

# Banking events Update



Those who win, are those, who think they can

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**BANKING  
POLICY****NEFT : Half-hourly settlement**

NEFT system presently settles funds transfer requests of the participating banks on net basis at hourly intervals from 8:00 am to 7:00 pm on all working days. All participating banks are required to give the credit to the beneficiary customer only after the inter-bank settlement has been completed and the End-of-Batch (EOB) message is received by them.

Additional settlements in the NEFT system at half-hour intervals have been introduced by RBI, to enhance the efficiency of the system and add to customer convenience. The half hourly settlements would speed up the funds transfer process and provide faster credit to the destination accounts.

Accordingly, with effect from July 17, 2017, RBI decided (08.05.17) under Payment and Settlement Systems Act 2007, to introduce 11 additional settlement batches during the day (at 8.30 am, 9.30 am, 10.30 am ... 5.30 pm and 6.30 pm), taking the total number of half hourly settlement batches during the day to 23.

The starting batch at 8.00 am and closing batch at 7.00 pm shall remain the same as hitherto. The return discipline shall also remain the same i.e., B+2 hours (Settlement batch time plus two hours) as per extant practice.

The participating banks have been advised to carry out the required changes in their CBS system to initiate the NEFT transactions for half hourly settlement as above, and also to accept and credit the inward NEFT transactions on half hourly basis. IDRBT/IPTAS will communicate the technical changes required to be carried out by participating banks and provide required support in implementing the same. Banks shall accordingly ensure their readiness in terms of technical and operational aspects.

Further, on 05.02.10, for efficient customer service, the participant banks in NEFT system were advised to send a positive confirmation to the remittance originator (customer) confirming the successful credit of funds to the beneficiary's account. The beneficiary / destination banks should ensure strict adherence in sending the N10 messages to the originating banks, which in turn shall ensure sending the positive confirmation to the remitting customer advising status of credit to the beneficiary account.

**Minimum qualifications & experience for CFO and CTO**

Rapid innovations in banking and technology call for better risk governance in the areas of finance and technology. A Chief Financial Officer (CFO) and Chief Technology Officer (CTO) in banks' management structure would play a crucial role in strengthening and sustaining banks' risk governance framework. RBI advised banks (18.05.17) that while inviting applications for these positions, they should stipulate, at a minimum, the qualifications and experience for CFO and CTO as detailed below:

*(i) Chief Financial Officer*

**Min Qualification:** Should be a qualified Chartered Accountant.

**Experience:** 15 years in overseeing financial operations, preferably

accounting and taxation matters, in banks/large corporates/PSUs/ FIs/financial services organizations, of which 10 years should be in Banks/FIs (of which five years should be at senior management level).

*(ii) Chief Technology Officer*

**Minimum Qualification:** Engineering Graduate or MCA or equivalent qualification from a recognized University / Institution.

**Experience:** 15 years of experience in relevant areas is mandatory. He/she should have worked in Banking-IT related areas/projects involving IT Policy and Planning/ Financial Networks and Applications/ Financial Information Systems/ Cyber Security Technologies/ Payment Technologies, etc., of which five years should be at senior management level.

Banks may prescribe additional qualifications and experience as they deem fit, taking into account the risk profile, size and scale of operations.

**Partial Credit Enhancement (PCE) to Corporate Bonds**

Guidelines on PCE to Corporate Bonds by Banks on the capital requirements during the lifetime of the bond were issued by RBI on 24.09.15. On a review of the capital requirement for PCE, RBI decided (18.05.17) that:

- a) To be eligible for PCE from banks, corporate bonds shall be rated by a minimum of two external credit rating agencies at all times;
- b) The rating reports, both initial and subsequent, shall disclose both standalone credit rating (i.e., rating without taking into account the effect of PCE) as well as the enhanced credit rating (taking into account the effect of PCE).
- c) For capital computation in the books of PCE provider, lower of two standalone credit ratings and the corresponding enhanced credit rating of the same rating agency shall be reckoned.
- d) Where the reassessed standalone credit rating at any time during the life of the bond shows improvement over the corresponding rating at the time of bond issuance, the capital requirement may be recalculated on the basis of the reassessed standalone credit rating and the reassessed enhanced credit rating, without reference to the constraints of capital floor and difference in notches.

### Submission of Annual Information Return relating to issue of Bonds for Rs.5 lakh or more under Section 285 BA of Income Tax Act, 1961-Change thereof

Certain financial entities have been authorized to issue Savings Bonds Notified by the Government of India on behalf of Reserve Bank of India. The offices accepting deposits under these schemes are to furnish Annual Information Return as contemplated in Section 285 BA of the Income Tax Act, 1961 read with Rule 114E of the Income Tax Rules, 1962 to the concerned Income Tax Authorities before the due date i.e., August 31 of the year if the aggregate of the amount received from a person is Rs.5 lakh or more in a year. The Income Tax Department has brought about the undermentioned changes in the AIR:

1. Name of the AIR has been changed as **Statement of Financial Transaction**
2. Limit of amount has been changed from Rs.5 lakh or more to **Rs.10 lakh** or more in a Financial Year
3. Date of Filing has been changed from August 31 of the immediately following Financial Year to **May 31st**

RBI advised the concerned entities (25.05.17) to submit the Statement of Financial Transaction to the Tax Authorities as per the revised statement and procedure.

### SARFAESI Act, 2002 - Requirement of Net Owned Fund (NOF) for Asset Reconstruction Companies.

Section 5 of the Enforcement of Security Interest and Recovery of Debts Laws & Misc. Provisions (Amendment) Act, 2016 substituted clause (b) in sub-section (1) of Section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (hereinafter referred to as "the SARFAESI Act, 2002").

Consequent to this, no Asset Reconstruction Company (ARC) shall commence or carry on the business of securitisation or asset reconstruction without having Net Owned Fund (hereinafter referred to as NOF) of not less than Rs.2 cr or such other higher amount as RBI may, by notification, specify.

RBI decided (28.04.17) to fix the minimum NOF requirement for ARCs at Rs.100 crore on an ongoing basis.

NOF shall be arrived at by reducing from Owned Fund (OF), the amounts representing -

- i. investments of the ARC in shares of its subsidiaries; companies in the same group; all other ARCs; and
- ii. the book value of debentures, bonds, outstanding loans and advances made to, and deposits with, subsidiaries of the ARC; and companies in the same group,

to the extent such amount exceeds 10% of the OF.

All the ARCs which are already registered with RBI and not having the revised minimum NOF as on date shall achieve a minimum NOF of Rs.100 crore latest by March 31, 2019.

ARCs shall submit a certificate from their Statutory Auditors periodically as evidence of compliance thereof. ●

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**How to enrol** : To enrol, advise name, address for correspondence, eMail id, mobile phone, bank name, subjects for enrolment.

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### Revised Branch Authorization Policy of RBI

Based on recommendations of an Internal Working group RBI issued the guidelines on 'Banking Outlets' on 18.05.2017. Summary is provided as under:

The guidelines apply to all Domestic Scheduled Commercial Banks (excluding RRBs), Small Finance Banks, Payment Banks and Local Area Banks.

#### Banking Outlet/Part-time Banking Outlet:

A 'Banking Outlet' is a fixed point service delivery unit, manned by bank's staff or Business Correspondent where services of acceptance of deposits, encashment of cheques/ cash withdrawal or lending are provided for a min of 4 hours per day for at least 5 days a week. There should be regular off-site and on-site monitoring.

A banking outlet which does not provide delivery of service for a min of 4 hours per day for at least 5 days a week will be considered a 'Part-time Banking Outlet'.

#### Unbanked Rural Centre (URC):

An URC is a rural (Tier 5 and 6) centre that does not have a CBS-enabled 'Banking Outlet' of a bank for carrying out customer based banking transactions.

#### Classification of special types of outlets:

(a) Extension Counters, Satellite Offices, Part-shifted Branches, Ultra Small Branches and Specialised Branches, shall be treated as independent 'Banking Outlets' or 'Part-time Banking Outlets', as the case be.

(b) ATMs, E- lobbies, Bunch Note Acceptor Machines (BNAM), Cash Deposit Machines (CDM), E- Kiosks and Mobile Branches will not be treated as 'Banking Outlets'.

(c) Point of Sale (PoS) terminals where limited cash withdrawal facility is allowed by banks in terms of extant instructions without having an arrangement with the concerned entities as 'business correspondents' will not be considered as 'Banking Outlets'.

#### Opening of Banking Outlets – General Permission

1) Domestic scheduled commercial banks (other than RRBs) can open (if not restricted), Banking Outlets in Tier 1 to Tier 6 centres (population as per Census 2011) without taking permission from RBI in each case.

2) The opening of 'Banking Outlets' during a financial year will be subject to the conditions given below:

a) At least 25% of the total number of 'Banking Outlets' opened during a financial year should be opened in unbanked rural centres.

b) A 'Part-time Banking Outlet', opened in any Centre, will be counted and added to the denominator as well as numerator on pro rata basis, for computing the requirement and compliance with the norm of opening

25% Banking Outlets in unbanked rural centres.

c) A 'Banking Outlet'/'Part-time Banking Outlet' opened in any Tier 3 to Tier 6 centre of North-Eastern States and Sikkim as well as in any Tier 3 to 6 centre of Left-wing Extremism (LWE) affected districts as notified by the Govt. of India, will be considered as equivalent to opening a 'Banking Outlet'/'Part-time Banking Outlet', as the case be, in a URC. Each banking outlet opened, irrespective of the banked/unbanked status of the Centre, will be reckoned as having been opened in a URC.

d) A full-fledged 'brick and mortar' branch opened in a rural (Tier 5 and 6) centre which is already being served by a fixed point BC outlet by any bank will also be eligible to be treated as equivalent to opening a 'Banking Outlet' in a URC for computing compliance with the 25% norm.

e) A 'banking outlet' opened in a rural (Tier 5 and 6) centre which is served by only a banking outlet of a Payment Bank will also be eligible to be treated as equivalent to opening a 'banking outlet' in a URC for computing compliance with the 25% norm.

f) The time given to a bank for opening an outlet in a URC is one year. If a bank fails to adhere to the requirement of opening 25% banking outlets in a year, appropriate penal measures, including restrictions on opening of Tier 1 branches, may be imposed.

3) To encourage the banks to open/frontload more number of banking outlets in unbanked rural centres, they will be allowed to carry forward the benefit of the 'Banking Outlets', if any, opened in excess of the specified requirement, for a period of next 2 years. No extension to avail the benefit will be allowed.

4) To enable banks to have information for identifying a URC, State Level Banker Committees (SLBCs) shall play a constructive and proactive role. The SLBCs shall compile and have an updated list of all unbanked rural centres in a State (to be displayed on website), to facilitate banks to choose/indicate the place where they wish to open a 'banking outlet.' Banks shall inform and coordinate with the SLBC Convenor bank to earmark the centre identified by them. If a bank fails to open the banking outlet in the prescribed period of 1 year, the SLBC convenor bank may indicate the Centre as available for other banks to open a banking outlet. The non-member banks of the SLBC, may also refer to the website and keep the SLBC Convenor banks informed of the centres identified by them.

5) If a bank proposes to undertake government business at any of the banking outlets/part-time banking outlets, it would require prior approval of Govt. authority concerned as also of RBI, Central Office.

### Merger/Closure/ Shifting/Conversion of 'Banking Outlets'

- 1) Banks having general permission can shift, merge or close all 'Banking Outlets' (except rural outlets and sole semi-urban outlets).
- 2) Merger, Closure and shifting of any rural 'Banking Outlet' or a sole semi urban 'Banking Outlet' would require approval of the DCC/DLRC.
- 3) 'Banking Outlets' can be shifted within the same or to a lesser population category, i.e., semi urban 'Banking Outlets' to semi urban or rural centres and rural 'Banking Outlets' to other rural centres.

### Opening/shifting/merger/closing/conversion of Banking Outlets – Guidelines for Banks which do not have General Permission

Domestic Scheduled Commercial Banks from whom general permission has been withdrawn, shall obtain prior approval of RBI for opening all their branches. For their fixed point BC outlets, they shall also approach RBI for permission except for outlets opened in Tier 5 and 6 Centres. Small Finance Banks, Payment Banks and Local Area Banks shall obtain prior approval of RBI for all categories of banking outlets. These banks shall submit their Annual Banking Outlet Expansion Plan (ABOEP) with the consolidated details of proposals for opening, closing, shifting, merger and conversion of these banking outlets.

### Grandfathering of MFI Structure of Small Finance Banks (SFB)

- 1) SFBs have a time of 3 years from the date of commencement of business, to align their banking network with the extant guidelines. Till then, existing structures may continue and would be treated as 'Banking Outlets' though not immediately reckoning for the 25% norm.
- 2) At end of 3 years from date of their commencement of business, all SFBs should have opened in URCs, min 25% of total Banking Outlets.

### Manning of ATMs/E-kiosks/CDMs/BNAMs

Banks can set up onsite/offsite ATMs at places identified by them, including SEZs. Such ATMs shall not be reckoned as 'banking outlets'.

### Mobile Branches – Extension to All Tiers

Banks can to open/operate mobile branches in all Centres. These will not be considered as Banking Outlets.

### Setting up of Administrative Offices, Back Offices (Central Processing Centres/Service Branches) and Call Centres etc.

Banks having general permission can set up Administrative Offices (Head/Regional/Zonal Offices etc.), Training Centres, Back Offices (Central Processing Centres (CPCs)/Service Branches), Treasury Branches and Call Centres, etc. without prior permission from RBI.

### Role of Board of Directors

Boards should ensure that arrangements are in place for strict compliance with these guidelines. The Board shall review the progress on quarterly basis and make the required data available to RBI.

### Reporting Requirements

- 1) Banks shall furnish information on opening of new place of business.
- 2) For fixed point BC outlets classified as 'banking outlets', banks are to report the data on quarterly basis starting from April 01, 2017.
- 3) From the year 2017-18, the annual reporting on opening of branches to RBI, Central Office has been dispensed with.

### Regulatory requirement for issue of PPI by Coop Banks

On 27.05.14, RBI had allowed UCBs which have installed ATMs and issued ATM cum Debit cards to introduce semi-closed Prepaid Payment Instruments for payment of utility bills / essential services upto a limit of Rs.10,000.

On 25.05.17, RBI decided to permit all licenced co-operative banks having their own ATM network to issue semi-closed PPIs, provided there are no restrictions on acceptance or repayment of deposits, subject to the compliance with eligibility criteria and other guidelines of RBI.

Further RBI also decided to permit co-operative banks satisfying the above criteria to issue Open System PPIs. The banks should comply with the following additional regulatory requirements for this purpose:

- a) The bank should be CBS compliant;
- b) CRAR should be min 10% in the current and preceding financial year;
- c) Gross NPAs should be less than 7% and net NPAs should not be more than 3% in the current and preceding financial year;
- d) Assessed net-worth should be more than Rs.25 crore as per the last RBI inspection;
- e) There should not be any default in the maintenance of CRR/SLR during the current and preceding financial year;
- f) The bank should have made a net profit in the preceding financial year;
- g) Presence of two professional directors on the Board of the bank and prevalence of internal inspection / audit system for all the branches and the Head Office and concurrent audit system in all major branches
- h) Satisfactory adherence to KYC / AML / Combating Financing of Terrorism guidelines issued by RBI.
- i) No monetary penalty should have been imposed on the bank in last two financial years and during the year of submitting the application;
- j) The bank shall have satisfactorily implemented a comprehensive Board approved policy on Customer grievance redressal mechanism which includes escalation matrix for resolution of customer complaints.

### Interest Subvention for Short Term Crop Loan on interim basis for 2017-18

RBI advised the banks, on 25.05.17, that Ministry of Agriculture & Farmers Welfare, Govt. of India allowed Interest Subvention for year 2017-18 (as an interim measure), on the terms and conditions approved for the Scheme for 2016-17. The details of 2016-17 scheme are provided as under:

#### Interest Subvention Scheme (2016-17)

Government of India had approved the implementation of the Scheme for the year 2016-17 for short term crop loans upto Rs 3 lakh with the following stipulations:

- i) A subvention of 2% pa will be made available to Public Sector Banks (PSBs) and in respect of loans given by the rural and semi-urban branches of Private Sector Scheduled Commercial Banks, for short term crop loan upto Rs.3,00,000 per farmer provided the lending institutions make available short term credit at the ground level at 7% per annum to farmers. The 2% interest subvention will be calculated on the loan amount from the date of its disbursement/drawal upto the date of actual repayment of the crop loan by the farmer or upto the due date of the loans fixed by the banks, whichever is earlier, subject to a maximum period of one year.
- ii) An additional interest subvention of 3% per annum will be available to the prompt payee farmers from the date of disbursement of the crop loan upto the actual date of repayment by farmers or upto the due date fixed by the bank for repayment of crop loan, whichever is earlier, subject to a maximum period of one year from the date of disbursement. This also implies that the farmers paying promptly would get short term crop loans @ 4% per annum during the year 2016-17. This benefit would not accrue to those farmers who repay after one year of availing such loans.
- iii) In order to discourage distress sale by farmers and to encourage them to store their produce in warehouses against warehouse receipts, the benefit of interest subvention will be available to small and marginal farmers having Kisan Credit Card for a further period of upto six months post-harvest on the same rate as available to crop loan against negotiable warehouse receipt for keeping their produce in warehouses.
- iv) To provide relief to farmers affected by natural calamities, the interest subvention of 2% will continue to be available to banks for the first year on the restructured amount. Such restructured loans may attract normal rate of interest from the second year

onwards as per the policy laid down by the RBI.

3. RBI also advised as under:

i) Claims in respect of 2% interest subvention and 3% additional interest subvention may be submitted respectively to the Chief General Manager, Financial Inclusion and Development Department, Reserve Bank of India, Central Office, Shahid Bhagat Singh Road, Fort, Mumbai - 400001.

ii) For 2% interest subvention, banks are required to submit their claims on a half-yearly basis as at September 30, 2016 and March 31, 2017, of which, the latter needs to be accompanied by a Statutory Auditor's certificate certifying the claims for subvention for the entire year ended March 31, 2017 as true and correct.

Any remaining claim pertaining to the disbursements made during the year 2016-17 and not included in the claim for March 31, 2017, may be consolidated separately and marked as an 'Additional Claim' duly audited by Statutory Auditors certifying the correctness.

iii) In respect of the 3% additional subvention, banks may submit their one-time consolidated claims pertaining to the disbursements made during the entire year 2016-17 latest by April 30, 2018, duly audited by Statutory Auditors certifying the correctness.

#### Money circulation/Ponzi/multi-level marketing schemes

Money circulation, multi level marketing / Chain Marketing or Ponzi schemes are schemes promising easy or quick money upon enrollment of members. Income under Multi level marketing or pyramid structured schemes do not come from the sale of products they offer as much as from enrolling more and more members from whom hefty subscription fees are taken. It is incumbent upon all members to enroll more members, as a portion of the subscription amounts so collected are distributed among the members at the top of the pyramid. Any break in the chain leads to the collapse of the pyramid, and the members lower in the pyramid are the ones that are affected the most.

Ponzi schemes are those schemes that collect money from the public on promises of high returns. As there is no asset creation, money collected from one depositor is paid as returns to the other. Since there is no other activity generating returns, the scheme becomes unviable and impossible for the people running the scheme to meet the promised return or even return the principal amounts collected. The scheme inevitably fails and the perpetrators disappear with the money.

### Practical Problems based on Banking Ombudsman Decisions

1) The complainant approached BO Office complaining sudden stoppage of pension of her husband and non-receipt of family pension and accrued arrears. The complainant stated that her husband who retired on November 30, 1994 continued to draw his pension through his bank. Subsequently, her husband died but the family pension was not being paid apparently because the branch had lost her husband's PPO. The BO office sought comments from the bank. The bank in its reply stated that pension in respect of complainant's husband could not be disbursed because during the process of migration of data, the name of the pensioner did not appear in the list of migrated accounts with branch and the original PPO had been lost. The matter was under investigation and that the branch concerned had also been advised to complete the formalities of getting duplicate PPO by lodging loss certificate with concerned authority and submit duplicate PPO to the Central Pension Processing Cell to enable them to make payment of family pension to complainant. The bank recommended for closure of the complaint on basis of the action taken by it. Bank reply was not accepted by BO as non-updation of records during migration was an internal issue of bank and customer could not be made to suffer. BO ordered the bank to make payment of pension on the basis of pensioner's copy of PPO from the date of stoppage of pension till his death and payment of family pension from date of death along with payment penal interest for delayed period. The bank paid pension arrears pertaining to the period till the death of the pensioner along with penal interest. However, the bank stated that as the name of the complainant was not mentioned in the PPO of the pensioner they were unable to continue family pension and advised complainant to submit revised PPO to branch for continuance of pension.

2) The complainant had requested the bank to close the joint account after death of his wife. However, instead of closing the joint account, the bank closed his pension account. The complainant requested that his pension account be re-opened. The bank in its reply informed that it had credited the pension amount to complainant's account as advance pension and had taken steps to re-open the pension account. The bank, however, did not offer any explanation for closing the pension account. BO observed that the bank had taken action on the complaint only after receiving a reminder from the BO. It might take several months to re-open the pension account and till then the complainant will have to undergo financial hardship due to the mistake of the bank. By closing the pension account, the bank had robbed the pensioner of his only source of income. An award was issued against the bank directing it to pay compensation of Rs. 50,000/- to the complainant to tide over the financial hardship he was undergoing due to closure of his pension account.

3) A family pensioner had complained against a bank for non-payment of revised pension in a/c of her deceased husband for 2007-2011. The pension paying bank replied that the pensioner was already paid an excess amount of Rs. 84,000/- and the same would be recovered from the family pensioner. On scrutiny of the PPO and other related documents, it was observed that the pension was incorrectly calculated and contrary to the bank's claim for recovery of excess amount, the pensioner was eligible to get an additional amount of Rs. 2, 91,000/- towards pension arrears. On BO's advice, the bank paid the correct amount of revised pension/ arrears to pensioner. ●

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### All about Non-Bank Finance Companies (NBFCs)

NBFC is a company registered under Companies Act and engaged in the business of loans & advances, acquisition of shares/stocks/bonds/debentures/securities issued by Govt. or local authority or other marketable securities, leasing, hire-purchase, insurance business, chit business. It does not include an institution whose principal business is that of agriculture or industrial activity, purchase or sale of any goods or providing any services and sale/purchase/construction of immovable property.

The financial activity as principal business means that financial assets constitute more than 50% of total assets and income from financial assets constitute more than 50% of gross income.

#### Difference between banks & NBFCs

NBFCs can lend and make investments but cannot (i) accept demand deposits; (ii) are not part of payment and settlement system and cannot issue cheques drawn on itself and (iii) deposit insurance facility is not available to depositors.

#### Registration with RBI:

As per RBI Act, 1934, NBFC can commence or carry on business of an NBFC by obtaining a certificate of registration from RBI and having a Net Owned Funds of Rs.200 lakhs. NBFCs like Venture Capital Fund/Merchant Banking companies/Stock broking companies registered with SEBI, Insurance Company holding a Certificate of Registration from IRDAI, Nidhi companies as notified under Companies Act, Chit companies as per Chit Funds Act, 1982, Housing Finance Companies regulated by National Housing Bank, Stock Exchange or a Mutual Benefit company, are exempted from the requirement of registration with RBI.

**Systemically important NBFCs:** These are NBFCs whose asset are of Rs.500 cr or more as per last audited balance sheet.

#### Different types/categories of NBFCs registered with RBI:

NBFCs are categorized on the basis of type of liabilities, their size and the kind of activity they conduct. Within this broad categorization the different types of NBFCs are as follows:

**1. Asset Finance Company :** It is a financial institution having principal business (means at least 60% of total business and total income) of financing of physical assets supporting productive/economic activity, such as automobiles, tractors, lathe machines, generator sets, earth moving and material handling equipments, moving on own power and general purpose industrial machines.

**2. Investment Company (IC) :** It is a financial institution carrying on as its principal business the acquisition of securities.

**3. Loan Company (LC) :** It is a financial institution carrying on as its principal business the providing of finance whether by making loans or advances or otherwise for any activity other than its own but does not include an Asset Finance Company.

**4. Infrastructure Finance Company (IFC) :** It is an NBFC a) which deploys at least 75% of its total assets in infrastructure loans, b) has a min Net Owned Funds of Rs.300 crore, c) has a minimum credit rating of 'A' or equivalent d) and a CRAR of 15%.

**5. Systemically Important Core Investment Company (CIC-ND-SI) :** It carries on the business of acquisition of shares and securities satisfying the following :

- it holds min 90% of its Total Assets as investment in equity shares, preference shares, debt or loans in group companies;
- its investments in the equity shares in group companies constitutes not less than 60% of its Total Assets;
- No trade in its investments in shares, debt or loans in group companies except block sale for dilution or disinvestment;
- Its asset size is Rs.100 crore or above and

(e) It accepts public funds

**6. Infrastructure Debt Fund: NBFC (IDF-NBFC) :** It is a company registered as NBFC to facilitate the flow of long term debt into infrastructure projects. It raise resources through Rupee or Dollar denominated bonds of min 5 year maturity. Only Infrastructure Finance Companies (IFC) can sponsor IDF-NBFCs.

**7. NBFC - Micro Finance Institution (NBFC-MFI) :** It is a non-deposit taking NBFC having not less than 85% of its assets in the nature of qualifying assets which satisfy the following criteria:

- borrower's rural income max Rs.1 lac & Rs.60 lac other place;
- max loan Rs.50000 in 1st cycle & Rs.1 lac in subsequent cycles;
- borrower's total indebtedness max Rs.1,00,000;
- loan repayment min 24 months for amount above Rs.15000;
- loan to be extended without collateral;
- aggregate amount of loans, given for income generation, is not less than 50 per cent of the total loans given by the MFIs;

**8. Non-Banking Financial Company – Factors (NBFC-Factors) :** It is a non-deposit taking NBFC with principal business of factoring constituting at least 50% of its total assets and its income derived from factoring business should not be less than 50% of its gross income.

**9. Mortgage Guarantee Companies (MGC) -** It is financial institution for which at least 90% of the business turnover is mortgage guarantee business or at least 90% of gross income is from mortgage guarantee business and NOF is Rs.100 crore.

**10. NBFC- Non-Operative Financial Holding Company (NOFHC) :** It is financial institution through which promoter / promoter groups can set up a new bank. It's a wholly-owned NOFHC to hold the bank and all other financial services companies regulated by RBI or other financial sector regulators.

#### Prudential regulations applicable to NBFCs:

RBI has issued directions on income recognition, asset classification and provisioning requirements, exposure norms, disclosures in the balance sheet, requirement of capital adequacy, restrictions on investments, LTV ratio for NBFCs predominantly engaged in business of lending against gold jewellery, besides others.

#### Residuary Non-Banking Companies (RNBCs)

It is a company with principal business of receipt of deposits. It is to maintain investments /liquid assets as per RBI directions. These are different from NBFCs in terms of method of mobilization of deposits and requirement of deployment of depositors' funds as per Directions. These are to invest 100% of their deposit liability into highly liquid and secure instruments (Central/State Govt. securities, fixed deposits or certificate of deposit with scheduled commercial banks, units of Mutual Funds, etc.

#### Ceiling on acceptance of Public Deposits:

NBFCs with specific authorisation by RBI and having an investment grade rating can to accept public deposits up to 1.5 times of Net Owned Funds. The max interest rate can be 12.5%, which may be paid or compounded at rests not shorter than monthly rests. The period of public deposits is minimum 12 months and maximum 60 months. They cannot accept deposits repayable on demand.

#### Nomination facility to the Depositors of NBFCs:

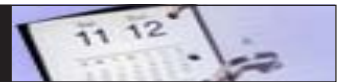
NBFCs are to adopt Banking Companies (Nomination) Rules, 1985 made under Section 45ZA of the Banking Regulation Act, 1949.

**Liquid assets :** As per RBI Act, 1934, minimum level of liquid assets is 15% of public deposits out of which min 10% is to be invested in approved securities and the remaining 5% can be in unencumbered term deposits with any scheduled commercial bank.



- **SUPREME COURT VERSION ON ARBITRATION:** (Case- Hema Khattar VS. Shiv Khera) Supreme Court has ruled that when an agreement is terminated by one party alleging breach committed by the other, the arbitration clause still survives and continues to be operative. This is particularly so when contract is revoked by mutual consent and the arbitration clause is framed in general terms.
- **SUPREME COURT VERSION ON GOVT's DISCRETION:** (Case- Manglam Organics Ltd. VS. Union Bank of India) Supreme Court declared that when a law vests a discretionary power in the government, the court would not interfere with the exercise of such discretion "unless it is made with oblique end or extraneous purposes or upon extraneous considerations or arbitrarily, without applying its mind to the relevant considerations or where it is not guided by any norms which are relevant to the object to be achieved".
- **GOVT. LIKELY TO PRESENT NEXT BUDGET IN JAN:** The Government is taking preparatory steps to switch over to a new financial year cycle that will start from January and end in December. At present, the government's financial year starts in April and ends in March. To begin with, the next Union Budget presentation date is likely to be advanced by about a month, to prepare the ground for a change in the financial year.
- **SUPREME COURT RULING ON DEFAULTERS:** Unitech had filed a petition in the Supreme court under Article 32 of the Indian constitution (Right to move to Supreme Court for getting fundamental rights protected) seeking direction to Telengana State Industrial Infrastructure Corporation for the release of over Rs.165 Crore pending with it. Supreme Court said that they can not entertain a defaulter or grant him indulgence under article 32 of constitution.
- **GST NETWORK STARTS PILOT TESTING OF FILING OF RETURNS:** Gearing up for the rollout of the Country's Largest Tax Reform "GST", the Goods and Services Tax Network (GSTN) is carrying out a Pilot Test on Return Filings. It will be a live test using 4000 taxpayers and will be conducted over this fortnight. Once the GST is implemented from July 1, over 80 Lakh assesseees are expected to log on to GSTN after a month to begin filing their monthly returns. Every tax payer would have 3 returns to be uploaded every month, including GSTR1, GSTR2 and GSTR3 relating to sales, purchases and the final tax paid, apart from one annual return.

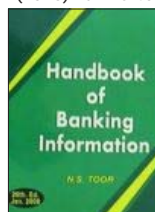
## Financial Events



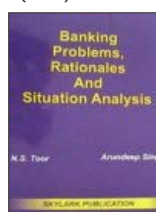
- **BRICS TO SET UP ITS OWN CREDIT RATING AGENCY:** BRICS countries have frequently complained of being assigned low credit ratings by the three top global agencies despite showing better fundamentals than many peers and even some European economies. Now plans of the five-nation BRICS bloc to set up its own credit rating agency seem to be gathering pace. The main issue is that the agency that conducts sovereign ratings can not be a government organisation. It has to be independent, with an international or at least regional reputation and credentials to be taken seriously at the global forum.
- **TOKYO-BASED JCB CREDIT CARDS' ACCEPTANCE IN INDIA:** India-Japan economic relationship reached a new milestone with the public launch of Tokyo-based JCB Credit Cards' acceptance in NPCI's network in India. Visitors from Japan can now use their JCB Cards across ATMs and POS Terminals in India. JCB, which is regarded as one of the five big global payment brands, is a leading credit card issuer and acquirer in Japan. National Payments Corporation of India (NPCI) is an umbrella institution for all retail payments systems in the country.
- **RBI GETS POWERS TO DEAL WITH NPAs:** RBI now has the powers to direct banks to initiate bankruptcy proceedings against defaulting companies and to take decisions on behalf of lenders while dealing with stressed assets, after the President gave his assent to an Ordinance to amend the Banking Regulation Act. The Ordinance

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is the focal point of a new framework which the Government hopes will help it hasten the processes to deal with nearly Rs.7 Lakh Crore worth of NPA assets in the Indian Banking System. The Government has notified the banking regulation (Amendment) Ordinance 2017.

- **GOVT. GUIDELINES ON TAX SOPS FOR START-UPS:** The Government has decided to do away with the practice of rejecting applications of the Start-Ups Entrepreneurs for tax sops. Instead, start-Ups will get an opportunity to apply again after making changes to the proposal based on the explanation given to them on the initial one.
- **RBI TO BANKS ON SELECTING BRANCH AUDITORS:** RBI has advised the public sector banks to put in place a fair and transparent mechanism for appointment of statutory branch auditors. Institute of Chartered Accountants of India has been raising concerns over the selection process followed by banks with respect to auditors at their branches. ICAI has proposed developing a software for fair, transparent and equitable allotment of statutory audits and to reduce the manual intervention.
- **IRDA ISSUES OUTSOURCING GUIDELINES:** The Insurance Regulatory and Development Authority of India (IRDA) has issued the new guidelines on the outsourcing activities by insurers, defining the areas of work that should be done in-house and those which can be handed out to third parties.
- **CENTRE TO EMPOWERED AND IT DEPT. TO AUCTION ASSETS OF DEFAULTERS:** After providing more powers to RBI to tackle the bad loans in the banking industry, the Centre is to empower the Enforcement Directorate (ED) and the Income Tax (IT) Department to auction the assets of defaulters or those engaged in money laundering.
- **BANKS NOT RBI TO DECIDE SIZE OF BAD-LOAN HAIRCUTS:** RBI will not decide on the quantum of “Haircuts” that banks need to take as part of the resolution. Hair-cuts are a commercial decision to be taken by banks. Through ordinance, RBI is coming only to lay out the speedy resolution process. The commercial decision is to be taken by the banks themselves.
- **SWADESHI GOODS TO BE FIRST CHOICE IN GOVT. PURCHASES:** The Centre’s recast of its General Financial Rules (GFR) that guide public finance including government procurement and created an enabling provision that gives first preference for “locally manufactured goods or locally produced services”. Government procurement in India is around 30% of GDP which currently is around \$2.1 trillion. That means \$600 million-plus worth of goods and services bought by govt. departments will be guided by the amended Rule of GFR 2017.
- **GOVT. MULLS PRIMARY DEFICIT TARGETS FOR NEW FRBM ROAD MAP:** The Finance Ministry mulls primary deficit targets for new road map of the Fiscal Responsibility and Budget Management (FRBM). FRBM Panel has recommended a fiscal deficit target of 2.5% of GDP, revenue deficit of 0.8% and a combined Centre-State debt ceiling of 60% for fiscal year 2022-23, the end point of its 6 years medium-term fiscal road-map.
- **CBDT ISSUES DRAFT ACCOUNTING RULES FOR REAL ESTATE PROJECTS:** With the Real Estate Act 2016 coming into effect from May 1, the draft norms propose to do away with the condition of obtaining all “Critical approvals” for revenue recognition. The fresh draft is based on the guidance note issued on the real estate transactions by the ICAI that was reviewed by the Government committee. It proposed changes in 5 areas including the definition of project and project cost, revenue recognition, application of percentage of completion method for real estate projects and transferable development rights.
- **GOVT. INTRODUCED NEW SERIES INDEX OF IIP AND WPI:** The Government has introduced the new series of Index of Industrial Production (IIP) and the Wholesale Price Index (WPI) which paint a much healthiest picture of the Indian Economy than the old series did. The base year for the indices in the new series has shifted to 2011-12 against the earlier 2004-05. The new series of the IIP shows higher growth rates in most months in the period April 2012 to March 2017 than was the case when the computation was done in accordance with the old series. This is attributable to the base shift, increase in the number of factories in the panel for the reporting data and excluding closed ones and including new items and keeping out old ones.
- **CBDT EXEMPTIONS IN IT RETURNS:** CBDT has exempted certain individuals from mandating quoting of Aadhar number/enrolment ID in their income tax returns or application of PAN. The individuals who have been exempted are those residing in Assam, Meghalaya and J&K, an individual who is a non-resident as per the Income Tax Law, an individual of over 80 years of age and any individual who is not a citizen of India. The

Finance Act 2017 has made it mandatory for quoting of Aadhar/enrolment ID of Aadhar application form for filing of IT Return with effect from July 1.

- RBI TO UPGRADE SECURITY FOR NOTE STORAGE, TRANSIT:** RBI has constituted a high-level committee on currency storage and movement to review the security arrangements relating to storage, movement and processing of currency. In recent times, several instances of looting cash vans and banks, as well as ATMs dispensing fake currency notes have been reported from different parts of the country. RBI is seeking global expertise to assist the committee in matters relating to security aspects, movement and storage of currency, automation of currency processing and handling.
- CRITERIA SET FOR PVT. CO. STAFF TO JOIN PSUs:** Private candidates applying for top-level jobs at public sector companies will need to furnish their company's audited turnover, specify their Cost to Company (CTC) and also write a 400-word note on themselves. This is part of a new application form that Public Sector Enterprises Board is bringing out with effect from June 1 to enable private sector individuals to apply for board-level positions at the Central Public Sector Enterprises.
- RBI INSTRUCTIONS TO BANKS ON "WANNA CRY" VIRUS ATTACK:** RBI has asked banks to follow the instructions of the Government Organisation CERT-In to prevent attack by ransomware, "Wanna Cry", which has impacted various networks in over 150 countries. Indian Computer Emergency Response Team (CERT-In) has come out with a list of dos and don'ts and a webcast on how to protect networks from the global ransomware attack.
- STATE TRANSPORT CORPORATIONS TO BE RANKED:** The Government will come out with a policy to reward the best performing State Transport Corporations through central funding to move to less polluting electric buses and set up charging and maintenance infrastructures. The scheme being conceptualized by the Transport Ministry will involve ranking of the state transport corporations across the country on the basis of financial performance, connection to towns and villages and condition of bus terminals and passenger amenities. The best performing ones will be shifted to electric mobility gradually.
- GOVERNMENT APPROVES NEW COAL LINKAGE POLICY:** The Cabinet gave its nod to two decisions key to the energy sector-

the new Coal Linkage Policy and the setting up of 10 new nuclear power stations. The New Coal Allocation Policy for Power Sector has been named as "SHAKTI" or Scheme for Harnessing and Allocating Koyala (Coal) Transparently in India. It has been said that the thermal power plants under construction will get coal from this policy and these plants are expected to be commissioned by 2021-2022. Thermal Power Projects that could not be commissioned by March 2015 will now be eligible to draw coal if the plants are commissioned before March 2022.

- GOVT. ALLOWS STATE GOVT. ENTITIES FOR SEEKING EXTERNAL BORROWINGS:** The Finance Ministry has said that it has decided to allow the sound state government entities to directly seek borrowing from bilateral overseas lending agencies for infrastructure projects of over Rs.5000 Crore. Such borrowing will be based on State Government Guarantee and Counter Guarantee of Government of India. The guidelines prescribe that loans can be obtained by state government entities having an annual revenue of more than Rs.1000 Crore in the three previous years for infrastructure projects of over Rs.5000 Crore.
- FUGITIVE ECONOMIC OFFENDERS BILL OUT IN PUBLIC DOMAIN:** The Government has put out "The Fugitive Economic Offenders Bill 2017" in the public domain seeking feedback and suggestions. The bill aims to help confiscate assets of high value economic offenders absconding from India till they submit to the jurisdiction of the appropriate legal forum. As per the draft law, a fugitive

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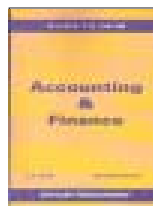
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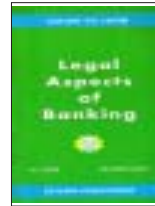
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economic offender means any individual against whom a warrant for arrest in relation to an economic offence has been issued and the person has left the country and refuses to return to India to face criminal prosecution.

- **RBI FOR NEW CODE OF CONDUCT ON PRICE MANIPULATIONS:** RBI is pushing banks to embrace a new code of conduct that is aimed to curb price manipulations and minimize trades that short-change clients in the foreign exchange and bond markets. Recently RBI met bankers to discuss the code for the Forex Market. It has also asked the Association of Banks and Bond Houses dealing in the Money Market to prepare a code for the bond market. Banks may have to later pursue with the industry bodies and about a dozen large Corporates to nudge them in accepting the code. One of the rules in such a code could prohibit a company buying or selling foreign currency from holding back the entire order.
- **GOVT. FOR LINKING OF MGNREGA AND MINIMUM WAGES IN STATES TO CPI:** Faced with criticism over the meager hike in wages for its flagship rural jobs programme, the Centre is looking to align both the Mahatma Gandhi National Employment Guarantee Act (MGNREGA) and the minimum wages in states to the consumer price index. A new committee has been set up to be headed by Nagesh Singh, Additional Secretary in Rural Development Ministry, who will consult states on switching from CPI for agricultural labour to CPI for rural areas and linking it to minimum wages for states. States do not follow any standard price index to revise wages. If MGNREGA wage calculation is revised, states should also follow the same process to avoid discrepancies in future.
- **GOVT. FOR COMPREHENSIVE GOLD POLICY:** The Government is working on a comprehensive Gold Policy that will aim at building a higher level of transparency, increase value addition and protect customers while ensuring the growth of this job-creating sector. The government, in principle, has decided to set up a gold spot exchange, improve measures for compliance by the jewellery industry, increase value addition in the gold business, implement mandatory hall marking for jewellery, set up a bullion bank and prepare good delivery norms and gold standards. The proposed gold policy will cover the whole value chain of the

gold business and eco-system.

- **FIPB DISSOLVED BY GOVT:** The Union Cabinet approved winding up of the 25-year old Foreign Investment Promotion Board (FIPB) which has been vetting Foreign Direct Investment (FDI) proposals requiring government approval. FIPB will be replaced by a new mechanism under which the proposals will be approved by the ministries concerned as per the standard operating procedure approved by the Cabinet. The proposals in sensitive sectors will require the Home Ministry's approval. Proposals pending with the FIPB will go back to the ministries concerned. Currently, only 11 sectors including defence and retail trading require government approval for FDI. About 91-95% of FDI proposals are under the automatic route.
- **PSU BANKS UNDER PCA CLOUD:** A Credit Suisse Report said that at least three-fourth of PSU Banks are set to fall under the Prompt Corrective Action (PCA) of RBI making it inevitable for them to either go to the market, sell assets or seek funding from the government. Raising capital from the debt markets through additional Tier-I (AT1) and Tier-II instruments of banks falling under PCA will be more expensive, given the weakening in their credit risk profile which will also reflect in their rating.
- **CENTRE-NO NEED FOR STANDING DEPOSIT FACILITY:** The proposal to set up the Standing Deposit facility was one of the recommendations of a 2014 Committee led by Urjit Patel, then Deputy Governor at RBI. The facility had been envisaged to form the floor of the Liquidity Adjustment facility. The Government does not see any immediate need to introduce the Standing Deposit Facility which would allow the RBI to absorb excess funds held by banks without providing collateral. As such there is no plan to amend the RBI Act. Further, the accumulated deposits with banks have come down to less than Rs.4 Lakh Crore from around Rs.6.5 Lakh Crore. So, the immediate need for this facility has declined.
- **DIPP GETS BACK POWER TO GRANT INDUSTRIAL LICENCES:** The power to grant licence for defence manufacturing is back with the Department of Industrial Policy and Promotion (DIPP) a few months after the Home Ministry was given the responsibility. The decision came as a big relief to defence products manufacturing companies as the process of granting industrial licences had virtually come to stop since last year when a turf battle had started between the DIPP and the Home Ministry. Now onwards defence manufacturing companies will give their applications for industrial licences to the DIPP.

## GENERAL AWARENESS

- An Invaluable Gift launched by India on May 5- **South Asia Satellite**.
- State where its First Automatic Weather Station goes live- **Maharashtra**.
- State which got its First Shatabdi Express- **Assam**.
- Daily Revision of Fuel Prices (Petrol and Diesel) started on May 1 initially in- **5 States/UTs**.
- Luxury homes in the principality of Monaco have overtaken those in Hong Kong to become the- **Most Expensive in the World**.
- India risen to 3<sup>rd</sup> ranking (South Africa and Australia, taking top 2 spots) in - **latest ICC's Annual ODI Rankings**.
- State which became First to announce shifting of its financial year format to January-December from the present April-March cycle- **Madhya Pradesh**.
- The Govt's Principle Clean Energy Financing Arm, which seeks to raise at least \$150 million through Masala Bonds- **IREDA**.
- Bank which dedicated "100 Digital Villages" to the Nation- **ICICI Bank**.
- Grade which Fitch Ratings kept India's Sovereign Rating unchanged at "BBB"- **Lowest Investment Grade**.
- Policy which has been approved by the Cabinet to give preference to domestically manufactured iron and steel products for Govt's infra projects- **National Steel Policy**.
- Chairman Sanjay Jhunjhunwala and Sandip Jhunjhunwala of REO Agro arrested by CBI for an alleged bank loan fraud of Rs.3871 Cr of- **Consortium of 14 Banks led by UCO Bank**.
- As per Survey, while Gonda city in UP has been shown as "Dirtiest City", Indore in MP has been termed as- **Cleanest City in India**.
- After ITC and Hindustan Unilever, the Largest Fast Moving Consumer Goods (FMCG) Company is- **Ramdev's Patanjli Ayurveda**.
- State whose four power distribution companies (Discoms) have topped an

- Annual Ranking by the Union Power Ministry for 5<sup>th</sup> year in row- **Gujarat**.
- Act which has been amended by promulgating the Ordinance to empower the RBI on resolution of NPAs- **Banking Regulation Act**.
- Communication Satellite which India launched & to be jointly used with concerned countries of South Asia- **GSAT-9 South Asia Satellite**.
- 2017 List of Richest 1000 People in UK topped by- **Hinduja Brothers**.
- State in which "Auto Village" is to be developed where all brands of automobiles will be available at one place- **Haryana**.
- To promote sustainable human settlements across the Globe, India has been elected as- **President of UN-Habitat**.
- Index where to map economic activities more accurately, the govt. released new series with 2011-12 as the base year- **Index of IP and WPI**.
- To create more awareness about the forthcoming disinvestment issues, Finance Ministry set up an- **Online Investor Facilitation Platform**.
- Task Force has been created to measure "Job Creation" which is to be headed by- **NITI Aayog Vice Chairman Arvind Panagriya**.
- Bank which has been put by RBI under Watch by initiating Prompt Corrective Action- **IDBI Bank**.
- Judge who, for the First time in the history of judiciary, has been sentenced to six months in Jail for contempt of court- **Calcutta High Court Judge C.S. Karnan**.
- Adarsh Gram Yojana under which Residents of Alipur Village in Gurugram decided to nail nameplates of their daughters on their houses- **Village adopted by President Pranab Mukharjee**.
- Highest Earning Hindi Film in the country becomes- **Bahubali-II**.

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- Jim Goetz, who retains the Top Spot three years after the monumental sale of messaging Giant WhatsApp to Facebook for nearly \$22 billion in- **Forbes' Annual List of 100 Best Venture Capitalists.**
- India has jumped to 73<sup>rd</sup> ranking from 99<sup>th</sup> in 2014 in the List of- **World Bank's Electricity Accessibility Rankings.**
- Bonds, which for the First Time in India, will be floated by 14 cities- **Municipal Bonds.**
- The Airport which has become the World's Busiest amongst the Single-runaway Facilities overtaking London's Gatwick Airport- **GVK Group-run Mumbai Airport.**
- The bridge which will reduce travel time between Assam and Arunachal Pradesh by four hours and capable of withstanding the weight of 60- tonne battle tank- **Asia's Longest Bridge on Brahmaputra.**
- Central Board of Excise and Customs (CBEC) gets a new name and will be rechristened as- **Central Board of Indirect Taxes and Customs (CBIC).**
- Virus which hit lakhs of computers in India and worldwide on 15<sup>th</sup> May- **Wanna Cry.**
- Country which has released its "First Nation-wide Employer Black-List –Naming and Shaming" more than 300 companies for breaching labour laws- **Japan.**
- Fresh post to be created in RBI as "Chief Financial Officer" will be in the rank of- **RBI Executive Director.**
- A new assured benefit plan which covers up to the age of 100 years has been launched by LIC of India- **Jeevan Umang.**
- India has overtaken the US to become the Second-Most Attractive Country for- **Renewable Energy Investment.**
- Country which has slapped Facebook with maximum privacy fine of Euro 1, 50, 000 for violating National law- **France.**
- Govt. has introduced a New Coal Allocation Policy for Power Sector which has been named as- **SHAKTI.**
- For providing trade opportunities with the continent, the First Africa Business Summit held in Durban, which was organized by- **Global Organisation of People of Indian Origin (GOPIO)-**
- New Layer of Authentication which is being worked out by UIDAI which is more secure and reliable than Fingerprint scan and Iris scan- **Voice Recognition.**
- Country which is 2<sup>nd</sup> on the list of "Global Web Application Attack Source Countries" in Asia Pacific Region and 12<sup>th</sup> Globally- **India.**
- Payment Bank which commenced its operations from May 23 - **Paytm.**
- British Banking Group where Britain sold its last stake, will be first to re-emerge from British State Ownership- **Lloyds Banking Group.**
- Lady who scripted history by becoming the First Indian Woman to scale the Mount Everest for the 4<sup>th</sup> time- **Arunachal Pradesh's Anshu Jamsenpa.**
- Chairman who has been named by Forbes' as the Topmost among its "Global Game Changers"- **Reliance Chairman Mukesh Ambani.**
- Among 75 most busy Railway Stations in the Country, Vishakhapatnam is- **Cleanest Railway Station.**
- India's Stock Market Capitalization (M-cap) has crossed \$2 trillion making it the- **9<sup>th</sup> Largest Equity Market Globally.**
- Country which has stopped accepting development aid from the European Union owing to the latter's interference in country's internal affairs- **Philippines.**
- World's Largest Professional Network on Internet- **LinkedIn.**
- Top Employer in India as per 2017 List of Top Companies- **Flipkart followed by Amazon and KMPG India.**
- Three Indian Brands among World's top 50 Luxury Goods Firms- **Gitanjali Gems, Titan and PC Jeweller.**
- UK Entrepreneur who has become the First Indian Woman to be elected as a councilor to the City of London Corporation- **India-born Rehana Ameer.**
- Group whose subsidiary became 1st Asset Reconstruction Company in the country to receive RBI nod under the new 100% ownership rule- **Indiabulls Asset Reconstruction.**
- Programme under which the Govt. has cleared the Biggest-ever Naval Defence Deal worth over Rs.20, 000 Crore to acquire four Warfare Ships- **Make in India Programme.**
- To honour the late President APJ Abdul Kalam, Scientists at NASA have named a new organism discovered by them as- **Solibacillus Kalamji.**
- Bank whose Promoter has sold 1.80 Crore of the bank's shares in the open market so as to comply with RBI's direction to reduce stake below 30% by June 2017- **Kotak Mahindra Bank.**
- Board which is to be abolished by the Govt.- **Foreign Investment Promotion Board (FIPB).**
- Country which has been downgraded by Moody's First Time in nearly 30 years- **China.**
- To corporatize its Digital India Project, the govt. is to create – **Digital India Corporation.**
- Only Indian Company to be named among the Top 10 Consumer Financial Service Companies in the World and ranked 7<sup>th</sup> in Forbes' Global List 2017- **HDFC.**
- Indian Oil Corporation which for decades was India's Biggest Company by turnover, became most profitable PSU and overtaken- **ONGC.**
- New Website which has been launched by the Govt. that links websites of various departments to understand Govt. Programmes and updates- **Microsite.**



## MOCK-TEST PAPER

### Questions on Latest RBI Policy

- 01** With effect from July 10, 2017, what is the batch interval time in NEFT settlements:
- half-hour
  - an hour
  - two hours
  - three hours
- 02** With effect from July 10, 2017, what is the no. of batches in NEFT settlements:
- 11
  - 12
  - 23
  - 25
- 03** Under NEFT, all participating banks are required to give the credit to beneficiary customer :
- after the inter-bank settlement has been completed.
  - after inter-bank settlement has been completed and the End-of-Batch (EOB) message is received by them.
  - after the End-of-Batch (EOB) message is received by them.
  - after all the settlements have been completed and there is return message
- 04** A Banking Outlet for a Domestic Scheduled Commercial Bank (DSCB), a Small Finance Bank (SFB) and a Payment Bank (PB) is a fixed point service delivery unit, manned by either bank's staff or its Business Correspondent where services of acceptance of deposits, encashment of cheques/ cash withdrawal or lending of money are provided for a minimum of \_\_\_ hours per day for at least \_\_\_ days
- a week.
  - 5 hours and 5 days
  - 6 hours and 5 days
  - 4 hours and 5 days
  - 4 hours and 6 days
- 05** A banking outlet which does not provide delivery of service for a minimum of 4 hours per day and for at least 5 days a week will be considered a :
- Banking unit
  - Unbanked rural centre
  - part-time banking outlet
  - Place of banking business
- 06** Which of the following is categorized as a banking outlet as per RBI branch authorization policy 2017?
- ATMs
  - Mobile branches
  - E-lobbies
  - none of the above
- 07** As per RBI's Branch Authorization Policy 2017, \_\_\_ banking outlets opened during a financial year, must be in rural areas?
- 20%
  - 25%
  - 30%
  - 35%
- 08** Merger, Closure and shifting of any rural 'Banking Outlet' as well as a sole semi urban 'Banking Outlet' would require approval of:
- RBI
  - SLBC
  - DCC/DLRC
  - local administration
- 09** On short term crop loans, interest subvention of 2% is available to \_\_\_ during 2017-18
- public sector banks
  - private sector banks
  - public sector banks and loans in rural and semi-branches given by Private sector banks
  - farmers
- 10** For availing short term crop loan interest subsidy, the eligible loan amount is:
- up to Rs.3 lac
  - up to Rs.2 lac
  - up to Rs.1 lac
  - any amount
- 11** To avail short term crop loan interest subsidy, the rate of interest from borrower should be:
- 4% pa
  - 5% pa
  - 6% pa
  - 7% pa
- 12** Additional interest subvention of \_\_\_ % is available to prompt payee farmers from date of disbursement of crop loan up to actual date of repayment by farmer or up to due date fixed by bank, whichever is earlier:
- 1%
  - 2%
  - 3%
  - 4%
- 13** If additional interest subvention is available to prompt payee farmers for short term crop loan, the effective interest rate shall be:
- 1%
  - 2%
  - 3%
  - 4%
- 14** In order to discourage distress sale by farmers and to encourage

**Disclaimer :** We have taken every care to provide information, we believe to be accurate and reliable and do not assume responsibility of any kind nor shall be liable for losses & consequence arising from use thereof. Since this information is based on the published reports mostly, correctness or otherwise thereof may be verified by the user with the original sources, in advance. ....*Editor*



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- them to store their produce in warehouses against warehouse receipts, the benefit of interest subvention will be available to small and marginal farmers having Kisan Credit Card for a further period of upto \_\_\_\_ post-harvest on the same rate as available to crop loan against negotiable warehouse receipt for keeping their produce in warehouses.
- a 3 months  
b 6 months  
c 9 months  
d 12 months
- 15** To provide relief to farmers affected by natural calamities, the interest subvention of 2% will continue to be available to banks for the \_\_\_\_ on the restructured amount.
- a 1<sup>st</sup> six months  
b 1<sup>st</sup> year  
c 1<sup>st</sup> 2 years  
d moratorium period
- 16** Banks are required to submit their claims for interest subvention of 2% and 3% for short term crop loans on:
- a half yearly basis  
b yearly basis  
c half yearly for 2% and yearly for 3% subvention  
d half yearly for 3% and yearly for 2% subvention
- 17** Statement of Financial transactions is required to be submitted by banks to Income Tax Department. Which of the following is not correct in this context:
- a it replaced the previous statement called Annual Financial Information  
b it is required to be submitted by 31<sup>st</sup> May  
c it is required to be submitted on Form 61A  
d none of the above
- 18** Consequent to Enforcement of Security Interest and Recovery of Debts Laws & Misc. Provisions (Amendment) Act, 2016, Asset Reconstruction Company can commence or carry on the business of securitisation or asset reconstruction only if its Net Owned Fund are minimum :
- a Rs.1 crore or amount notified by RBI  
b Rs.2 crore or amount notified by RBI  
c Rs.5 crore or amount notified by RBI  
d Rs.10 crore or amount notified by RBI
- 19** Keeping in view the greater role envisaged for ARCs in resolving stressed assets as also the recent regulatory changes governing sale of stressed assets by banks to ARCs, RBI decided to fix the minimum NOF requirement for ARCs at \_\_\_\_crore on an ongoing basis:
- a Rs.10 cr  
b Rs.50 cr  
c Rs.100 cr  
d Rs.200 cr
- Recalled Questions**
- 20** For Term loan the period of limitation is three years from:
- a Date of documents  
b Date of default  
c Date of sanction  
d Due date of each instalment  
e date of default of each instalment
- 21** Any person resident outside India, having a business interest in India, may open an \_\_\_ account in Indian Rupee with Authorized Dealers for the purpose of putting through bona fide transactions in rupees:
- a Foreign currency non-resident account  
b special non-resident rupee account  
c non-resident ordinary account  
d non-resident external rupee account
- 22** If the value of sale and transfer of securities to/from HTM category exceeds \_\_\_% of the book value of the investments held in HTM category in the beginning of the year, bank is to disclose the market value of the investment held in HTM category.
- a 10%  
b 5%  
c 2%  
d 1%
- 23** Which of the following is a condition relevant for considering a small unit as micro enterprise:
- a it is located in places having population up to 50000  
b it is not located in metro cities  
c investment in fixed assets is up to Rs.25 lac  
d investment in plant and machinery is up to Rs.25 lac  
e investment in plant and machinery is up to Rs.10 lac
- 24** A firm of brokers purchases certain shares at Bombay Stock Exchange and sells similar no. of shares of the same company at National Stock Exchange to take benefit of small price differential prevailing at the time of the transaction. This is known as:
- a swap transaction  
b forward trading  
c option trading  
d arbitrage transaction  
e dematerialisation
- 25** A firm has been sanctioned a cash credit limit of Rs.4 lac. It submits



- stock statement for stock value of Rs.6 lac. The margin on the security is 25%. What is the amount of notional drawing power in the account?
- Rs.6 lac
  - Rs.4.50 lac
  - Rs. 4 lac
  - Rs. 3 lac
  - Rs.3.50 lac
- 26** Your branch receives a cheque of Rs.500 for payment across the counter on June 30, 2017. The cheque is dated June 31, 2017:
- the cheque bears an impossible date due to which it cannot be paid
  - the cheque being a post dated cheque will be returned
  - the cheque will be returned
  - the date of the cheque being the last day of the month, the cheque can be paid on the last day. Hence it would be paid
  - the cheque would be paid as the amount of the cheque is small.
- 27** If the operating instruction in a fixed deposit is 'Either or Survivor' and one of the depositors expires before the maturity, pre-payment of the fixed/term deposit can be allowed with the consent of :
- survivor only
  - survivor and nominee only
  - survivor and legal heirs only
  - survivor, nominee and legal heirs
- 28** Under Atal Pension Yojna, what is the co-contribution of govt?
- 20% of total contribution
  - 25% of total contribution
  - 35% of total contribution
  - 50% of total contribution
- 29** A firm has stocks of 40, debtors 60, creditors 30, prepaid expenses 10 bank overdraft 30. What is the quick ratio:
- 0.75:1
  - 0.90:1
  - 1:1
  - 1.2:1
- 30** Which among the following is not correct statement in the context of provision on sub-standard account:
- if account is secured, provision at 15% and if unsecured, provision at 25%
  - for unsecured portion, provision is 100% and for secured portion 15%
  - if no security was taken at the time of sanction of loan, provision is 25%
  - if security was taken at the time of sanction of loan and is still intact, provision of 15% to be made.
- 31** In the context of a computer, the key board is:
- storage device
  - input device
  - output device
  - memory device
  - processing device
- 32** It is mandatory for securitization /reconstruction companies to invest an amount \_\_\_\_\_ of each class of security receipts (SRs) issued under a particular scheme and continue to hold the investments till the time all the SRs issued under that class are redeemed completely.
- not less than 15%
  - not more than 5%
  - not less than 10%
  - not more than 10%
- 33** Model Bank sanctioned a term loan and working capital amounting to Rs.15 lac (during February 2016 and the loan was fully disbursed during April 2016), to an MSE unit. Bank obtained guarantee from Credit Guarantee Fund for Small Industry. However, the account became sub-standard during May 2017:
- bank is not eligible for the claim as it has become sub-standard very quickly
  - bank can lodge the claim immediately after the date of account becoming sub-standard
  - bank can lodge the claim after 18 months of date of sanction

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- d bank can lodge claim only after 24 months from date of sanction
- e bank can lodge the claim after 18 months from date of last disbursement or payment of guarantee fee, whichever is later.
- 34** An account with balance of Rs.10 lac is secured by CGTMSE guarantee cover of 75%. Value of security is Rs.2.00 lac. Account is in more than 3 years' doubtful category before 31.03.17. Provision as on Mar 31, 2017 would be:
- a Rs.4.00 lac  
b Rs.6.00 lac  
c Rs.8.00 lac  
d No provision as CGTMSE guarantee is available.
- 35** Refund of amount made to the depositor is to be claimed by the banks Under Depositor Education and Awareness Fund Scheme, 2014, on \_\_\_\_\_ basis by last working day of the subsequent month.
- a monthly  
b bi-monthly  
c quarterly  
d half-yearly
- 36** If a sole rural branch is to be shifted by a bank within the same block, the permission of which of the following is required
- a Distt Administration  
b Distt. Consultative committee  
c State Level Bankers' Committee

- d State govt. concerned
- 37** As per RBI policy, the loan accounts can be taken over by banks from other banks:
- a after obtaining market report about the borrower  
b after obtaining credit information from the transferor bank  
c after obtaining undertaking from the borrower about conduct of account with the transferor bank  
d all the above
- 38** In order to ensure that the banks are not held liable to afford credit on the basis of number of account alone by the beneficiaries, which of the following actions is required to be taken by the banks:
- a to write to all customers about this  
b to put notifications in the websites  
c to put suitable disclaimer on the funds transfer screen  
d all the above
- 39** A trust maintaining an FD account makes a request to the bank for not deducting tax at source on interest on FD. It will be required to submit:
- a Form 15-G  
b Form 15-H  
c no such concession can be allowed  
d a letter from Income Tax Deptt.

- 40** A company has to sell its land and building having book value of Rs.200 lac, for Rs.180 lac. It also incurs net loss of Rs.10 lac at the end of the year. What is the net profit earned from its operations ?
- a Rs.20 lac  
b Rs.10 lac  
c Rs.5 lac  
d Rs.1 lac  
e Rs.0.10 lac
- 41** As per RBI guidelines, bank Boards are required to give exclusive time in a Board meeting once every \_\_\_\_\_ months to review and deliberate on customer service.
- a 2 months  
b 3 months  
c 6 months  
d 12 months
- 42** To avail the remedy u/s 138 of Negotiable Instrument Act, the cheque issued by the drawer:
- a has to be deposited with the collecting bank within 6 months  
b has to be presented to the collecting banks within 6 months  
c has to be presented to the paying bank within 6 months  
d has to be presented to the paying bank within validity period or 6 months of date of the cheque, whichever earlier.  
e has to be deposited with the collecting bank within 6 months of date of the cheque

SUBSCRIPTION FORM

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

### Conduct of Govt. Banking Transactions

In terms of Sec 20 of the RBI Act 1934, RBI has the obligation to undertake the receipts and payments of the Central Govt. and to carry out the exchange, remittance and other banking operations, including the management of the public debt of the Union. Further, as per Section 21 of the said Act, RBI has the right to transact Government business of the Union in India.

State Govt. transactions are carried out by RBI in terms of the agreement entered into with the State Governments in terms of section 21 A of the Act.

#### Discharge statutory obligation of being Banker to Government :

RBI maintains the Principal Accounts of Central as well as State Governments at its Central Accounts Section, Nagpur. It is a well structured arrangement for revenue collection and payments on behalf of Govt. across the country. A network comprising the Public Accounts Departments of RBI and branches of Agency Banks appointed u/s 45 of RBI Act carry out the Govt. transactions. At present all the public sector banks and three private sector banks viz. ICICI Bank Ltd., HDFC Bank Ltd. and Axis Bank Ltd. act as RBI's agents. Only authorised branches of Agency banks can conduct Govt. business.

#### Payment into Government account :

All monies for credit to Govt. account like taxes or other remittances can be made by filling the prescribed challans. These challans along with the requisite amount (by way of cash, cheque or DD) are required to be tendered with the authorised bank branches.

The receipted challans in case of cash tender are handed over immediately across the counter. For payments by cheque/DD, the receipted challan is issued only on realization of the instruments based on the clearing cycle of the local Clearing House. In all such cases, a paper token is issued indicating the date on which the receipted challan will be ready for delivery. The receipted challan will have to be collected within 15 days from the date indicated on the paper token by surrendering the paper token.

#### Compensation to Agency banks for conduct of Government business:

The accredited banks are paid remuneration by RBI for conduct of State/Central Government transactions. Such remuneration is called Agency Commission. The rates of agency commission applicable at present (from July 1, 2012) are as under:

1 (i) Receipts – Physical mode Rs. 50 Per transaction

(ii) Receipts – e-mode Rs.12 Per transaction

Pension Payments - Rs.65 Per transaction

Payments other than Pension - 5.5 paise Per Rs.100 turnover

#### On-line Tax Accounting System (OLTAS) for Direct Taxes

It was introduced in April, 2004 for collection, accounting and reporting of receipts and payments of Direct Taxes on-line through a network of bank branches. The tax payers' data flow from banks directly to Tax Information Network (TIN) maintained by National Securities Depository Ltd.

Under OLTAS, only a Single Copy Challan is used with a tear off portion for the Tax Payer. The single copy challan in use are as under:

**A single copy Challan No. ITNS 280** for payment of Income Tax on Companies (Corporation Tax) and Income Tax (other than Companies).

**Challan No. ITNS 281** for depositing Tax Deducted at Source/Tax collected at source (TDS/TCS). It has two major Heads i.e. (a) 0020 for company deductees and (b) 0021 for non-company deductees.

**Challan No. ITNS 282** for payment of Hotel Receipts Tax, Gift-Tax, Estate Duty, Expenditure Tax, Wealth Tax, Securities Transaction Tax and Other miscellaneous direct taxes.

A tax-payer gets the tear-off portion from the challan from the bank after getting it duly stamped by the bank with a unique Challan Identification Number (CIN).

CIN contains following information:

(i) 7 digits BSR Code of the bank branch where tax is deposited

(ii) Date of presentation of the challan (DD/MM/YY)

(iii) Serial number of Challan in that branch on that day (5 digits)

The CIN has to be quoted in the Income Tax Return as a proof of payment. CIN is also to be quoted in any further enquiry.

#### Benefit to tax payer:

Besides that a single copy Challan has to be filled up and it is possible to obtain an acknowledgement for taxes paid at bank branch immediately, the Tax payer can view the details of tax paid by him by logging on to <http://www.tin-nsdl.com> and typing the unique CIN given by the bank. Tax-payer is no longer required to attach copies/acknowledgement of challan with the Return. He should only mention the CIN details in the Income-tax Returns.

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### Standby Letters of Credit (SBLC)

A Standby Letter of Credit (SBLC) is a formal obligations in writing, of an issuing bank, to pay a sum of money to a beneficiary on behalf of their customer in the event that the customer does not pay the beneficiary. SBLC basically fulfills the same purpose as a bank guarantee. It is payable on first demand and without objections or defenses.

#### Need for standby letters of credit:

The need to issue SBLC comes from the banking legislation of the United States, which forbids US credit institutions from assuming guarantee obligations of 3rd parties. To circumvent this US banking rule, the US banks created SBLC, based on the uniform customs and practice for documentary credits. In 1998 the International Chamber of Commerce (ICC) added ISP98 (International Standby Practices 98) as the rules to guide SBLC. Many of SBLC to rely on UCP- 600.

#### Parties to SBLC:

- (1) Applicant : The bank customer who applies for SBLC. He has entered into some financial or performance agreement with the beneficiary.
- (2) Issuing Bank: Applicant's bank that issues SBLC.
- (3) Beneficiary : The party in whose favor SBLC is issued.
- (4) Advising Bank: The bank that checks LC's genuineness.
- (5) Confirming Bank : The bank (usually known by beneficiary) that agrees (confirms) to pay the beneficiary if the issuing bank fails to pay.

#### Types of SBLC:

- (1) Performance Standby : It guarantees an obligation to perform other than to pay money including the purpose of covering losses arising from a default of the applicant in completion of the underlying transaction.
- (2) Advance Payment Standby : It guarantees an obligation to account for an advance payment made by the beneficiary to the applicant.
- (3) Bid Bond/Tender Standby : It guarantees an obligation of the applicant to execute a contract if the applicant is awarded a bid.
- (4) Counter Standby : It guarantees the issuance of a separate standby or other undertaking by the beneficiary of the counter standby.
- (5) Direct Pay Standby : It guarantees the payment when due of an underlying payment obligation in connection with a financial standby without regard to default. This standby is also used to directly pay an obligation where the only conditions of payment are the passage of the term and presentment of payment.
- (6) Commercial Standby : This is the most used standby and it supports the obligations of an applicant to pay for goods or services in the event of non-payment by a business debtor.

#### Assignment of SBLC:

The beneficiary can assign the proceeds of SBLC without assignment of the rights of the beneficiary as "drawer". Only the beneficiary may exercise the "drawer" rights and present the demand for payment under SBLC unless the terms provide otherwise. This means that the assignee may receive the proceeds of the standby, but in order to obtain those proceeds the beneficiary must first make the demand for payment. An assignment of proceeds requires notice to the issuing bank of this action; otherwise the issuing bank would pay the beneficiary rather than the assignee.

**Transfer of Standby letter of credits:** Standby letter of credits can be transferred to a third party ONLY with the written consent of the issuing bank AND the beneficiary.

### DATA COLUMN

#### Business of Banks

(Rs.in cr)	Mar31'17	May12'17
Aggregate deposits	10805150	10641720
Cash in hand/RBI	570490	492850
Investments	3043660	3249870
Bank Credit:	7881890	7628650
-Food	53930	58000
-Non-Food	7827960	7570650
Cash-Deposit Ratio	5.27	4.55
Investment-Deposit	28.14	30.36
Credit-Deposit	72.95	71.82

#### Money Stock

(Rs.in cr)	Mar31'16	May12'17
M3 (Out of which)	12839080	12802620
(a) Currency with public	1263770	1403560
(b) Demand deposits-Banks	1409540	1222950
(c) Time Deposits - Banks	10144680	10158350
(d) Other deposits with RBI	21090	17750

#### Sources of Money Supply

(a) Net Bank credit to Govt	3869430	4121300
(b) Bank credit to Comrcl sector	8451790	8196360
(c) Net Forex assets of Banks	2492010	2506670

#### Important Banking Indicators

Statutory Liquidity Ratio	20.50%	(07.01.2017)
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	06.00%	(07.01.2017)
Repo Rate	06.25%	(04.10.2017)
MSF Rate	06.50%	(07.01.2017)
Bank Rate	06.50%	(07.01.2017)

#### Small Savings Interest Rates

PPF	7.9%	(01.04.2017)
NSC	7.9%	(01.04.2017)
Sukanya Smridhi	8.4%	(01.04.2017)
Senior Citizen Saving	8.4%	(01.04.2017)

#### Capital & Money Market Indicators

Parameter	end-May16	endMay17
Dollar-spot TT (Rs.)	67.04	64.37
BSE - Sensex (points)	26654	31273
NSE - Nifty(S&P CNX)	8157	9654
Foreign reserves (Million \$)	360905	378763
Gold /Oz in USD)	1222	1256

### 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- Feb17:Export \$ 245.4 bn\$ Imports	: 340.7 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

DATE OF DESPATCH - Jun 7 / 10, 2017