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Banking events Update

Those who win, are those, who think they can

Corporate & Distribution Office
1008, Sector 45-B, Chandigarh
Phone 0172 2665 623
eMail - bankingupdate123 @ gmail.com

www.bankingindiaupdate.com

Contents of this Issue

Executive Editor - S. Chand Singh

Editor in Chief - Sh. N S Toor

BANKING POLICY

Provision for Standard Loans

RBI advised banks (18.04.17) that the provisioning rates RBI prescribed are the regulatory minimum and banks are encouraged to make provisions at higher rates for advances to stressed sectors. To ensure that banks have adequate provisions for loans at all times, RBI advised as under:

i) Banks shall put in place a Board–approved policy for making provisions for standard assets at rates higher than the regulatory minimum, based on evaluation of risk and stress in various sectors.

ii) The policy should be reviewed, on a quarterly basis, of the performance of various sectors of the economy to which the bank has an exposure to evaluate the present and emerging risks and stress therein. The review may include quantitative and qualitative aspects like debt-equity ratio, interest coverage ratio, profit margins, ratings upgrade to downgrade ratio, sectoral non-performing assets/stressed assets, industry performance and outlook, legal/ regulatory issues faced by the sector, etc. The reviews may also include sector specific parameters.

iii) More immediately, as the telecom sector is reporting stressed financial conditions, and presently interest coverage ratio for the sector is less than one, Board of Directors of the banks may review the telecom sector latest by June 30, 2017, and consider making provisions for standard assets in this sector at higher rates so that necessary resilience is built in the balance sheets should the stress reflect on the quality of exposure to the sector at a future date. Besides, banks should also subject the exposure to the sector to closer monitoring.

Compliance with Accounting Standard (AS) 11 (Effects of Changes in Foreign Exchange Rates by banks)

RBI observed that banks recognize gains in profit & loss account from Foreign Currency Translation Reserve (FCTR) on repatriation of accumulated profits / retained earnings from overseas branch(es) by treating it as partial disposal under AS 11.

RBI examined this issue taking into consideration, inter alia, the views of the Institute of Chartered Accountants of India and clarified (18.04.2017) that the repatriation of accumulated profits shall not be considered as disposal or partial disposal of interest in non-integral foreign operations as per AS 11 *The Effects of Changes in Foreign Exchange Rates*. Accordingly, banks shall not recognise in the profit and loss account the proportionate exchange gains or losses held in the foreign currency translation reserve on repatriation of profits from overseas operations.

Prudential Guidelines – Banks' investment in units of REITs and InvITs

RBI decided (18.04.2017) to allow banks to participate in Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) within the overall ceiling of 20% of their net worth permitted for direct investments in shares, convertible bonds/ debentures, units of equity-oriented mutual funds and exposures to Venture Capital Funds (VCFs) [both registered and unregistered], subject to the following conditions:

1. Banks should put in place a Board approved policy on exposures to REITs/ InvITs which lays down an internal limit on such investments within the overall exposure limits in respect of the real estate sector and infrastructure sector.

2. Banks shall not invest more than 10% of the unit capital of an REIT/ InvIT.

3. Banks should ensure adherence to the prudential guidelines issued by RBI on Equity investments, Classification and Valuation of Investment Portfolio, Basel III Capital requirements for Commercial Real Estate Exposures and Large Exposure Framework.

Financial Literacy Week

To emphasize the importance of financial literacy, RBI decided (13.04.2017) to observe the week June 5-9, 2017 as Financial Literacy Week across the country.

The literacy week will focus on 4 broad themes, viz. KYC, Exercising Credit Discipline, Grievance Redressal and Going Digital (UPI and *99#). The 5 messages that will be communicated to the common man based on the above broad themes are available under "Financial Literacy Week" in the financial education webpage of RBI.

Local language versions of the posters (A3 size) to display in bank branches, flyers (A5 size) for distribution to camp participants and charts (A2 size) for use by trainers during camps would be printed and provided by the Regional Offices of RBI. Each bank branch would be provided with 5 A3 size posters (1 set of 5 posters). Each rural branch would additionally be provided with 500 A5 size flyers (100 sets of 5 flyers) for distribution in camps & bank branches and 5 A2 size charts (1 set of 5 charts) for use by rural branch managers during conduct of camps. Each FLC would be provided with 5 A2 size charts (1 set of 5 charts) for use by FLC Counsellors during conduct of camps and 1000 A5 flyers (200 sets of 5 flyers) for distribution to camp participants during camps by FLCs.

Banks have been advised to make logistical arrangements to collect the posters/flyers/charts from the Regional offices of RBI during the first two weeks of May and distribute the same to their branches and FLCs well in advance before the Financial Literacy Week.

Activities : During the week, the following activities have been planned:

1. Banks to advise their Financial Literacy Centres to conduct special camps on each of the 5 days in backward/unbanked areas. FLC Counsellors may utilize the charts of A2 size for training purposes. FLCs may distribute the promotional material of A5 sizes to the participants.

2. All bank branches in the country may display A3 size posters on the 5 messages in the local language in a prominent place inside the branch premises. These posters will continue to be displayed for at least 6 months in the branch premises even after the Financial Literacy week is over.

3. Banks may display one message each day on the home page of their websites in English and Hindi and also display one message each day on the ATM screens across the country in English and the local languages

4. All Rural branches may conduct one camp on any of the 5 days of the week after branch hours.

5. An online quiz will be hosted for the general public on the four broad themes to generate interest/awareness about financial literacy. Details of the quiz will be intimated shortly through RBI website.

Security Substitution Facility for term repos conducted by RBI under the Liquidity Adjustment Facility

RBI decided (12.04.2017) to allow substitution of collateral (security) by the market participants during the tenor of the term repos conducted by RBI under the Liquidity Adjustment Facility, from April 17, 2017.

The securities offered for substitution by the market participants shall be of similar market value based on the latest prices published by the Fixed Income Money Market and Derivatives Association of India (FIMMDA).

The facility will be available in the e-kuber portal from Monday to Friday (9:00 a.m. and 5:00 p.m.) on all working days in Mumbai. Market participants facing technical problem on any specific day, can submit the security substitution request through e-mail or by fax before 4:45 p.m.

Disclosure in the "Notes to Accounts" to the Financial Statements-Divergence in the asset classification and provisioning

RBI makes assessment of compliance by banks with extant prudential norms on income recognition, asset classification and provisioning (IRACP) as part of its supervisory processes. There have been instances of material divergences in banks' asset classification and provisioning from the RBI norms, thereby leading to the published financial statements not depicting a true and fair view of the financial position of the bank.

In order to ensure greater transparency and promote better discipline with respect to compliance with IRACP norms, RBI decided on 18.04.2017, that banks shall make suitable disclosures in the prescribed form where either (a) the additional provisioning requirements assessed by RBI exceed 15% of the published net profits after tax for the reference period or (b) the additional Gross NPAs identified by RBI exceed 15% of the published incremental Gross NPAs[1] for the reference period, or both.

These disclosures, shall be made in the Notes to Accounts in the ensuing Annual Financial Statements published immediately following communication of such divergence by RBI to the bank. ●

Prompt Corrective Action Framework 2017

The existing PCA framework for banks, introduced during 2004, was revised by RBI on 13.04.2017 and became effective from 01.04.2017, based on the financials of the banks for year ended Mar 31, 2017. It would be reviewed after 3 years. This framework does not preclude RBI from taking any other action as it deems fit in addition to the actions prescribed in the framework.

A) Capital, asset quality and profitability shall be the key areas for monitoring in the revised framework.

B) Indicators to be tracked are CRAR/ CET-I ratio, Net NPA ratio and Return on Assets respectively.

C) In addition, leverage would be monitored.

D) Breach of any risk threshold (see next page) would result in invocation of PCA.

E) The PCA framework would apply to all banks operating in India including small banks and foreign banks operating through branches or subsidiaries.

F) A bank will be placed under PCA framework based on the audited Annual Financial Results and the Supervisory Assessment made by RBI. RBI may impose PCA on a bank during a year (including migration from one threshold to another) if the circumstances so warrant.

Mandatory actions :

Risk Threshold 1:

Restriction on dividend distribution/remittance of profits.
Promoters/owners/parent in the case of foreign banks to bring in capital

Risk Threshold 2:

In addition to mandatory actions of Threshold 1,
Restriction on branch expansion
Higher provisions as part of the coverage regime

Risk Threshold 3:

In addition to mandatory actions of Threshold 1,
Restriction on branch expansion;
Restriction on management compensation and directors' fees, as applicable

RBI initiated discretionary actions :

These include, Special Supervisory Interactions, Strategy related, Governance related, Capital related, Credit risk related, Market risk related, HR related, Profitability related, Operations related and any other

Discretionary corrective actions

1. Special Supervisory interactions : (a) Special Supervisory Monitoring Meetings (SSMMs) at quarterly or other identified frequency (b) Special inspections/targeted scrutiny of the bank (c) Special audit of the bank

2. Strategy related actions : RBI to advise the banks to:
(a) Activate the Recovery Plan that has been duly approved by the supervisor (b) Undertake a detailed review of business model in terms of sustainability of the business model, profitability of business lines and activities, medium and long term viability, balance sheet projections, etc. (c) Review short term strategy focusing on addressing immediate concerns (d) Review medium term business plans, identify achievable targets and set concrete milestones for progress and achievement (e) Review all business lines to identify scope for enhancement/ contraction (f) Undertake business process reengineering as appropriate (g) Undertake restructuring of operations as appropriate

3. Governance related actions : (a) RBI to actively engage with the bank's Board on various aspects as considered appropriate (b) RBI to recommend to owners (Government/ promoters/ parent of foreign bank branch) to bring in new management/ Board (c) RBI to remove managerial persons under Section 36AA of the BR Act 1949 as applicable (d) RBI to supersede the Board under Section 36ACA of the BR Act 1949/ recommend supersession of the Board as applicable (e) RBI to require bank to invoke claw back and malus clauses and other actions as available in regulatory guidelines, and impose other restrictions or conditions permissible under the BR Act, 1949 (f) Impose restrictions on directors' or management compensation, as applicable.

4. Capital related actions : (a) Detailed Board level review of capital planning (b) Submission of plans and proposals for raising additional capital (c) Requiring the bank to bolster reserves through retained profits (d) Restriction on investment in subsidiaries/ associates (e) Restriction in expansion of high risk-weighted assets to conserve capital (f) Reduction in exposure to high risk sectors to conserve capital (g) Restrictions on increasing stake in subsidiaries and other group companies

5. Credit risk related actions : (a) Preparation of time bound plan & commitment for reduction of NPAs (b) Preparation of and commitment to plan for containing generation of fresh NPAs (c) Strengthening of loan review mechanism (d) Restrictions on credit expansion for borrowers below certain rating grades (e) Reduction in risk assets (f) Restrictions on/ reduction in credit expansion to unrated borrowers (g) Reduction in unsecured exposures
(h) Reduction in loan concentrations; in identified sectors, industries or borrowers (i) Sale of assets (j) Action plan for recovery of assets through identification of areas (geography wise, industry segment wise, borrower wise, etc.) and setting up of dedicated Recovery Task Forces, Adalats, etc.

6. Market risk related actions : (a) Restrictions on/reduction in borrowings from the inter-bank market, (b) Restrictions on accessing/ renewing wholesale deposits/ costly deposits/ certificates of deposits, (c) Restrictions on derivative activities, derivatives that permit collateral substitution, (d) Restriction on excess maintenance of collateral held that could contractually be called any time by the counterparty

7. HR related actions : (a) Restriction on staff expansion, (b) Review of specialized training needs of existing staff

8. Profitability related actions : Restrictions on capital expenditure, except in technological upgradation.

9. Operations related actions : (a) Restrictions on branch expansion plans; domestic or overseas, (b) Reduction in business at overseas branches/ subsidiaries/ in other entities, (c) Restrictions on entering into new lines of business, (d) Reduction in leverage through reduction in non-fund based business, (e) Reduction in risky assets, (f) Restrictions on non-credit asset creation, (g) Restrictions in undertaking businesses as specified. Any other specific action that RBI may deem fit considering specific circumstances of a bank.

Summary edited by : Arundeep Toor (Sydney - Australia) (Source RBI Website).

PCA matrix - Areas, indicators and risk thresholds				
	Indicator	**Risk Threshold 1**	**Risk Threshold 2**	**Risk Threshold 3**
Area				
Capital **(Breach of either CRAR or CET 1 ratio to trigger PCA)** CRAR- Minimum regulatory prescription for capital to risk assets ratio + applicable capital conservation buffer(CCB).		upto 250 bps below Indicator <10.25% but >=7.75%	> 250 bps up to 400 bps below Indicator <7.75% to >=6.25%	- - In excess of 312.50 bps below Indicator
Current minimum RBI prescription of 10.25% (9% minimum total capital plus 1.25%* of CCB as on March 31, 2017)		upto 162.50 bps below Indicator	more than 162.50 bps below but up to 312.50 bps below Indicator	
And/OR				
Regulatory pre-specified trigger of Common Equity Tier 1 (CET 1min) + applicable capital conservation buffer(CCB). Current minimum RBI prescription of 6.75% (5.5% plus 1.25%* of CCB as on March 31, 2017) *Breach of either CRAR or CET 1 ratio to trigger PCA*		<6.75% but >= 5.125%	<5.125% but >=3.625%	<3.625%
Asset Quality	Net Non-performing advances (NNPA) ratio	>=6.0% but <9.0%	>=9.0% but < 12.0%	>=12.0%
Profitability	Return on assets (ROA)	Negative ROA for two consecutive years	Negative ROA for three consecutive years	Negative ROA for four consecutive years
Leverage	Tier 1 Leverage ratio[4]	<=4.0% but > = 3.5% (leverage is over 25 times the Tier 1 capital)	< 3.5% (leverage is over 28.6 times the Tier 1 capital)	
*CCB would be 1.875% and 2.5% as on March 31, 2018 and March 31, 2019 respectively.				

[1] CET 1 ratio – the percentage of core equity capital, net of regulatory adjustments, to total risk weighted assets as defined in RBI Basel III guidelines

[2] NNPA ratio – the percentage of net NPAs to net advances

[3] ROA – the percentage of profit after tax to average total assets

[4] Tier 1 Leverage ratio – the percentage of the capital measure to the exposure measure as defined in RBI guidelines on leverage ratio.

Additional Provision on Standard Loans at higher than the prescribed rates

RBI advised banks (18.04.2017) that the provisioning rates prescribed by RBI are the regulatory minimum and banks should make provisions at higher rates in respect of advances to stressed sectors of the economy. To ensure that banks have adequate provisions for loans and advances at all times, RBI advised as under:

i) Banks shall put in place a Board–approved policy to make provisions for standard assets at rates higher than regulatory minimum, based on risk and stress in various sectors.

ii) The policy shall require a review, at least on a quarterly basis, of the performance of various sectors of the economy to which the bank has an exposure to evaluate the present and emerging risks and stress therein. The review may include quantitative and qualitative aspects like debt-equity ratio, interest coverage ratio, profit margins, ratings upgrade to downgrade ratio, sectoral non-performing assets/stressed assets, industry performance and outlook, legal/ regulatory issues faced by the sector, etc. The reviews may also include sector specific parameters.

iii) More immediately, as the telecom sector is reporting stressed financial conditions, and presently interest coverage ratio for the sector is less than one, Board of Directors of the banks may review the telecom sector latest by June 30, 2017, and consider making provisions for standard assets in this sector at higher rates so that necessary resilience is built in the balance sheets should the stress reflect on the quality of exposure to the sector at a future date. Besides, banks should also subject the exposure to the sector to closer monitoring.

RBI Monetary Policy Statement - April 2017

RBI announced the following measures on 06.04.2017, in its Bi-monthly policy.

Narrowing of the Monetary Policy Rate Corridor – As per recommendation of Urjit Patel Group on Monetary Policy Framework, the policy rate corridor was narrowed from +/-100 bps to +/- 50 bps in April 2016 for finer alignment of the weighted average call rate, the operating target of monetary policy, with the repo rate. RBI decided to narrow the policy rate corridor around the policy repo rate to +/-25bps from +/- 50bps with immediate effect. Hence, the reverse repo rate under the liquidity adjustment facility would be 25 bps lower than policy repo rate and marginal standing facility rate would be 25 bps higher than policy repo rate.

Substitution of Collateral under the LAF Term Repos - Currently, there is no provision for LAF participants to substitute the security offered as collateral to RBI under term repos. RBI decided to allow w.e.f. 17.04.17, substitution of collateral by market participants for term repos under LAF which will provide operational flexibility to them by enhancing liquidity of collaterals.

Revised Prompt Corrective Action (PCA) Framework - Based on the recommendations of the Sub-Committee of Financial Stability and Development Council, the existing PCA framework for banks has been reviewed, updated and finalised with the approval of the Board for Financial Supervision (BFS).

Asset Reconstruction Companies(ARCs): While the earlier provision in the SARFAESI Act, 2002 of a minimum of Rs.2 crore of owned funds' was amended in 2016 as Rs.2 crore of net owned funds (NOF)', the cap on owned fund of 15% of financial assets was removed. In view of the enhanced role of ARCs and greater cash based transactions, RBI decided to stipulate a minimum NOF of Rs.100 crore for ARCs.

Partial Credit Enhancement (PCE): Capital Requirement - RBI decided that if the pre-enhancement rating of PCE enhanced bond subsequently improves over the rating at the time of issuance, the capital calculated will be as per prevailing difference in pre- and post-enhancement rating. It will not be subject to either the extant floor (capital requirement on PCE at the time of issuance of the PCE enhanced bonds) or the restriction of maintaining the number of notches of improvement in rating at the time of issuance. It also proposed that in order to be eligible for PCE by banks, the bonds will have to be rated by two credit rating agencies accredited by RBI.

Real Estate Investment Trust (REITS) and Infrastructure Investment Trust (InvITs): SEBI has put in place regulations for REITS and InvITs. Currently, banks are allowed to invest in equity-linked mutual funds, venture capital funds and equities to the extent of 20% of their NOF. RBI decided to allow banks to invest in REITS and InvITs within this umbrella limit.

Countercyclical Capital Buffer (CCCB) - CCCB framework was put in place on Feb 5, 2015. RBI had advised that it would be activated when circumstances warranted, and that the decision would be pre-announced with a lead time of 4 quarters. RBI decided that it is not necessary to activate CCCB at this point in time.

Simplified Hedging Facility for Forex Exposure: Draft Guidelines – On August 25, 2016, RBI announced a scheme to permit entities exposed to exchange rate risk, whether resident or non-resident, to undertake hedging transactions with simplified procedures up to a limit of USD 30 million at any given time.

Additional Settlement Batches for National Electronic Funds Transfer (NEFT) - NEFT settlement cycle will be reduced from hourly batches to half hourly batches. Consequently, 11 additional settlement batches will be introduced at 8.30 am onwards, taking the total number of half hourly settlement batches during the day to 23. This will enhance the efficiency of the NEFT system and add to customer convenience. 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 the existing practice.

Pilot Project on Financial Literacy: Centres for Financial Literacy (CFL) - RBI is initiating a pilot project on financial literacy at the block level to explore innovative and participatory approaches to financial literacy. The pilot project will be commissioned in 9 states across 80 blocks by 6 Non-Government Organisations (NGOs) in collaboration with the sponsor banks. Six NGOs registered with Depositor Education and Awareness Fund, are CRISIL Foundation; Dhan Foundation; Swadhaar Fin Access; Indian School of Micro Finance for Women; Samarpit; and PACE Foundation. The pilot project would be executed with the following broad objectives: active saving and good borrowing; financial planning and goal setting; and, going digital and consumer protection. The CFLs would be set up under a common name and logo, "Money-wise Centre for Financial Literacy". The sponsor banks will enter into contracts with the identified NGOs within three months, i.e., by June 30, 2017. Thereafter, the NGOs will start operating the CFLs within three months of entering into contracts with banks.

Compilation : Sapandeep Toor (in Sydney - Australia) (Source RBI Website).

Practical Problems based on Banking Ombudsman Decisions

1) The complainant alleged that the jewels pledged with the bank were auctioned without prior intimation to him. The bank's contention was that the complainant had availed the loan facility against the gold ornaments and the loan was to be repaid within 6 months. The bank further stated that they had not received any payment during the tenure of the loan and after the expiry of the loan tenure, the bank had received Rs.10,000 only which was adjusted towards his loan account. The bank also stated that borrower neither made any payment nor responded to the reminders sent to him. Hence bank published the details of non-payment in the newspaper and after due diligence, disposed of the jewels for Rs.196243 as per internal guidelines. BO arranged conciliatory meeting with the bank's Nodal Officer and the complainant. The complainant alleged that he had visited the branch on the day of auction but the officials had told him that the auction was already over, despite his intention to pay the outstanding amount. As the bank went ahead with the auction even after the complainant had paid Rs.10,000 two days before the auction date, BO directed the bank to pay cost of procuring 85.2 gm of 20 ct-gold, at market value, after deducting the outstanding dues.

2) The complainant intended to get his credit facility enhanced, but, the bank was reluctant and had shown an indifferent attitude. On his consistent pursuing, the bank had asked him to sign some documents and demanded the deposits in form of the FD and Life Insurance Policy which he had done accordingly. Despite that, the bank had not enhanced his credit limit for several months. BO observed that the bank conveyed the non-sanction of the credit limit 5 months after the receipt of request. Further, the rejection was after the borrower had approached the BO. The reasons cited by the bank for non-sanction/enhancement were prevalent at the time of application itself. The bank, as such, was found deficient to the extent that they had delayed the communication of their decision to the complainant. Though the BO does not interfere in the commercial decision of banks, it is equally important that the decision i.e., sanctioning/non-sanctioning of the loan is conveyed to the applicant within a reasonable time. In this case, even though the bank had valid ground for rejecting the application for enhancing the OD limit, the decision was conveyed in writing to the applicant after he had lodged the complaint with the OBO. Bank was advised to pay compensation of Rs. 5000 to the complainant for not conveying its decision in time.

3) A family pensioner approached BO stating that she had not been getting family pension regularly and her pension was also not calculated correctly. She requested for early settlement of her claim and payment of arrears as per entitlement. On taking up the matter, the concerned bank replied along with a copy of 'Due and Drawn' statement that she had been paid pension correctly and only Rs.73 was due to her as pension arrears and Rs.460 as penal interest for the delayed credit of pension and that the same had been credited to her account. The OBO sought complainant's comments on bank's letter and 'Due and Drawn' statement. She pointed out that she was entitled to a basic pension of Rs.5,037 whereas the bank had fixed her pension at Rs.3,500. She also forwarded a copy of pension master list wherein her normal basic pension was mentioned as Rs.5,037. The bank was advised to re-examine the entire issue. Bank recalculated the arrears and paid Rs.49,734 along with interest for the period of delay as per extant guidelines. ●

Sovereign Gold Bonds 2017-18 (Series-1)

The features are as follows:

1. Eligibility for Investment: The Bonds may be held by by an individula resident in India or on behalf of minor child, or jointly with any other individual or by a Trust, Charitable Institution and University.

2. Form of Security : The Bonds shall be in the form of Govt. of India Stock u/s 3 of Govt. Securities Act, 2006. The investors will be issued a Holding Certificate (Form C) and shall be eligible for conversion into de-mat form.

3. Date of Issue: Date of issuance shall be May 12, 2017.

4. Denomination: In units of one gram of gold and multiples thereof. Minimum investment shall be one gram with a maximum limit of subscription of 500 grams per person per fiscal year (April – March).

5. Issue Price : It shall be in Indian Rupees on the basis of simple average of closing price of gold of 999 purity published by the India Bullion and Jewellers Association (IBJA) for the week (Monday to Friday) preceding the subscription period (Rs.2951). The issue price shall be Rs.2901, Rs.50 per gram less than the nominal value.

6. Interest : The interest rate shall be 2.5% (fixed rate) per annum on the amount of initial investment. Interest shall be paid in half-yearly rests and the last interest shall be payable on maturity along with the principal.

7. Receiving Offices: Scheduled Commercial Banks (excluding RRBs), designated Post Offices, Stock Holding Corporation of India and stock exchanges viz., NSE and BSE are authorized to receive applications for the Bonds either directly or through agents.

8. Payment Options : Payment shall be accepted in Indian Rupees through cash up to a maximum of Rs.20,000/- or Demand Drafts or Cheque or Electronic banking drawn in favour of receiving office.

9. Redemption: i) The Bonds shall be repayable on the expiration of 8 years from May 12, 2017, the date of issue of Gold bonds. Pre-mature redemption of the Bond is permitted from 5th year of the date of issue on the interest payment dates.

ii) The redemption price shall be fixed in Indian Rupees on the basis of the previous week's (Monday – Friday) simple average closing price for gold of 999 purity, published by IBJA.

10. Repayment: The receiving office shall inform the investor of the date of maturity of the Bond one month before its maturity.

11. Eligibility for Statutory Liquidity Ratio (SLR): Investment in the Bonds shall be eligible for SLR.

12. Loan against Bonds: The Bonds may be used as collateral for loans. The Loan to Value ratio will be as applicable to ordinary gold loan mandated by the RBI. The lien on the Bonds shall be marked in the depository by the authorized banks.

13. Tax Treatment: Interest on the Bonds shall be taxable as per Income-tax Act, 1961. The capital gains tax arising on redemption to an individual has been exempted. The indexation benefits will be provided to long term capital gains arising to any person on transfer of bond.

14. Applications: Subscription for the Bonds may be made in the prescribed application form (Form 'A') stating clearly the grams of gold and the full name and address of the applicant. The receiving office shall issue an acknowledgment receipt in Form 'B' to the applicant.

15. Nomination: Nomination and its cancellation shall be made in Form 'D' and Form 'E', respectively.

16. Transferability: The Bonds shall be transferable by execution of an Instrument of transfer as in Form 'F'.

17. Tradability of Bonds: Bonds will be tradable on stock exchanges within a fortnight of the issuance.

18. Commission for distribution: Commission for distribution shall be paid at the rate of rupee one per hundred of the total subscription received by the receiving offices on the applications received and receiving offices shall share at least 50% of the commission so received with the agents or sub-agents for the business procured through them.

Investment by Foreign Portfolio Investors (FPI) in Government Securities

The limits for investment by FPIs in Govt. securities were last increased in terms of Medium Term Framework (MTF) announced on 30.09.16. The limits for the quarter April-June 2017 are proposed to be increased by RBI (31.03.17) by Rs. 110 billion and Rs. 60 billion respectively, as under:

Central Govt. Securities: [Rs.Billion – fig in ( ) existing limit]

(a) For all FPIs-General Category	: 1565 (1520)
(b) Additional for long term FPIs	: 745 (680)
Total	: 2310 (2200)

State Development Loans : [Rs.Billion–fig in ( ) existing limit]

(a) For all FPIs including long term FPIs	: 270 (210)
Aggregate	: 2580 (2410)

The revised limits will be effective from April 1, 2017.

The limits for the long term investors remaining unutilized at the end of March 2017 will be released for investment under the general category in April 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).

Compilation : Manjot Kaur Toor (Sydney - Australia) (Source RBI website).

- **EPFO ISSUES GUIDELINES ON RETIREMENT CORPUS OF FOREIGN WORKERS:** Providing significant relief to International Employees of Multinational Firms working in India, EPFO has issued guidelines that would allow lump-sum withdrawal of retirement savings, once their employment in the country comes so an end. The facility will be available only to workers from establishments in countries that have a "Social Security Agreements" (SCA) with India. At present, India has operational SSAs with 17 countries including Canada, France, Japan. Till now, there was no special provision for foreign workers, who had to wait until they retire at the age of 58 Years to withdraw their money.
- **GOVT. CLARIFICATION ON MIMNIMUM BALANCE IN BANK ACCOUNTS:** The Government has clarified that the banks can impose penal charges for not keeping minimum balance in accounts but the levy should be "reasonable" and not out of line with the average cost of providing these services. As per the RBI Guidelines, banks should inform at least one month in advance existing account holders about any change in the prescribed minimum balance and charges that may be levied.
- **MASALA BONDS TO RAISE FUNDS BY MANY COMPANIES:** Many companies including Special Purpose Vehicles (SPVs) are seeking to raise funds through "Masala Bonds". Masala Bonds are rupee-denominated bonds raised in overseas markets. The funds raised are repaid in Indian Currency, thereby, ensuring that the bonds do not require currency hedge. In case of dollar or other offerings, a company has to take care of forward hedging cost and related issues. As per depositories' data from July16 to Jan17, such Bonds aggregating Rs.16500 Cr were raised.
- **SBI TO CHARGE HIGHER SERVICE CHARGES FROM APRIL1:** State Bank of India will charge higher service charges from the customers from April1, 2017. Own-Bank ATM charges have been doubled from Rs.5 to Rs.10 after mandatory free use. If cash deposit exceeds Rs.1 Lakh in a month in savings account, Rs.1.25 per Rs.1000 will be charged. Rs.50 per bundle will be recovered as cash handling charges for small denomination notes. Debit card charges of Rs.30 per quarter will be levied where the average balance is less than Rs.15, 000. Further, charges will be levied if stipulated minimum balance is not maintained in savings account by the customers.
- **IBBI ISSUES NORMS FOR CORPORATE VOLUNTRY

Financial Events

LIQUIDATION:** The Insolvency and Bankruptcy Board of India (IBBI) has issued regulations pertaining to the voluntary liquidation process for corporate persons. The regulation, which came into effect on April 1, 2017,lays down the process from initiation of voluntary liquidation of a corporate person till its dissolution. The regulations prohibit an insolvency professional from acting as a liquidator for a corporate person if he is not independent of the corporate person. As per the norms, a liquidator has to preserve a physical or an electronic copy of the reports, registers and books of accounts for at least 8 years after the dissolution of the corporate person , either with himself or with an information utility.
- **NPCI TIGHTENS RULES FOR BANKS LOOKING TO ADOPT UPI:** National Payments Corporation of India (NPCI) which launched UPI last year is being extra cautious about going live with smaller banks after the Rs.25 Crore fraud at Bank of Maharashtra (BOM) on February 22. BOM fraud occurred due to a bug in its UPI application. NPCI is investing heavily on cyber security and making the UPI more secure. The corporation spends about Rs.50 Crore annually on cyber security. The Corporation has now said that so far, about 44 leading banks are on UPI and in future, they will not allow banks to join UPI unless they have thorough reconciliation process or have been audited by the best of auditors.
- **SEBI EASES DISCLOSURE NORMS FOR RATING AGENCIES:** To safeguard investor interest, SEBI asked Credit Rating

Agencies (CRAs) to give a 30 days' notice before withdrawal of ratings in case of open-ended mutual funds. SEBI said that withdrawal of rating is permitted in case of open-ended mutual fund schemes, being perpetual in nature and having no specified maturity. Besides such facilities are allowed in bank loans. However, as units of such schemes are held by many investors, such ratings shall be placed on notice of withdrawal for at least 30 days.

- **GOVT. PLANS TO CHANGE SECURITY MARKS OF BANK NOTES:** To check counterfeiting, the government plans to change security features of higher-denomination of bank notes of Rs.2000 and Rs.500 every 3-4 years in accordance with global standards. The move comes in the wake of recovery of large amount of fake Indian currency notes in the four months after demonetisation. Most of the developed countries change security features of their currency notes every 3-4 years and it is absolutely necessary for India to follow this policy.
- **SALARY HIKES OF RBI GOVERNOR AND HIS DEPUTIES:** RBI Governor and his deputies have got a pay hikes with the Government approval for more than doubling their basic salary to Rs.2.5 Lakh and Rs.2. 25 Lakh respectively. The basic pay of the governor and deputy governors have been revised retrospectively with effect from January 1, 2016 and marks a huge jump from Rs.90, 000 basic pay so far drawn by the governor and Rs.80, 000 for his deputies.
- **BBB SUGGESTS RULES ON HIRING OF PSB CHIEFS:** Bank Board Bureau (BBB) has proposed fresh provisions for hiring of directors at public sector banks. There is limited talent pool available on state run bank boards, hence, BBB has recommended to make a pool of talented people who could sit on multiple boards. The Bureau has also recommended for limiting a director's tenure to a maximum of two years.
- **SUPREME COURT RULING ON SEBI CIRCULARS:** (Case- SEBI Vs. National Depository Services Ltd.) The Supreme Court has ruled that the circulars issued by SEBI can not be challenged before the Securities and Appellate Tribunal (SAT). The Apex court said that the circulars, which could be administrative orders, were not necessarily quasi-judicial and hence could not be appealed in SAT.
- **NITI AaYOG PUSHES FOR LOWER MDR:** NITI Aayog has expressed its reservations over the merchant discount rate (MDR) proposed by RBI, saying that these are too high and will act as a dampener on the massive digital transaction drive underway in the country in the aftermath demonetisation. NITI Aayog has clearly stated that it does not support any charge on transactions made using the Aadhar-enabled payment system, while low or no charges should be imposed on debit card transactions as there are no risks involved.
- **RBI PROPOSES WHOLESALE, LONG-TERM FINANCE BANKS:** RBI proposed to float wholesale and long term finance (WLTF) banks that would fund long term high value projects-something similar to the Development Finance Institutions of the past. The minimum capital required for the bank would be Rs.1000 Crore, considering these banks would be very large institutions, ab initio, to take on large exposure to industrial, commercial and infrastructure sector. These banks will focus primarily on lending to infrastructure sector and corporate businesses.
- **FINMIN FOR WAGE REVISION OF PSBs:** The Finance Ministry has asked the Heads of Public Sector Banks (PSBs) to finalise the modalities for timely implementation of the next pay revision from November. There are 21 public sector banks, post merger of six lenders with SBI in the country. They together employ about 8 lakh employees. The Finance Ministry has urged the CEOs and MDs of the banks for finalizing the wage revision within the time frame.
- **FINMIN TO SET UP DEBT MANAGEMENT AGENCY:** The Finance Ministry is to set up a full-fledged independent public debt management agency by the end of the next year to manage government borrowings programme which runs into lakhs of Crore. At present, the government debt, including market borrowings, is managed by RBI. As an interim arrangement, the government last year, set up Public Debt Management Cell in RBI. The aim of setting up the agency is to resolve issues relating to conflict of interest as RBI decides on the key interest rates as well as undertakes buying and selling of government bonds.
- **IFSC OF SBI ASSOCIARES TO CHANGE:** The Indian Financial System Code (IFSC) of all associate banks that merged with State Bank of India are likely to change from the second quarter of 2017-18. For now, the IFCs will remain the same as they are. Post merger, there will be no change in the way, a corporate internet banking customer of an associate bank would log into its existing account. The corporate can directly log into OnlineSBI.com with the existing credentials

of its associate bank. This would mean that despite the websites of the associate banks getting disabled from April-1, the internet banking facility for coporates will continue.

- **GOVT. TO RELEASE JOBS DATA EVERY QUARTER:** The Centre will undertake periodic labour surveys so as to arrive at quarterly employment data . The quarterly Employment and Unemployment Data will be available from 2017-18. The bill seeks to amend the existing collection of Statistics Act 2008, which facilitates collection of statistics on economic, demographic, social, scientific and environmental aspects by central ministries, departments or at the level of states, union territories or local governments. The old Act does not empower any person to coordinate and supervise statistical activities. The new Bill seeks to extend old Act to J&K.
- **FINMIN SETS UP PANEL ON VIRTUAL CURRENCIES:** The Finance Ministry has constituted an inter-disciplinary committee to examine the existing framework for virtual currencies, including bitcoins. The committee is to be chaired by Special Secretary (Economic Affairs) and will submit its report within 3 months. The committee will take stock of the present status of virtual currencies, both in India as well as abroad. It will also examine the existing global regulatory and legal structures governing virtual currencies and suggest measures for dealing with issues such as consumer protection and money laundering. RBI had already cautioned the users, holders and traders of virtual currencies, including bitcoins, about the potential financial, operational, legal, customer protection and security-related risks.
- **SEBI TO COMPANIES TO APPOINT IPO FUND MONITOR:** SEBI plans to make it mandatory for companies raising less than Rs.500 Crore through IPO to appoint a monitoring agency to keep track of the use of funds. At present, only companies with an issue size of over Rs.500 Crore have to appoint a monitoring agency. The bankers to the issue usually act as the monitoring agency and provide up-to-date information about how the money has been used by the company. The proposal to make it compulsory for all companies comes after SEBI noticed a mismatch between the stated purpose of the IPO and its end use.
- **APEX CONSUMER COMMISSION RULING ON FRAUDULENT CONCEALMENT:** (Case- Rekhaben vs. Aviva Life) The National Consumer Disputes Redressal Commission asked the Insurance Company Aviva Life to pay Rs.15 Lakh to the kin of a man whose claim was rejected because non-disclosure of other insurance policies can not be considered as fraudulent concealment.
- **BANKRUPTCY BOARD ADMITS BANKRUPTCY CASES:** The Government in October formed the Insolvency and Bankruptcy Board of India (IBBI) and since then it has received 170 applications for declaring the entities bankrupt. Of these applications, 30 have been admitted and 30 rejected or withdrawn. As part of the process, insolvency resolution professionals will be in charge of these companies until a final resolution is reached. Subsequently, as directed by the National Corporate Law Tribunal, the lenders would require to submit proof of the default claims against these sick units and defaulters to insolvency resolution professionals.
- **SUPREME COURT VERSION ON INTERNATIONAL ARBITRATION:** Supreme Court has said that the third arbitrator in any international rift involving a foreign company should always be from a neutral country for a sense of fairness and to promote India as an arbitrator hub.
- **PM UNVEILED TWO SCHEMES ON BHIM APP:** Prime Minister unveiled two schemes to incentivize digital transactions on the BHIM App., terming the DigiDhan movement a mission to fight corruption. The Bhim Cashback and Referral Bonus Schemes have been given a 6-month outlay of Rs.495 Crore. Under the Referral Bonus Scheme, both existing users who refer the BHIM App and new users will get a cash bonus, which will be credited to their bank account. The Cashback

Scheme provides merchants a Cashback for every transaction made on BHIM. The existing Lucky Grahak Yojana and DigiDhan Vyapar Yojana have come to an end 100 days after their launch.

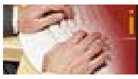
- **WORLD BANK SANCTIONS LOAN FOR INDIA'S FIRST WATERWAY PROJECT:** The World Bank has approved a $375-million loan to India's First Waterway Project. The National Waterway 1 Project is to create a water transport fairway on a 1360-km stretch of the Ganga river between Varanasi and Haldia. NW 1 passes through one of India's most densely populated areas and a sizeable 40% of the country's traded goods either originate from this resource-rich region or are destined for its markets. The loan of World Bank has a seven year grace period and a maturity period of 17 years.
- **HIGH COURT RULING ON BANKER'S GRATUITY:** (Case-Nannubhai Desai vs. UCO Bank) Bombay High Court ordered payment of gratuity to a bank employee who was prematurely terminated 20 years ago, alleging financial irregularities.. The Court noted that the bank had not issued a show-cause notice to the employee, it had not proved the extent of financial loss and no criminal or civil suit had been filed against him. The court also noted that the Payment of Gratuity Act is a welfare legislation and the employer is not empowered to forfeit gratuity.
- **GOVT. REDRAWING RULES FOR POOR HOUSEHOLDS:** The Government is redrawing a Micro-Credit Programme to help pull rural households out of poverty. The proposal is to lend up to Rs.1 Lakh per family in the next three-five years, with the loans coming collateral-free and with subsidised interest rates. The government wants to double bank linkages to lend Rs.60, 000 Crore per year for creation of livelihood for deprived rural households by 2019. The aim is to reduce their dependence on local money lenders and micro finance companies who charge usurious interest rates as against 11% by banks. Under the new proposal, the interest burden on the borrower is much lower due to subvention.
- **CENTRE ALLOWS INDIAN FIRMS TO MERGE WITH FOREIGN COMPANIES:** Paving the way for a broader merger and acquisition (M&A) landscape, the Centre has allowed Indian companies to merge with companies abroad. However, such outbound mergers will be allowed only with the prior approval of RBI. Further the Ministry of Corporate Affairs has also reaffirmed the existing legal position of allowing foreign companies to merge with Indian firms through a scheme of arrangement (Inbound mergers).
- **GOVT. TOLD COS. FOR GEO-LOCATION OF TANGIBLE ASSETS:** The Government has told that the Corporate India will have to furnish the geo-location data of tangible assets appearing on the balance sheets, with the government seeking to establish stringent norms for verifying the details of properties recorded with the registrar as "Charges" for a company. A charge is interest created on a company's assets that have been put up as security or are mortgaged. Revising the disclosure standards, the Ministry of Corporate Affairs has told companies that supplying the latitude and longitude of their tangible assets is now mandatory.
- **SEBI TO ASSIST BANKS TO TACKLE BAD LOANS:** Banks and Infrastructure Finance Institutions will receive assistance from SEBI in their fight against bad loans. Going ahead, lenders may not be required to observe the six-month lock-in for shares acquired through preferential allotment. Also, the condition that renders a lender ineligible if it has bought shares of the company in the previous six months is also likely to be waived. The move will ensure easier and faster liquidation of assets acquired by banks through Corporate Debt Restructuring (CDR) or any other type of restructuring.
- **PM FOR CHANGE IN FINANCIAL YEAR REFORM:** After advancing the budget, the Prime Minister has asked the States to take initiatives on another crucial reform-Change in Financial year to January-December. A Panel headed by Shankar Acharya to examine change in financial year has already given his report to the government. India follows April-March as financial year though globally calendar year is financial year. PM has urged the states to seriously take initiatives for advancing the financial year from January to December.
- **NITI AaYOG UNVEILD DRAFT 3-YEAR ACTION AGENDA:** NITI Aayog unveiled a new 3-year Action Plan Draft to replace the 5-year plans followed for over 6 decades. Vice-Chairman, Panagariya set out the new approach of the government envisaging a 15-year long term vision accompanied by a 7 year strategy and a 3-year action agenda. There were over 300 specific action points that had been identified concerning the whole gamut of sectors. It has been said that the period of the action agenda coincided with the period of the 14th Finance Commission's Award. This gives stability to the funding estimates of both Centre and States.

GENERAL AWARENESS

- International Advisory Board of Global Think-tank in which , Reliance Group Chairman Anil Ambani has been inducted- **Atlantic Council.**
- Bonds which the EXIM Bank of India is to issue after issuing Uridashi bonds (Japan) and Panda bonds (China)- **Formosa Bonds in Taiwan.**
- IRDAI imposed a penalty of Rs.20 lakh for various charges on : **ICICI Prudential life Insurance Company.**
- A New 12-sided £1 Coin, which went into circulation across the country and described by the UK's Royal Mint as- **World's Most Secure Coin.**
- Supreme Court banned the sale, registration of BS-III compliant Vehicles from April1, 2017**.**
- For the First time, India turned from a "Net Importer of Electricity" to- **Net Exporter of Electricity.**
- India to become the 3rd Largest Employer of Flexi-Staff by 2018 after- **US and China.**
- Scheme which the Govt. kickstarted by awarding 128 regional routes to 5 airlines- **Regional Air Connectivity Scheme.**
- A Simple ITR-1 form introduced for taxpayers with income of- **Rs.50 lakh and One Property**.
- Foreign Country whose President Park Geun-Hye arrested over Scandal- **South Korea.**
- State which topped in the country in installing 2190MW of Wind Power Capacity in 2016-17- **Andhra Pradesh.**
- After Merging Five Associate Banks and Bhartiya Mahila Bank, State Bank of India has entered in- **50 Global League.**
- New Digital Payment Initiative will be launched by PM, which aims to make banking accessible to people who could not read or write- **Aadhar Pay.**
- Bob Dylan received **2016 Noble Prize for Literature,** in ceremony at Stockholm.
- April Fool Marchers in New York elected **Donald Trump** as their King**.**
- Centre has notified the constitution of- **National Board of Electric Mobility.**
- Indian Institute of Science in Bangalore topped the "Overall" and "Universities" Category in the Country- **Annual National Rankings by HRD Ministry.**
- Delhi University's Miranda House has been adjudged the Best College in the Country in **Annual National Rankings.**
- BP Kanungo, presently holding the position of RBI's ED, took over as **Deputy Governor of RBI**.
- Bank which has offered the "DigiLocker" facility to the depositors- **ICICI Bank.**
- Delhi's Connaught Place has been ranked – **World's 9th Most Costly Office Location.**
- State which is to host annual meeting of African Development Bank- **Gujarat.**
- Priyanka Chopra has been adjudged as- **2nd Most Beautiful Woman in the World.**
- Kishore Kharat, presently working as MD & CEO of IDBI Bank, assumed the charge as- **MD&CEO of Indian Bank.**
- The Aditya Birla Group has received licence from RBI to start- **Payment Bank.**
- Requirement to quote Aadhar number in IT Returns and in the Pan Card, not applicable to- **Individuals who are not resident.**
- Regulatory Body, which has got the nod of the Union Cabinet- **Railway Development Authority.**
- Virat Kohli has been named, adding another feather to his abundantly decorated cap- **Wisden's Leading Cricketer in World for 2016.**
- Scheme which fetches Rs.4600

Crore which is about 10% of the previous Income Declaration Scheme- **Pradhan Mantri Garib Kalyan Yojana.**

- Undertakings whose performance ratings has been downgraded in 2015-16 from "Excellent" in 2014-15- **Central Public Sector Enterprises.**
- India has jumped 12 places to 40 Globally in Travel & Tourism Competitiveness List compiled by- **World Economic Forum.**
- India has been ranked 9th among 41 Countries in bribery and corrupt practices in businesses as per list compiled by- **EMEIA Fraud Survey 2017.**
- Index which has gone up to an all time high of 64.1 during the fourth quarter of 2016-17 as against 56.5 recorded in the previous quarter- **CII Business Confidence Index.**
- Indian-Origin Dame Asha Khemka, Principal and CEO of West Nottinghamshire College won- **Business-Woman of Year Award**.
- Contract System which Indian Railways launched for its entire supply chain in all zones in the country- **Digital Contract System.**
- Bollywood Actor Akshay Kumar won for his Film "Rustam"- **National Films Award.**
- Application through which EPFO Members will soon be able to settle their claims- **Mobile Application UMANG.**
- Schemes which have been reduced to 28 from 66 by the Govt.- **Centrally Sponsored Schemes.**
- World's Most Popular Social Networks- **Facebook.**
- Accounts of those individuals would be blocked who do not provide Self-certification by April 30 to comply with provisions of-**Foreign Account Tax Compliance Act.**
- Trophy which has been won at the National Level Round of the "RBI Policy Challenge" organized by RBI- **Madras School of Economics Team.**
- This is the first time that Coalition has ranked banks on transaction banking and World's No. "One" Transaction Bank is- **CITI Bank.**
- E-Tailer, which has received RBI's approval for e-wallet- **Amazon India.**
- India fares poorly and ranks 31 on the list of 32 countries, prepared by Consultancy KMPG International- **Global Transparency in Healthcare Systems.**
- Govt.'s Flagship Scheme under which loans in 2016-17 crossed the target of Rs.180, 000 Crore to touch Rs.180, 087 Crore- **Pradhan Mantri Mudra Yojana.**
- Issue under which Saudi Arbia raised $9 billion in its- **First Global Islamic Bond Issue.**
- About 40 million subscribers of the EPFO will get 8.65% interest on their- **Provident Fund Deposits**.
- Two Digital Schemes which have been discontinued 100 days after their launch- **Lucky Grahak Yojana and DigiDhan Vyapar Yojana.**
- After Demonetisation, GNFC's Township at Bharuch in Gujarat became- **India's First 100% Cashless Township.**
- State which has decided not to waive Farm Loans but to give other soaps to farmers-**Maharashtra State.**
- Mobile Wallet Company which has rolled out a "Food Wallet" to replace the traditional meal voucher and provide tax-saving opportunities to corporate employees- **Paytm.**
- The Second Forbes "30 Under 30" Asia List 2017 features 300 Impressive Young Entrepreneurs which includes- **India with 53 Second only to China.**
- Growth forecast retained at 7.2% and India pegged to be the Fastest Growing Economy in the World in 2017-18- **IMF Report.**
- Country whose Prime Minister announced Snap General Election on June 8 in 2017 instead of 2020 to have grip on power post Brexit- **British PM Theresa.**
- India has jumped one spot to rank 8th in 2017- **Global FDI Confidence Index.**
- From May 1, there will be no blaring sirens and flashing of red or blue lights on VIP vehicles across the country including President, PM, barring- **Emergency Services.**
- Mega Event which will be inaugurated by PM, showcasing the country as a Global Sourcing Hub- **Textile India Event.**
- Scheme under which China is set to allow some mid-sized banks to issue asset-backed securities with bad loans as underlying asset this year- **Bad Loan Securitisation Scheme.**
- UN Postal Administration is to issue a set of Stamps showing "10 Yoga Asans" to commemorate – **International Day of Yoga on June 21**.
- Au Financiers India, NBFC, which has converted itself into- **Small Finance Bank.**
- PM Modi and Vijay Shekhar Sharma, Paytm Founder were the only two Indians to make it to the – **Time's Annual List of 100 Most Influential People in the World.**
- China, to make further progress in ambitious country's Space Programme, launched its- **First Un-manned Cargo Spacecraft.**
- Country which ranks Asia's Best in attracting talent- **Singapore.**.
- Govt. asked states to display foodgrain subsidy charts at- **Fair Price Shops.**
- Commission which has asked the Insurance Companies to provide terms and conditions of a Policy to its customers along with the Policy Certificate to reduce litigation- **National Consumer Disputes Redressal Commission.**



MOCK-TEST PAPER

Questions based on Latest RBI Policy

01 For effective risk management, banks are required to appoint Chief Risk Officer, who can be appointed / transferred /removed only with permission of:

a Board of Directors
b Reserve Bank of India
c Ministry of Finance
d Risk Management Committee

02 Under Sovereign Gold Bond 2017-18 (series-1), what is the price fixed for the purpose of issue:

a Rs.2951 b Rs.2901
c Rs.2881 d Rs.2811

03 The Sovereign Gold Bond 2017-18 (series-1), have a maturity period of:

a 5 years b 6 years
c 7 years d 8 years

04 The denomination of Sovereign Gold Bond 2017-18 (series-1), is:

a one gram of gold
b two gram of gold
c five gram of gold
d ten gram of gold

05 The rate of interest offered on Sovereign Gold Bond 2017-18 (series-1) is:

a 2.5% pa payable annually
b 2.5% pa payable half-yearly
c 2.25% pa payable annually
d 2.25% pa payable half-yearly

06 Sovereign Gold Bond 2017-18 (series-1), the payment can be accepted in Indian Rupees through cash up to a maximum of ?

a Rs.10000 b Rs.20000
c Rs.25000 d Rs.50000

07 Which of the following statement is not corrected with regard to Sovereign Gold Bond 2017-18 (series-1)?

a the bonds can be accepted as collateral security for loan
b the loan to value ratio for loan is 80%
c the bonds can be traded on stock exchange
d the bonds are transferable.

08 Banks are required to make suitable disclosures in their balance sheet w.e.f. 31.03.17, wherever the additional provisioning requirements assessed by RBI exceed ____ percent of the published net profits after tax for the reference period.

a 5% b 10%
c 15% d 20%

09 Banks are required to make suitable disclosures in their balance sheet w.e.f. 31.03.17, wherever the additional Gross NPAs identified by RBI exceed ____ percent of the published incremental Gross NPAs for the reference period, or both.

a 5% b 10%
c 15% d 20%

10 Banks are to put in place a Board–approved policy for making provisions for standard assets at rates higher than the regulatory minimum, based on evaluation of risk and stress in various sectors. For this purpose, the policy shall require a review, at least on a _____ basis, of the performance of various sectors of the economy to which the bank has an exposure to evaluate the present and emerging risks and stress therein.

a monthly basis
b quarterly basis
c half-yearly basis
d annual basis

11 Banks can participate up to ____ % of the unit capital of Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) within the overall ceiling for direct investments in shares, convertible bonds/ debentures, units of equity-oriented mutual funds and exposures to Venture Capital Funds (VCFs) ?

a 10% b 15%
c 20% d 25%

12 A Bank's direct investment in shares, convertible bonds/ debentures, units of equity-oriented mutual funds and exposures to Venture Capital Funds (VCFs) can be up to ?

a 10% of its capital funds
b 10% of its net worth
c 20% of its capital funds
d 20% of its net worth

13 RBI can invoke Prompt Corrective Action, if the capital adequacy ratio + capital conservation buffer ratio, of a bank in India, falls below:

a 10.25% b 9.75%
c 8.50% d 7.75%

14 RBI can invoke Prompt Corrective Action, if the Common Equity Tier-1 ratio + capital conservation buffer ratio, of a bank in India, falls below:

a 10.25% b 9.75%
c 8.50% d 7.75%

15 RBI can invoke Prompt Corrective Action, if net NPA ratio of a bank crosses the following level ?

a 5% b 6%
c 8% d 9%

16 RBI can invoke Prompt Corrective Action, if a bank has shown negative return on assets for:
a one year
b two consecutive years
c three consecutive years
d four consecuitive years

17 RBI can invoke Prompt Corrective Action, if the Tier-1 leverage ratio of a bank, comes below:
a 4% b 3.5%
c 3% d 2.5%

18 As per Monetary Policy 2017-18 announced in April 2017, RBI decided to narrow the policy rate corridor around the policy repo rate to plus and minus _____ bps with immediate effect.
a 25 bps b 50 bps
c 75 bps d 100 bps

19 As per Monetary Policy 2017-18 announced in April 2017, RBI decided to stipulate a minimum net owned funds of Rs.____ crore for ARCs.
a 200 cr b 100 cr
c 50 cr d 25 cr

20 As per Monetary Policy 2017-18 announced in April 2017, RBI decided to reduce the settlement cycle of NEFT from hourly batch to half-hourly batch, thus increasing the batches from present ____ to ___ :
a 11 to 21 b 12 to 23
c 11 to 23 d 12 to 24

21 The return discipline under NEFT is settlement batch time plus ____ hours?
a half-hour
b one-hour
c two hours
d two and half hour

Recalled Questions

22 Tier II capital instruments such as Perpetual cumulative preference shares or Redeemable non-cumulative preference shares or redeemable cumulative preference shares are to be shown in ____ in the balance sheet:
a Schedule 3, for deposits
b Schedule 4, for borrowing
c Schedule 5, for other liabilities
d Schedule 9, for loans and advances

23 Banks have fixed the exposure norms for various banking transactions, say maximum loan against shares, maximum loan to a borrower etc. This is part of which of the following:
a risk management
b asset liability management
c selective credit control
d all the above

24 A power of attorney has been executed in UK and it is to be used in Mumbai. The time for payment of stamp duty is:
a within 3 months from date of entry into India
b within 3 months from date of its execution
c 3 months before the date when it is to used
d it is not a valid document and cannot be used

25 The loan account of the borrower has been showing overdue amount. The guarantor has some balance in his account. Whether it will be in order for the bank to exercise the right of setoff.
a bank can debit the account straightaway to recover the amount as liability of guarantor is similar to the borrower
b bank can debit the account if the loan has been recalled from the guarantor and notice of set off has been given
c bank can debit the account if the loan has been recalled from the guarantor and borrower and notice of set off has been given to both of them
d the account is not in the same name and capacity. Hence debit cannot be made.

26 ____ is the risk of loss arising from those contracts which are not legally enforceable or documented correctly:
a liquidity risk
b operational risk
c reputation risk
d legal risk

27 A solicitor is having two accounts with the bank. One in personal name and other in clients name. One Cheque is presented in 'clearing' in clients account. In the meantime, garnishi order is served on the solicitors' account. Whether Bank will pay this cheque presented in the clearing.
a cheque will not be paid, as it is presented after receipt of the order
b cheque will be paid, as account is in the same name
c cheque will be paid as order is in his personal name
d cheque will be paid, since it relates to client account, which the solicitor has opened in fiduciary capacity.

28 What are the operating hours of NEFT:
a normal day 8 am to 5 pm and Saturday 8 am to 1 pm
b normal day 8 am to 7 pm and Saturday 8 am to 7 pm
c normal day 9 am to 5 pm and Saturday 9 am to 12 noon
d normal day 9 am to 7 pm and Saturday 9 am to 12 noon

29 As per RBI guidelines, a

borrower can obtain his credit report from a Credit Information Company:

a once in a period of two year

b once in a period of one year (April to March)

c once in a period of one year (January to December)

d twice in a period of one year (April to March)

30 Mr. D is having one overdraft account with us. He is also having three other accounts with us, (namely) his personal SB Account, Joint account with his wife and one u/gship account with his son. Bank can use right of set off in which of these accounts.

a right is available for all the three accounts

b right available in the joint account and SB account

c right available in u/gship account and personal SB account

d right available in u/gship account and joint account

e right available in personal SB account

31 In which of the following deposit accounts, the interest payment is subject to TDS:

a if interest on FDR payment exceeds Rs.10000 in a financial year

b if interest on RD exceeds Rs.10000 in a financial year

c any amount of interest payment, on NRO saving bank account

d all the above

32 Bank allowed an advance under KVI Sector. This will be classified as:

a micro enterprise irrespective of the amount of original investment in plant and machinery

b micro enterprise if the investment in plant and machinery is within the ceiling for micro enterprises

c small enterprise

d such advances are not priority sector advance

33 The banks can determine their actual lending rates on loans and advances with reference to:

a base rate

b marginal cost based lending rate

c benchmark prime lending rate

d bank rate

34 As per exposure ceiling guidelines of RBI, the maximum exposure for a company engaged in infrastructure activities is restricted to:

a 15% of paid up capital

b 15% of net worth

c 20% of net worth

d 20% of capital fund

35 As per Section 269-T of Income Tax, the cash payment of FDR can be made for an amount:

a up to Rs.20000 excluding interest

b up to Rs.20000 including interest

c less than Rs.20000 excluding interest

d less than Rs.20000 including interest

36 The term 'accrued' in financial parlance, means :

a what has been received or paid during a financial period

b what has become due for receipt or payment during a financial period

c what is outstanding for receipt or payment during a financial period

d what is due for receipt or payment during a financial period but not received or paid

37 A and B maintain a saving bank account as former or survivor. A requests bank to add the name of C. The bank:

a Should not accept the request

b Can accepts the request because he is responsible for the operations in the account.

c In joint accounts bank should act on the request from both but here B has no right to operate the account.

d Bank can add if B also consents

e: a and d

38 As per Issuance of Non-Convertible Debentures (Reserve Bank) Directions, 2010, Non-Convertible Debenture (NCD) means a debt instrument issued by a corporate (including NBFCs) with maximum original or initial maturity ___ and issued by way of _____:

a up to one year, private placement
b up to 6 months, private placement
c up to one year, public issue
d up to one year, rights issue

39 The amount of education loan that can be classified as priority sector is restricted to ____:

a education in India Rs.20 and education abroad Rs.10 lac
b education in India Rs.10 and education abroad Rs.10 lac
c education in India Rs.10 and education abroad Rs.20 lac
d education in India Rs.20 and education abroad Rs.20 lac

40 B wants to nominate his wife and son for his saving bank account.

a Bank will accept the nomination as they are his family members
b Bank will accept if their share is decided before hand
c Bank will not accept as it is proposed to be made in favour of two persons
d a and b

41 A draft presented for payment through clearing is unsigned. The bank:

a Should not pay as it is not an operative instrument at all
b Will not pay the draft as there is risk
c bank to pay as bank has received the value
d a and b

42 While rescheduling the short term crop loan in case of crop loss, the banks may allow a maximum period of repayment of up to ____ years (including the moratorium period of 1 year) if the loss is between 33% and 50%.

a 1 year b 2 years
c 3 years d 5 years

43 The term apiculture stands for:

a Rearing of earth worm
b Rearing of honey bees
c Cultivation of mushroom
d Rearing of earth worm

44 X has proposed that in his deposit account one of the following should be accepted as a nominee. Which one of these will not be accepted

a a minor with age of only 5 year
b a senior citizen with age of 110 years
c a person who has recently been declared insolvent
d a trust, of whose X is a trustee

45 Which of the following risk has been included under provisions of Basel-2, while it was not included in Basel-1:

a settlement risk
b market risk
c credit risk
d none of these

46 In which of the following components, the total working capital fund based limit (called maximum permissible bank finance) is segregated in case of Loan System of Credit Delivery:

a cash credit and bills portion
b cash credit and term loan components
c cash credit and demand loan components
d bills portion and demand loan component

47 The business correspondent is :

a agent for the customer
b trustee for the bank
c agent of the bank
d creditor of the bank

48 Mismatched note is said to be that note:

a which is formed by joining a half note of one note to a half of anoth-er note
b which as alternation has been made
c which has been divided vertically near the centre
d a portion of which is missing

49 Loans granted by banks to distressed poor who have to prepay their debt to the informal sector against appropriate collateral or group security, can be classified by banks, in their books as:

a weaker section advance
b indirect finance to agriculture
c direct finance to agriculture
d self-help groups

SUBSCRIPTION FORM

Name:____

Address:____

____

____Pin __________

EMail Id________________________________Mobile:________________

DraftNo__________Date_________drawn on__________Bank, for Rs_____fvg *Banking & Management Academy.* **PERIOD** from ________ to________

(Old Subscn No. _______)

Answers

01 a	02 b	03 d	04 a	05 b
06 b	07 b	08 c	09 c	10 b
11 a	12 d	13 a	14 d	15 b
16 b	17 a	18 a	19 b	20 b
21 c	22 b	23 a	24 a	25 b
26 d	27 d	28 b	29 c	30 e
31 d	32 a	33 b	34 d	35 c
36 b	37 e	38 a	39 b	40 c
41 c	42 b	43 b	44 d	45 d
46 c	47 c	48 a	49 a	

Scheme for IFSC Banking Units by Indian Banks

(as modified till 10.04.2017)

Eligibility criteria: Indian public & private sector authorized dealer banks, can set up IBUs. Each bank can establish only one IBU in each IFSC.

Licensing: Banks need to obtain prior permission of RBI u/s 23 of Banking Regulation Act, 1949. For most regulatory purposes, an IBU will be treated on par with a foreign branch of an Indian bank.

Capital: The parent bank shall provide a minimum capital of US$ 20 million to its IBU, which is to be maintained on an on-going basis.

Reserve requirements: IBU are exempt from CRR and SLR requirements.

Resources and deployment: a) The sources including borrowing in foreign currency, will be persons not resident in India and overseas branches of Indian banks. b) The deployment can be with persons resident in India and persons not resident in India subject to provisions of FEMA, 1999.

Permissible activities of IBUs: The IBUs will be permitted to engage in the form

Prudential regulations

i. All prudential norms applicable to overseas branches of Indian banks would apply to IBUs including 90 days' payment delinquency norm for income recognition, asset classification and provisioning as applicable to Indian banks.

ii. The IBUs are to adopt RBIs' liquidity and interest rate risk management policies for overseas branches of Indian banks.

iii. The bank's board are to set overnight limits for each currency for IBUs.

iv. Exposure ceiling for IBUs shall be 5% for single borrower and 10% of parent bank's Tier 1 capital in the case of a borrower group.

Anti-Money Laundering measures: IBUs will follow KYC, CFT & other instructions. IBUs are prohibited from undertaking cash transactions.

Supervision: The IBUs will be regulated and supervised by RBI.

Reporting requirements: IBUs will furnish information relating to their operations which may be offsite reporting, audited financial statements.

Ring fencing the activities of IFSC Banking Units: IBUs can operate and maintain balance sheet only in foreign currency. IBU cannot deal in Indian Rupees except for having a Special Rupee account out of convertible fund to defray their administrative and statutory expenses, through Authorised Dealers (distinct from IBU). IBUs cannot participate in domestic call, notice, term, forex, money and other onshore markets & domestic payment systems.

IBUs shall maintain nostro accounts distinct from nostro accounts maintained by other branches of the same bank.

A financial institution or a branch of a financial institution including an IBU operating in an IFSC and permitted/recognised as such by Govt. of India or a Regulatory Authority, can maintain SNRRA with an AD bank in the domestic sector for administrative expenses in INR. These accounts must be funded by foreign currency remittances. They can make payments, permissible under FEMA regulations, from its SNRRA, in its capacity as a customer, by suitably instructing the domestic bank with whom the SNRRA is maintained.

Priority sector lending: The loans and advances of IBUs would not be reckoned as part of the Net Bank Credit of the parent bank.

Deposit insurance: IBU deposits are not covered by deposit insurance.

Lender of Last Resort (LOLR): No liquidity support or LOLR support will be available to IBUs from RBI.

Permissible activities of IBUs:

The IBUs can engage in a business u/s 6(1) of BR Act, as given below:

i. Transactions with resident (for deployment of funds) and non-resident (for both raising of resources and deployment of funds) entities other than individuals including HNIs / retail customers.

ii. Deal with WOS/JVs of Indian companies registered abroad.

iii. IBUs' liabilities only with original maturity period greater than one year. IBUs must maintain LCR as applicable to Indian banks. NSFR will also be applicable to IBUs.

iv. IBUs can open only foreign currency current accounts of units operating in IFSCs and of non-resident institutional investors. IBUs cannot raise liabilities from retail customers including high net worth individuals (HNIs). No cheque facility will be available for holders of current accounts. All transactions must be undertaken via bank transfers.

v. Can undertake factoring / forfaiting of export receivables.

vi. Can undertake derivative transactions including structured products that the banks operating in India have been allowed to undertake.

vii. Can open foreign currency escrow account of Indian resident entities to temporally hold subscriptions to the GDR/ ADR issues until issuance of the Receipts.

ix. Can act as underwriter / arranger of Indian Rupee (INR) denominated overseas bonds issued by Indian entities in overseas market. After 6 months of the issue date these holdings must not exceed 5% of the issue size.

Role of Chief Risk Officer (CRO) in Banks

As part of effective risk management, banks are required, inter-alia, to have a system of separation of credit risk management function from the credit sanction process. RBI observed that the banks follow diverse practices in this regard.

In order to bring uniformity in approach followed by banks, as also, to align the risk management system with the best practices, banks have been advised by RBI (April 27, 2017(as under:

1. They shall lay down a Board-approved policy clearly defining the role and responsibilities of the CRO.

2. Appointment of the CRO shall be for a fixed tenure with the approval of the Board of Directors of the banks. The CRO may be transferred/ removed from his post before completion of the tenure only with the approval of the Board and such premature transfer/removal shall be reported to the Department of Banking Supervision, Reserve Bank of India, Mumbai. In case of listed banks, any change in incumbency of CRO shall be reported to the stock exchanges also.

3. CRO shall be a senior official in the banks' hierarchy and shall have the necessary and adequate professional qualification/experience in the areas of risk management.

4. The CRO shall have direct reporting lines to the MD & CEO / Risk Management Committee (RMC) of the Board. In case the CRO reports to the MD & CEO, the RMC shall meet the CRO on one-to-one basis, without the presence of the MD & CEO, at least on a quarterly basis.

5. The CRO shall not have any reporting relationship with the business verticals of the bank and shall not be given any business targets.

6. In case the CRO is associated with the credit sanction process, it shall be clearly enunciated whether the CRO's role would be that of an adviser or a decision maker. The policy shall include the necessary safeguards to ensure the independence of the CRO.

7. In banks that follow committee approach in credit sanction process for high value proposals, if the CRO is one of the decision makers in the credit sanction process, he shall have voting power and all members who are part of the credit sanction process, shall individually and severally be liable for all the aspects, including risk perspective related to the credit proposal. If the CRO is not a part of the credit sanction process, his role will be limited to that of an adviser.

8. In banks which do not follow committee approach for sanction of high value credits, the CRO can only be an adviser in the sanction process and shall not have any sanctioning power.

9. The CRO in his role as an adviser shall be an invitee to the credit sanction/approval committee without any voting rights in the proceedings of the committee.

10. There shall not be any 'dual hatting' i.e. the CRO shall not be given the responsibility of Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief of the internal audit function or any other function.

DATA COLUMN

Business of Banks

(Rs.in cr)	Mar31'17	Apr14'17
Aggregate deposits	10805150	10591720
Cash in hand/RBI	570490	481490
Investments	3043660	3173480
Bank Credit:	7881890	7631500
-Food	53930	48540
-Non-Food	7827960	7582960
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	Apr14'17
M3 (Out of which)	12839080	12682860
(a) Currency with public	1263770	1328950
(b) Demand deposits-Banks	1409540	1210450
(c) Time Deposits - Banks	10144680	10122180
(d) Other deposits with RBI	21090	21280

Sources of Money Supply

(a) Net Bank credit to Govt	3869430	4089690
(b) Bank credit to Comrcl sector	8451790	8196600
(c) Net Forex assets of Banks	2492010	2473400

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-Mar16	Mar17
Dollar-spot TT (Rs.)	66.32	64.42
BSE - Sensex (points)	25607	29868
NSE - Nifty(S&P CNX)	7850	9314
Foreign reserves (Million $)	361601	371138
Gold /Oz in USD)	1252	1264

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

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