ही होगा 😠
- जो उसको खरीदेगा
- क्योंकि सरकारी बैंकों में मुनाफा कम है
- अच्छा डिविडेंड/लाभांश मिलेगा नहीं 😞

Recapitalization of PSBs...



Equity (Share)

- Buy our new shares, If we profit then we'll pay 'dividend'
- Investors: "we are not idiots! Look at your NPA and profitability!!"

हम सरकारी बैंक के
शेयर
क्यों खरीदेंगे
हम नहीं खरीदेंगे



देना बैंक
DENA BANK

BASEL norms: 88 (I), '04 (II), '11(III)



Additional Rs.10 capital required.
The process of gathering that capital
= Recapitalization.

- Assets (100)
 - CRR, SLR (22)
 - Good Loans ()
 - Bad loans ()



Calculate "Risk Weighted Assets"
More bad loans = more risk assets
RWA = Rs.120.

BASEL-III norms (WEF 31/3/2019)
Min. Capital to Risk weight Asset Ratio (CRAR) =
Presently: $(1/120) \times 100 = \text{less than } 1\%$

बासेल मानदंडों का पालन करने के लिए अगर सरकारी बैंक बाजार में नए bond जारी करता है, तो निवेशक पैसा देने के लिए बहुत ऊंचा ब्याज मांगेंगे क्योंकि यहां पर जोखिम बहुत ज्यादा है

Recapitalization of PSBs...

Equity (Share)

- Buy our new shares, If we profit then we'll pay 'dividend'
- Investors: we are not idiots! Look at your NPA and profitability!!



Debt (Bonds):

- Buy our Bonds, We'll pay you ~8% interest irrespective of our profit or loss.
- Investors: We still don't believe you, risk too high, promise 18% interest!

हम सरकारी बैंक के बॉन्ड क्यों खरीदेंगे
हम नहीं खरीदेंगे- जोखिम बहुत ज्यादा है



BASEL norms: 88 (I), '04 (II), '11(III)



Additional Rs.10 capital required.
The process of gathering that capital
= Recapitalization.

- Assets (100)
- CRR, SLR (22)
 - Good Loans ()
 - Bad loans ()



Calculate "Risk Weighted Assets"
More bad loans = more risk assigned.
RWA = Rs.120.



BASEL-III norms (WEF 31/3/2019)
Min. Capital to Risk weight Asset Ratio (CRAR) = 9%.
Presently: $(1/120) \times 100 = \text{less than } 1\%$

Recapitalization of PSBs...

- Merger of smaller banks. विलीनीकरण
- Privatization of weak banks. निजीकरण
- Recapitalization of remaining PSBs based on 'performance'.
→ Indradhanush

Equity (Share)

- Buy our new shares, If we profit then we'll pay 'dividend'
- Investors, we are not idiots! Look at your NPA and profitability!!

Debt (Bonds):

- Buy our Bonds / Debentures. We'll pay you ~% interest irrespective of our profit or loss.
- Investors? We still don't believe you, risk too high, promise 18% interest!!

not practicable 😞

Investors not coming



बैंक ऑफ बडोदा
Bank of Baroda



देना बैंक
DENA BANK

please help...

2015: Indradhanush Plan for recapitalization of PSBs

सरकार आंशिक रूप से नई पूँजी मुहैया कराएगी. बाकी पूँजी सरकारी बैंक ने खुद जमा करे

1) let me help them 'partially'. Rest of the amount they can gather by themselves through issuing new shares/ bonds.

(i)	Financial Year 2015 -16	-	Rs. 25,000 crore
(ii)	Financial Year 2016-17	-	Rs. 25,000 crore
(iii)	Financial Year 2017-18	-	Rs. 10,000 crore
(iv)	Financial Year 2018-19	-	Rs. 10,000 crore
	Total	-	Rs. 70,000 crore



2) If these smaller banks are merged, then bigger bank may appear more reliable to investors and they may supply capital. छोटे बैंकों का विलीनीकरण → क्योंकि मोटे बैंक पर निवेशक फिर भी थोड़ा ज्यादा यकीं करेंगे

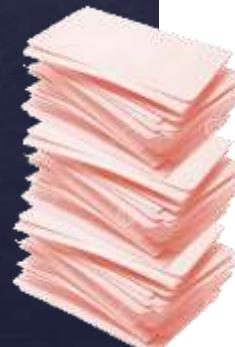


Government issued PSB recapitalization bonds to arrange money

- @investors: Buy our bonds
- We'll pay you Interest: approx. 7%
- **Maturity:** @2028-33. Have to be held till maturity (can't redeem/ask for refund before).
- **Non-transferable** (Mr. A can't sell to Mr. B)
- **non-convertible** (bond will not become share).



सरकार को लगा इंद्रधनुष पर्याप्त नहीं और ज्यादा पूँजी बटोरने होगी



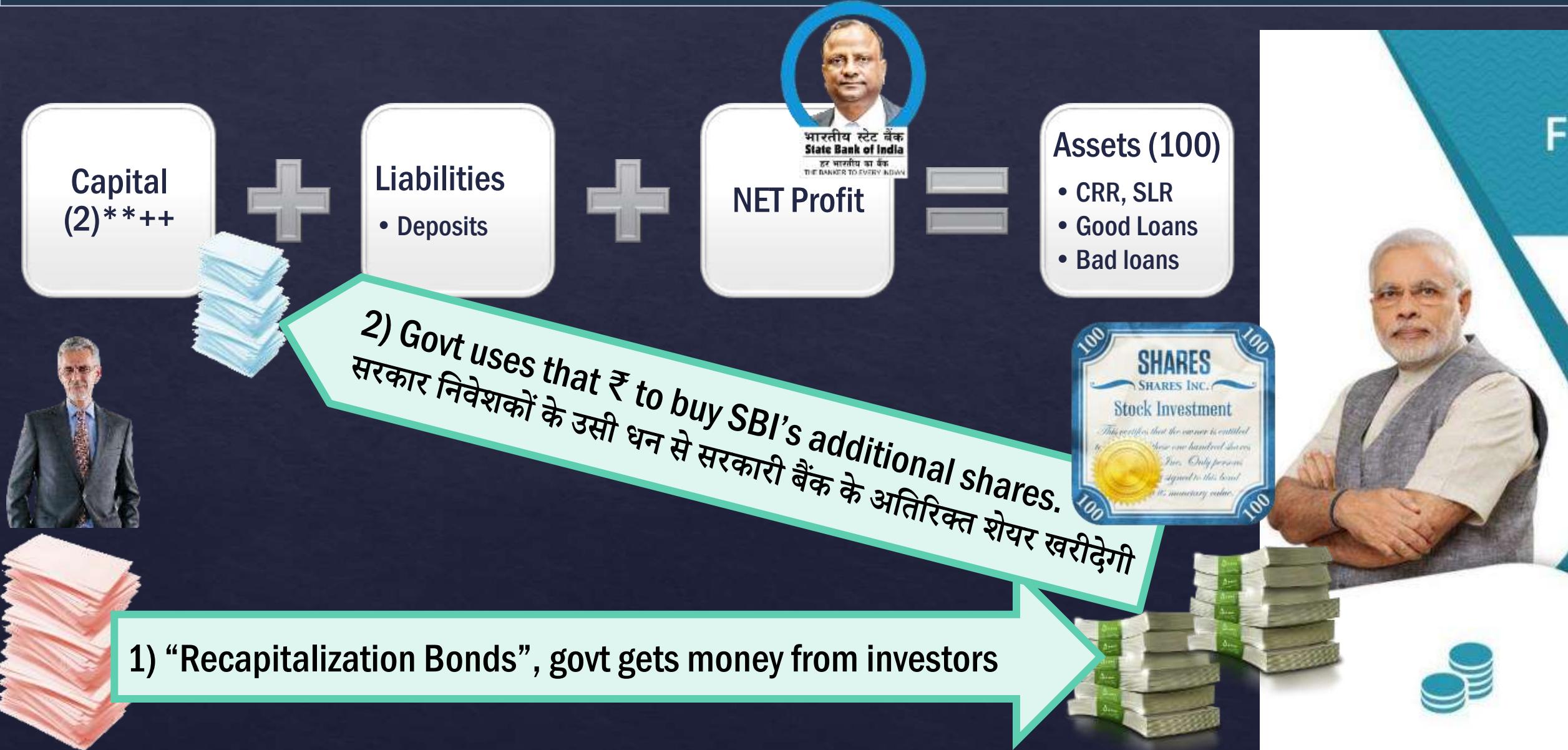
We'll use this money for recapitalizing PSBs. निवेशकों को यह बांड बेच कर हम पैसा जमा करेंगे और सरकारी बैंकों का पुनः पूँजीकरण करेंगे

Recapitalization in theory



1) “Recapitalization Bonds”, govt gets money from investors
निवेशक इसको खरीदेंगे → सरकार को पैसा देंगे

Recapitalization in theory



Recapitalization in theory

1) Because if SBI issued bonds, → investors will ask more interest due to higher risk.



Capital
(2)**++



Liabilities
• Deposits



NET Profit

Govt uses that ₹ to buy SBI's additional shares.

“Recapitalization Bonds”, govt gets money from investors

- 2) But Government giving sovereign guarantee
- so, investors' risk is less,
- so they can't demand high interest. सरकारी बैंक खुद bonds जारी करता तो निवेशक ज्यादा ब्याज मांगते
- क्योंकि उन्हें जोखिम ज्यादा लगता
- कितु जब सरकार ने जारी किए हैं तो जोखिम कम है
- इसलिए ब्याज कम मांग सकते हैं



Pillar#1B2 → Burning Issues of Banking Sector



Types of loans & Borrowers



FRDI/ PARA/ PCA



NPA/TBS Resolution



SARFAESI/IB
C'16/ Sashakt



PCR/LEI/PSBN/Fugitive Eco. Offender



YES bank
IL&FS
PNB
 PMC

RBI
Dividend/Sec7

Budget-2021: ₹20,000 crores

Budget-2022: NOTHING.

Budget-2023: NOTHING.

BASEL-III
 PSB recapitalization
EASE
BBB

Audio/Video
Problem?

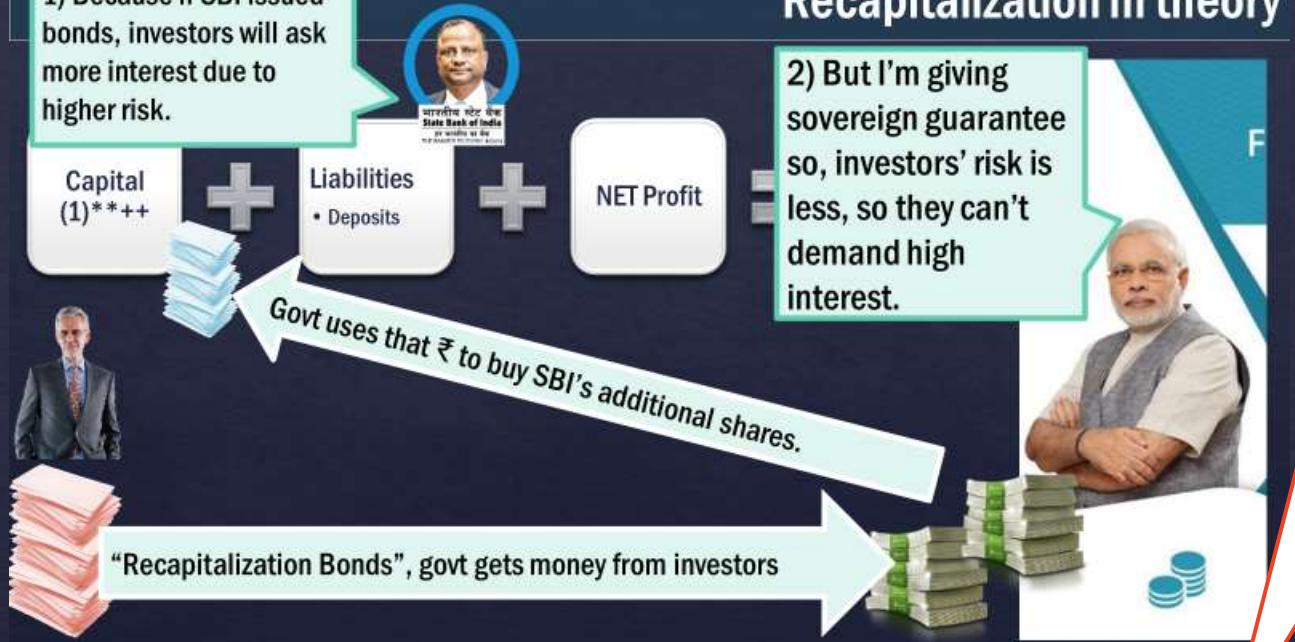


Edu Doubt?
Ask through

Google
Forms



1) Because if SBI issued bonds, investors will ask more interest due to higher risk.



Recapitalization in theory

1. if government continues to recapitalise the weak public sector banks
2. Then they will become lazy carefree and arrogant
3. Why should I worry?
4. My parents will take care of me!



NO!! I need to make PSBs disciplined
बेटे को उसके कदमो पे खड़ा
करना पड़ेगा

FinMin→Department of Financial services→ Gyan Sangam workshops (2015 onwards)

सरकारी बैंकों की कार्य दक्षता बढ़ाने के लिए ज्ञान संगम का आयोजन

Participants



Financial regulators
(RBI , SEBI etc)



Public Sector Bank



Public Sector Insurance
Companies etc.

Where were they held, and
for how many times?
Irregularly. ✌ NOT IMP.



इन सब लोगों की मीटिंग
आयोजित की गई थी



सरकारी बैंकों की कार्य दक्षता बढ़ाने के लिए ज्ञान संगम का आयोजन

Participants



Financial regulators
(RBI , SEBI etc)



Public Sector Bank



Public Sector Insurance Companies etc.

Where were they held, and for how many times?
Irregularly. ✌️ NOT IMP.



मीटिंग का निष्कर्ष/ परिणाम Outcomes: PSB reforms

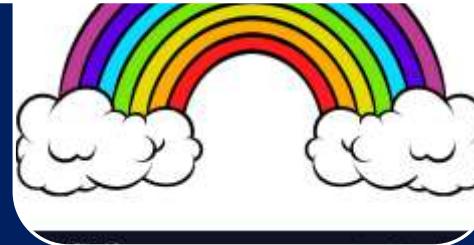
Most of this shifted to Mains.



CMD Split



BBB for selection of top-officials



INDRAdhanush (BASEL Capitalization)



EASE Framework for performance monitoring



2 different individuals should be sitting in 2 different posts

दो अलग-अलग पदों पर दो अलग अलग व्यक्ति होते हैं ताकि किसी एक व्यक्ति की मनमानी ना चले



Why not do this? It'll help saving salary!!

एक ही व्यक्ति को दो पद दे देते हैं, तो तनख्वाह भी बच जाएगी!!



2 different individuals should be sitting in 2 different posts

दो अलग-अलग पदों पर दो अलग अलग व्यक्ति होते हैं ताकि किसी एक व्यक्ति की मनमानी ना चले



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एक ही व्यक्ति को दो पद दे देते हैं, तो तनख्वाह भी बच जाएगी!!

यूपीएससी के
बाबू शोने

Private sector banks: Chairman separate, Managing Director is Separate person दो अलग-अलग पदों पर दो अलग अलग व्यक्ति होते हैं ताकि किसी एक की मनमानी ना चले



PSB Reform: splitting of CMD post into two different posts-विभाजन किया गया

1) Chairman 2) Managing Director (/CEO)

1)
chairman



2) MD



Board of Directors

SHARE-HOLDERS



PROFIT

DIVIDEND



- 😢 Before: same guy would sit in both posts.
- पहले एक ही व्यक्ति दोनों पदों पर आसीन था

PSB Reform: splitting of CMD post into two different posts-विभाजन किया गया

1) Chairman 2) Managing Director (/CEO)

1) Chairman
Hasmukh Adiya



2) MD



- 😠 Before: same guy would sit in both posts.
- 😊 After: two different guys = less dictatorship

Board of Directors

SHARE-HOLDERS



PROFIT

DIVIDEND



मनमानी कम चले
जवाबदेही बढ़े

Who will recruit top-officials in public sector FI?

Recruiting organization (संस्था)

- PSBs
- LIC & other Public Sector insurance Cos
- Other public sector FI (e.g. NABARD)

सरकारी बैंक, सरकारी बीमा कंपनी,
सरकारी अन्य वित्तीय मध्यस्थ संस्थान

Recruitment of Top Officials (अफसर)

- MD/CEO
- Chairman
- full-time Directors



1) Top officials in Govt bank,
NBFC, insurance companies..



2) Interview
साक्षात्कार



5) Appointment letter
नियुक्ति पत्र

6) Just like how UPSC recommends names for IAS, but actual appointment done by DoPT.

3) Bank Board Bureau
Not a statutory body so its members age/reappointment etc. vague. आयु /
कार्यकाल के बारे में कोई स्पष्ट नियम नहीं है

4) Recommends names



वित्तीय सेवा एं विभाग
DEPARTMENT OF
**FINANCIAL
SERVICES**

Can BBB select public sector insurance company's MD/CEO etc ?

क्या सरकारी बीमा कंपनियों के उच्च अधिकारियों का चयन बीबीबी कर सकता है ?

YES

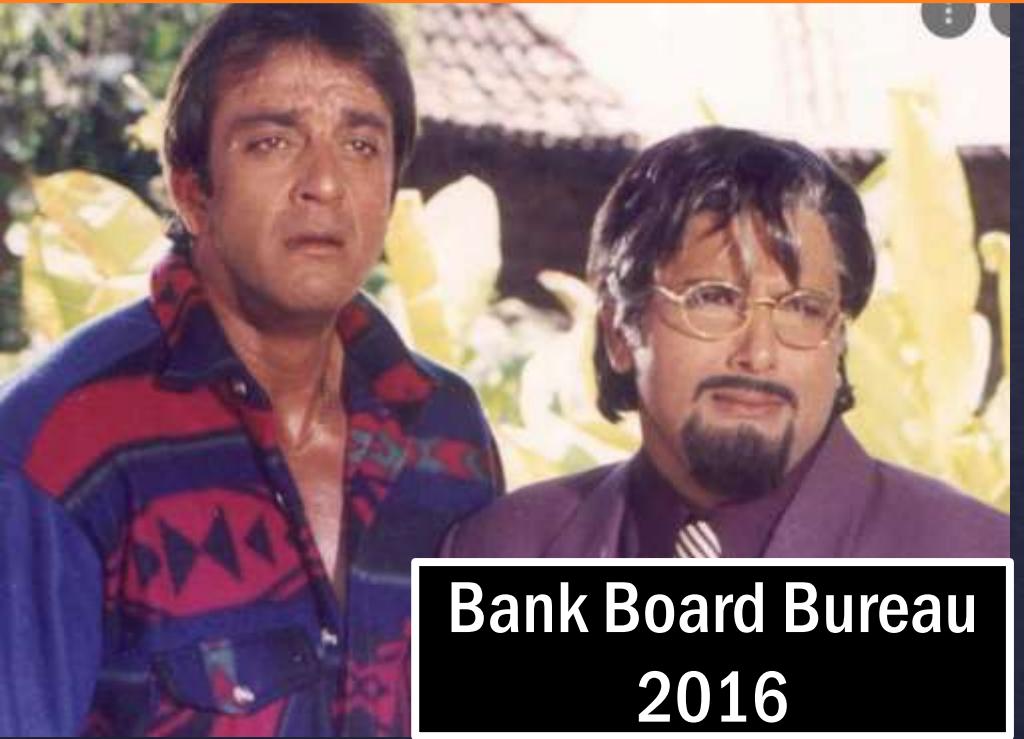


- 🙌 🙌 NO!!! 🤕 Delhi HC says BBB can't select Govt owned Insurance company's top officials
- It's violation of provisions in insurance nationalization related acts



Who will select the top officials in Govt owned Banks, NBFC, AIFI and Insurance Cos?

सरकारी बैंक और सरकारी बीमा कम्पनियों में उच्च अधिकारियों का चयन कौन करेगा?



Bank Board Bureau
2016



साब-जी, जो चाचा है,
वही भतीजा है।



Financial Services
Institutions Bureau
(FSIB)- 2022

-  Delhi HC says BBB can't select Govt owned Insurance company's top officials because of provisions in Insurance Act.
- जो चाचा है, वही भतीजा है। Govt replaces BBB with a new body named FSIB

- Is this not a joke?
- Simply renaming a body to comply with court order?
- ये क्या मजाक चल रहा है सिर्फ एक संस्था का नाम बदलकर कोर्ट के आदेश का पालन करने का दिखावा किया जा रहा है ?



Who will select the top officials in Govt owned Banks, NBFC, AIFI and Insurance C
सरकारी बैंक और सरकारी बीमा कम्पनियों में उच्च अधिकारियों का चयन कौन करेगा?

Bank Board Bureau
2016

साब-जी, जो चाचा है,
वही भतीजा है।

Financial Services
Institutions Bureau
(FSIB)- 2022

- Delhi HC says BBB can't select Govt owned
- Insurance company's top officials because of provisions in Insurance Act.
- जो चाचा है, वही भतीजा है। Govt replaces BBB with a new body named FSIB

- Court has not banned FSIB, YET
- Opposition parties, Columnist did not bother to criticize it loudly.
- तो हमको झंडा लेने की क्या जरूरत है ?



FinMin → Dept of Financial Services → EASE framework for PSB

सरकारी बैंकों ने घमंडी रखेया छोड़ना होगा और निष्ठा पूर्वक अच्छा काम करना होगा



Basically, PSBs have to change their arrogant and carefree attitude and focus on six pillars



FinMin → Dept of Financial Services → EASE framework for PSB

सरकारी बैंकों ने घमंडी रवैया छोड़ना होगा और निष्ठा पूर्वक अच्छा काम करना होगा



↑ Customer Responsiveness.
↓ NPA & frauds.

Credit Off Take:
organize loan mela
for home, auto,
education loans.

Help MSME via
SIDBI's
Udyamimitra.com
portal.

↑ Financial Inclusion
& Digitalization.

Employees' Human
Resource
Management (HRM)-
training, promotions



सरकारी बैंकोंने अपना घमंडी और आलसी रवैया छोड़ के ये सब काम करना होगा.
Govt will monitor them & give ranking

Ease 3.0 framework?

2018

- Ease 1.0 (feature in previous slide)

2019

- Ease 2.0 (some more fancy feature but NOTIMP)

2020

- Ease 3.0: tech enabled banking

2021

- Ease 4.0: clean and smart banking

2022

- Ease 5.0: reforms, digital customer experience



Youtubers &
CA-PDF walla



Just 1 Word Asso

2018

- Ease 1.0 (feature in previous slide)

2019

- Ease 2.0 (some more fancy feature but NOTIMP)

2020

- Ease 3.0: tech enabled banking

2021

- Ease 4.0: clean and smart banking

2022

- Ease 5.0: reforms, digital customer experience



1. I did not understand this Ease Framework मेरे को यह अभी भी समझ में नहीं आया
2. Teach It in more detail

Answers)

1. Ease framework is a set of guidelines. PSBS required to improve their administration as per these guidelines. सरकारी बैंकों के प्रशासन में सुधार करने के लिए यह दिशा निर्देश दिए गए
2. This course is targeted for upsc exam and not for banking exam so you can do self study by yourself. यह कोर्स में बैंक की परीक्षाओं की तैयारी नहीं करवाई जाती आप खुद इंटरनेट पर और ज्यादा पढ़ाई कर लीजिए



Pillar#1B2 → Burning Issues of Banking Sector

Table 4: Hypothetical figure only for illustration. B.Com/PHD NOT REQUIRED					
	+Equity Capital (Shares)	+Liabilities	+NET Profit	=Assets (Loans, CRR, SLR etc)	
Bonds	Deposits				
Healthy bank	+11	+3	+78	+1	=100
Loser bank This is happening	*	*	+78	-10	=90 (assets <input checked="" type="checkbox"/> due to bad loans)
"How to revive? (we must balance the Equation)	11 → <input checked="" type="checkbox"/> 20 (get equity infusion from SBI etc.)	3 → <input checked="" type="checkbox"/> 2 (by writing off AT1 bonds)	+78 (put deposit withdrawal limits to keep this stable, besides, if loans given for 10-15 years project, bank can't return depositors' money abhi ke abhi)	-10	=90

2020-March: RBI is attempting following for Yes Bank's revival (पुनर्जीवित करना)

⇒ Deposits Liability: (temporary) withdrawal limits of ₹50,000 on depositors

⇒ Bond Liability:

- o A) Write down ~₹9000 crore worth AT1 Bonds liability from equation. (in other words, those investors will not get a single paisaa. बॉन्ड से देयता को खारिज कर देना). These bond holders are unhappy & will go to court to stop this. OR alternatively
- o B) Convert the AT1 bonds into (lower priced) shares e.g. ₹100 Face Value ka Bond converted into ₹20 Face Value ka Share (so there is 80% loss /haircut for the bond holder)

⇒ Equity Capital: Other banks to provide equity (share) capital worth >₹10,000cr into Yes Bank → future shareholding maybe SBI (45%), ICICI(6%), HDFC(6%), Axis(3-4%)

But daily ball-by-ball commentary / and changes in this plan so we need not lose sleep—

14.19.1   BASEL-III norms: Capital Tiers

BASEL-III norms require banks to keep capital against their risk weighted asset ratio. This capital is subdivided into:

Capital of a Bank	Instruments / subtypes: List not exhaustive
Tier1 / core capital →	⇒ Common Equity Tier-1 (CET1) e.g. ordinary shares. ⇒ Additional Tier1 (AT1) e.g.   AT1 Bonds, Preferential shares etc.
Tier2 →	⇒ Bonds/Debenture, Hybrid instruments

BASEL-III prescribed that banks must keep minimum x%, y% etc in each of these tiers, depending on their Risk Weighted Asset (RWA).

14.19.2   Additional Tier 1 (AT1) Bonds

They have no maturity date (i.e. bank has to pay interest for infinite time / perpetuity and principal will not be returned). However, bank may 'buyback' them after certain years. If / when a bank makes huge losses → AT1 Bonds' liability may be

- A. written off (खारिज कर देना) OR
- B. converted into shares (process called 'Bail-In').

 Beyond this any what/why/how/PHD, ball-by-ball commentary on SC judgements and PILs = peer cast benefit for MCQs.



Audio/Video Problem?

Types of loans & Borrowers



NPA/TBS Resolution



SARFAESI/IBC'16/ Sashakt



PCR/LEI/PSBN/Fugitive Eco. Offender



FRDI/ PARA/ PCA



BASEL-III

PSB recapitalization

EASE, BBB

YES bank

IL&FS

PNB

PMC

**Edu Doubt?
Ask through**




UPSC doesn't ask "Modus operandi" of scams...need not do PHD

SAHARA Scam

NSEL Scam

Chit Fund Scams

Nirav Modi / PNB-LoU scam

ICICI-Videocon loan scam

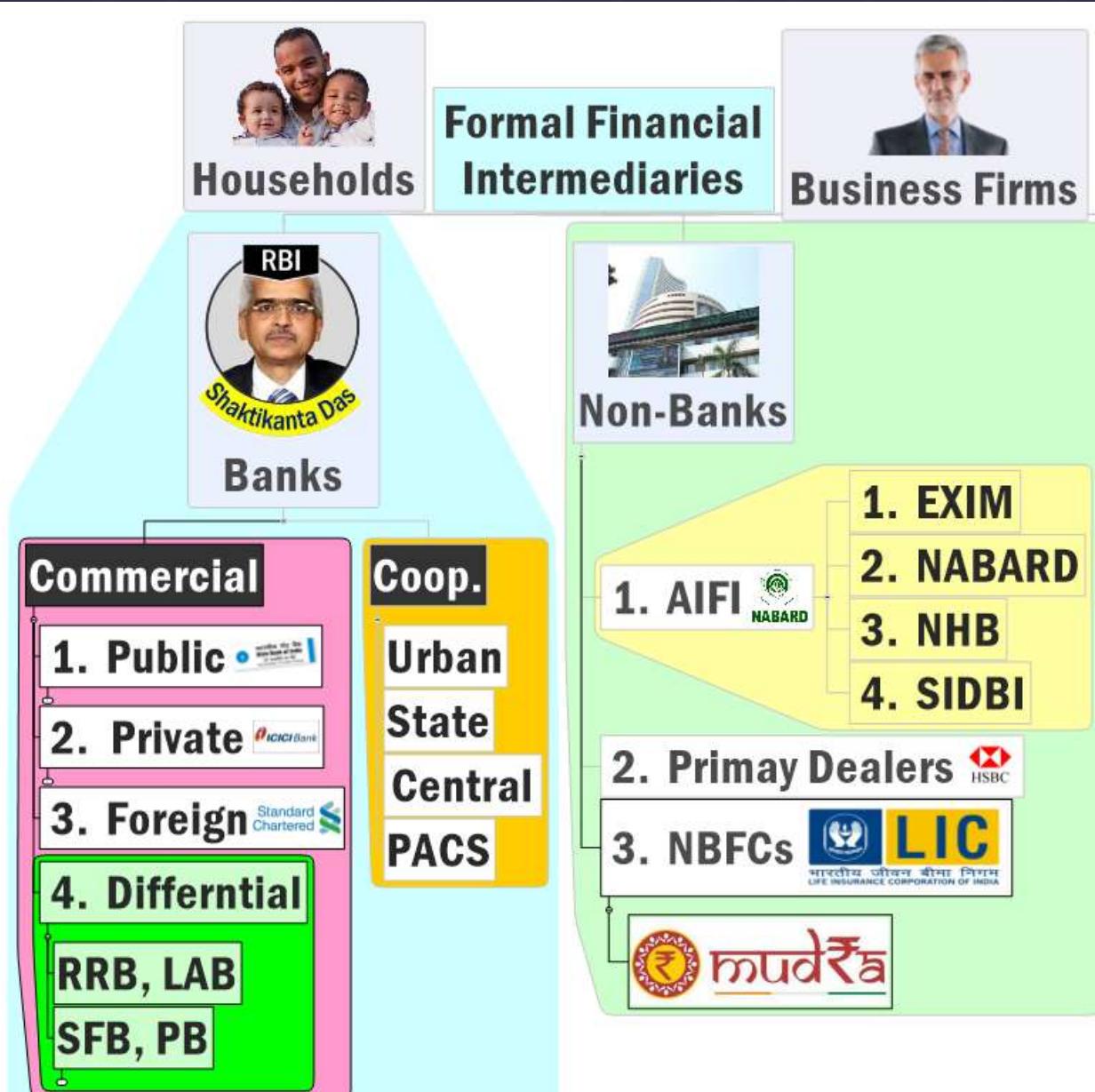
PMC bank, ILFS, Yes Bank

कांड कैसे हुआ था, उसके प्रश्न नहीं पूछते.

Infact rarely they even ask
about 'reforms' undertaken
after a scam.

critiques





ES20 Vol1

Shadow Banking ILFS & NBFC crisis (2019)



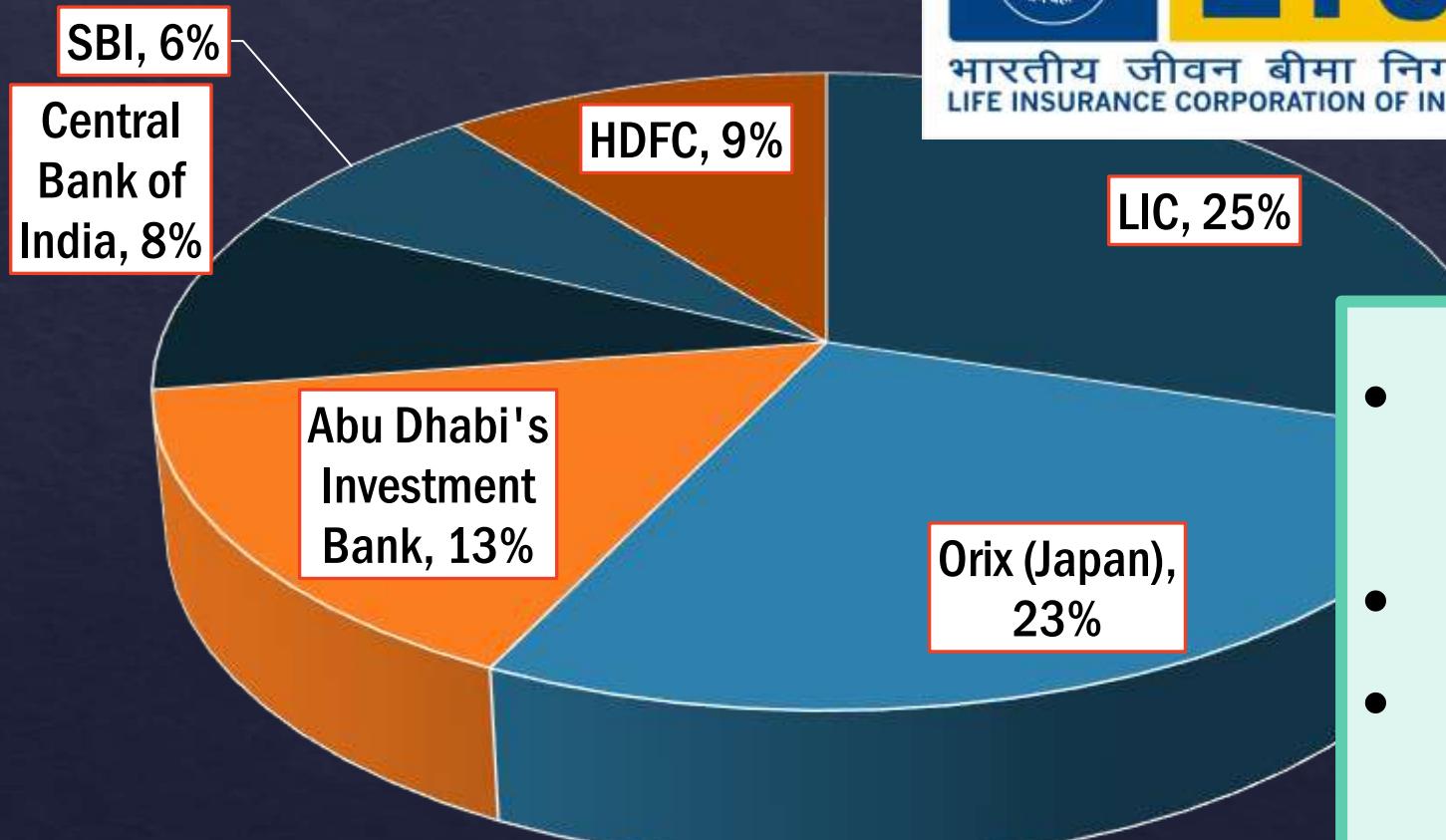
08

CHAPTER

Financial Fragility in the NBFC Sector

एनबीएफसी सेक्टर में वित्तीय भंगुरता

Infrastructure Leasing & Financial Services (IL&FS): 1987, Mumbai



- Non - Banking Financial Company
- Non Deposit Taking
- a Systemically Important (Because >500 cr assets)
- (NBFC - ND - SI).

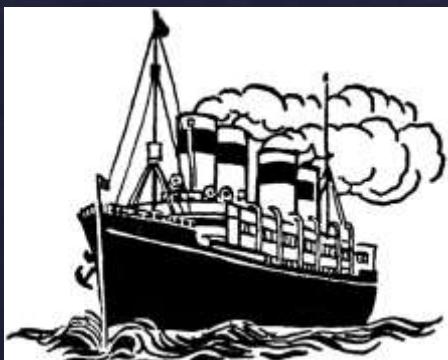
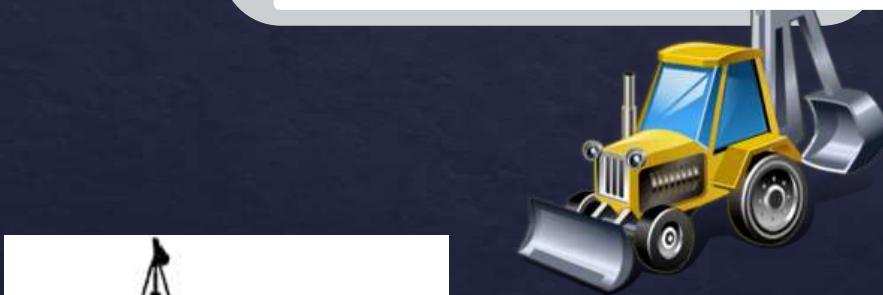
IL&FS: what's the crisis?



Assets



Liabilities



2) MF pooled public money, invested here,



1) Bank deposit rates ~2-6% so better I invest in mutual funds (MF)

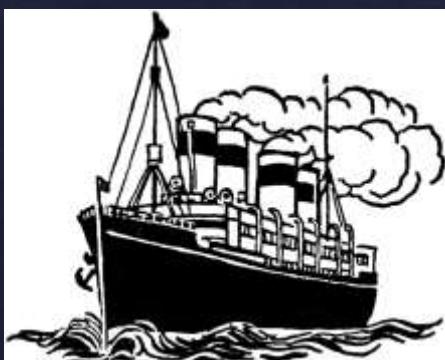
IL&FS: what's the crisis?



Assets



Loans given to
infra projects:
Ports, Highways



Liabilities

Long Term borrowing:
Bonds, SIDBI loans, IDBI's
Letter of Credits

Short Term: Commercial
Papers, inter-corporate
deposits.

What do these
instruments
mean?
 Not imp.

MF pooled public money,
invested here,



Bank deposit
rates ~4-6% so
better I invest in
mutual funds (MF)



IL&FS: what's the crisis?



2) Scam angle: loans given to relatives of board members who did not have viable biz plan.

Assets

Loans given to infra projects: Ports, Highways

Liabilities

Long Term borrowing:
Bonds, SIDBI loans, IDBI's Letter of Credits

Short Term: Commercial Papers, inter-corporate deposits.



1) Land acquisition, environment clearance, project delayed.
Rs.270 billion worth “junk assets”



3) ILFS facing problems in repaying loans



4) Difficulty repaying

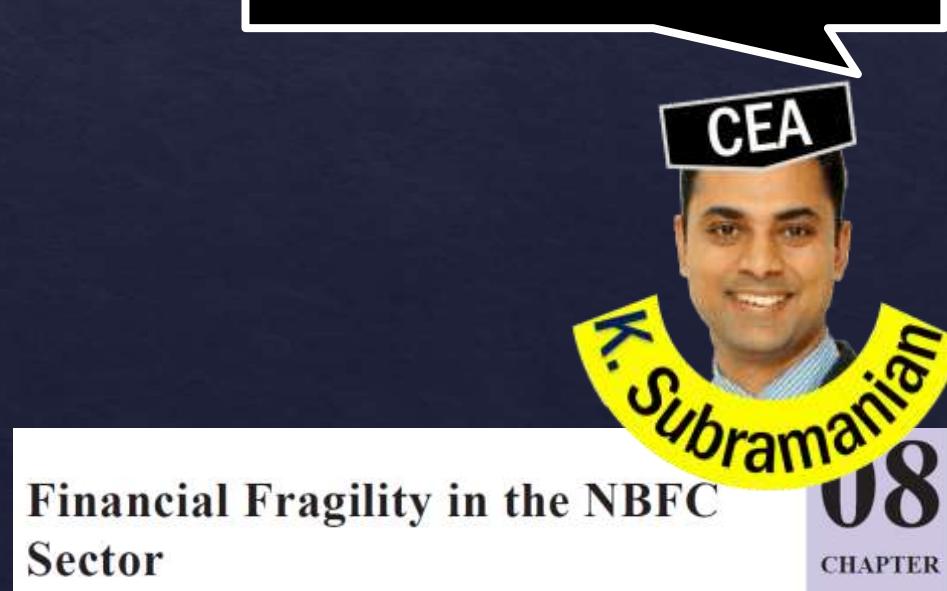


Shadow banks (प्रतिष्ठाया बैंक)

- ◆ Certain categories of NBFCs.
- ◆ Which command very large amount of money, and perform functions like banks (lending money),
- ◆ but not fully under RBI regulation (CRR, SLR, PCA) → they endanger economy.
- ◆ Hence CALLED “Shadow Banks”.
- ◆ Also responsible for Subprime crisis, USA
- ◆ And ILF&S Crisis in India



गैर बैंकिंग वित्तीय संस्थाएं
जो बैंकों की तरह कर्ज देती हैं
किन्तु रिजर्व बैंक के सख्त नियमों
में लागू नहीं होते



Examples of Shadow banks network in India

HFCs

- Housing Finance Companies. E.g.
- Dewan Housing Finance Limited (DHFL)

LDMFs

- Liquid Debt Mutual Funds e.g. certain schemes run by UTI, Kotak, L&T, Tata mutual funds
- The invest clients money into short term debt instruments Tbill, Commercial papers

Retail-NBFCs

- e.g gold loan, tractor loan type of companies



Shadow banks pose following challenges: प्रतिष्ठाया बैंक क्या चुनौतियां खड़ी करती है?



Households- सामान्य परिवारों की बचत बर्बाद

- deprived of optimal returns: LIC, MF will now ‘rescue’ this IL&FS
- Lose faith in FI → gold, rest estate → black money, tax evasion (Pillar#2)



Infrastructure development- बुनियादी अवसंरचना

- ILFS fails → infrastructure (highway, port) ...development suffers
- Government will have to allot more ₹₹ from its own pocket for building highway, airport etc



Govt- बुनियादी अवसंरचना पर खर्च बढ़ता है

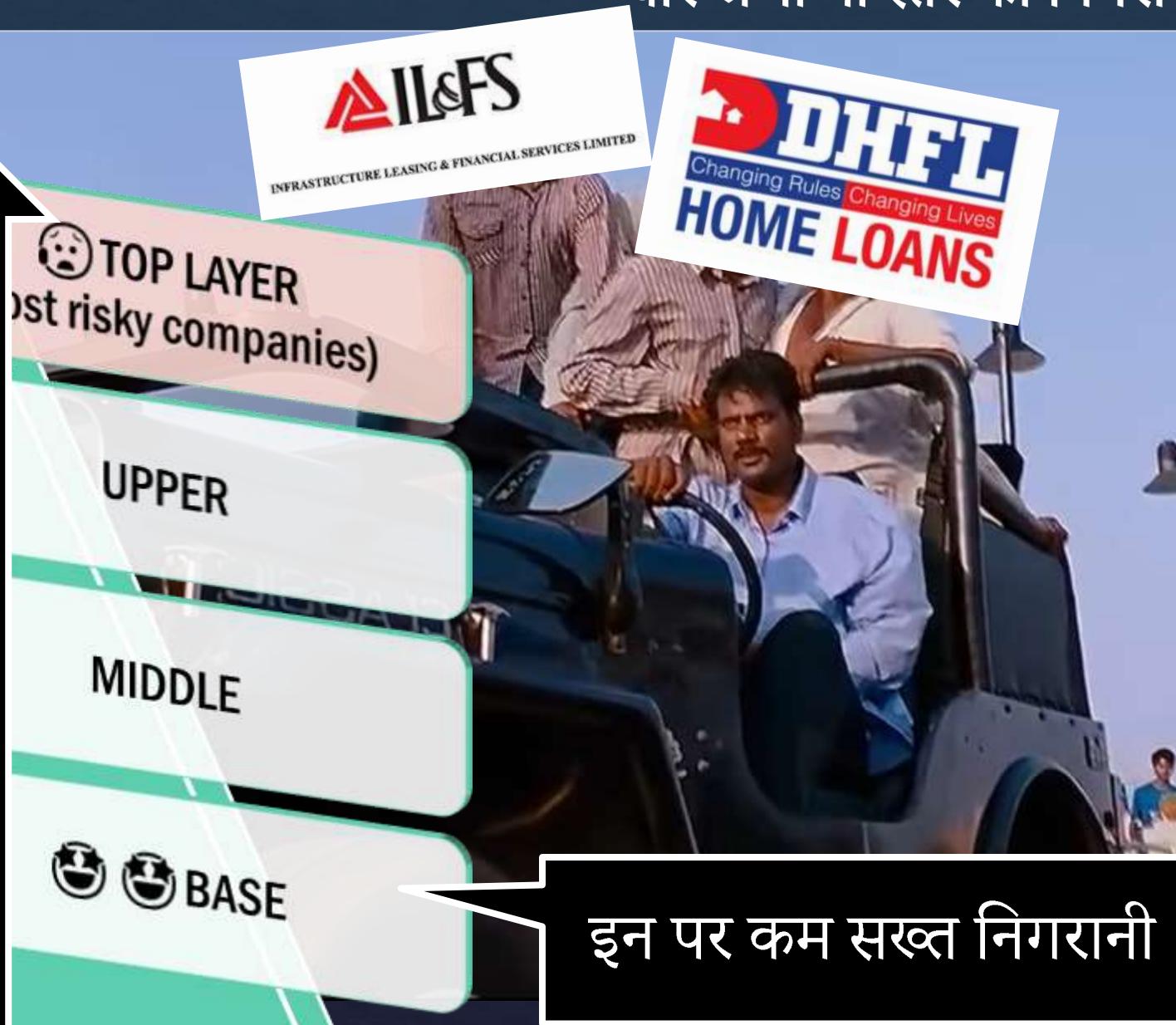
- Household begin investing in gold, real estate → black money
- Infrastructure → have to allot more funds from its own budget



RBI Proposed 4-tier Structure to regulate NBFCs

चार श्रेणी या स्तर का निगरानी ढांचा

Strictness of supervision





Youtubers &
CA-PDF walle

बाकी सारे टॉपिक
गए भाड़ में!
यही mostIMP
चीज है

RBI Proposed Structure to regulate NBFCs



Why is there need for Ph.d on technical rules related to this? 2-2 pages भर के इसके रिपोर्ट की क्यों समीक्षा दे रहे हैं आप लोग? यह तो अभी तक असल में बना भी नहीं है सिफ प्रस्तावित स्वरूप में है



Budget-2019 → Partial Credit Guarantee Scheme (PCGS)



1) PSB gives loan to ILFS
& other such NBFCs

2) NBFC doesn't repay back.

3) Government will repay 10% losses

4) (Full) Budget-2019 announced this (10%)
Partial Credit Guarantee Scheme (PCGS) 1.0

अगर प्रति छाया बैंक सरकारी बैंक का कर्ज वापस नहीं करेगी
तो सरकार नुकसान के 10% की भरपाई करेगी



Partial Credit Guarantee Scheme (PCGS) 2.0

सरकारी बैंक के नुकसान की 20% भरपाई सरकार करेगी



1) PSB gives loan to ILFS
& other such NBFCs

2) NBFC doesn't repay back.

3) Government will repay 10% losses

4) Budget-2019 announced this (10%)
Partial Credit Guarantee Scheme (PCGS) 1.0

5) ATMANI → PCGS 2.0:  20% guarantee



14.29.3 📈 ATMANIRBHAR → 🏦: 🎯 (🚫 🏠) RBI Helping NBFCs/ Shadow Banks

- RBI has launched 1) TLTRO and 2) special liquidity window. (Ref 1A2 Monetary Policy)
- Govt has announced following 1) Partial credit guarantee 2) Sp. Liquidity scheme 3) Credit Guarantee Enhancement Corporation

14.29.4 📈 ATMANIRBHAR → 🏦 🗞 🏠 🎯 Partial Credit Guarantee Scheme (PCGS) 2.0

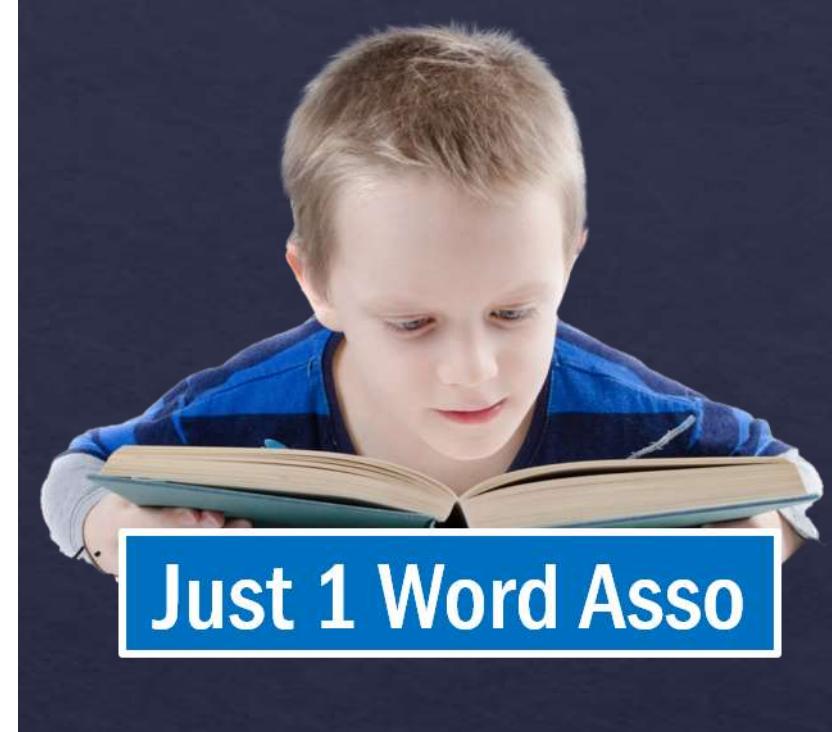
- Budget 2019: If NBFCs/ MFCs/Micro Finance Institutions (MFIs) borrowed money by issuing debt securities (Bonds or Commercial Papers) → Public sector banks (PSB) invested in it → but borrower default then the government paid 10% of loss to PSB.
- Corona= total 20% loss cover guaranteed to PSB. (सार्वजनिक बैंकों को आशिक क्रेडिट गारंटी)

14.29.5 📈 ATMANIRBHAR → 🏦 🗞 🏠 🎯 Special Liquidity Scheme for NBFC/HFC

Outdated Current. Deleted from Handout. Sufficient to know it helps NBFCs.

14.29.6 🎯 (🚫 🏠) 🛡️ 🎯 Shadow Banking → Remedies by RBI

- ⇒ RBI tightened norms of Asset-Liability Management (ALM) norms
- ⇒ 2021: RBI proposes 4-tier structure for tighter regulation of NBFCs: four categories BASE, MIDDLE, UPPER & TOP LAYER (most risky) tighter regulation on them. ✋ Exact details notIMP, Until they acti



Just 1 Word Asso

- More points shifted to Mains.
- Need not prepare/understand all of them

Pillar#1B2 → Burning Issues of Banking Sector

four categories BASE, MIDDLE, UPPER & TOP LAYER (most risky companies). Accordingly tighter regulation on them. Exact details notIMP, Until they actually implemented, यार प्रेसियों में जीलिम के हिताब से बाढ़ा जाएगा सबसे उच्च प्रेसी में सबसे ज्यादा जीलिम पूरी कंपनियों को रखा जाएगा और उन पर रिजर्व बैंक की निगरानी सबसे ज्यादा सख्त होगी.

14.32.8 Shadow Banking → Remedies by SEBI

SEBI tightened norms for Credit Rating Agencies (CRAs). They've to disclose 'default probability' of bonds & other debt instruments. SEBI tightened norms on Mutual Funds, regarding where/how they invest clients' money. (ऐसी ने भी पारदर्शिता के लिए नियमों को सख्त किया है)

14.32.9 Shadow Banking → Remedies suggested by ES20

- ⇒ CEA Subramanian K. has created a "Health Score for NBFCs" to monitors given NBFC company's Asset Liability Management (ALM) problems, balance sheet strength, etc, and gives them a score between -100 to +100. (स्वास्थ्य सुधारक बनाया गया).
- ⇒ Higher scores indicating higher financial stability of the firm. This health score can provide early warning signals to the Financial regulators → they can initiate appropriate measures before it's too late. (सुधारक के ओक्टोबर में गियाहट एक प्रकार से पूर्ण खेलकरी कीगी → उसे देखकर लियोप निपलक तुरत आवश्यक/जहानी/योग्य कदम उठा सके)

In September 2019, which one of the following travel giants declared itself bankrupt? (CDS-i-2020) (a) Expedia (b) Cox & Kings (c) SOTC (d) ANS: Thomas Cook

14.33 NEGATIVE NEWS: PNB, LoU, SWIFT, & NIRAV MODI



PNB (Mumbai Branch): Give foreign currency loan to our client Nirav Modi for purchase of goods (diamonds, airplanes, whatever), if he doesn't pay, we'll pay.

- If such bank guarantee given to another bank in a foreign country, it's called Letter of Undertaking/ Letter of Credit/ Letter of Comfort: internal difference not important.
- ⇒ Bank earns commission / fees from client for issuing such letters / guarantees.
- ⇒ The foreign currency thus loaned, goes into PNB's Nostro (Latin:Ours) account, & Nirav uses the dollars to buy diamonds in HongKong.



Types of loans & Borrowers



NPA/TBS Resolution



SARFAESI/ IBC'16/ Sashakt



PCR/LEI/PSBN/ Fugitive Eco. Offender



FRDI/ PARA/ PCA



BASEL-III
 PSB recapitalisation
 EASE, BBB



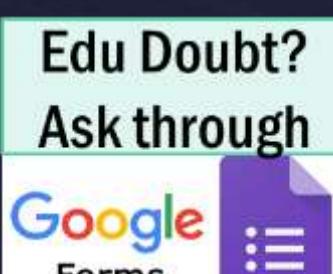
YES bank
 IL&FS
PNB
 PMC



RBI Dividend/Sec7



Audio/Video Problem?



Edu Doubt?
Ask through
Google
Forms

Continued

मुझे दिन में ख्वाब देखने से फुर्सत
मिले तो पढ़ाई करू ना

Letter of undertaking (LoU) / Letter of Credit/comfort (internal diff. not IMP)



1) Wants to borrow foreign currency in foreign country (to buy diamonds)

2) But these bankers don't know me, they won't give me loans! Some one must guarantee my creditworthiness!

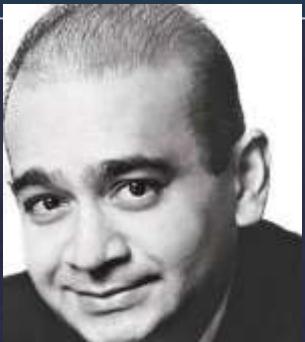


Bank in a foreign country

विदेशी बैंक से
विदेशी मुद्रा में कर्जा लेना है
लेकिन विदेशी बैंक उसके लिए कोई गारंटी मांग रहा है



Letter of undertaking (LoU) / Letter of Credit/comfort (internal diff. not IMP)



But these people don't know me, they won't give me loans! Some one must guarantee my creditworthiness!

Wants to borrow foreign currency in foreign country

Commission/fees



Mumbai Branch

1) Letter: give my client \$1L as loans, if he doesn't repay, we'll repay. हम गारंटी लेते हैं अगर नीरव मोदी ने पैसा वापस नहीं किया तो हम आपका पैसा वापस करेंगे



Bank in a foreign country



Financial SCAMS: NO PHD or forensic analysis

ਪੰਜਾਬ ਨੇਸ਼ਨਲ ਬੈਂਕ ਸੇ ਏਸੇ ਲੇਟਰ ਬਨਵਾ ਕਰ ਨੀਰਵ ਮੋਦੀ ਨੇ ਹਾਂਗਕਾਂਗ ਸੇ ਪੈਸਾ ਤਠਾਯਾ



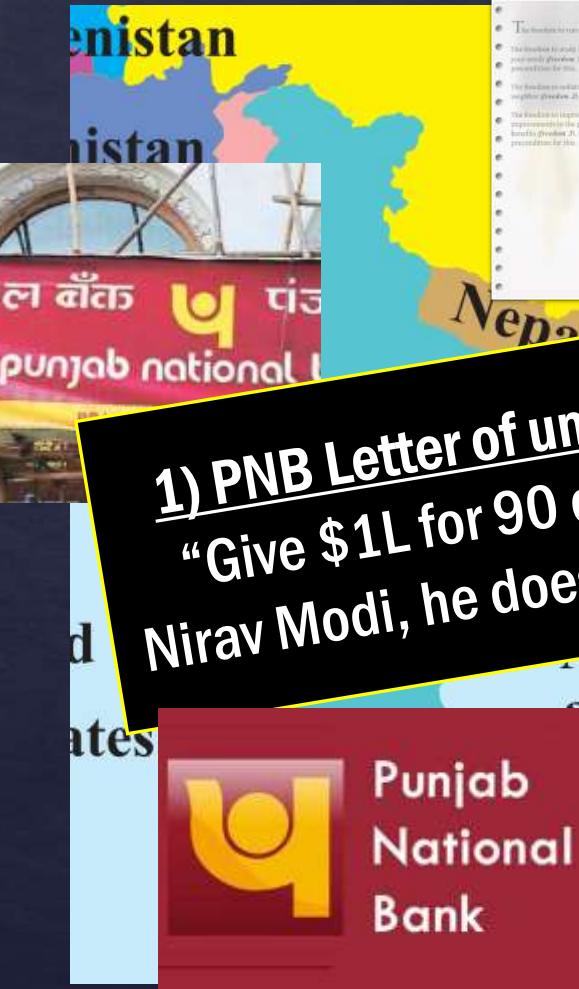
Hongkong branch

- Union Bank of India,
- Allahabad Bank
- Axis Bank

(Cheaper interest on dollar loans here)



Financial SCAMS: NO PHD or forensic analysis



1) PNB Letter of undertaking (LoU):
"Give \$1L for 90 days to my client
Nirav Modi, he doesn't pay, we'll pay."

3) \$ loans given.



- 2) Hongkong branch**
- Union Bank of India,
 - Allahabad Bank
 - Axis Bank
- (Cheaper interest on dollar loans here)*



Financial SCAMS: NO PHD or forensic analysis

PNB के भ्रष्ट मैनेजर की मदद से नीरव मोदी लेटर बनवाते रहा → बिना लोन चुकाए भाग गया



PNB Letter of undertaking (LoU):
"Give \$1L for 90 days to my client
Nirav Modi, he doesn't pay, we'll pay."

- 1) PNB should have taken some collaterals / security / deposit from N.Modi-
- but PNB's corrupt manager did not.



- 2) thus, Nirav Modi & Mehul Choksi defrauded bank loans ~12000 crores and one day they flew India.



Hongkong branch

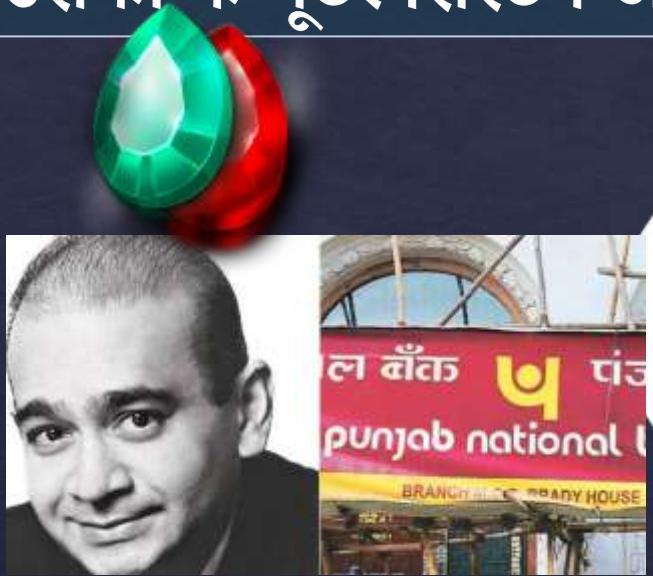
- Union Bank of India,
- Allahabad Bank
- Axis Bank

(Cheaper interest on dollar loans here)



LoU generated via SWIFT system which was outside PNB's CBS

उसका कंप्यूटर सिस्टम अलग था इसलिए पंजाब नेशनल बैंक के बड़े अफसरों को पता नहीं चला



RBI : NEFT,
RTGS

PNB:
CBS

Payment
Gateways
(RUPAY,
VISA)

NPCI: UPI,
NFS (ATM)



PNB Letter of
undertaking (LoU):

SWIFT
MSG

Then RBI ordered integration.
SWIFT with CBS by
1/4/2018

But what if a person wants to send money from USA (or vice versa)?

यदि विदेश से भारत में पैसा भेजना हो या भारत से विदेश में पैसा भेजना हो तो कैसे



Within India we can digitally transfer money using NEFT/RTGS/IMPS via SFMS messaging system

But what if a person wants to send money from USA (or vice versa)?

A world map illustrating international money transfers. A yellow arrow points from the United States to Europe with a label of '\$10'. Another yellow arrow points from India to Europe with a label of '\$2'. A red arrow points from India to the USA with a label of '\$8'. A blue arrow points from the USA to India with a label of '₹'. A black box at the top right contains the text: "Bank of International Settlement (BIS)@BASEL (1930)". A black box at the bottom left contains the text: "But what is the technology behind messaging system? Is it SMS, Whatsapp? Ans. SWIFT". A black box at the bottom center contains the text: "There are other messaging systems & money delivery systems but we are learning SWIFT". A small image of a graduate in a cap and gown is in the bottom left corner. A small image of an elderly couple walking is in the bottom right corner.

Bank of International Settlement (BIS)@BASEL (1930):

But what is the technology behind messaging system? Is it SMS, Whatsapp? Ans. SWIFT

There are other messaging systems & money delivery systems but we are learning SWIFT

यह पूरा संदेशा जा रहा है वह तकनीक क्या है?? SWIFT messaging system

Here also “NEFT” funda: what if India to USA \$8 being sent, and USA to India \$10 being sent?

BIS will do the ‘settlements’. When, how,...not important. and BoP= Pillar#3

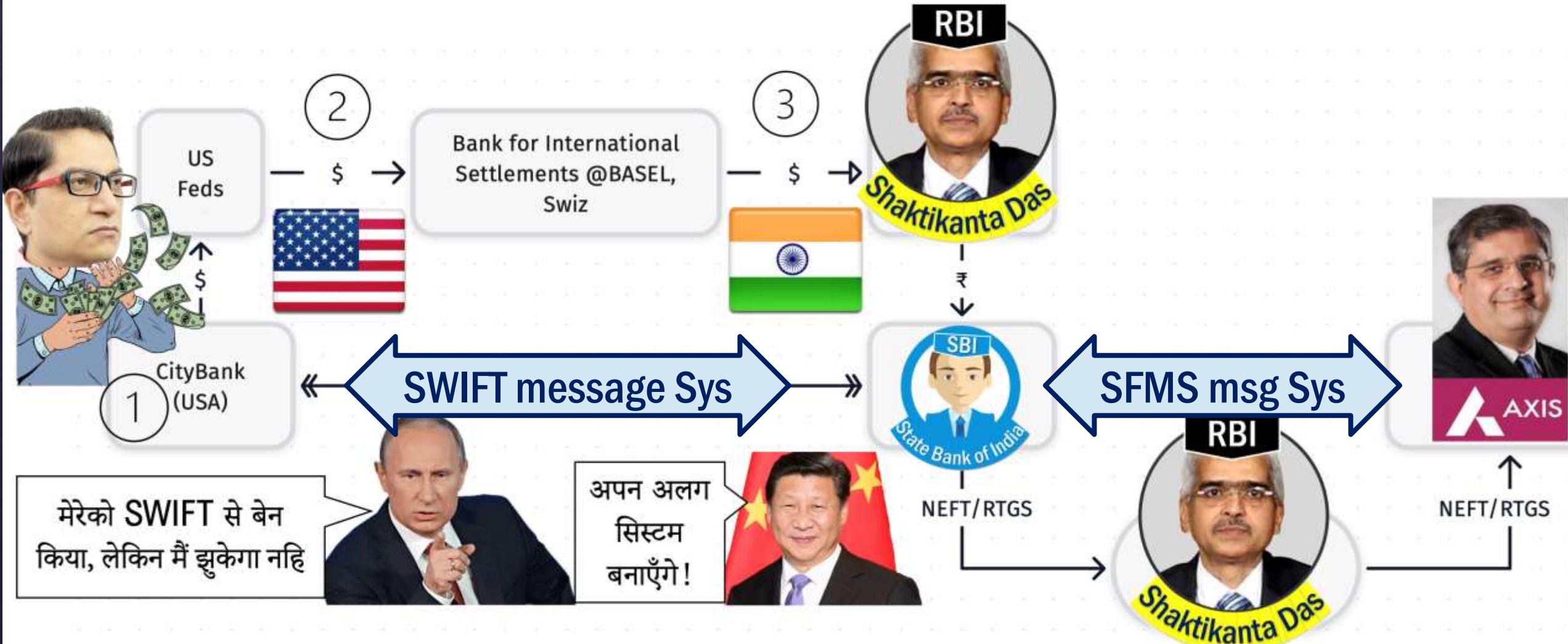
What is SWIFT (1973)?

- ❖ Society for worldwide Interbank financial telecommunication, (full form not IMP)
- ❖ Cooperative org. in Belgium
- ❖ GLOBAL Messaging module for communication among banks, NBFC and brokers.
- ❖ Useful for entities not having direct bank relations / settlement systems with each other due to international border.
- ❖ PNB→SWIFT message (LoU) →money transfer took place. पंजाब नेशनल बैंक से हांगकांग में ऐसे संदेश भेजें और कांड हुआ



अंतर्राष्ट्रीय लेनदेन के संदेश भेजने है,
ऐसी संस्थाओं के बीच
जिनका आपस में
सीधा व्यवहार नहीं है

Financial messaging systems



FinMin: Staff Accountability Framework

❖ If PSB Banker took bonafide business decisions to approve loan application but it turned NPA then banker will be protected from undue inquiries/harassment by 3Cs –

- ❖ CBI (Central Bureau of Investigation),
- ❖ CVC (Central Vigilance Commission)
- ❖ CAG (Comptroller and Auditor General).

❖ ईमानदारी से लिए गए फैसलों में अगर लोन का पैसा वापस न आए तो सरकारी बैंक के ईमानदार बैंकर पर अनावश्यक रूप से कोई कार्रवाई न हो)

थप्ड़ से डर नहीं लगता
लोन देने से लगता है -
फालतू की Enquiry

भयमुक्त बनो! फालतू में परेशान नहीं करेंगे!



Pillar#1B2 → Burning Issues of Banking Sector

A-1

- Money: barter to Bitcoin

A-2

- RBI's monetary policy
- CRR, SLR, Repo etc

B-1

- Classification of Banks-NBFC

B-2

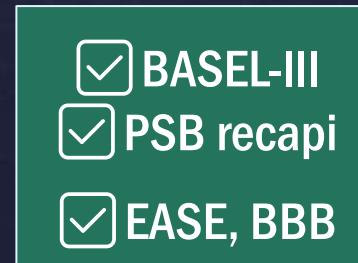
- Burning issues in Banking sector
- NPA, IBC, BASEL...

C

- SEBI Sharemarket

D

- Insurance, Pension, Fin. Inclusion



Edu Doubt?
Ask through



CTRL R

Give me more dividend
from your reserves. सरकारी
योजनाएं चलाने के लिए हमको ढेर
सारा पैसा चाहिए. ☺ ☺



Sorry
Shaktimaan!



Sources of RBI's income / profit ...



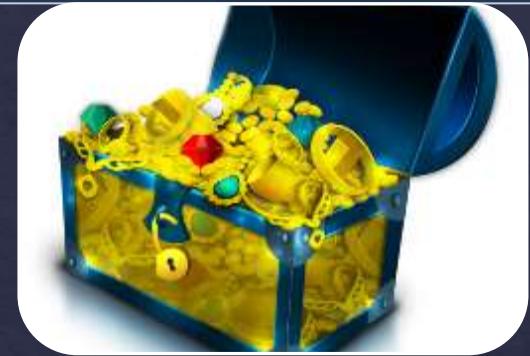
Interest on G-Sec that
are not sold in Open
Market Ops.



Interest Foreign G-Sec
/ Sovereign Bonds.



Interest on Loans given
to other Banks /
NBFCs.



Revaluation (increase in
price) of gold & foreign
currency with RBI. (More in
[Pill#3](#))

ये सब मेरी आमदनी / मुनाफे के
स्रोत हैं 😊 😊



Sources of RBI's income / profit ...



रिजर्व बैंक अगर ₹10 का नोट छाप रहा है
जिसको छापने का खर्च सिर्फ ₹2 आता है
तो उसमें उसे मुनाफा होता है

नोटबंदी में जो काला धन वापस जमा नहीं किया
गया वह सब तबाह हो गया तो रिजर्व बैंक की देयता
है कम हुई तो वह भी उसका मुनाफा भी है



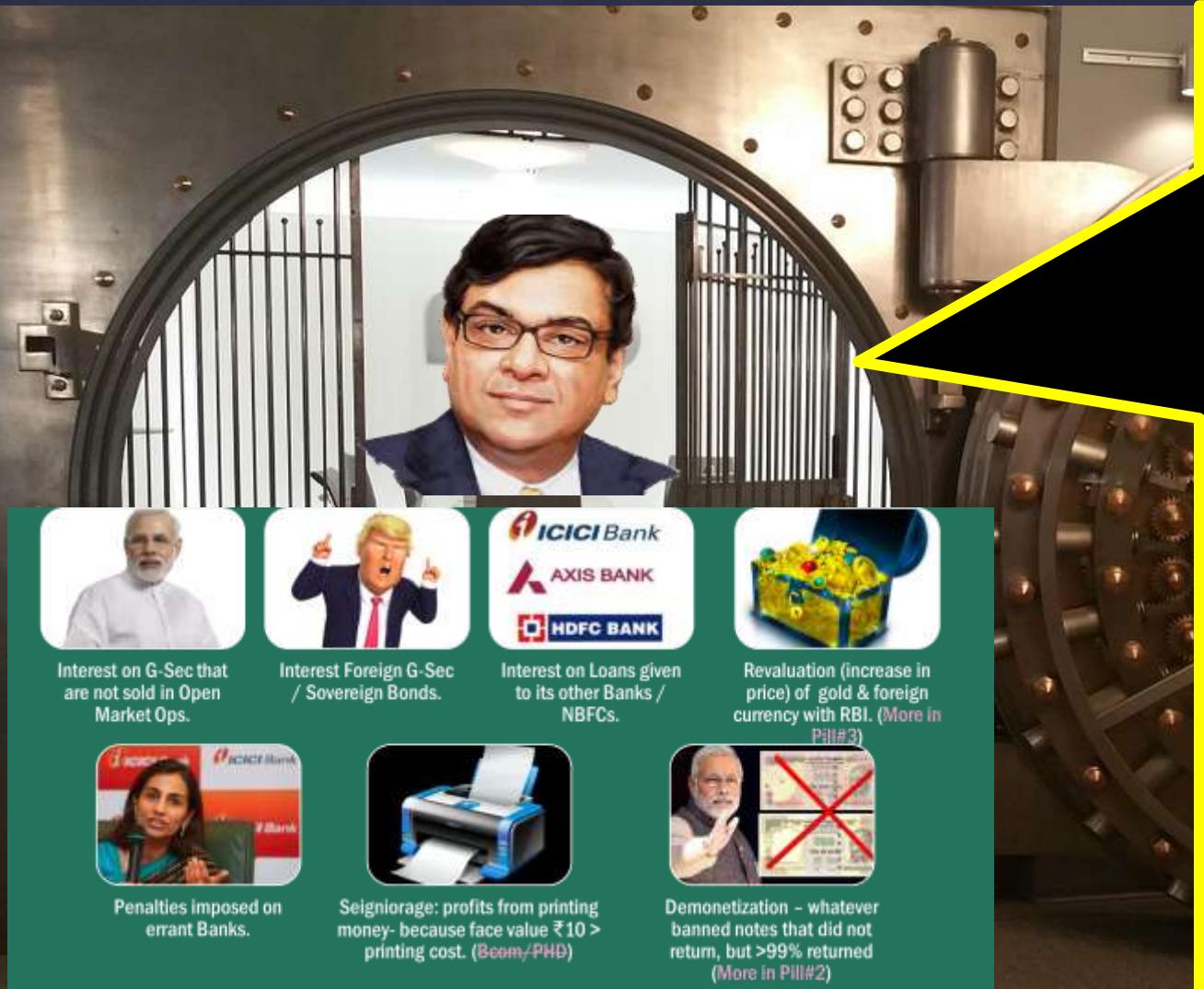
Penalties imposed on
errant Banks.

Seigniorage: profits from printing
money- because face value ₹10 >
printing cost. (B.com/PHD)



Demonetization – whatever banned notes that
did not return, but >99% returned so irrelevant
(More in Pill#2)

Sources of RBI's income / profit ...



I should keep some money in
backup/ reserve for emergency
/ obligations.

मुझे अलग-अलग जगह से
काफी मुनाफा होता तो है ₹
लेकिन उसमें से मैंने
आपातकालीन परिस्थिति के लिए
कुछ पैसा अलग से रखना चाहिए

RBI's income / profit → keep some in reserve → give remaining as dividend to govt

आपातकालीन स्थितियों के लिए पैसा आरक्षित रखने के बाद, यदि कुछ ₹₹ बचा, तो वह लाभांश के रूप में सरकार को देना

I should keep some money in backup/
reserve for emergency / obligations.



The slide features a large portrait of Urjit Patel, the Governor of the Reserve Bank of India, positioned centrally above a grid of nine smaller images. A blue arrow points from the text "I should keep some money in backup/reserve for emergency / obligations." towards the portrait.

Interest on G-Sec that are not sold in Open Market Ops.	Interest Foreign G-Sec / Sovereign Bonds.	Interest on Loans given to its other Banks / NBFCs.	Revaluation (increase in price) of gold & foreign currency with RBI. (More in Pill#3)
Penalties imposed on errant Banks.	Seigniorage: profits from printing money- because face value ₹10 > printing cost. (Boomi/PHD)	Demonetization – whatever banned notes that did not return, but >99% returned (More in Pill#2)	

1. Contribution to staff retirement funds
2. Reserves for contingency (emergency): ~2.5 Lcr.
3. Reserves for exchange rate stability (~7 lakh cr) (More in Pill#3)

...so forth. Total ~9.60 lakh crores.

- After setting aside money for such reserves / provisions, whatever surplus money left – is given to Government as dividend. (RBI Act).
- No exact amount or percentage is prescribed in the law.

RBI dividend to Government?

IN RS. CRORES

65876



30659



50000



हमको पैसा चाहिए
हमको पैसा चाहिए
हमको पैसा दो हमको पैसा दो

2015-16

2016-17

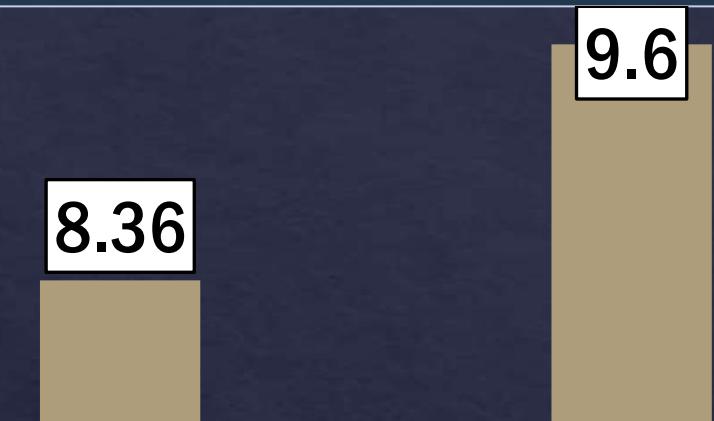
2017-18

Low dividend due to high administrative cost of printing, transporting & exchanging truckload of new currency notes after demonetization. 😠

For 2019:
Government demanding
>₹3 lakh crores.

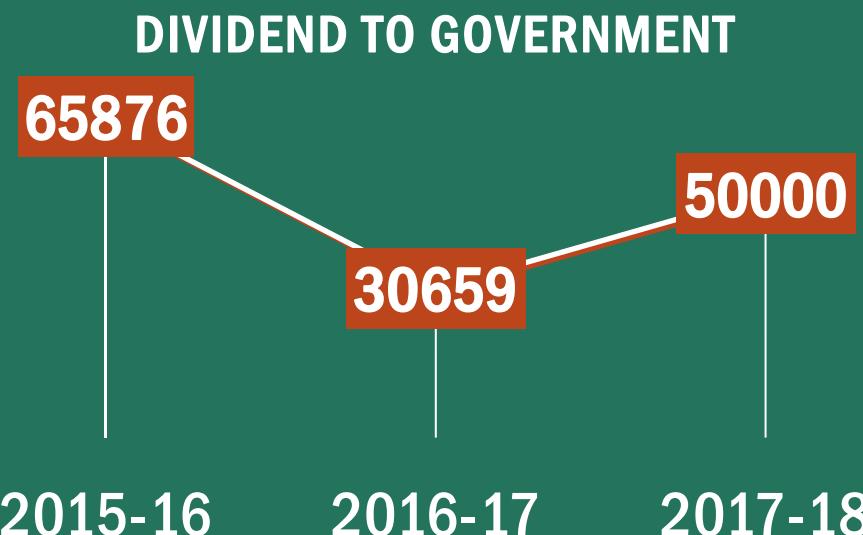


RBI's Reserves



2016-17 2017-18

■ Reserves in Rs. Lakh crores



Give us **Rs.3.6 lakh crores** dividend out of this,
for our **welfare schemes** and **BASEL-III**
recapitalization. उर्जित भाई सारा पैसा क्या छाती पे बांध
के ले जाना है?



If we keep giving you large dividends like
this, our reserves will become empty!! 😠



Bimal Jalan Committee suggested reforms.
WHAT were they? OUTDATED, Not IMP.
में बताता हु क्या करना है?

Bimal Jalan → Change of Financial Year (FY)



1st July to 30th
June



1st April to 31st
March

1) Give me dividend
from profit..
ABHI ke ABHI..

- 2) But my present financial year's balance sheet are not yet prepared.
- so I don't know my profit accurately. पूरे साल का हिसाब किताब करना बाकी है मेरा
- But here keep this 'interim dividend'. अभी अंतरिम डिविडेंड दूँगा
- Later, I'll give you full dividend. बाद में पूरा डिविडेंड दूँगा

Bimal Jalan → Change of Financial Year (FY)



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June



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- Later, I'll give you full dividend. बाद में पूरा डिविडेंड दूँगा

3) From 1/Apr/2021
RBI should also follow
normal FY, just like Govt

Urjit Patel had 3 year tenure till Sep2019 but resigned in Dec'18 because

वैसे तो 3 साल के लिए नौकरी दी थी लेकिन अवधि समाप्त होने से पहले ही इस्तीफा दे दिया क्योंकि

Government wanted

Higher Dividend demand 😠

BASEL-III-relaxation in deadline 😠

PCA-relaxation in norms 😠

Urjit's Tight Money Policy vs Govt wanted cheaper loans for MSME 😠

PNB Scam- Jaitley criticized Urjit
की तुम ठीक से निगरानी नहीं रखते 😠



Bolo “yes” partner

No No No 😠

You're not listening to our informal demands.
Time to talk 'formally' under Section 7 - अनौपचारिक रूप से हम आपको बता रहे हैं. लेकिन आप सुन नहीं रहे हैं.
तो अब हम आप को कानूनी रूप से औपचारिक रूप से बुलाएंगे



RBI Central Board

(Non-Official Directors) = 16

- 2 Government officials
- 10 directors nominated by Government.
- 4 directors from RBI's local boards

(Official Directors) = 5

- RBI Governor
- 4 Dy. Gov.



100% shareholder

As the shareholder / owner, we've certain powers under RBI ACT, IF you DONOT LISTEN TO US!!!!

- Will not give higher dividend
- Will not extend BASEL- deadline.
- Will not relax PCA framework.
- Will not do easy money policy...

RBI act empowers the Government

- Section-7(1) in PUBLIC INTEREST, Govt can consult with RBI Gov. Used:
Ordered Urjit formally to come for a meeting- जनहित में भारत सरकार गवर्नर के साथ विमर्श कर सकती है
- Section 7(2) [even after that problem persists] then Govt can order RBI central board to implement directives.. NOT USED fearing opposition & Media. फिर भी गवर्नर बात ना माने तो सरकार, रिजर्व बैंक के केंद्रीय बोर्ड द्वारा अपनी बात मनवा सकती है. हालांकि सरकार ने ऐसा किया नहीं क्योंकि मीडिया और विपक्ष ने हंगामा मचा दिया था



You're not listening to our informal demands.
Time to talk 'formally' under Section 7

<After the meeting.>
ये लो मेरा resignation.

Pillar#1B2 → Burning Issues of Banking Sector

A-1

- Money: barter to Bitcoin

A-2

- RBI's monetary policy
- CRR, SLR, Repo etc

B-1

- Classification of Banks-NBFC

B-2

- Burning issues in Banking sector
- NPA, IBC, BASEL...

C

- SEBI Sharemarket

D

- Insurance, Pension, Fin. Inclusion



Types of loans & Borrowers



NPA/TBS Resolution



SARFAESI/IBC' 16/ Sashakt



PCR/LEI/PSBN/ Fugitive Eco. Offender



FRDI/ PARA/ PCA



BASEL-III EASE, BBB



YES bank/IL&FS/ PMC/PNB



RBI Dividend/Sec7

- Handout uploaded in your course page → update section



Edu Doubt?
Ask through
 Google Forms



Pillars of Economy ⇒



- A. Money
- B. Banking
- C. SEBI-Sharemarket, companies Act
- D. Insurance, fin. Inclusion



1) MBFI



2) Budget



3) Intl. Trade



4) Sectors of Economy



5) Infrastructure



6) HRD

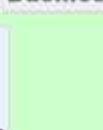


Households
Formal Financial Intermediaries



Banks

Business
Non-Banks



Non-Banks

Commercial
Coop.
Urban
State
Central
PACS



Commercial

- 1. Public
 - 2. Private
 - 3. Foreign
 - 4. Differential
- RRB, LAB
SFB, PB



Non-Banks

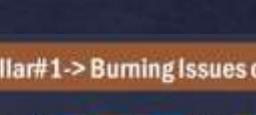
- 1. AIFI
- 2. Primary Dealers
- 3. NBFCs



mudra



- 1. EXIM
 - 2. NABARD
 - 3. NHB
 - 4. SIDBI
- Lending Rates Methodology, MCLR



NPA/TBS Resolution



SARFAESI/I&B



PCP/LEI/Fugitive Eco. Offender



- 1. AIFI
- 2. Primary Dealers
- 3. NBFCs



FRDI/ PARA/ PCA



BASEL-III/EASE/Sashakti



PNB/IL&FS



RBI Dividend/ Sec7



Pillar#1-> Burning Issues of Banking Sector



- 1. EXIM
- 2. NABARD
- 3. NHB
- 4. SIDBI



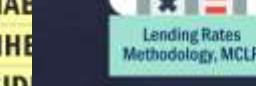
NPA/TBS Resolution



SARFAESI/I&B



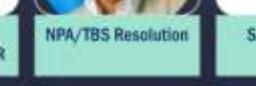
PCP/LEI/Fugitive Eco. Offender



- 1. AIFI
- 2. Primary Dealers
- 3. NBFCs



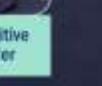
FRDI/ PARA/ PCA



BASEL-III/EASE/Sashakti



PNB/IL&FS



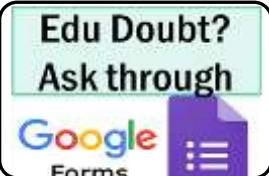
RBI Dividend/ Sec7

PLAN FOR NEXT WEEK: अगले हफ्ते का कार्यक्रम



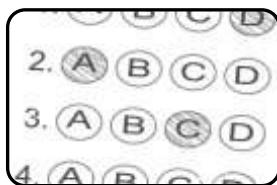
Monday: Current Affairs

- Night 8PM Mrunal's Monday Quiz



Google Form FAQ

- Whatever doubts received in google form till Monday 9AM:
- Ans in a PDF file in course page → update section
- ON Wed 10PM , depending on volume of queries



Wednesday 9PM:

- Weekly Economy Quiz from what we learned so far.



Thursday

- Same (Pillar1C) handout continued...



Thursday onwards 9PM

- LIVE Classes

March, 2023

Mo	Tu	We	Th	Fr	Sa	Su
27	28	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31	1	2
3	4	5	6	7	8	9