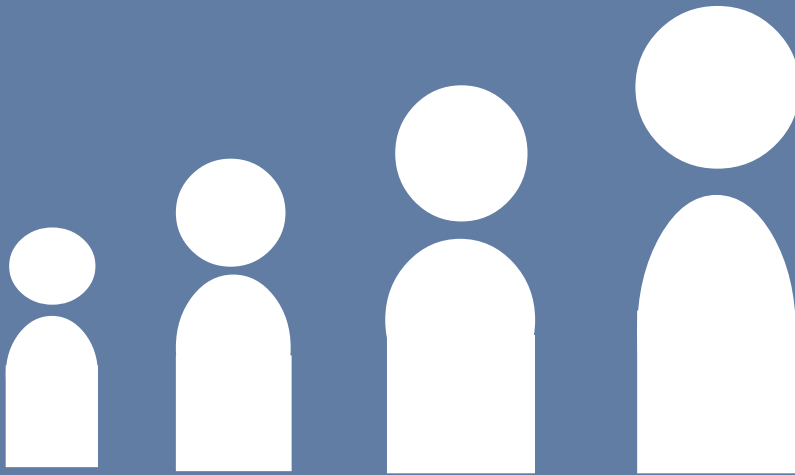


# Banking events Update



Those who win, are those, who think they can

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Executive Editor - S. Chand Singh

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**BANKING  
POLICY****Funding Limits of FLCs**

As per circular dated March 02, 2017, RBI had advised banks that FLCs and rural branches can avail funding support from the Financial Inclusion Fund (FIF) for the financial literacy camps to the extent of 60% of the expenditure of the camp subject to a maximum of Rs.15,000/- per camp.

On a review, the FIF Advisory Board has revised (on 13.07.17) the funding support available to banks to the extent of 60% of the expenditure of the camp subject to a maximum of Rs.5,000/- per camp.

**Audio visual content and provision of handheld projectors:** In order to improve the effectiveness of the financial literacy camps, RBI decided to encourage FLCs and rural branches of banks to use hand held projectors to show Audio-visuals and posters on financial awareness messages. Funding for handheld projectors and speakers would be provided from FIF to the extent of 50% of the cost incurred on purchase of hand held projector and portable speaker (both put together) subject to a maximum of Rs.5000 per rural branch / FLC on a reimbursement basis.

**Investment in plant and machinery for the purpose of classification as Micro, Small and Medium Enterprises – documents to be relied upon**

As per Govt. notification dated 05.10.2006, while calculating the investment in plant and machinery to classify as MSME, the original price thereof, shall be taken into account, irrespective of whether the plant and machinery are new or second hand.

On March 8, 2017, Govt. have clarified (RBI circular 13.07.17) that for ascertaining the investment in plant and machinery for classification of an enterprises as Micro, Small and Medium, the following documents could be relied upon:

- (i) A copy of the invoice of the purchase of plant and machinery; or
- (ii) Gross block for investment in plant and machinery as shown in the audited accounts; or
- (iii) A certificate issued by a Chartered Accountant regarding purchase price of plant and machinery.

Further, the Ministry has clarified that for the investment in plant and machinery for the purpose of classification of an enterprise as Micro, Small or Medium, the purchase value of the plant and machinery is to be reckoned and not the book value (purchase value minus depreciation).

The above provision would be applicable from the date MSMED Act, 2006 came into force and for enterprises engaged in manufacturing of goods and rendering of services as well.

**Audit Committee of the Board of Directors – Nomination of Non-Executive Chairman**

As per RBI circular dated Sept 26, 1995 on “Audit Committee of the Board of Directors - Reconstitution”, Audit Committee of the

Board of Directors (ACB) should be chaired by any one of non-executive/ non-official directors.

In view of the bifurcation of the post of Chairman and Managing Director of Public Sector Banks (PSBs) by Government of India into a non-executive Chairman to give an overall policy direction to the bank and a full time executive Managing Director and Chief Executive Officer (MD&CEO) to oversee the day to day functioning of the bank (GOI notification dated April 24, 2015), RBI clarified (13.07.17) that in banks where the Board of Directors is chaired by a non-executive Chairman, there will not be any restriction if he/she is also nominated to the Audit Committee of the Board of Directors.

**Investment by Foreign Portfolio Investors (FPI) in Government Securities Medium Term Framework – Review of the Medium term Framework**

The current Medium Term Framework (MTF) for FPI investment in Central Government Securities (G-secs) and State Government Securities (SDLs) was introduced in October 2015 with the following major features:

- a. Limits to be specified as a percentage of outstanding Stock – 5% for G-secs; 2% for SDLs, to be achieved by 31 March 2018, through half yearly reviews and quarterly increases.
- b. Minimum tenor of investments at 3 years.
- c. 20% cap on FPI investment in any particular security.
- d. Preference for long-term investors – Allocation of 60% for ‘long term’ category and 40% for ‘General’ category.
- e. Transfer of unutilized limits in ‘Long Term’ category to ‘General’ category.

Currently ‘long term’ category of FPI investors accounts for about 20% of the total investment by FPIs in Central Government securities. In order to recalibrate the Framework to meet the objective of a preference for long-term investors and also with a view to manage the macro-prudential implications of evolving capital flows, the MTF has been reviewed. Based on the review, the following modifications have been made by RBI (03.07.17) to the Framework.

- a. Overall cap of 5% for Central Govt. securities

(G-Secs) and 2% for State Development Loans (SDLs) remain unchanged.

b. Future increases in the limit for FPI investment in Central Government securities will be allocated in the following ratio - 75% for 'Long-Term' category of FPIs and 25% for 'General' category.

c. The practice of transferring unutilized limits of 'Long-Term' category to 'General' category of FPIs is done away with.

d. To harmonize the approach to FPI investments in SDLs with that for Central Govt. securities, future increases in SDLs would be in the ratio of 75% for 'Long Term' category and 25% for 'General' category of FPIs. RBI may, in future, continue to calibrate some features of the MTF depending on the evolving macro-economic conditions.

#### *Revision of Limits for the Jul-Sep 2017 Quarter*

The limits for investment by FPIs in Central Government Securities and State Development Loans (SDLs) for the quarter July-September 2017 are increased by INR 110 billion and INR 61 billion, respectively, and allocated as under:-

Limits for FPI investment in Government Securities							
(Rs. billion)	Central Government securities			State Development Loans			Aggregate
	General	Long Term	Total	General	Long Term	Total	
Existing Limits	1,849	461	2,310	270	--	270	2,580
Revised limits	1,877	543	2,420	285	46	331	2,751

The revised limits will be effective from July 4, 2017.

All other existing conditions, including the security-wise limits, investment of coupons being permitted outside the limits and investments being restricted to securities with a minimum residual maturity of three years, will continue to apply.

The operational guidelines relating to allocation and monitoring of limits will be issued by the Securities and Exchange Board of India (SEBI).

#### **Point of Presence (PoP) Services under Pension Fund Regulatory and Development Authority (PFRDA) for National Pension System (NPS) in case of NBFCs**

As per extant directions, RBI had prohibited NBFCs from undertaking PoP Services under the PFRDA for NPS. On a review (06.07.17) RBI decided that NBFCs with asset size of Rs.500 crore and above which comply with the prescribed CRAR and made net profit in the preceding financial year be permitted to undertake PoP services under PFRDA for NPS after registration with PFRDA. Eligible NBFCs extending such services shall ensure that the NPS subscription collected by them from the public is deposited on the day of collection itself (T+0 basis; T is the date of receipt of clear funds, either by cash or any other mode) with the Trustee Bank. The deposits shall be made in the Trustee Bank account opened for this purpose under regulations framed by PFRDA for NPS. NBFCs conducting PoP services shall strictly adhere to these guidelines. Any violation of the instructions above would invite supervisory action, including but not limited to cancellation of permission to undertake PoP services.●

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## Limiting Customer Liability in Unauthorized Electronic Banking Transactions

RBI revised the directions on Jul 06, 2017, as under:

### *Strengthening of systems and procedures*

The electronic banking transactions can be divided into two categories:

1. Remote/ online payment transactions (transactions that do not require physical payment instruments to be presented at the point of transactions e.g. internet banking, mobile banking, card not present (CNP) transactions), Pre-paid Payment Instruments (PPI), and
2. Face-to-face/ proximity payment transactions (transactions which require the physical payment instrument such as a card or mobile phone to be present at the point of transaction e.g. ATM, POS, etc.)

The systems and procedures in banks must be designed to make customers feel safe about carrying out electronic banking transactions.

### *Reporting of unauthorised transactions by customers to banks*

Banks must ask their customers to mandatorily register for SMS or e-Mail alerts for electronic banking transactions. The alerts shall mandatorily be sent. The customers must be advised to notify their bank of any unauthorised electronic banking transaction at the earliest. To facilitate this, banks must provide customers with 24x7 access through multiple channels (at a minimum, via website, phone banking, SMS, e-mail, IVR, a dedicated toll-free helpline, reporting to home branch, etc.) for reporting unauthorised transactions that have taken place and/ or loss or theft of payment instrument such as card, etc. Banks shall also enable customers to instantly respond by "Reply" to the SMS and e-mail alerts and the customers should not be required to search for a web page or an e-mail address to notify the objection, if any. Further, a direct link for lodging the complaints, with specific option to report unauthorised electronic transactions shall be provided by banks on home page of their website. The loss/ fraud reporting system shall also ensure that immediate response (including auto response) is sent to the customers acknowledging the complaint along with the registered complaint number. The communication systems must record the time and date of delivery of the message and receipt of customer's response, if any, to them. This shall be important in determining the extent of a customer's liability. The banks may not offer facility of electronic transactions, other than ATM cash withdrawals, to customers who do not

provide mobile numbers to the bank. On receipt of report of an unauthorised transaction from the customer, banks must take immediate steps to prevent further unauthorised transactions in the account.

### *Limited Liability of a Customer*

*(a) Zero Liability of a Customer: A customer's entitlement to zero liability shall arise where the unauthorised transaction occurs in the following events:*

1. Contributory fraud/ negligence/ deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer).
2. Third party breach where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, and the customer notifies the bank within **three working days** of receiving the communication from the bank regarding the unauthorised transaction.

*(b) Limited Liability of a Customer : A customer shall be liable for the loss occurring due to unauthorised transactions in the following cases:*

1. In cases where the loss is due to negligence by a customer, such as where he has shared the payment credentials, the customer will bear the entire loss until he reports the unauthorised transaction to the bank. Any loss occurring after the reporting of the unauthorised transaction shall be borne by the bank.
2. In cases where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system and when there is a delay (of **four to seven working days** after receiving the communication from the bank) on the part of the customer in notifying the bank of such a transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned below, whichever is lower.

a) BSBD Accounts : Rs.5000

b) All other SB accounts, Pre-paid Payment Instruments and Gift Cards, Current/ Cash Credit/ Overdraft Accounts of MSMEs, Current Accounts/ Cash Credit/ Overdraft Accounts of Individuals with annual average balance (during 365 days preceding the incidence of fraud)/ limit up to Rs.25 lakh, Credit cards with limit up to Rs.5 lakh : Rs.10000

c) All other Current/ Cash Credit/ Overdraft Accounts and Credit cards with limit above Rs.5 lakh : Rs.25000

Reporting is beyond **seven working days** : The customer liability shall be determined as per the bank's Board approved policy, to be displayed in public domain.

The number of working days mentioned above shall be counted as per the working schedule of the home branch of the customer excluding the date of receiving the communication.

#### **Reversal Timeline for Zero Liability/ Limited Liability of customer**

On being notified by the customer, the bank shall credit (shadow reversal) the amount to the customer's account within 10 working days from the date of such notification by the customer (without waiting for settlement of insurance claim, if any). Banks can waive off any customer liability in case of unauthorised electronic banking transactions even in cases of customer negligence. The credit shall be value dated to be as of the date of the unauthorised transaction.

Further, banks shall ensure that:

- a. a complaint is resolved and liability of the customer, if any, established maximum within 90 days from the date of receipt of the complaint;
- b. where it is unable to resolve the complaint or determine the customer liability, if any, within 90 days, the compensation as above is paid to the customer; and
- c. in case of debit card/ bank account, the customer does not suffer loss of interest, and in case of credit card, the customer does not bear any additional burden of interest.

**Burden of Proof:** The burden of proving customer liability in case of unauthorised electronic banking transactions shall lie on the bank.

**Reporting and Monitoring Requirements:** The banks shall put in place a structure for the reporting of the customer liability cases to the Board or one of its Committees. The Standing Committee on Customer Service in each bank shall periodically review the reported unauthorised electronic banking transactions.

#### **Limits on balances in customer accounts with payments banks – sweep out arrangements with other banks**

As per operating guidelines dated Oct 06, 2016, payments banks (PBs) were permitted by RBI to make arrangements with a scheduled commercial bank / small finance bank (SFB), for amounts in excess of the prescribed limits, to be swept into an account opened for the customer at that bank. RBI has now issued the following instructions (29.06.17):

1. PBs are permitted to act as Business Correspondents (BCs) of other banks. Under the BC arrangement and with prior specific or general consent of the customer, PB may effect the transfer of funds deposited by her into her account with another eligible bank, so that the balance in her account with the PB does not exceed ₹ 100,000 or any such lower amount as specified by her.
2. At any time, PB shall not have rights to operate or have real-time access to the funds available in the account of the customer at any other bank, including the transferee bank. However, as a BC of a bank, PBs may facilitate withdrawals and transfers by the customer from her account with the bank of which it is the BC. It is reiterated for clarity that PBs shall not initiate any debit transactions in the customer's account, held with another bank, under a power of attorney or general consent of the customer.
3. A PB shall neither arrange nor avail of intraday funding facilities for its customers, based on the balances available in the customer's account with any other bank, or otherwise.

PBs are required to closely monitor the accounts of their customers, to identify and report suspicious transactions, when the deposit / transaction volumes are not commensurate with the customer's profile.

#### **Rest and Rotation Policy in respect of appointment of Statutory Central Auditors (SCAs)**

As per RBI guidelines dated 30.01.2001, an audit firm, subject to its fulfilling the prescribed eligibility norms was allowed to continue as the SCA for a particular bank for a period of four years and, thereafter, the said firm will be compulsorily rested for a period of two years.

RBI observed in a review of the appointment of statutory auditors in private sector/foreign banks that, in some cases, the same audit firm was reappointed after a gap of two years' rest. In a few other private sector/foreign banks, the immediately preceding statutory auditor firm was appointed on completion of the four year tenure of the current statutory auditor. The statutory central audit responsibility in such banks thus remained confined to two audit firms which were appointed on a cyclical basis.

The Rest and Rotation Policy in appointment of SCAs for banks has been mandated by RBI in order that audit functions are looked at afresh, as a new team is likely to examine the issues in a bank from a different perspective. The policy also aims to deter the auditors and auditee from establishing a comfortable relationship that may lead to compromise in strict adherence to audit principles.

To address the above and ensure that rest and rotation policy is followed in letter and spirit, RBI decided (Jul 27, 2017) that, henceforth, an audit firm, after completing its four year tenure in a particular private/foreign bank, will not be eligible for appointment as SCA of the same bank for a period of six years.

These guidelines are also applicable to foreign banks.

## Goods & Services Tax at a Glance

The Article 246 of Constitution of India read with schedule VII (3 Lists i.e Union List, State List and Concurrent List) provides for the division of taxation powers between the Center and States. Till June 30, 2017, indirect taxes were imposed in the form of excise duty, service tax, custom duty by Central Govt. and sales tax, octroi and entry tax by States. There are 5 Acts namely CGST Act, UTGST Act, IGST Act, SGST Act and GST Compensation Act. GST levied by the Center is called Central GST (CGST) and by the States, is called State GST (SGST). Integrated GST is for inter-State supply.

The GST regime implemented from July 01, 2017 has subsumed the following taxes:

**Central taxes :** Central Excise duty, Duties of Excise (Medicinal and Toilet Preparations), Additional Duties of Excise (Goods of Special Importance), Additional Duties of Excise (Textiles and Textile Products), Additional Duties of Customs (commonly known as CVD), Special Additional Duty of Customs (SAD), Service Tax, Cesses and surcharges insofar as far as they relate to supply of goods or services

**State taxes :** State VAT, Central Sales Tax, Purchase Tax, Luxury Tax, Entry Tax (All forms), Entertainment Tax (not levied by the local bodies), Taxes on advertisements, Taxes on lotteries, betting and gambling, State Cesses and surcharges insofar as far as they relate to supply of goods or services

**Items still outside GST regime:** Excise duty on petroleum products (Union), Tax on sale of petroleum products (State), Tax on alcoholic liquor for human consumption (State), Tax on entertainment and amusement levied and collected by Panchayat/Municipality/Regional Council/District Council, Stamp Duties

### Salient Features of GST

The Constitution (101<sup>st</sup> Amendment) Act *received assent of the President on 8th September, 2016, which paved the way for implementation of GST.*

**Desitnation based tax :** GST is applicable on supply of goods or services (compared with on manufacture or sale of goods or on services, which was the position till June 30, 2017). *As a result, the consuming State stand to gain due to this shift from origin based taxation to destination based taxation.* Provision has been made for compensation to States for loss of revenue arising on account of implementation of GST upto 5 years.

**Dual Taxing Structure:** Concurrent powers are

available to Union and State legislatures to make laws with respect to GST. The power to make laws in respect of supplies in the course of inter-state trade or commerce will be vested only in the Union Government.

States can levy GST on intra-state transactions including services.

Integrated GST is levied on inter-State supply (including stock transfers) of goods or services. This is collected by the Centre so that the credit chain is not disrupted

**GST Rates :** Consolidated rates of GST for 1211 Goods and 568 Services :

Goods : 0%, 5%, 12%, 18%, 28% and 28% + Compensation Cess\*

Services : 5%, 12%, 18% and 28%

\*It is on certain specified luxury and demerit goods 5 years to compensate States for revenue loss on account of implementation of GST.

**Administration of GST :** GST Council has been notified w.e.f Sep 12, 2016 to administer GST. It is assisted by a Secretariat.. It is apex policy-making body for GST.

**Members of GST Council :** *These are Central and State Ministers in-charge of the Finance Portfolio.* Center has a one-third vote and all states combined have two-third vote. Quorum is 50% of total members and for majority decisions, 75% of the weighted votes of the members present and voting.

**Exemption limit :** It is Rs. 20 lakh. For special category States the threshold exemption limit is Rs. 10 lakh.

**Composition threshold limit :** It is Rs. 75 lakh. [Composition scheme is not available to inter-State suppliers, service providers (except restaurant service) and specified category of manufacturers].

Administrative control over 90% of taxpayers with turnover below Rs. 1.5 crore is vested with State Govt. and 10% with Central Govt. All administrative control over taxpayers having turnover above Rs. 1.5 crore shall be divided equally for the Central and State tax administration.

**Returns under GST :** There different types of returns to be filed on monthly, quarterly or annual basis on form No. GSTR-1 to GSTR-11

**TDS on GST :** There is obligation on certain persons including Govt. departments, who will receive supply, to deduct tax @ 1% from the payment due to the supplier where total value of the supply exceeds Rs.2.50 lac.

**GST Appellate Tribunal :** Constituted by Central Govt., this Tribunal would entertain the appeals against the orders passed by Appellate Authority.

### Practical Problems based on Banking Ombudsman Decisions

1) An NRI residing in UK, had complained that he had sent a remittance of Rs. 25 lakh for issue of FDR, but the bank had issued insurance policies. On taking up the matter, the bank initially refunded Rs. 3 lakh and submitted that rest of the amount cannot be refunded as the proposal forms of these policies were signed by the complainant. The complainant, however, denied having signed the proposal form. The bank took a stand that the complainant had an opportunity to point out the misspelling during the free-look period and since he did not utilize the free-look period to object the issuance of policy, he had no ground for complaint against the bank. The complainant however, denied having even received the policies and on enquiry, the bank could not produce any documentary evidence for having dispatched the policies to him. However, after intervention by the BO, bank paid the balance amount of Rs. 22 lakh to the complainant along with interest at FD rate prevalent at that time.

2) The complainant was issued one Payment Order (PO) in favour of a company for Rs. 5 lakh from his current account. The PO was misplaced / lost and this fact was intimated to the bank. As suggested by the bank, complainant furnished an indemnity bond but the money was not given back. However as per the bank, the complainant never submitted the indemnity bond (though complainant had submitted a copy of indemnity bond duly certified by the bank to OBO). Bank took up the matter with the payee to ascertain receipt of PO. However no confirmation was received. BO directed the bank to obtain a new indemnity bond and return the amount. The bank was, further, advised that since funds were with the bank and the complainant was out of funds, the customer be paid interest at applicable FD rate from the date of previously made request to cancel the PO, to the date of release of amount; alternatively the disputed signature (pertaining to receipt of indemnity bond) be sent to Govt. Examiner of Questioned Documents (GEQD) for examination and based on the report suitable action be taken. The bank issued duplicate PO to the complainant. The bank later confirmed that findings of the GEQD report went in favour of the complainant. The bank, despite assurance, did not pay the interest. BO issued an award directing the bank to pay interest to the complainant.

3) Several complaints were received against bank wherein complainants stated that they had deposited cheques for collection. But neither the cheques were collected nor queries were entertained by the bank. Bank responded to the BO only when the proviso of clause 10(1) of BOS was invoked. The bank submitted that the branch had presented 36 cheques pertaining to one Govt. Scheme issued by the Treasury. These cheques were valid for one month only. When the cheques were first sent for collection, the service branch of the bank returned the cheques for putting proper codes. Branch again presented these cheques with proper codes, but these were again returned as the validity period was over. The bank had taken up the matter for revalidation or issuance of duplicate cheques, but as the concerned Govt. department had returned the unused fund to the Govt., it would take some time to issue fresh cheques to the beneficiaries. BO observed that the complainants had deposited disputed cheques in time. The bank had sufficient time to present and re-present the cheques before expiry of validity period, indicating clear deficiency of service on the part of the bank. Accordingly, BO advised the bank to pay disputed amount along with applicable interest against indemnity. ●

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## Non-Resident Ordinary Accounts

**Who can open:** Any person resident outside India for putting through bonafide transactions in rupees.

Individuals/ entities of Pakistan nationality/ origin and entities of Bangladesh origin require RBI's prior approval. Post Offices in India may maintain savings bank accounts in the names of persons resident outside India and allow operations subject to the same terms and conditions as are applicable to NRO accounts maintained with an authorised dealer/ authorised bank.

**Joint account :** May be held in the names of two or more NRIs/ PIOs OR jointly with close resident relative.

**Currency :** Indian Rupee

**Type of account :** Savings, Current, Recurring, Fixed Deposit

**FD Period :** As applicable to resident accounts.

**Credits :** 1) Inward remittances from outside India, 2) legitimate dues in India and 3) transfers from other NRO accounts are permissible.

2) Rupee gift/ loan made by a resident to a NRI/ PIO relative within limits under Liberalised Remittance Scheme may be credited to the latter's NRO account.

**Debits:** 1) for local payments, 2) transfers to other NRO a/c or 3) remittance of current income abroad.

Apart from these, balances in the NRO account can be repatriated abroad by NRIs and PIOs up to USD 1 million per financial year, subject to conditions specified in FEMA (Remittance of Assets) Regulations, 2016.

Funds can be transferred to NRE account within this USD 1 Million facility.

**Repatriability :** Not repatriable except current income. Balances in an NRO account of NRIs/ PIOs are remittable up to USD 1 (one) million per financial year (April-March) along with their other eligible assets.

**Taxability :** Interest income is taxable.

**Loans in India :** Loans against deposits can be granted in India to the account holder or third party subject to usual norms and margin requirement. The loan amount cannot be used for relending, carrying on agricultural/ plantation activities or investment in real estate.

The term "loan" shall include all types of fund based/ non-fund based facilities.

**Loans outside India :** Not allowed.

**Rate of interest :** Bank discretion.

**Operations by PA Holder:** Operations in terms of Power of Attorney is restricted to withdrawals for permissible local payments in rupees, remittance of current income to the account holder outside India or remittance to the

account holder himself through normal banking channels. While making remittances, the limits and conditions of repatriability will apply.

**Change in residential status :** NRO accounts may be designated as resident accounts on the return of the account holder to India for any purpose indicating his intention to stay in India for an uncertain period.

Likewise, when a resident Indian becomes a person resident outside India, his existing resident account should be designated as NRO account.

### Special Non-Resident Rupee (SNRR) account

Any person resident outside India, having a business interest in India, can open an SNRR account with an authorised dealer (AD) for putting through bona fide transactions in rupees, in conformity with the provisions of FEMA & rules and regulations made thereunder.

a. The account will carry the nomenclature of the specific business for which it is opened and not earn any interest.

b. The debits/ credits and the balances in the account should be incidental and commensurate with the business operations of the account holder.

c. ADs are required to ensure that all the operations in the SNRR account are in accordance with the provisions of the Act, rules and regulations made thereunder.

d. The tenure of the SNRR account should be concurrent to the tenure of the contract/ period of operation/ the business of the account holder and in no case should exceed 7 years. No operations are permissible after 7 years from the date of opening of the account.

e. The operations should not result in the account holder making available forex to any person resident in India against reimbursement in rupees or in any other manner.

f. The balances can be repatriated outside India.

g. Transfers from any NRO account to the SNRR account are not permitted.

h. All transactions in the SNRR account will be subject to payment of applicable taxes in India.

i. SNRR account may be designated as resident rupee account on the account holder becoming a resident.

j. The amount due/ payable to non-resident nominee from the account of a deceased account holder, will be credited to NRO account of the nominee with an AD bank.

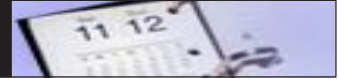
k. Opening of SNRR accounts by Pakistan and Bangladesh nationals and entities incorporated in Pakistan and Bangladesh requires prior approval of RBI.

l. SNRR can be held only as a non-interest earning account, while an NRO account can earn interest. The balances in SNRR is a repatriable.



- RBI CAUTIONS PUBLIC ON CO-OP SOCIETIES ACCEPTING DEPOSITS:** RBI has advised members of the public to exercise caution and carry out due diligence before dealing with co-operative societies. RBI's advice comes in the wake of instances of some societies accepting deposits from non-members/ nominal members/associate members. RBI has informed that such cooperative societies have neither been issued any licence under the Banking Regulation Act 1949 nor are they authorized by RBI for doing banking business.
- SEBI ISSUES NEW FRAMEWORK ON CORPORATE BOND MARKET:** SEBI has put in place a new framework for consolidation in debt securities as part of its efforts to deepen the corporate bond market. Liquidity in the secondary market for corporate bonds will be increased by way of minimal number of ISINs (International Securities Identification Number). The ISIN Code which has 12 characters is used for uniquely identifying securities such as stocks, bonds, warrants and commercial papers. Under the new framework, an issuer will be permitted a maximum of 17 ISINs maturing per financial year. A maximum of 12 ISINs maturing per financial year will be allowed only for Plain Vanilla Debt Securities. Furthermore an entity can issue up to five ISINs every fiscal for "structured debt instruments of a particular category.
- CENTRE MODIFIES EXPORT INCENTIVE SCHEMES:** The Centre has modified existing Export Incentive Schemes, removing most exemptions provided on input taxes to align them with the GST Regime which has since been rolled out. Now exporters importing inputs including machinery under various schemes without paying import duties up to a given limit will have to pay GST on it and later apply for refund. No exemption from payment of IGST and compensation cess would be available for imports and they would need to pay IGST and take input tax credit as applicable under GST. However imports under Advance Authorisation will continue to be exempted from payment of basic customs duty, additional custom duty and education cess.
- ESPOs TO BE LINKED TO BANKS' PERFORMANCE:** The proposed Employees Stock Option Plans (ESPOs) for public sector banks to retain talent will be introduced for select banks that meet the performance criteria. The framework the Government has created to incentivize employees has been referred to RBI for approval. The Finance Ministry had, in March, agreed in principle

## Financial Events

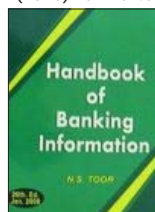


to allow PSBs to offer stock options to their employees from 2017-18. The ESOP option will likely be available to banks making profits and doing well in terms of managing NPAs. Shares equivalent to a certain proportion of net profits are likely to go as ESPOs.

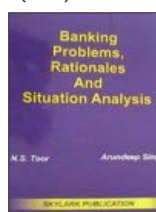
- GOVT. TO MONETISE INFRA-ASSETS:** The Government is mulling leasing out operational roads, airports, ports and other infrastructure assets to the private operators to attract investments and free up funds to step up public investment in Greenfield Projects. NITI Aayog will prepare the list of projects that can be offered to the private sector. Private investment in the Greenfield infrastructure has almost stalled because of multiple execution risks involved and heavy indebtedness of infrastructure companies.
- GOVT. TO CLEAR REIMBURSEMENT SCHEME FOR INDUSTRIES:** The Government is to clear the reimbursement scheme for industries that have lost area-based excise exemption offered as incentives in states such as HP, Uttarakhand under the GST Regime. Now, the GST Regime does not allow any tax exemptions and incentives can be offered only by way of tax refunds. To promote industrialization in special-category and hill-states such as HP, Uttarakhand and those in the North-East, manufacturers enjoy benefits under the area-based exemption scheme and are not required to pay central taxes such as excise duty and other state levies.
- CBDT SOFTENS CASH TRANSACTION NORMS:** The Centre

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had, through the Union Budget, banned cash transactions of Rs.2 Lakh or more from April 1, 2017. Now five categories of transactions have been kept out of this restriction through an executive order from CBDT. The restriction is also not applicable to any receipt by Government, banking company, post office savings bank or co-operative bank. By this clarification, CBDT has ensured that agents' aggregating money received from various customers and depositing with the prepaid card issuer will not be misinterpreted as violation of the norms.

- **CBDT REVISES TAX AUDIT FORM WITH NEW DISCLOSERS MANDATE:** CBDT has revised the Tax Audit Form (3CD) stipulating more disclosures of information including those on monies received for immovable property and advances received in cash beyond specified limits. The revised form also specifically refers to information on use of electronic clearing system through a bank account in addition to payments by way of account payee or bank draft. The Income Tax Law currently stipulates tax audit for companies with turnover exceeding Rs.2 Crore in a financial year. For professionals, the threshold revenue limit for tax audit is Rs.50 Lakh in a financial year.
- **CBDT CLARIFICATION ON CASH ACCEPTANCE OF LOAN REPAYMENTS:** CBDT has clarified on cash acceptance restrictions on loan repayments made to NBFC and housing finance companies. It has now made it clear that every instalment collection would be considered as a "Separate Single Transaction" for the purpose of determining the applicability of Rs.2 Lakh cash collection limit introduced in this year's budget. All the instalments paid for a loan should not be aggregated for the purpose of determining applicability of Section 269ST. This section is the provision that put restrictions on cash acceptance from April this year. The Centre had banned cash transactions of Rs.2 Lakh or more with effect from April 1, 2017.
- **FINMIN TO SET UP ANTI-PROFITEERING BODY:** The Finance Ministry is to set up a National Anti-profiteering Authority to curb any unwarranted price hikes and also to clear confusion over the new prices of items under GST. According to the rules, the authority will have three-tier structure including a Standing Committee of anti-profiteering, State-level Screening Committees and a National Anti-profiteering Authority. The Authority is empowered to make a company lower its prices and refund money to consumers or deposit in the Consumer Welfare Fund. It can also impose a penalty and cancel the registration of the company.
- **SUPREME COURT RULING ON FAKE CASTE CERTIFICATES:** The Supreme Court has ruled that those using fake caste certificates to avail of quota for admissions to educational institutions or getting government jobs must lose the benefit the moment the forgery is discovered. In case the certificate obtained or social status claimed is found to be false

, the parent/guardian /candidate should be prosecuted for making false claim. If the prosecution end in a conviction and sentence of the accused, it could be regarded as an offence involving moral turpitude and disqualification for elective posts/offices.

- **SUPREME COURT ASKS BANKS FOR NO COERCIVE STEPS AGAINST FARMERS:** Supreme Court has said that the financial institutions should not resort to coercive action for recovery of loans from farmers in case of crop failure. The government should step-in if there is any coercion. The Apex Court said that the government's job is to prevent farmer's suicides and not to distribute compensation. It said that the government's approach towards the agrarian crises should be preventive rather than compensatory.
- **CBEC RELAXES NORMS ON BONDS UNDER GST FOR EXPORTERS:** In a significant relief for exporters who have been facing difficulties under new tax regime, the Finance Ministry has now relaxed rules and said that the exports can continue under the existing bonds and letters of undertakings till July 31. Exporters have to furnish a bond or LUTs in Form GST RED-11 instead of payment of integrated GST to release their consignments. Further the bank guarantee should not exceed 15% of the bond amount and the Jurisdictional Commissioner can make a relaxation based on the track record of the exporter.
- **RBI TO SOLVE THE ISSUE OF "MISSING NOTES" BEFORE ITS BALANCE SHEET FINALISATION:** RBI is to solve one of the best kept secrets of demonetisation – "Value of banned currency notes which never came back to it". According to RBI Accounting Policy, currency notes in circulation are considered as a liability relating to the RBI Issue Department. Every currency note, of all denominations, black or tax paid is the liability of RBI. The issue assumes significance because in absence of the "Missing Notes" number, RBI can not finalise its balance sheet for the year ended June 30, 2017 and declare dividend or surplus to

the government.

- **FINMIN CLARIFIES ON GST ISSUES:** The Finance Ministry has clarified that the gifts costing up to Rs.50,000 and contractual perquisites such as housing to employees by employers will not attract GST. Free housing to employees will not attract GST if it is part of the cost-to-company and is included in the contract between the employer and employee. Similarly, the services by an employee to the employer in the course of, or in relation to, his employment is outside the scope of GST and does not constitute supply of goods or services.
- **ALL BANKS TO FACILITATE Aadhaar ENROLMENT:** All Banks including Private Sector Banks will have to provide Aadhaar enrolment and update facility to their customers who have been asked by the government to link their bank accounts with the Unique Identification Number by December 31 or face blocked access. This comes in the wake of the country facing a gigantic task of linking all bank accounts to Aadhaar after due verification, as mandatory by a June 1 Notification of the Finance Ministry that amended the Prevention of Money Laundering Act (PMLA).
- **SICK PSUs LAND TO BE LEASED FOR AFFORDABLE HOUSING:** Now, land with Sick Public Sector Undertakings (PSUs) would be monetized or leased out to build low cost affordable houses for the poor. In a bid to give fillip to its Flagship Scheme “Hosing-for- All”, the Government has identified vast tracts of land in eight cities to build low cost houses. The Government has finalised a Public Private Partnership (PPP) Model to provide affording housing.
- **NABARD FOR DIGITISATION OF SHG ACCOUNTS:** NABARD plans to scale up the digitization of Self-help Groups (SHG) accounts and expand digital coverage to 100 districts by the end of this fiscal. An interesting dimension is that this digital intervention will also help build credit history for each member of an SHG and this would be passed on to credit bureaus. One of the hurdles for banks in extending credit has been the absence of credit history for the members of SHGs.
- **GOVT. TO COMPANIES ON INDEPENDENT DIRECTORS:** The Corporate Affairs Ministry has altered the Code for independent directors under Schedule IV of the Company Law which says that the companies will henceforth have to replace independent directors who resign or are removed from the Board within 90 days against the earlier 180 days. However it has exempted government companies from seeking shareholders’ nod for appointing

independent directors. Further the independent directors of Government companies have also been exempted from the norm that required their reappointment to be on the basis of an evaluation of their performance.

- **GOVT. EXTENDS TIME-LINE FOR LISTED PSEs ON PUBLIC SHAREHOLDING:** Listed Public sector enterprises including public sector banks will have until August 2018 to comply with rules that prescribe at least 25% public shareholding. The Finance ministry has amended the Securities Contracts (Regulation) Rules to extend the timeline for compliance by a year. There are at least a dozen entities where the Centre’s direct holding is still in excess of 75% . Some such entities are HUDCO, Coal India, MMTc, Indian Bank, Central Bank of India, UCO Bank etc.
- **RBI ALLOWS PSB CHAIRMAN TO HEAD AUDIT PANELS:** RBI has allowed the non-executive Chairmen who head the Boards of State-owned Banks to be nominated to the Audit Committees of the Board of Directors of the Bank concerned. The RBI’s notification comes after the government split the posts of chairman and Managing Director at public sector banks in April 2015, with the chairman being a non-executive position, while the managing director and CEO as executives to manage the day-to-day functions of banks.
- **UIDAI ASKS BANKS TO OPEN Aadhaar ENROLMENT CENTRES:** The Unique Identification Authority of India (UIDAI) has asked private as well as public sector banks to set up Aadhaar enrolment facility in at least one out of 10

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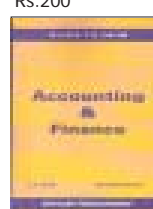
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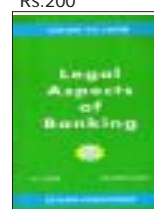
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branches in the country. Suitable changes have been made recently in the Aadhar regulations to facilitate this rule. At present, there are 25000 active enrolment centres across India but they operate from their own premises. However, none of these centres are being operated from bank premises. There are 120,000 bank branches in the country and by this move 12000 Aadhar enrolment and updation centres will be set up in those branches.

- **HIGH COURT RULING ON TAX DUES PRIORITY:** (Case-GMC Engineers & Contractor Ltd. VS. State of Rajasthan) In this case, the property of SR Foils and Tissue Ltd. was attached by Sales Tax Officers. Then ICICI Bank which provided loan to it, auctioned the property and transferred the title documents to GMC, the highest bidder. However the Government invalidated the auction and offered the property for sale for recovery of its tax dues. This was challenged by GMC in the High Court. Over this, The High Court followed the Supreme Court ruling and said that though banks and financial institutions might fall in the category of secured creditors, the state dues will come first when the property is attached for non-payment of dues.
- **SEBI TELLS BANKS TO MAKE ADDITIONAL DISCLOSURE ON LOANS:** SEBI asked listed banks to make additional disclosures on divergence in asset classification and provisioning to stock exchanges in prescribed format. The Banks will have to disclose where additional provisioning requirements by the RBI exceeds 15% of the net profit for the reference period. If the additional gross NPA identified by RBI exceed 15% of incremental gross NPA for reference period, banks will have to make disclosure to the exchanges, along with the annual financial results filed immediately following communication of such divergence by the RBI to the bank.
- **CABINET APPROVES ALTERNATIVE MECHANISM FOR ETF:** In a boost to the Centre's disinvestment policy, Cabinet approved an alternative mechanism to decide on stake sales in state-owned banks and creation and launch of exchange-traded funds (ETFs). It will decide on disinvestment of PSBs, listed public sector financial institutions and public sector insurance companies through ETF or other methods, subject to the government retaining 52% stake.
- **SEBI TO TIGHTEN DEPOSITORY RECEIPT REGULATIONS:** SEBI is planning to clamp down

on depository receipts (DRs) as part of efforts to check the flow of black money into the stock market. SEBI planned to make it mandatory for foreign depositories to reveal details of end-beneficiaries holding DRs issued by Indian Companies. The new framework will align know-your-customer (KYC) requirements for DRs with provisions to prevent money laundering. SEBI has proposed DRs can be exercised by the issuer only if information on beneficial ownership is available.

- **CBDT CLARIFICATION ON TDS COMPUTATION UNDER GST:** The Central Board of Direct Taxes (CBDT) has clarified that where the recipient of a service is required to deduct tax at source (TDS) when making a payment to the supplier, the amount of TDS shall be computed without grossing up for the Goods and Service Tax (GST) component, which is also a part of the bill. To enable TDS to be computed exclusive of the GST component, it is vital that the GST component is indicated separately.
- **COMPOSITION SCHEME UNDER GST REGIME:** Composition Scheme which provides easy compliance and a flat rate to small businesses has had a muted response so far. The new GST Regime was rolled out on July 1, 2017. Till now, of the 8 million registrations on the GSTN, only 0.1 million or 1.25% have opted for the composition scheme. The deadline of the scheme is likely to be extended. Entities with an annual turnover of up to Rs.75 Lakh are eligible to apply under the scheme and they are allowed to pay tax at the rate of 1% (Traders), 2% (Manufacturers), or 5% (Restaurateurs). Those registered under the scheme can not avail of input tax credit nor issue a tax invoice. As a result, someone buying from a composition dealer will not be able to claim input tax on such goods.
- **PANEL FORMED FOR ANTI-PROFITEERING BODY:** The GST Council has formed a Panel under the Chairmanship of the Cabinet Secretary to recommend eligible persons for Chairman and members of the Anti-Profiteering-Body. The task of the Body is to ensure that the benefits of a reduction in tax on supply of goods or services flow to the consumers. As per the notified rules, applications seeking to invoke anti-profiteering measures shall be examined by the Standing Committee and if the application relates to a local matter where the business is located in only one state, it shall be first examined by a State Level Screening Committee. The cases which are referred to the National Profiteering Authority, it has the power to order the business concerned to return the undue benefit availed along with the interest to the recipient of the goods or services. In extreme cases it can impose a penalty and even order the cancellation of its registration.

## GENERAL AWARENESS

- While the Base Year of old GDP Series is 2011-12, the Base Year has been fixed as 2017-18 for- **New GDP Series**.
- Bank which has launched the “KBL-image Debit Card” to enable its Cardholders to personalize the card with the image of his/her choice- **Karnataka Bank**.
- Mumbai’s iconic Railway Station which has been rechristened with the addition of an honorific “Maharaja” after “Shivaji”- **Chhatrapati Shivaji Terminus**.
- Senior Advocate and Constitutional Expert who has been appointed as New Attorney General of India- **KK Venugopal**.
- New Payment Bank which has started operations on June 30 after Airtel, Department of Posts and Paytm- **FINO Payment Bank**.
- UK’s Helpline Number 999 completed 80 years of its existence- **World’s Oldest Emergency Number**.
- Train Tickets can be booked 360 days in advance from abroad instead of the present 120 days by- **Foreign Tourists**.
- The Commodity Exchange which has decided to merge with the Indian Commodity Exchange, creating the Third-Largest Commodity Exchange in the country- **National Multi-Commodity Exchange**.
- Two Countries which have launched “Bond Connect” Scheme that links China’s \$9 trillion bond market with overseas investors- **China and Hong Kong**.
- Standards whose implementation has been deferred by IRDAI for Insurance Companies till 2020-21- **Indian Accounting Standards**.
- New Note for which RBI is in the final process of designing and expected to be in circulation latest by December- **Rs.200 Denomination Note**.
- Task Force which recommends “Scrapping” of National Sample Survey and replaced with more robust Survey- **Panagariya-led Task Force**.
- Achal Kumar Joti who had been Chief Secretary of Gujarat when PM Narendra Modi was CM, has been appointed by the Government as- **New Chief Election Commissioner**.
- As per clarification of the Finance Ministry, the brands which will attract 5% CGST- **Only Registered Brands**.
- Portal which the Government launched to help the Independent Power Producers for optimum utilisation of domestic coal- **E-Bidding Portal**.
- ED of OBC who has been appointed as MD& CEO of Union Bank of India- **Rajkiran Rai G**.
- Bank which approved \$329 million loan to build access roads to 4000 villages in all 33 districts of Gujarat- **China-led Asian Infrastructure Investment Bank**.
- Units which have been exempted from IGST on goods imported by them- **Units of Special Economic Zones**.
- State which is set to become the First State to witness use of EVMs with Paper Trail in all polling booths during the assembly elections to be held in December- **Gujarat State**.
- Technology Giant which is to cut 4000 jobs, mostly outside US- **Microsoft**.
- Pakistan has executed 465 prisoners since lifting a moratorium on death penalty in 2014 and became- **5<sup>th</sup> Most**

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- Ahmedabad for having co-existence of religions and the intricately carved havelis dating back to hundreds of years won- **World Heritage City Tag.**
- A Newly Constituted Committee under Bank for International Settlements in which India to join – **Global Foreign Exchange Committee.**
- Scheme under which the Top Bourse BSE facilitates purchase of bonds in physical forms instead of in Demat or Electronic Mode- **Sovereign Gold Bond Scheme.**
- President of Tibetan Government in Exile, who has been allowed by the Central Government to perform the rituals on eve of Dalai Lama's Birthday- **Lobsang Sangay.**
- Kewal Handa, who has been MD of Pifzer India from 2005 to 2012, has been appointed as- **Chairman & Non-official Director of Union Bank of India.**
- Technology Giant which has completed testing of UPI Payment Service and awaiting Nod from RBI to launch its UPI Payment Services in the Country- **Google.**
- Japan's Island Okinoshima where women are banned and male visitors bathe naked in the sea before visiting its Shrine has been declared as- **UNESCO World Heritage Site.**
- A Mobile Application which FINMIN has launched to help people to link their Aadhar with PAN Card- **Aaykar Setu.**
- Report according to which India to become the Largest Milk Producer by 2026 and also will account for the Biggest increase in wheat production globally.-**Report by UN and OECD.**
- Kishore Sansi, MD & CEO of Vijaya Bank has been conferred – **Skoch Award, "Personality of the Year"**.
- State which has been exempted by the Supreme Court with "500 Metre Cap on Liquor Vends across the National and State Highways- **Arunachal Pradesh and Andemans.**
- While Chennai saw the steepest growth decline, city has topped in the country in the online recruitment- **Kolkata.**
- Subhash Chandra Garg, Economic Affairs Secretary has been nominated as Director in- **RBI Central Board of Directors.**
- Mukesh Kumar Jain, ED of Punjab & Sindh Bank has been appointed as –**MD&CEO of Oriental Bank of Commerce.**
- Vikram Limaye who has been relieved by the Supreme Court of his responsibilities at the Committee of Administrators of BCCI has been selected as- **MD&CEO of National Stock Exchange.**
- Train which the Union Railway Minister inaugurated at Safdarganj Railway Station, Delhi- **India's Ist Solar-powered Train.**
- Indians have been rated at 39<sup>th</sup> among Laziest in the World, who walk barely 4300 steps a day- **Study by Stanford University Researchers.**
- Country which has topped in having World's Largest Banks by Asset Value- **China.**
- Scheme under which the Govt. proposed a Rs.2000 Crore for Start-Ups to help them access funds- **Credit Guarantee**

**Scheme.**

- Company whose employees dragged it to the National Company Law Tribunal (NCLT) and became the First Case where employees have dragged its own company to NCLT- **Hindustan Motors.**
- Ranking for which Govt. has asked all Institutes of Higher Learning to participate and the Varsities to be ranked on cleanliness- **Swachta Ranking.**
- President of the Spanish Soccer Federation and FIFA Vice-President who has been arrested in fraud investigation relating to matches- **Angel Maria Villar.**
- Programme under which around 1.5 Lakh Gram Panchayats will be connected via optical fibre by mid-2018- **National Optical Fibre Network Programme.**
- State which has retained the Top Position in the list of 21 States and UTs with most investment potential- **Gujarat.**
- Govt. has approved sale of its 51% equity in Hindustan Petroleum Corporation and the company to take over it is- **ONGC.**
- Report according to which India is the Largest Provider of Online Labour- **Oxford Internet Institute of the University of Oxford Report.**
- Bank which has launched a Scheme whereby its existing salaried customers can avail personal loans at ATMs- **ICICI Bank.**
- India's 14<sup>th</sup> President who has been elected on 20<sup>th</sup>- **Ram Nath Kovind.**
- All 88 Ministries of the Central Govt. have been asked to have Hindi Version of every Advertisement that they release- **Either in English or Regional Language.**
- State-owned Trading Firm which has been permitted by the Govt. to begin the auction of gold collected under the Gold Monetisation Scheme- **MMTC.**
- Food Delivery Company "Swiggy" has won Top Honour at India's Biggest and Best Awards for StartUps- **The Economic Times Startups Awards 2017.**
- CBDT clarified that disclosing overseas bank accounts in Income Tax Return by NRIs- **Not Mandatory.**
- Full Scale Floating Wind Farm with Turbines which is being built off Scotland Coast- **World's First Wind Farm;**



## MOCK-TEST PAPER

### Questions on Latest RBI Policy

- 01** As per Financial Literacy Camps guidelines of RBI of July 2017, FLCs and rural branches of banks are eligible for funding support from the Financial Inclusion Fund for the financial literacy camps to the extent of 60% of the expenditure of the camp subject to a maximum of \_\_\_\_ per camp.
- Rs.5000
  - Rs.10000
  - Rs.15000
  - Rs.20000
- 02** As per Financial Literacy Camps guidelines of RBI of July 2017, funding for handheld projectors and speakers would be provided from FIF to the extent of 50% of the cost incurred on purchase of hand held projector and portable speaker (both put together) subject to a maximum of \_\_\_\_ per rural branch / FLC on a reimbursement basis.
- Rs.5000
  - Rs.10000
  - Rs.15000
  - Rs.20000
- 03** For ascertaining the investment in plant and machinery for classification of an enterprises as Micro, Small and Medium, which of the following documents could be relied upon:
- A copy of the invoice of the purchase of plant and machinery
  - Gross block for investment in plant and machinery as shown in the audited accounts
  - A certificate issued by a Chartered Accountant regarding purchase price of plant and machinery.
  - any of the above
- 04** For the investment in plant and machinery for the purpose of classification of an enterprise as Micro, Small or Medium, which of the following is to be taken into account
- book value (purchase value minus depreciation) or the purchase value of the plant and machinery, whichever is higher
  - book value (purchase value minus depreciation)
  - the purchase value of the plant and machinery
  - book value (purchase value minus depreciation) or the purchase value of the plant and machinery, whichever is lower
- 05** The limits for investment by foreign portfolio investors (FPIs) in Central Government Securities and State Development Loans (SDLs) has been increased from Rs.2580 billion to:
- Rs.2680 billion
  - Rs.2751 billion
  - Rs.2781 billion
  - Rs.2865 billion
- 06** An unauthorized electronic bank transaction has taken place by a 3<sup>rd</sup> party in the saving bank account of Mr. Z. After receipt of bank notification about the transaction, the customer notifies the bank within 2 days. Who will bear the loss of this transaction?
- bank concerned
  - customer concerned
  - bank and customer in the ratio of 50:50
  - bank up to Rs.25000 and beyond that customer
- 07** If some unauthorized electronic bank transaction is noticed by the customer in his accounts, he can provide information to the bank. Which of the following is not a correct channel for this?
- report through website of the bank
  - report to toll free helpline of the bank
  - reporting to home branch
  - report to any branch of bank.
- 08** In cases where due to unauthorized electronic bank transaction, the loss is due to negligence by a customer, such as sharin the payment credentials. Who will bear the loss:
- bank will bear the entire loss until he reports the unauthorised transaction to the bank
  - loss occurring after the reporting of the unauthorised transaction shall be borne by the customer
  - all loss will be born by the customer
  - until report to bank, customer and loss occurring after reporting by customer, bank.
- 09** In cases where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system and when there is a delay of 4 to 7 working days after receiving the communication from the bank, on the part of the customer in notifying the bank of such a transaction, the per transaction liability of the customer shall be limited to

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- Rs. \_\_\_\_\_ in case of a saving bank account?
- a Rs.5000      b Rs.10000  
c Rs.25000    d no liability
- 10** In cases where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system and when there is a delay of 4 to 7 working days after receiving the communication from the bank, on the part of the customer in notifying the bank of such a transaction, the per transaction liability of the customer shall be limited to Rs. \_\_\_\_\_ in case of a basic saving bank deposit account?
- a Rs.5000  
b Rs.10000  
c Rs.25000  
d no liability
- 11** In cases where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system and when there is a delay of 4 to 7 working days after receiving the communication from the bank, on the part of the customer in notifying the bank of such a transaction, the per transaction liability of the customer shall be limited to Rs. \_\_\_\_\_ in case of a cash credit account with limit of Rs.40 lac.
- a Rs.5000  
b Rs.10000  
c Rs.25000  
d no liability
- 12** On being notified by the customer, the bank shall credit (shadow reversal) the amount involved in the unauthorised electronic transaction to the customer's account within \_\_\_\_\_ days from the date of such notification by the customer (without waiting for settlement of insurance claim, if any).
- a 7 calendar days  
b 10 calendar days  
c 7 working days  
d 10 working days
- 13** Banks are to ensure that a complaint is resolved and liability of the customer, if any, established within such time, as may be specified in the bank's Board approved policy, but not exceeding \_\_\_\_\_ days from the date of receipt of the complaint,
- a 90 days      b 60 days  
c 30 days      d 10 days
- Recalled Questions**
- 14** The term supplementary capital or gone concern capital in the context of Basel 3 represents which of the following:
- a Tier I capital funds  
b Tier II capital funds  
c Perpetual non-cumulative shares  
d innovative perpetual debt instruments
- 15** What is the maximum amount for which a commercial paper can be issued?
- a Rs.5 lac      b Rs.25 lac  
c Rs.10 lac    d Rs.15 lac  
e No ceiling
- 16** In the account of Raja, your saving bank account holder, a cheque in which, the amount in words indicated as Rupees five lac and in figures as Rs.5000 is presented for payment. How would you make the payment of amount ?:
- a the amount in words shall be paid  
b the amount in figures shall be paid  
c In words or figures whichever less shall be paid  
d It is safe to return the cheque
- 17** A cheque issued by a director of a Limited Company is presented for payment after death of the director which the bank pays. The company observed that the deceased director had issued cheque to benefit himself. It raises the claim on the plea that bank cannot pay such cheque after death of the director:
- a Bank cannot pay the cheque as the drawer expired  
b Bank can pay the cheque as the company is still a legally competent person to contract and the director signed as agent of the company  
c Bank should contact the Co. because loss will be of the company in case of dispute  
d b and c
- 18** Credit card business can be conducted by banks only if their net worth is at least Rs. \_\_\_\_\_:
- a Rs.100 cr  
b Rs.200 cr  
c Rs.300 cr  
d Rs.500 cr
- 19** Interest rate on NRE-Rupee Accounts can be:
- a at discretion of banks but not more than domestic interest rates  
b LIBOR/SWAP rate + 1.00%  
c LIBOR/SWAP rate + 0.75%  
d LIBOR/SWAP rate + 0.50%
- 20** eTDS return for Sept is to be filed :
- a by 7<sup>th</sup> Oct  
b by 15<sup>th</sup> Oct  
c by 31<sup>st</sup> Oct  
d by 15<sup>th</sup> Nov
- 21** Renewal of a term deposit can be considered by banks from date of maturity in case the request is received after maturity but the overdue period should not exceed
- a 7 days      b 10 days  
c 14 days     d 30 days
- 22** As per RBI guidelines, the



- banks should impose 'partial freezing' on KYC non-compliant accounts in a phased manner. Partial freezing after the first 6 months period, includes:
- a transactions at the discretion of the bank  
 b only credits to be permitted  
 c only debits to be permitted  
 d no debit and no credit to be permitted
- 23** What is the minimum maturity period of a commercial paper ?  
 a 7 days      b 15 days  
 c 29 days      d 45 days  
 e 60 days
- 24** In order to ensure that a coloured photo copy or scanned coloured image of the cheque is not used, which of the following features is included in the cheque under CTS 2010 standards?  
 a ultra-violet ink  
 b intaglio  
 c void pantograph  
 d UV enabled scanning
- 25** What is the minimum value of stock of gold coins, bullion and foreign securities, which RBI has to maintain at any point of time, against issue of currency?  
 a Rs.200 cr  
 b Rs.215 cr  
 c Rs.115 cr  
 d Rs.500 cr  
 e Rs.1000 cr
- 26** While renewing the working capital limits of a partnership firm, the loan officer observes that the long terms uses are 25% more than the long terms sources during the previous year. This will lead to:  
 a improvement in debt equity ratio  
 b deterioration in debt equity ratio  
 c deterioration in current ratio  
 d improvement in current ratio  
 e improvement in debt service coverage ratio
- 27** If the current assets are 36 and net working capital is 12, what is the current ratio:  
 a 1.17:1  
 b 1.25:1  
 c 1.33:1  
 d 1.50:1
- 28** Which of the following instruments represents the share in Indian companies in India and traded in America/Europe?  
 a GDR/ADR  
 b IDR/ADR  
 c GDR/IDR  
 d Zero Coupon Bonds  
 e Debentures
- 29** As per Income-tax (22nd Amendment) Rules, 2015 (Rule 114B), w.e.f. 1.1.2016, quoting of permanent account number (PAN) is mandatory for depositing cash \_\_\_\_\_ with a bank, on any one day:  
 a above Rs.10000  
 b above Rs.20000  
 c above Rs.25000  
 d above Rs.50000
- 30** Which of the following return related to non-resident deposit accounts, is to be submitted to RBI from March 31, 2015 onwards to:  
 a Stat-5  
 b Stat-8  
 c NRD-CSR  
 d none the above
- 31** Operating profits in bank's profit and loss account refer to:  
 a net profits  
 b profits before contingencies  
 c profits before provisions and contingencies  
 d profits after provisions and contingencies
- 32** One of the female staff members of workman staff had a miscarriage and has applied for a 6-month maternity leave. What would be done?  
 a No leave permissible for miscarriage. Hence request would be rejected.  
 b Leave would be sanctioned after verification of the fact.  
 c Sanction the leave after getting it approved from Head Office  
 d Allow 6 weeks' leave and for the balance period, ordinary leave account would be debited \*

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- 33** The garnishee order is not applicable to:
- a Amount lying in foreign accounts of the judgement debtor
  - b Articles of judgement debtor lying in the safe custody
  - c contents of the locker
  - d a to c only
  - e a and b only
- 34** For a dishonoured cheque, the punishment provided under Section 138 of the Negotiable Instruments Act to the drawer is in respect of the following:
- a the cheque has been delivered as a gift by the drawer
  - b the cheque has been issued but the signatures do not tally
  - c the cheque has been presented with in the period stipulated by the drawer in the cheque
  - d the cheque has been dishonoured due to insufficiency of balance
  - e c and d above
- 35** Awards of Ombudsman that are not implemented by the bank for \_\_\_\_ are required to be placed by a bank before \_\_\_\_ for examining the reasons for non-implementation and initiating necessary remedial action :
- a three months, CMD
  - b three months, Customer Service Committee of Board
  - c 2 months, Customer Service Committee of Board
  - d 6 months, Board of Directors

- 36** Hari had a saving bank account and a cheque issued by him is presented in clearing. Meanwhile a garnishee order is received. If the cheque is to be returned, what should be the reason:
- a exceeds arrangement as garnishee order received
  - b exceeds arrangement
  - c garnishee order received, refer to drawer
  - d payment cannot be allowed.
  - e a or b
- 37** A has a current account with the bank and expires. The claim is settled in favour of his heirs after six months. The legal heirs also claim interest. What would you do:
- a Pay interest at SB interest rate
  - b Will not pay any interest, as the balance was in current account.
  - c Pay FD rate for the relevant period interest rate
  - d a or c whichever lower
- 38** The clearing house managing banks extending clearing related overdraft to member banks can charge rate of interest on such overdraft which is related to which of the following?
- a bank rate
  - b BPLR of the bank concerned
  - c Base of the bank concerned
  - d LAF Repo Rate
- 39** As per extant guidelines, which among the following can sign the

- notice for possession under SARFAESI Act 2002, on behalf of the bank?
- a Any official of the bank
  - b Any officer of the bank
  - c Any manager of the bank
  - d Any Law Officer of the bank
  - e An officer in Scale IV or above or approved by Board of the Bank
- 40** As per RBI guidelines, the banks should impose 'partial freezing' on KYC non-compliant accounts in a phased manner. Partial freezing during the first 6 months period, includes:
- a transactions at the discretion of the bank
  - b only credits to be permitted
  - c only debits to be permitted
  - d no debit and no credit to be permitted
- 41** Aggrieved party on the award of Ombudsman, can make application for review to appellate authority \_\_\_\_ within 30 days of the date of receipt of award
- a Governor RBI
  - b Dy. Governor RBI
  - c Chairman IBA
  - d Judge of Distt. Court
- 42** In case of crop loss, under Relief Measure, for all restructuring cases, the moratorium period should be minimum \_\_\_\_:
- a 3 months
  - b 6 months
  - \*c 12 months
  - d 24 months

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Answers				
01 a	02 a	03 d	04 c	05 b
06 a	07 d	08 d	09 b	10 a
11 c	12 d	13 a	14 b	15 e
16 a	17 b	18 a	19 a	20 c
21 c	22 d	23 a	24 c	25 c
26 c	27 d	28 a	29 d	30 c
31 c	32 d	33 d	34 d	35 b
36 c	37 a	38 d	39 e	40 b
41 b	42 c			

### Features of FCNR and NRE Accounts of Non-Residents

The most of the features of Foreign Currency Non-resident (Bank) account (**FCNR-B**) and **Non-resident External (NRE)** are common.

**Who can open :** NRIs and PIOs. Individual/entities of Pakistan and Bangladesh shall require prior approval of RBI.

**Joint account:** May be held jointly in the names of two or more NRIs/PIOs. Account can be held jointly with a resident relative (as per Companies Act, 2013) on 'former or survivor' basis. The resident relative can operate as a Power of Attorney holder during the life time of the NRI/PIO.

**Currency :** *FCNR* – Any convertible currency. *NRE* : Indian Rupee

**Type of account :** *FCNR* : FD 1 year to 5 year. *NRE* : Current, saving, RD, FD - minimum 1 year and maximum at bank discretion.

**Permissible credits :** 1) inward remittance from outside India, 2) interest accruing on the account, 3) interest on investment, 4) transfer from other NRE/FCNR(B) accounts, 5) maturity proceeds of investments (if made from this account or through inward remittance). 6) Current income like rent, dividend, pension, interest etc. will be construed as a permissible credit to the NRE account.

**Permissible debits :** 1) local disbursements, 2) remittance outside India, transfer to other NRE/FCNR(B) accounts and 3) investments in India.

**Repatriable :** Fully repatriable

**Tax :** Interest income exempted from Income Tax.

**Loans in India :** a) AD can sanction loans in India to the account holder/third parties without any limit, subject to usual margin requirements. These loans cannot be repatriated outside India and can be used in India only for the purposes specified in the regulations.

b) In case of loans sanctioned to a third party, there should be no direct or indirect foreign exchange consideration for the non-resident depositor agreeing to pledge his deposits to enable the resident individual/firm/company to obtain such facilities.

c) In case of the loan sanctioned to the account holder, it can be repaid either by adjusting the deposits or through inward remittances from outside India through banking channels or out of balances held in the NRO account of the account holder.

d) The facility for premature withdrawal of deposits will not be available where loans against such deposits are availed of.

The term "loan" shall include all types of fund based/ non-fund based facilities.

#### Loans outside India :

Authorised Dealers may allow their branches/ correspondents outside India to grant loans to or in favour of non-resident depositor or to third parties at the request of depositor for bona fide purpose against the security of funds held in the NRE/FCNR (B) accounts in India, subject to usual margin requirements.

**Operations by PA holder :** Operations in the account in terms of Power of Attorney is restricted to withdrawals for permissible local payments or remittance to the account holder himself through normal banking channels.

#### Change in residential status:

**NRE :** NRE accounts should be designated as resident accounts or the

funds held in these accounts may be transferred to the RFC accounts, at the option of the account holder, immediately upon the return of the account holder to India for taking up employment or on change in the residential status.

**FCNR :** On change in residential status, FCNR (B) deposits may be allowed to continue till maturity at the contracted rate of interest, if so desired by the account holder.

Authorised dealers should convert the FCNR(B) deposits on maturity into resident rupee deposit accounts or RFC account (if the depositor is eligible to open RFC account), at the option of the account holder.

#### Accounts of Foreign Tourists

An NRO (current/ savings) account can be opened by a foreign national of non-Indian origin visiting India, with funds remitted from outside India through banking channel or by sale of foreign exchange brought by him to India. The balance in the NRO account may be paid to the account holder at the time of his departure from India provided the account has been maintained for a period not exceeding six months and the account has not been credited with any local funds, other than interest accrued thereon.

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### Pradhan Mantri Vaya Vandana Yojna (PMVVY)

PMVVY is a Pension Scheme of Govt. of India for senior citizens only, available from 4<sup>th</sup> May, 2017 to 3<sup>rd</sup> May, 2018. The Scheme can be purchased offline or online through LIC of India which has been given the sole privilege to operate this Scheme. The salient features are:

- 1) Assured return of 8% p.a. payable monthly (equivalent to 8.30% p.a. effective) for 10 years. There will be no service tax or GST.
- 2) Pension is payable monthly/ quarterly/ half-yearly/ yearly at the end of each period for 10 years, as chosen by pensioner at the time of purchase.
- 3) On survival of the pensioner up to the end of the policy term of 10 years, purchase price along with final pension installment shall be payable.
- 4) Loan upto 75% of Purchase Price (PP) shall be allowed after 3 years. Interest shall be recovered from pension and loan from claim proceeds.
- 5) Premature exit for treatment of any critical/ terminal illness of self or spouse is allowed. On such exit, 98% of Purchase Price shall be refunded.
- 6) On death of the pensioner during the policy term of 10 years, the Purchase Price shall be paid to the beneficiary.

#### Minimum and maximum purchase price & pension amount

Mode of pension	Purchase price		Amount of pension	
	Minimum	Maximum	Minimum	Maximum
Yearly	144578	722892	12000	60000
Half-yearly	147601	738007	6000	30000
Quarterly	149068	745342	3000	15000
Monthly	150000	750000	1000	5000

- 7) The ceiling of maximum pension is for a family as a whole, the family will comprise of pensioner, his/her spouse and dependants.
- 9) The shortfall due to difference between interest guaranteed and actual interest earned and the expenses relating to administration shall be subsidized by Govt. of India and reimbursed to the Corporation.

### 3rd Bi-monthly Monetary Policy Review of RBI (02.08.17)

On the basis of an assessment of the current and evolving macroeconomic situation at its meeting today, the Monetary Policy Committee (MPC) decided to reduce the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points from 6.25% to 6% with immediate effect.

Consequently, reverse repo rate under the LAF stands adjusted to 5.75%, and the marginal standing facility (MSF) rate and the Bank Rate to 6.25%.

#### Other issues:

1. Measures to Improve Monetary Policy Transmission: An internal Study Group has been constituted by RBI to study the various aspects of the MCLR system which will give its report by September 24, 2017.
2. Amendment to LCR Guidelines: Reserves held by banks incorporated in India with a foreign central bank, in excess of the reserve requirement in the host country, should be treated as HQLAs
3. High Level Task Force on Public Credit Registry for India: RBI decided to constitute a High-level Task Force to suggest a roadmap, including the priority areas, for developing a transparent, comprehensive and near-real-time PCR for India.
4. Separate limit of Interest Rate Futures for Foreign Portfolio Investors (FPIs) : RBI allocated to FPIs, a separate limit of Rs.5,000 crore for long position in IRFs. The limits prescribed for investment by FPIs in Govt. securities will then be exclusively available for acquiring such securities.

### DATA COLUMN

#### Business of Banks

(Rs.in cr)	Mar31'17	Jul07'17
Aggregate deposits	10805150	10652590
Cash in hand/RBI	570490	495500
Investments	3043660	3271730
Bank Credit:	7881890	7704800
-Food	53930	51950
-Non-Food	7827960	7652850
Cash-Deposit Ratio	5.27	4.65
Investment-Deposit	28.14	30.70
Credit-Deposit	72.95	72.30

#### Money Stock

(Rs.in cr)	Mar31'16	Jul07'17
M3 (Out of which)	12844790	12880780
(a) Currency with public	1263710	1466050
(b) Demand deposits-Banks	1410630	1209420
(c) Time Deposits - Banks	10148950	10187180
(d) Other deposits with RBI	21090	18130

#### Sources of Money Supply

(a) Net Bank credit to Govt	3869090	4197360
(b) Bank credit to Comrcl sector	8451430	8273440
(c) Net Forex assets of Banks	2492010	2660090

#### Important Banking Indicators

Statutory Liquidity Ratio	20.00%	(24.06.2017)
Cash Reserve Ratio	04.00%	(15.02.2013)
Overnight LAF (of NDTL)	0.25%	
14-days term Repo(of NDTL)	0.75%	
Reverse Repo Rate	05.75%	(02.08.2017)
Repo Rate	06.00%	(02.08.2017)
MSF Rate	06.25%	(02.08.2017)
Bank Rate	06.25%	(02.08.2017)

#### Small Savings Interest Rates

PPF	7.8%	(01.07.2017)
NSC	7.8%	(01.07.2017)
Sukanya Smridhi	8.3%	(01.07.2017)
Senior Citizen Saving	8.3%	(01.07.2017)

#### Capital & Money Market Indicators

Parameter	end-Jul16	endJul17
Dollar-spot TT (Rs.)	66.68	63.62
BSE - Sensex (points)	27719	32337
NSE - Nifty(S&P CNX)	8548	10046
Foreign reserves (Million \$)	362687	391331
Gold /Oz in USD)	1355	1258

### INDIAN ECONOMY-IMPORTANT PARAMETERS

RBI's growth estimate for 2016-17	: 7.6%
GDP growth-2014-15 (revised estimate)	: 7.6%
GDP@constant mkt prices (cr)	: 10656925
GVA@2011-12 basic prices (cr)	: 9857672
GDP projected by Govt. for 2017-18	: 16847455
Fiscal Deficit Target (2017-18) 3.2% of GDP	: 546532 cr
Revenue Deficit Target (2017-18) 1.9% of GDP	: 321163 cr
Wholesale Price Index	: 1.5%
Money Supply (M3) expansion	: 12.9%
Exports during 2016-17	: 274.0 bn
Imports during (2015-16)	: 379.6 Bn
Export target - 2015-16 (in \$)	: 310 bn
India's share in world merchandise export	: 1.70%
India's currency rating (S&P)	: BB Postv
India's external debt (Sep 2016) US \$	: 484.3 Bn
Tax-GDP ratio (2014-15)	: 9.93%
Apr- Jun17:Export \$ 72.1 bn\$ Imports	: 112.7 bn
Per capita Income 2015-16 (Rs.)	: 93293
Indian economy's ranking in PPP terms	: 3rd
Indian economy's ranking in world in value:	: 10th

### OUR PUBLICATIONS : REFER PAGE 9,11

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