

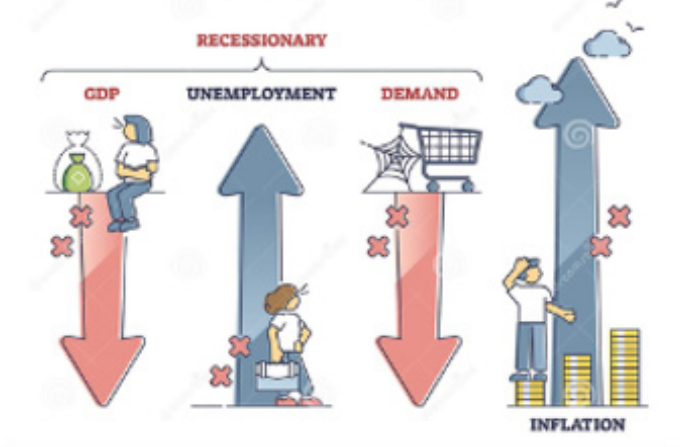
pany Ltd (IDRCL), will then try to sell the stressed assets in the market. Public Sector Banks (PSBs) will hold 51% and 49% of them respectively.

### Working of Bad Banks

If the bad bank is unable to sell the bad loan, or has to sell it at a loss, then the government guarantee will be invoked.



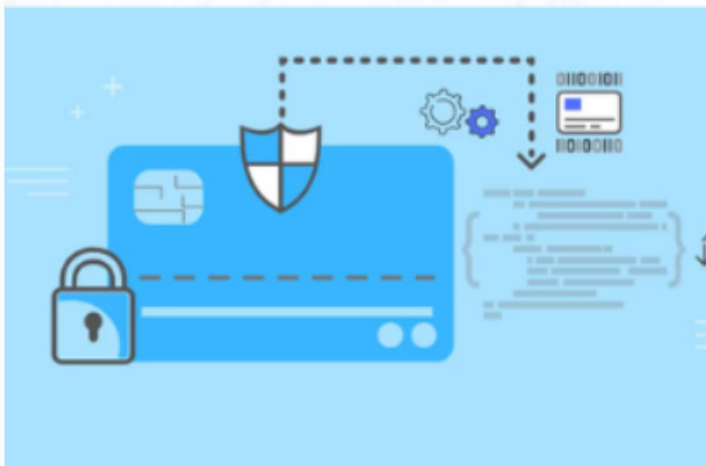
## STAGFLATION



## TOKENISATION

As per RBI, all merchants must delete customer debit and credit card data on or before June 30 and replace card payments with unique tokens for all online, point-of-sale and in-app transactions.

Tokenization is a process by which card details are replaced by a unique code or token, allowing online purchases to go through without exposing sensitive card details.



## BAD BANKS

A bad bank is an Asset reconstruction company (ARC) that alienates **risky assets** held by banks and financial institutions.

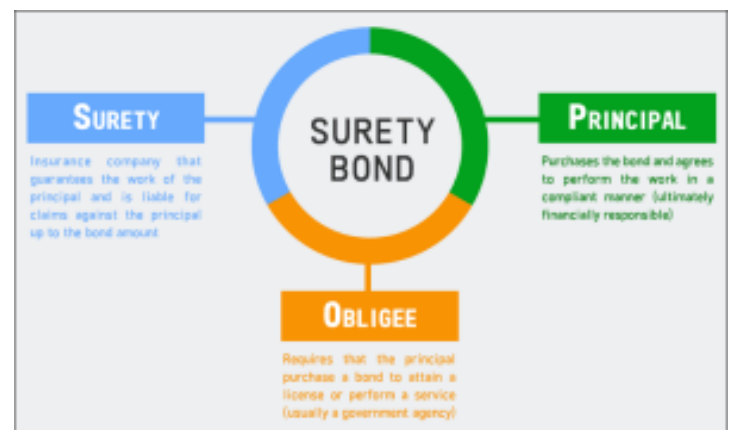
- **Purpose:** It is created to help banks clean their balance sheets by transferring their bad loans so that the banks can focus on their core business of taking deposits and lending money.
- Indian government has set up **two new such entities:**
- **NARCL:** It will acquire stressed assets from various commercial banks in different phases.
- **IDRCL:** India Debt Resolution Com-

## SURETY BOND

### Context:

Government has asked **IRDAI** to come up with such a bond, which can replace **expensive Bank Guarantees**. In finance, a surety bond or guaranty involves a **promise by one party to assume responsibility for the debt obligation of a borrower if that borrower defaults**.

It is generally provided by the **insurance company** to allow the harmed party to make a claim on the bond to recover losses.



## BLACK SWAN EVENT

### Context:

**As per the latest RBI study**, capital outflows to the tune of \$100 billion (around Rs 7,80,000 crore) are likely to take place from India in a major global risk scenario or a black swan event.