

Banking events Update

Money Market Special Issue



Those who win, are those, who think they can

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**BANKING
POLICY****Issue of LC & BG by RBI**

As per circular dated Mar 28, 2012, procedure relating to Letter of Credit (LC) was circulated.

A review has been undertaken by RBI on the entire gamut of letter of credit / bank guarantee (LC/BG) transactions. RBI decided (03.08.17) that it will continue not to issue LCs on behalf of government and will not act as an issuing or advising bank for govt. as far as transactions related to BGs are concerned.

The government department concerned would be directly taking up the matter with any commercial bank identified by them and all matters concerned with the issuances of LC should be dealt with by the government and the commercial banks, without involving RBI. As LC/BG business is not part of agency banking, government can choose any commercial bank for this purpose. The role of RBI is strictly limited to reimbursement of payments made by the banks for such LCs/BGs on behalf of the government, after satisfying itself with the debit mandate given by the government. Further, RBI may not issue any letter advising / recommending opening of LC/BG to the commercial banks on behalf of government department.

Core Banking Solution (CBS) Requirements for Urban Co-operative Banks (UCBs)

As per circular dated 13.04.16, RBI had circulated Scheme for providing financial assistance to urban co-operative banks for implementation of Core Banking Solution (CBS).

As stated therein, a document dealing with the functional and technical requirements for Core Banking Solution in Urban Co-operative Banks has been prepared by the Institute for Development and Research in Banking Technology (IDRBT) in consultation with the Reserve Bank. The document can be accessed at the IDRBT website.

The document is expected to serve as a reference material for implementing and improving CBS in the banks.

Eligible Credit Rating Agencies- Rating of NBFC-FD by Infomeric Valuation and Rating Private Limited (IVRPL)

As per Master Direction dated 25.08.16, the names of six approved Credit Rating Agencies and their minimum investment grade credit ratings have been listed. RBI decided on 14.07.17, that NBFCs can also use the ratings of Infomeric Valuation and Rating Private Limited for rating the fixed deposit portfolios of NBFCs with IVR BBB as the minimum investment grade credit rating.

Risk Management and Interbank Dealings- Reports to the Reserve Bank

In terms RBI circular dated July 05, 2016, the Head/Principal Office of AD Category-I banks are required to submit a statement in form BAL giving details of their holdings of all foreign currencies on fortnightly basis through Online Returns Filing System (ORFS) within seven calendar days from the close of the reporting period to which it relates.

RBI decided (on 10.08.17) that w.e.f. August 16, 2017 (i.e. for the statement of first fortnight of August 2017), this statement may be submitted through the web portal at <https://bop.rbi.org.in> as per prescribed format.

Head/Principal Office of AD Cat-I banks earlier required to submit a monthly statement of Nostro/Vostro account balances are to discontinue this report.

Natural Calamities Portal – Monthly Reporting System

RBI has developed a dedicated portal (<https://dbie.rbi.org.in/DCP/>) for collection and compilation of data on natural calamities on a real time basis through a centralized system.

The portal provides facility of uploading data files related to relief measures extended by banks and notifications issued by State Governments with regard to natural calamities. The portal has gone live on July 20, 2017.

RBI requested (03.08.17) SLBC / banks to direct the concerned department to upload the actual data on relief measures extended during April - June 2017 immediately and thereafter from July 2017 onwards every month, by the 10th of the following month.

SLBC Convener Banks are to upload the notifications issued by State/District Authorities for declaration of natural calamities for which relief measures were implemented by SLBC/banks from April 2017 onwards. The subsequent notifications are to be uploaded as soon as the notifications are issued.

Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standard

In partial modification of extant guidelines, RBI decided (02.08.17) that Level 1 assets of banks would comprise of following. These assets can be included in the stock of liquid assets without any limit as also without applying any haircut:

- i. Cash including cash reserves in excess of required CRR.

i(a). For banks incorporated in India,

- Reserves held with foreign Central Banks in excess of reserve requirement, where a foreign sovereign has been assigned a 0% risk weight as per rating by an international rating agency.

(Central bank's reserves would include banks overnight deposits with central banks, and term deposits with the central banks that: (i) are explicitly and contractually repayable on notice from the depositing bank; or (ii) that constitute a loan against which the bank can borrow on a term or on an overnight basis but automatically renewable basis (only where the bank has existing deposit with the relevant central bank). Other term deposits with central banks are not eligible for the stock of HQLA. However, if the term expires within 30 days, the term deposits could be considered as an inflow).

• Reserves held with foreign Central Banks in excess of the reserve requirement, to the extent these balances cover the bank's stressed net cash outflows in that specific currency, in cases where a foreign sovereign has been assigned a non-0% risk weight as per rating by an international rating agency, but a 0% risk weight has been assigned at national discretion under Basel II Framework.

ii. Government securities in excess of the minimum SLR requirement.

iii. Within the mandatory SLR requirement, Government securities to the extent allowed by RBI, under Marginal Standing Facility (MSF). (Government securities to the extent of 2 per cent of NDTL may be included i.e. currently allowed under marginal standing facility (MSF).

iv. Marketable securities issued or guaranteed by foreign sovereigns satisfying all the following conditions:

(These securities will include only marketable securities which attract a 0% risk-weight in terms RBI Master Circular dated 01.07.13. In cases where a foreign sovereign has been assigned a non-0% risk weight as per rating by an international rating agency, but a 0% risk-weight has been assigned at national discretion under Basel II Framework, marketable securities issued or guaranteed by that foreign sovereign within its domestic jurisdiction will be allowed to the extent those securities cover a bank's stressed net cash outflows in that specific foreign currency stemming from the bank's operations in the jurisdiction where the bank's liquidity risk is being taken.)

(a) assigned a 0% risk weight under the Basel II standardized approach for credit risk;

(b) Traded in large, deep and active repo or cash markets characterised by a low level of concentration; and proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed conditions.

(c) not issued by a bank/FI/NBFC or any of its affiliated entities.

Issue of comprehensive Credit Information Reports

As per extant RBI directions, Credit Information Companies (CICs) are to include information on all accounts, both current and past, of a customer having multiple borrowings, in Credit Information Report (CIR).

RBI observed that some CICs are offering limited versions of CIRs to Credit Institutions (CIs) based on credit information available in specific modules such as commercial data, consumer data or MFI data. Accordingly, CICs are charging differential rates for such specific reports. As the limited versions of CIRs based on the credit information on a borrower available in a specific module capture only the credit information available in the particular module, the lenders may remain unaware of the entire credit history of the borrower, if any, available in other modules. This can adversely affect the quality of credit decisions of the CIs.

CICs have been directed by RBI (02.08.17) to ensure that the CIR in respect of a borrower, furnished to the CI, incorporates all the credit information available in all modules, e.g. consumer, commercial and MFI, etc., in respect of the borrower. ●

CORRESPONDENCE COURSE

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Based on latest trends of IBPS exam. A large no. of bankers already succeeded by using the course material. If unable to attend class room program, this is the best option.

Course Kit : The course kit include:

- (a) subject-wise basic study material,
- (b) assignment to improve retention
- (c) objective type practice exercise
- (d) recalled questions
- (e) mock test papers.

Fee : May differ from bank to bank. May be checked before remittance). Fee to be paid in advance.

How to enrol : To enrol, advise (a) name, (b) address for correspondence (c) Email address, (d) bank name, (e) scale for which appearing, (f) phone / Cell number and (f) details of subjects for the exam (relevant course material, other than internal bank guidelines shall be sent).

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Course Kit : The course kit include:

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- (c) objective type practice exercise
- (d) mock test papers.

Fee : Fee differs for different papers. Fee payable in advance, for which details may be obtained by calling 01722665623 .

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

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RBI Commercial Paper Directions 2017

On 10.08.17, RBI issued the RBI Commercial Paper Directions 2017.

According to these directions, the Commercial Paper' (CP) is an unsecured money market instrument issued in the form of a promissory note.

Who can issue:

a. Companies, including Non-Banking Finance Companies (NBFCs) and All India Financial Institutions (AIFIs) subject to the condition that any fund-based facility availed of from bank(s) and/or financial institutions is classified as a standard asset by all financing banks/institutions at the time of issue.

b. Other entities like co-operative societies/unions, government entities, trusts, limited liability partnerships and any other body corporate, having presence in India, with a net worth of Rs. 100 crore or higher.

Eligible Investors:

1. All residents, and non-residents. No person can invest in CPs issued by related parties either in the primary or secondary market.

2. Investment by regulated financial sector entities (such as banks) will be subject to such conditions as the concerned regulator may impose.

Maturity period : The original tenor of a CP shall be between seven days to one year.

Form

1. A CP shall be issued in the form of a promissory note and held in a dematerialized form through any of the depositories approved by and registered with SEBI.

2. A CP shall be issued in minimum denomination of Rs.5 lakh and multiples thereof.

3. A CP shall be issued at a discount to face value.

4. No issuer shall have the issue of a CP underwritten or co-accepted.

5. Options (call/put) are not permitted on a CP.

Rating Requirement

If total CP issuance during a calendar year is Rs.1000 crore or more, the issuer shall obtain credit rating from at least two Credit Rating Agencies (CRAs) registered with SEBI and should adopt the lower of the two ratings. Where both ratings are same, issuance shall be for the lower of the two amounts for which ratings are obtained. The minimum credit rating shall be 'A3' as per rating symbol and definition prescribed by SEBI.

Credit Enhancement

1. A CP shall be issued as a 'stand-alone' product.

2. Banks and FIs may choose to provide stand-by assistance/credit, back-stop facility etc. by way of credit enhancement for a CP issue.

3. Non-bank entities (including corporates) may provide unconditional and irrevocable guarantee for credit enhancement for CP issue provided the offer document for CP properly discloses the net worth of the guarantor company, the names of the companies to which the guarantor has issued similar guarantees, the extent of the guarantees offered by the guarantor company, and the conditions under which the guarantee will be invoked.

Secondary market trading and settlement of CP

1. All OTC trades in CP shall be reported within 15 minutes of the trade to the Financial Market Trade Reporting and Confirmation Platform ("F-TRAC") of Clearcorp Dealing System (India) Ltd.

2. Settlement cycle for OTC trades shall be T+0 or T+1.

3. OTC trades in a CP shall be settled through the clearing corporation of any recognized stock exchange or any other mechanism approved by RBI.

Buyback of CP

1. The buyback of a CP, in full or part, shall be at the prevailing market price.

2. The buyback offer should be extended to all investors in the CP issue. The terms of the buyback should be identical for all investors in the issue.

3. The buyback offer may not be made before 30 days from the date of issue.

4. CPs bought back shall stand extinguished.

Duties of the Issuer

1. Appoint an IPA for issuance of a CP.

2. Comply with all relevant requirements under these directions and furnish a declaration in this regard to IPA.

3. Ensure that the proceeds from CP issues are for declared end uses.

4. Furnish the board resolution authorizing the company to borrow through issuance of a CP to the IPA.

5. Keep the bank(s) from whom it has outstanding fund or non-fund based credit facility(ies) informed of its market borrowings, including through CPs, latest by the end of the month in which a CP was issued.

6. Arrange for crediting the CP to the demat account of the investor with the depository through the IPA within 7 days of issue.

7. Route all subscriptions/redemptions/buybacks/ payments and default details through the IPA.

8. Make disclosures in the offer document.

9. Submit a certificate from the CEO/CFO to the concerned IPAs on quarterly basis that CP proceeds are used for disclosed purposes, and certifying adherence to other conditions of the offer document and the CP directions. The certificate may be provided within 15 days from the close of the quarter.

10. Inform the CRA and IPA on the same day about any default/delay in CP related payments.

11. The issuer who has defaulted on a CP shall not be allowed to access the CP market for six months from the date of repayment of the defaulted obligation.

Duties of Issuing and Paying Agent (IPA) :

The IPA for a CP issuance shall

1. Ensure that borrower is authorised to borrow through CPs.
2. Verify all information disclosed in the offer document before issuance.
3. Verify all documents submitted by the issuer and ensure that they are in order and issue a certificate to this effect.
4. Make available the IPA certificate in electronic form on the website of the depositories for the CPs. IPAs are encouraged to shift to issue of digital signature certificates.
5. Verify and hold certified copies of original documents and/or digitally signed documents in its custody.
6. Report the details of issuance of a CP, or its buyback and instances of default on the F-TRAC platform (after these functionalities are made operational), by close of business hours, of the day of issuance, buyback or default as the case may be. Until CCIL advises full operationalisation of F-TRAC, the current reporting arrangements shall continue.

Duties of Credit Rating Agency (CRA)

1. A CRA must act responsibly in rating CP issuances and continuously monitor the rating assigned to an issue and disseminate rating revisions, if any, to public through its publications and on its website.

A CRA must publicly disseminate the ratings of the CP and any subsequent change in the ratings, on the date of rating or change in rating, as the case may be.

Certificate of deposit (.....continuing from page 6)

Issue of Duplicate Certificates

1) In case of loss of physical certificates, duplicate can be issued after compliance with the following:

- a. Notice is given in at least one local newspaper;
- b. Lapse of a reasonable period (say 15 days) from the date of the notice in the newspaper; and
- c. Execution of an indemnity bond by the investor.

2) The duplicate certificate should be issued only in physical form. No fresh stamping is required as a duplicate certificate is issued against the original lost CD. The duplicate CD should clearly state that the CD is a Duplicate one.

Accounting : Banks / FIs may account the issue price under the Head “CDs issued” and show it under deposits. Accounting entries towards discount will be made as in the case of “Cash Certificates”. Banks / FIs should maintain a register of CDs issued with complete particulars.

Reporting

- 1) Banks should include the amount of CDs in fortnightly return u/s 42 of the RBI Act, 1934.
- 2) Banks / FIs should report the data on issuance of CDs on the web-based module under the Online Returns Filing System (ORFS) within 10 days from the end of the fortnight to which it pertains.

Summary of recommendation of FRBM Committee

The FRBM Review Committee (Chairman: Shri N. K. Singh), submitted its report in January 2017 proposing establishment of a new fiscal framework for India designed to target the debt-to-GDP ratio.

In order to improve fiscal governance, the Committee recommended setting up of an autonomous Fiscal Council under the Ministry of Finance.

The recommendations include a proposal for a prudent medium-term ceiling for general government debt of 60% of GDP - 40% for the centre and the balance 20% for the States - to be achieved no later than 2022-23.

The fiscal deficit would remain the key operational target to achieve the medium-term debt ceiling and would be progressively brought down to 2.5% by 2022-23. Concomitantly, the revenue deficit-GDP ratio is projected to decline steadily by 0.25 percentage point each year to reach 0.8% in 2022-23.

The Committee also recommended the constitution of a Fiscal Council comprising experts in public finance, economics, or public affairs to provide an independent assessment of the central government’s fiscal performance and compliance with targets. In terms of institutional reforms in fiscal management, the Committee recommended

(i) issuing detailed policy guidelines by the central government to provide proactive guidance to state governments;

(ii) assigning to the 15th Finance Commission, the task of determining inter-state allocations for state governments for achievement of the overall debt and fiscal targets;

(iii) requesting the Reserve Bank of India to arrange for issuance of a consolidated annual prospectus of planned annual bond and loan issuances by each state government; and

(iv) introducing credit ratings for each prospectus by approved credit rating agencies. With a view to enhancing fiscal transparency, the Committee recommended adoption of international best practices for compilation and presentation of fiscal accounts, as laid out in the International Monetary Fund’s Government Finance Statistics Manual 2014.

Certificate of Deposit

Certificate of Deposit (CD) is a negotiable money market instrument and issued in dematerialised form or as a Usance Promissory Note against funds deposited at a bank or other eligible financial institution.

Eligibility: CDs can be issued by (i) scheduled commercial banks {excluding RRBs and Local Area Banks}; and (ii) select All-India Financial Institutions (FIs) that have been permitted by RBI to raise short-term resources within the umbrella limit fixed by RBI.

Aggregate Amount

- 1) Banks can issue CDs for any amount.
- 2) An FI can issue CDs within the overall umbrella limit prescribed by RBI.

Minimum Size of Issue and Denominations

Minimum deposit that could be accepted from a single subscriber should not be less than Rs.1 lakh, and in multiples of Rs. 1 lakh thereafter.

Investors : CDs can be issued to individuals, corporations, companies (including banks and PDs), trusts, funds, associations, etc. Non-Resident Indians (NRIs) can subscribe on non-repatriable basis. It should be clearly stated on the Certificate. Such CDs cannot be endorsed to another NRI in the secondary market.

Maturity

- 1) CDs by banks can be issued not for less than 7 days and not more than one year, from the date of issue.
- 2) FIs can issue CDs for a period not less than 1 year and not exceeding 3 years from the date of issue.

Discount / Coupon Rate : CDs may be issued at a discount on face value. CDs can be issued on floating rate basis provided the methodology of compiling the floating rate is objective, transparent and market-based. The issuing bank / FI is can determine the discount rate. The interest rate on floating rate CDs would have to be reset periodically in accordance with a pre-determined formula that indicates the spread over a transparent benchmark.

Reserve Requirements : Banks are to maintain CRR and SLR, on the issue price of the CDs.

Transferability : CDs in physical form are freely transferable by endorsement and delivery. Demat form CDs can be transferred as per procedure for other demat securities. There is no lock-in period for the CDs.

Trades in CDs

- a. All OTC trades in CD shall be reported within 15 minutes of the trade to the Financial Market Trade Reporting and Confirmation Platform ("F-TRAC") of Clearcorp Dealing System (India) Ltd. (CDSL).
- b. The requirement of exchange of physical confirmation

of trades matched on F- TRAC is not required in case of following conditions:

a. Participants entering into one time bilateral agreement for eliminating the exchange of confirmation or multilateral agreement drafted by FIMMDA.

b. Participants ensure adherence to a sound risk management framework and comply with all regulatory and legal requirements and practices, in this regard.

Settlement : All OTC trades in CDs shall be cleared and settled under DVP I mechanism through the authorised clearing houses {National Securities Clearing Corporation Limited (NSCCL), Indian Clearing Corporation Limited (ICCL) and MCX Stock Exchange Clearing Corporation Limited (CCL)} of the stock exchanges.

Loans / Buy-backs : Banks / FIs cannot grant loans against CDs. Furthermore, they cannot buy-back their own CDs before maturity.

Format of CDs : CDs can be issued only in dematerialised form. As per Depositories Act, 1996, investors have the option to seek certificate in physical form.

Security Aspect : Since CDs in physical form are freely transferable by endorsement and delivery, it will be necessary for to see that the certificates are printed on good quality security paper and necessary precautions are taken to guard against tampering with the document. They should be signed by two or more authorised signatories.

Payment on maturity : There is no grace period for repayment of CDs. If the maturity date happens to be a holiday, the issuing bank / FI should make payment on the immediate preceding working day.

1) Since CDs are transferable, the physical certificates may be presented for payment by the last holder. It is desirable that banks make payment only by a crossed cheque.

2) The holders of dematted CDs will approach their respective depository participants (DPs) and give transfer / delivery instructions to transfer the security represented by the specific International Securities Identification Number (ISIN) to the 'CD Redemption Account' maintained by the issuer. The holders should also communicate to the issuer by a letter / fax enclosing the copy of the delivery instruction they had given to their respective DP and intimate the place at which the payment is requested to facilitate prompt payment. Upon receipt of the demat credit of CDs in the "CD Redemption Account", the issuer, on maturity date, would arrange to repay to holders / transferors by way of Banker's cheque / high value cheque, etc.

(continued on page 5)

Practical Problems based on Banking Ombudsman Decisions

1. The complainant had lodged a complaint with the BO that his saving bank account was debited with Rs. 1,15,621 for various online unauthorized POS transactions. He did not even receive SMS alerts on his mobile for the transactions. The bank said that it had sent SMS alerts for all the disputed transactions to the registered mobile number. It was observed that the customer had not informed the bank, the change in his mobile number and hence did not receive the SMS alerts. Based on bank's reply and merits of the case, the BO had passed an award directing the bank to refund disputed amount to the complainant. The bank preferred an appeal against the award. The Appellate Authority observed that it was customer's duty to intimate any change in contact details to the bank. The customer had not taken due care to register his new mobile number with the bank. Appellate Authority allowed the appeal preferred by bank setting aside the award passed by BO.
2. The complainant alleged that Rs. 7,852/- was debited from his account relating to unauthorized fraudulent transactions. The bank had replied to the BO that these were 60 POS transactions aggregating Rs.7852 of which, an amount of Rs. 2,822/- relating to 20 POS transactions was refunded to the complainant. The bank had further stated that these transactions were made through internet by using valid card number and PIN. The BO had rejected the complaint. The complainant preferred an appeal against BO's decision. The statement of transaction attached to bank's reply showed that some transactions were made even after the date of reporting of fraudulent transactions to the bank. Appellate Authority observed that the bank had not acted pro-actively on having informed by the customer and allowed further transactions of similar nature. Appellate Authority allowed the appeal to the limited extent of crediting the balance amount of Rs. 5,030/- by the bank with SB interest and set aside the decision of BO.
3. The complainant used internet banking for online payment to recharge Internet Data Card. Her account was debited but the data card was not recharged. The bank wrote to Customer Care of the Telecom Company after receipt of complaint by the complainant and replied to BO that the disputed amount was delivered to the merchant. The BO had closed the complainant under clause 13(d) (without sufficient cause) of the BOS 2006. The Appellate Authority allowed the appeal and rejected the decision of BO directing the bank to arrange to credit the disputed amount to the complainant's account and pursue with Telecom Company for refund.
4. The complainant had tried to withdraw money from ATM but the transaction was declined for the reason "insufficient fund" and charge of Rs. 17/- was levied on it by the bank. He had requested the bank to reverse the charges. The bank advised the complainant that the charges were levied as per their extant instructions in the matter. Based on the clarification given by the bank, the BO rejected the complaint. The complainant preferred an appeal for review of the decision given by the BO. The AA observed that the bank had not given advance information to its customers about the change in service charges as required under extant RBI instructions. The appeal was accepted and decision of BO was set aside. Further, bank was directed to reverse the charges of Rs. 17 and also to credit Rs. 500/- to complainant's account as compensation for the inconvenience caused.

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Call & Notice Money Market

The money market is a market for short-term financial assets or instruments, which are close substitutes of money. The money market instruments are liquid and can be turned into money quickly at low cost and provide an avenue for equilibrating the short-term surplus funds of lenders and the requirements of borrowers. The call/notice money market forms an important segment of the Indian Money Market. It has 3 components:

1. *Call money market* - funds transacted on an overnight basis (one day)
2. *Notice money market* - funds are transacted for a period between 2 days and 14 days.
3. *Term money market* - funds are transacted for a period between 15 days and 365 days.

Participants

Scheduled commercial banks (excluding RRBs), co-operative banks (other than Land Development Banks) and Primary Dealers (PDs), can participate in call/notice money market both as borrowers and lenders.

Prudential Limits

The prudential limits in respect of both outstanding borrowing and lending transactions in call/notice money market for scheduled commercial banks, co-operative banks and PDs are as follows:-

a) Scheduled Commercial Banks

Borrowing : On a daily average basis in a reporting fortnight, borrowing outstanding should not exceed 100 per cent of capital funds (i.e., sum of Tier I and Tier II capital) of latest audited balance sheet. However, banks are allowed to borrow a maximum of 125 per cent of their capital funds on any day, during a fortnight.

Lending : On a daily average basis in a reporting fortnight, lending outstanding should not exceed 25 per cent of their capital funds. However, banks are allowed to lend a maximum of 50 per cent of their capital funds on any day, during a fortnight.

b) Cooperative Banks:

Borrowing : Outstanding borrowings of State Co-operative Banks/District Central Co-operative Banks/Urban Co-operative Banks in call/notice money market, on a daily basis should not exceed 2% of their aggregate deposits as at end March of the previous financial year.

Lending : No limit

c) Primary dealers

Borrowing : PDs can borrow, on daily average basis in a reporting fortnight, up to 225% of their net owned funds as at end-March of the previous financial year.

Lending : PDs can lend in call/notice money market,

on daily average basis in a reporting fortnight, up to 25% of their NOF.

Banks/PDs/ Co-op banks may, with approval of their Boards, can fix prudential limits for borrowing/lending in Call/Notice Money Market as per above guidelines.

The limits so arrived are to be conveyed to the Clearing Corporation of India Ltd. (CCIL) for setting of limits in NDS-CALL System, under advice to RBI.

Non-bank institutions (other than PDs) cannot participate in the call/notice money market.

Interest Rate: Interest rates can be decided by participants and calculated as per methodology in the Handbook of Market Practices published by Fixed Income Money Market and Derivatives Association of India (FIMMDA).

Dealing Session : Deals in the Call/Notice/Term money market can be done from 9:00 am to 5:00 pm on each business day or as specified by RBI from time to time.

Documentation : Eligible participants may adopt the documentation suggested by FIMMDA from time to time.

Trading: Transactions can be executed on NDS-Call, a screen-based, negotiated, quote-driven electronic trading system managed by CCIL, or over the counter (OTC) through bilateral communication.

Reporting Requirement

1) Dealings in Call/Notice/Term money executed on the Negotiated Dealing System-Call, i.e. NDS-Call (a screen-based, negotiated, quote-driven system), do not require separate reporting.

2) It is mandatory that all the OTC Call/Notice/Term money deals be reported over the reporting platform of NDS-Call by the parties who are having NDS-Call membership.

3) OTC deals should be reported within 15 minutes on NDS-Call reporting platform, irrespective of the size of the deal or whether the counterparty is a member of the NDS-Call or not.

4) Parties who are not having NDS-Call membership are to report the deals to Financial Markets Regulation Department, RBI in the prescribed reporting format.

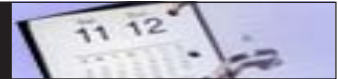
5) The reporting time for all OTC Call/Notice/Term money deals on NDS-Call is up to 5:00 pm on each business day or as decided by RBI from time to time.

6) In case of any misreporting or repeated reporting of OTC deals by a party, the same should be immediately brought to the notice of Financial Markets Regulation Department, RBI, Central Office, Fort, Mumbai.

7) In case the situation so warrants, the Reserve Bank may call for information in respect of money market transactions of eligible participants.

- **GOVT. TO TIGHTEN SHELL COMPANIES SURGE:** The Centre had constituted a Task Force on “Shell Companies” in February. It was to tackle effectively the malpractices of shell companies in a comprehensive manner. During the past three years, investigations have led to the detection of more than 1155 shell companies that were used as conduits by over 22000 beneficiaries. The Centre is working to tighten regulations governing the layers of subsidiaries that a company can have, in much the same way that it did with investment companies.
- **EXPORT NORMS CHANGED TO CLEAR PROCEDURAL MESS:** In a move to sort out the procedural mess that exports have got stuck into after the roll out of the GST, the Customs Department has notified that currency exchange rates for drawback purposes would be announced on a fortnightly basis. The traders can now go back to paying the free-on-board value of exports based on the rupee value according to the exchange rate. Big exporters with good track record can give an Letter of Undertaking (LUT) to the Customs Department while small exporters would have to give a bond to seek IGST exemption.
- **PSBs TO PERFORM BETTER FOR ESOPS INCENTIVES:** The draft guidelines sent by the Finance Ministry to the Heads of five state-run banks stipulated that to grant “Employees Stock Options” Scheme (ESOPs) for a particular financial year, banks need to have a minimum provision coverage ratio – a measure of the funds set aside by banks to cover bad loans –of 65% as on March 31 and NPAs should not be more than 35% of net worth. The Scheme is planned to come into force in 2017-18. However, all, save two (SBI and Bank of Baroda) of the 21 state-run banks have a provision coverage ratio that is less than 65%. NPAs exceed 35% of net worth for all 21 banks. So, the banks are required to perform better for getting ESOPS incentives.
- **KOTAK COMMITTEE TO DISCUSS PSE SUCCESSION POLICY:** In early June, SEBI had set up the committee under the chairmanship of Uday Kotak, Executive Vice-chairman and MD of Kotak Mahindra Bank to help improve the standards of corporate governance of listed companies. The Public Sector Enterprises (PSEs) are criticized for not having requisite number of independent directors on their boards, as a result they are unable to comply with corporate governance norms such as constitution of audit committee, remuneration and nomination committee etc. Hence to overcome the challenges faced in succession plan as well as

Financial Events

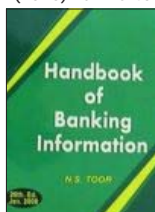


getting independent directors, a need is felt to create a transparent mechanism for the selection process.

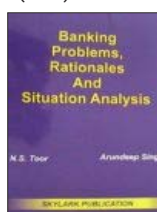
- **FINO PAYMENTS BANK FIRST GO LIVE:** FINO is the 4th Payments Bank launched in India. The other banks are Airtel Payment Bank, Paytm Payment Bank and India Post Payment Bank. FINO is the First Payment Bank to go live with 410 branches and over 25, 000 touch- points on day one itself. The immediate priority is to stabilize the operations of the Payment Bank, bring the culture of customer service within the bank and get new products launched. The Bank which has adopted the Phygital (both physical and digital) Model is looking to break even by 2020.
- **15TH FINANCE COMMISSION TO BE SET UP BY GOVT.:** The Centre has initiated the discussions on setting up the next Finance Commission, which would decide on the devolution of tax revenue between the Union and State Governments. To be known as the “Fifteenth Finance Commission”, it would recommend the formula for sharing taxes between the Centre and the State and allocation of each state for the five year period between 2020 and 2025. While the finance Panel is typically set up about two years before the end of the previous five year period, discussions this time have been advanced in line with a proposal to change the fiscal year cycle to January to December.
- **GOVT. TO NSDL TO SET UP NATIONAL ACADEMIC DEPOSITORY:** An Arm of depository

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services provider National Securities Depository Ltd. (NSDL) assigned the job of dematerializing education records to NSDL Database Management following order from HRD Ministry to set up National Academic Depository. The CBSE has been the first to share the exam results of 27 Lakh students with the NSDL Database Management. Further, now there will be no need for physical authentication of educational certificates during admissions as NSDL has started the process of dematerializing education certificates.

- **GOVT. CONSTITUTES PANEL FOR DATA PROTECTION:** The Government has constituted a 10-member Committee of Experts to deliberate on a data protection framework for the country. The move assumes significance on account of growing digital transactions as also the rising concerns around safety of personal data of citizens. The Panel will identify key data protection issues and recommend ways to address them.
- **NITI AAYOG TO GOVT. TO RELIEVE OF G-20 DUTIES:** Arvind Panagariya, the outgoing Vice-Chairman of NITI Aayog has suggested that the Government relieve the Think-Tank of its G-20 duties and appoint a full-time Sherpa. To ensure that the work of the NITI Aayog and G-20 engagements receive due attention, it may be worth considering separating these roles in future. A full-time G-20 Sherpa would in any case be a necessity if India were to host the G-20 summit in the future.
- **RBI GROUP TO STUDY MCLR SYSTEM:** The Marginal Cost of Funds-based Lending Rate (MCLR) System was introduced in April 2016 for improving the monetary transmission. MCLR, the internal bench-mark lending rates have to be revised monthly. This move was in response to banks failing to transfer the benefit of rate cuts by RBI to its customers. The MCLR Rates, unlike base rates, have to take the change in repo rates into consideration and revise lending rates accordingly. However RBI said that the base rate of some banks continued to be significantly lesser than the MCLR even after the New System. Now RBI will review the working of the system to improve transmission. The Group will also explore ways to link bank lending rates directly to market-determined benchmarks.
- **RBI TASK FORCE ON PUBLIC CREDIT REGISTRY:** RBI decided to constitute a high-level task force to review the current availability of information on credit in the country to assess the gaps that could be filled by a comprehensive public credit registry. The task force will also suggest a road-map for developing a transparent, comprehensive and near-real-time credit registry for India. RBI feels that such a registry can potentially help banks in assessment and pricing of credit as well as in making risk-based dynamic and counter-cyclical provisioning.
- **GOVT. TO LAUNCH SECOND CPSE ETF:** The Central Government is to launch its Second "Central Public Sector Enterprises Exchange Traded Fund" (CPSE ETF). Government's offering is being planned as an attractive and diversified which may constitute 20-25 stocks from across-sectors. The First CPSE ETF Basket had 10 stocks, mostly drawn from the minerals and energy sectors. An ETF is a security that tracks an index, a commodity or a basket of assets like an index fund but trades like a stock on an exchange. It provides diversification to investors and is cheaper than investing in a fund.
- **GOVT. TO DOUBLE MINIMUM WAGES AND REVISE FORMULA:** The Government is considering for doubling of minimum wages nationally to about Rs.18,000 per month and the Labour Ministry is set to relook at the formula currently used to determine the floor level. The ministry is expected to take into consideration a proposal to double the units or individuals considered per family to six from three at present by including dependent parents as well as considering each child as one unit. Currently, husband, wife and two children in a family are considered three units, based on which minimum wage is determined for agriculture and non-agriculture workers under the Minimum Wages Act 1948.
- **AADHAR MADE MANDATORY FOR DEATH CERTIFICATES:** The Government has made the Aadhar Number "Mandatory" for death registration so as to ensure accuracy of the details provided by the relatives of the deceased, thereby preventing identity fraud. A person applying for a death certificate is required to provide the Aadhar Number or Enrolment ID Number of the deceased and other details as sought in the application for the purpose of establishing the identity of the deceased. If the applicant is not aware of the Aadhar number or EID of the deceased, an undertaking has to be given.
- **SUPREME COURT RESERVES ORDER FOR PRE-2002 BANK RETIREES:** The Supreme Court on August 1 reserved judgment in a petition filed by various organisations seeking 100% neutralisation of DA for Pre-November 2002 bank retirees. The arguments given on behalf of the retirees relate that the IBA has unilaterally created an artificial classification by wrongly dividing

the retirees into different groups as pre-November 2002 and post-November 2002. Further inflation hurts all pensioners equally, irrespective of the date of retirement. DA is payable towards part-compensation on account of price rise and hence there can not be different rates payable to retirees merely on the basis of their date of retirement.

- **SEBI WIDENS DEFAULT DISCLOSURE RULE:** SEBI has made it compulsory for listed companies to make a disclosure to the stock exchanges if they default on any interest or principal payment obligation to banks. At present, there was no stipulation on companies to make disclosures with regard to loans taken from banks and financial institutions. The disclosures will have to be made within one working day from the date of the first default. SEBI has also asked listed entities to separately provide information to credit rating agencies on default in a timely manner.
- **CBDT EASES NORMS FOR FOREIGN FUND MANAGERS:** CBDT has further relaxed norms for funds coming out of the 121 countries including Mauritius and Singapore. The list does not include Hong Kong and will not be applicable for funds there. Presently, while corporate tax on foreign funds is 40%, capital gains tax is 15% and zero in case of long-term capital gains in listed securities. Now, the tax Department has said that the three tough conditions will not apply to funds set up by category-I and II of Foreign Portfolio Investors shifting to India from these 121 countries and they will not be treated as Permanent Establishment (PE) of the funds.
- **SECC DATA TO BE USED FOR RIGHT BENEFICIARIES:** The Government plans to use the Socio Economic and Caste Census (SECC) 2011 data to identify individual beneficiaries for all its schemes to ensure that benefits meant for deprived population reach the right people. The Panel, headed by former finance secretary Sumit Bose also recommended in favour of using SECC data for rural development schemes and suggested a formula to use some of the deprivation parameters to identify the beneficiaries for specific schemes. Presently, only the rural development ministry and a few departments use the SECC data for their programmes.
- **PANEL ON CRYPTO-CURRENCY SUBMITS REPORT:** The Government-appointed Panel, constituted in April, has submitted its report on “Crypto-Currency” to the Union Finance Minister. The contents of the report has not yet been made public. The Panel was tasked to examine the existing framework on digital/crypto

currencies both in India and Globally and come out with measures for dealing with such virtual currencies on issues relating to consumer protection, money laundering etc. The Centre had given the three months time for submitting the report. Already, there is an ongoing debate within the country as to whether crypto-currencies including Bitcoin should be legalised or not.

- **PNB INTRODUCES BIOMETRIC ATTENDANCE REGISTER:** Punjab National Bank (PNB) has introduced Biometric Attendance Register in place of the existing system of signing attendance in the attendance register. The new system will be implemented in branches/offices with immediate effect. Every employee shall, immediately on arrival and also while leaving the branch/office, mark his/her attendance in the biometric attendance device. Manual attendance system will run parallel up to August 31 to streamline the process. Reporting/exit timings will be uploaded in the HR System automatically.
- **BILLS OF MSMEs DISCOUNTING AT TReDS PLATFORM:** Micro, Small and Medium Enterprises (MSMEs) supplying to big parties/corporates can get their invoices discounted at or close to banks' benchmark lending rates if they get on to the Trade Receivables Discounting System (TReDS). This is so because financiers- banks and NBFCs (who are in factoring business) discount suppliers' invoices on the TReDS platform based on the strength of the corporate buyer's credit rating. Currently there are two TReDS in the country-(1) RXIL (2) A.Treds and both are RBI approved

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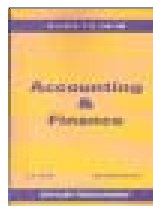
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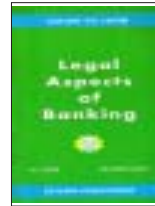
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online marketplace, that bring together buyers, sellers and financiers, who have to execute bilateral agreement with the TReDS Platform to transact.

- **SEBI TO EXTEND TRADING HOURS FOR DERIVATIVES:** SEBI is planning to extend the trading hours for the Derivatives Market. The move will provide investors the tool to price in news flow that comes in after market hours. Currently, a lot of foreign investors use global platforms which offer almost round the clock trading on some Indian contracts-for trading or hedging their underlying exposure to Indian stocks. Given the current setting, there is a crisis on the international competitiveness of the Indian Exchanges. A decade ago, nearly 100% of the trading on the Indian underlying used to take place domestically. Now, half of that has gone to overseas locations. Our index, currency and interest derivatives are all getting traded overseas which is a big problem. Extending timing is one element which can help.
- **INDIA POST'S BANK NOT BEYOND TRIAL EXERCISE:** The Department of Posts, one of the 11 entities to get in-principle nod from RBI in 2015 for Payments Bank, launched a pilot service in Raipur and Ranchi this January. Though, armed with a bank licence, the department could not go beyond a pilot, as it struggled to find a company to take care of its tech infrastructure needs. Now recently, India Post awarded the System Integrator contract to US tech giant HP. According to the mandate of RBI, the Payments Bank has to run most digital.
- **IRDAI TO INTRODUCE RISK-BASED CAPITAL NORMS FOR INSURERS:** The Insurance Regulatory and Development Authority of India (IRDAI) may soon introduce risk-based capital (RBC) method for fixing the solvency ratios of the insurers. Currently, the solvency capital is fixed-based on the reserves and the sum at risk for the life insurer. The drawback of the current solvency method is that the level of confidence provided by the capital held by the companies is not known. So the capital held may be too high or too low given the risk profile of the companies. The RBC method, on the other hand, is risk-focussed and follows the standards adopted in developed countries.
- **SUPREME COURT MADE PUC MANDATORY:** Supreme Court has ruled in the PIL of Environmentalist MC Mehta that the insurers

can not renew a motor insurance policy unless the vehicle owner provides a "Pollution Under Control" (PUC) Certificate. The Apex Court also asked the Ministry of Road Transport and Highways to ensure that all fuel refilling centres in the National Capital Region (NCR) have PUC Centre.

- **NEW NSSO SURVEY ON E-COMM ACTIVITIES:** The Government is for the first time trying to get a handle on the country's booming e-commerce market through a new survey and data available through the GST. In its latest 74th round survey, the National Sample Survey Organisation (NSSO) is asking the consumers if they have used e-commerce websites. There is a question in the household consumer expenditure survey, which is simply trying to see whether households use e-commerce in any form as part of their usual household transactions.
- **RBI'S PAYOUT TO CENTRE FALLS:** RBI's Central Board approved the transfer of surplus to the government of India amounting to Rs.30, 659 Crore for the year ended June 30, 2017.(RBI follows July1 to June 30 Financial Year). In the Union Budget 2017-18, it was assumed that around Rs.75, 000 Crore would come from RBI compared with a little over Rs.76, 000 Crore in FY17. However, RBI's payout to the Centre has fallen substantially. Demonetisation coupled with reverse repo auctions undertaken to suck out excess liquidity in the banking system seem to have taken a heavy toll on RBI's payout to the government.
- **REGISTRATION BY CASUAL TAXPAYER UNDER GST:** A casual taxpayer is a person who occasionally undertakes business transactions in a state or union territory where he/she has no place of business. Navin Kumar, Chairman of GSTN said that a casual taxpayer must go for registration as "Casual Tax Payer" at least five working days prior to the commencement of business. GSTN Chairman further said that the registration as a "Casual Tax Payer" will be valid for 90 days. However he will have the option to extend the registration maximum of 90 days before the expiry of the initial 90 days period for which the registration was granted.
- **BANKS EXPLORING USE OF ARTIFICIAL INTELLIGENCE IN OPERATIONS:** Several Banks have started exploring adoption of Artificial Intelligence (AI) and Machine Learning ((ML) in their operational processes. By adopting AI and ML, some banks have automated operational processes, resulting in cost reduction and faster turnaround time. A few banks have already initiated the process of building centralised data lakes and instituting advanced analytics capabilities, either internally or through captive vendors.

GENERAL AWARENESS

- Lok Sabha passed the Indian Institute of Management Bill 2017 thereby declaring the IIMs as **Institutions of National Importance.**
- Country which has emerged as the World's Top Largest "Equity Market" in terms of market capitalization- **USA.**
- Country whose No Prime Minister has ever completed his five-year term since 1947- **Pakistan.**
- US Equity Private Firm which becomes the Largest Owner of Office Properties in India- **Blackstone.**
- Mumbai-based Company which is the Largest Owner of Malls- **Phoenix.**
- To improve the standards of corporate governance of listed companies, a committee was formed which headed by- **Uday Kotak, MD of Kotak Mahindra Bank.**
- RBI's new System which will make the bills payment process seamless as the customers not to log on to individual websites- **Bharat Bill Payments System.**
- Vice-Chairman of NITI Aayog who has sought to be relieved by August 2017 so that he may join Columbia University- **Arvind Panagariya.**
- To study and identify key data protection issues and keeping personal data of citizens secured, Govt. has formed a committee which is to be headed by- **BN Srikrishna, Former Judge of Supreme Court.**
- As per RBI's recent dictate, banks, in which Statutory Auditors should be rotated only after six years- **Private and Foreign Banks.**
- SEBI has constituted a Committee on "Fair Market Conduct" which is to be headed by- **Former Lok**

Sabha Secretary **TK Vishwanathan.**

- Country whose Supreme Court has scrapped Parliament's Power to sack the Judges- **Bangladesh Supreme Court.**
- Attendants whose minimum wages has been hiked by 50% by the Government- **Petrol Pump Attendants.**
- Bank which launched an Aadhar-based Integrated Outward Forex Remittance Solution for both customers and Non-customers- **Kotak Mahindra Bank.**
- Australia's Largest Lender who has been sued by the Government's Financial Crime Agency over 53,700 alleged breaches of money-laundering and terrorism financing laws- **Commonwealth Bank of Australia.**
- Survey which is comprehensive of all living languages of India carried out by a large team- **People's Linguistics Survey of India.**
- Govt. is set to launch a Second Exchange Traded Fund (ETF) known as- **Bharat-22.**
- City which is to have India's First Helicopter Taxi Service- **Bengaluru.**
- The Centre has appointed Noted Economist Rajiv Kumar as- **Vice-Chairman of NITI Aayog.**
- Country against which UN Security Council has unanimously adopted a resolution to impose the most punishing sanctions due to its repeated defiance of a ban on testing missiles and nuclear bombs- **North Korea.**
- SEBI asked Rating Agencies that

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- if a company does not repay the loan repayment it should be **Downgraded to “Junk”**.
- Country which is the Top Exporter of Buffalo Meat in the World- **India along-with Brazil**.
 - Justice Deepak Mishra, Senior-most Judge in the Supreme Court, after demitting office on August 27 by CJI Khehar will be- **Chief Justice of India**.
 - Proceedings which can be initiated against the Builder if commercial property not delivered on time- **Bankruptcy Proceedings**.
 - Country’s Largest Commodity Exchange which has been allowed by SEBI to launch Options Trading in Gold- **MCX**.
 - Portal for students which has been launched for home-delivery of books throughout the country - **NCERT**.
 - Board which has been constituted by Nilesh Vikamsey, ICAI (CA Institute) President for fostering a cohesive global strategy on global accounting and assurance- **Digital Accounting and Assurance Board**.
 - Out of total 225 Firms made it to Forbe’s 33rd annual ranking of America’s Largest Private Companies, the Topmost Ranked Company is- **Cargill (Dealing in Food and Drinks)** .
 - After sacking Pahlaj Nihalani, the Centre has appointed Prasoon Joshi as- **Chief of Central Board of Film Certification**.
 - E-commerce Company’s Digital Wallet which has launched a payment option that more directly competes with rival Flipkart’s Phone Pe and other Paytm- **Amazon Pay**.
 - Bank which rolled out two Digital Products-”Bharat QR” platform for payment settlement and “Bharat Bill Payment System” integrated bill payment system- **Canara Bank**.
 - University which is to be set up in Fursatganj in UP- **India’s 1st Aviation University**.
 - Though India celebrates August 15 as Independence Day, the state which celebrates August 14 as Independence Day- **Nagaland-NSCN-IM**.
 - Guinness World Record Holder Kristol of Israel, who died at the age of 113 years and who also saw the both World Wars- **World’s Oldest Man**.
 - NCLT approves merger of Reliance Communications and Aircel and after merger New Entity will be called as- **Aircom**.
 - Japan is at the Top in “Real GDP Growth” among all six- **G-7 Nations**.
 - For brave exploits against terrorists in Kashmir, CRPF Commandants Pramod Kumar and Chetan Cheeta have been awarded by the Govt.- **Kirti Chakra**.
 - August 10 has been celebrated as- **World Bio-Fuel Day**.
 - According to IMF, Country whose massive debt is on “Dangerous Trajectory” raising the risk of a sharp slowdown in growth- **China**.
 - Award which has been received by an Uruguayan School Student who exposed a security flaw which hackers could have used to access sensitive data- **\$10, 000 Google Award**.
 - Scheme under which Debt-laden Power Distribution Companies (Discoms) in States which participated, have saved Rs.15, 000 Crore till March this year- **UDAY Scheme**.
 - Regulator which has imposed Largest- Ever Penalty of 5.1 million pounds on PricewaterhouseCoopers for misconduct over its audit work-**UK Accounting Regulator**.
 - Export which has been banned by the Govt. in a bid to check round tripping of the precious metal- **Export of Gold Jewellery above 22 –Carat Purity**,
 - For the Seventh consecutive year, Melbourne has been ranked as- **Most Liveable City Globally**.
 - Central Govt. for the first Time issued a postal Stamp in recognition of the Age-old Cultural Symbol of Mithilanchal featuring- **Mithila Paag**.
 - Norwegian Firm Statoil’s Hywind Pilot Park set up- **World’s First Floating Wind Farm**.
 - Out of 5 Indian-origin persons featured in Fortune’s "40 under40", the List topped by- **39 Year Old French President Emmanuel Macron**.
 - States for whose Soldiers Indian Army reduced the minimum Height requirement by three centimeters- **Himalayan States**.
 - Udaipur’s Kalpit Veeral, First-Ever Student to score 100% in the Prestigious Joint Entrance Examination-Mains made it to the- **Limca Book of Records**.
 - British Scientists developed- **World’s Smallest Surgical Robot**.
 - A 12-year old Indian-origin Boy Rahul Doshi answering all questions in Television Quiz Competition Crowned as -**UK’s “Child Genius”**.
 - Country which has the Longest Railway Network in the World- **China**.
 - China to launch the Fastest Train with a maximum speed of 400kph- **World’s Fastest Train**.



MOCK-TEST PAPER

Questions on Latest RBI Policy

- 01** Commercial paper is an unsecured money market instrument, which is issued in the form of:
- usance bill of exchange
 - usance promissory note
 - participatory note
 - transferable paper
- 02** Commercial paper can be issued with a minimum maturity period of:
- 7 days
 - 15 days
 - 30 days
 - at discretion of the issuer
- 03** Commercial paper can be issued with a maximum maturity period of:
- 6 months
 - 12 months
 - 3 years
 - at discretion of the issuer
- 04** Which of the following cannot issue a commercial paper?
- non-bank finance companies
 - all India financial institutions
 - companies
 - banks
- 05** If the issuer of a commercial paper is a trust or cooperative society or limited liability partnership, having presence in India, its minimum networth must be:
- Rs. 4 cr
 - Rs.10 cr
 - Rs.50 cr
 - Rs.100 cr
- 06** The minimum amount for which a commercial paper can be issued is:
- Rs.1 lac
 - Rs.2 lac
 - Rs.5 lac
 - Rs.10 lac
- 07** Which of the following statement about a commercial paper is not correct?
- it can be issued at a discount to face value
 - call or put option is not allowed on commercial paper
 - issue of commercial paper cannot be under-written or co-accepted
 - banks cannot invest in a commercial paper
- 08** Credit rating from at least 2 SEBI approved credit rating agencies is mandatory, where the size of the issue is:
- Rs.1000 cr or above
 - Rs.500 cr and above
 - Rs.100 cr and above
 - mandatory in all cases
- 09** The minimum credit rating grade from SEBI approved credit rating agencies should be ____, for an issuer to be eligible to issue commercial paper?
- triple-A
 - A-3
 - A-1
 - AA
- 10** The issuer of a commercial paper can give a buy back offer which can be made after ____ days from date of issue?
- 15 days
 - 30 days
 - 45 days
 - 60 days
- 11** The issuer of a commercial paper is required to make arrangement, so that the commercial paper is credited to demat account of the investor within :
- 7 days of issue
 - 10 days of issue
 - 14 days of issue
 - 30 days of issue
- 12** An instrument for borrowing funds by selling securities with an agreement to repurchase the securities on a mutually agreed future date at an agreed price which includes interest for the funds borrowed, is called:
- commercial paper
 - promissory note
 - reverse repo
 - repo
- 13** An instrument for lending funds by purchasing securities with an agreement to resell the securities on a mutually agreed future date at an agreed price which includes interest for the funds lent, is called:
- commercial paper
 - promissory note
 - reverse repo
 - repo
- 14** To be eligible to be a tri-party agent under Tri-party Repo Directions-2017 of RBI, the entity should have minimum paid up capital of:
- Rs.10 cr
 - Rs.15 cr
 - Rs.20 cr
 - Rs.25 cr
- 15** The tri-party agent under Tri-party Repo Directions of RBI, is required to preserve the trade records for a period of:
- 3 years

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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- b 5 years
c 8 years
d 10 years
- 16** When a department of Govt. of India wants a letter of credit issued, it is issued by:
a RBI
b SBI
c any commercial bank with which govt. has made arrangement
d any commercial bank on behalf of RBI with which RBI has made arrangement
- 17** In respect of letter of credit or bank guarantee got issued by Central Govt. department, the role of RBI is :
a limited to advising the LCs/BGs
b limited to reimbursement of payments made by the banks for such LCs/BGs on behalf of the government, after satisfying itself with the debit mandate given by the government.
c limited to confirming such LC or BGs
d none of the above, as RBI does not deal with LC/BG transactions.
- Recalled Questions**
- 18** What is minimum capital adequacy ratio prescribed for Small Finance Banks:
a 20% of risk weighted assets
b 15% of risk weighted assets
c 10% of risk weighted assets
d 9% of risk weighted assets
- 19** Under RTI Act, the maximum penalty for delay in providing the information is :
a Rs.5000
b Rs.10000
c Rs.25000
d Rs.50000
- 20** 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
- 21** 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
- 22** 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
- 23** 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
- 24** 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
- 25** 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
- 26** 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
- 27** 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 accept 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
- 28** 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
- 29 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
- 30 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
- 31 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
- 32 Under NEFT, in order to streamline the system and complete the processing cycle on a near-real-time basis, the concept of return within ____ of completion of a batch has been introduced :
- a T+1
b last batch of the same day
c two hours (B+2)
d first batch of the next date
- 33 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 one year
b two years
c three years
d five years
- 34 The term apiculture stands for:
- a Rearing of earth worm
b Rearing of honey bees
c Cultivation of mushroom
d Rearing of earth worm
- 35 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
- 36 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
- 37 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
- 38 The business correspondent is :
- a agent for the customer
b trustee for the bank
c agent of the bank
d creditor of the bank
- 39 Mismatched note is said to be that note:
- a which is formed by joining a half note of one note to a half of another note

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- b which as alternation has been made
- c which has been divided vertically near the centre
- d a portion of which is missing
- 40** 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
- 41** Your branch has received a letter of credit from an overseas Bank, in favour of M/s Rama Exports which provides for allowing the exporter the advance at pre-shipment stage. Which among the following is the classification of this letter of credit?
- a Transferable letter of Credit
- b Stand by letter of credit
- c Back to back letter of credit
- d Red Clause letter of Credit
- e Green Clause letter of credit
- 42** Hari and Mohan are maintaining a joint saving bank account and bank receives garnishee order in Hari's name where the balance in the account is Rs. 10000.
- a The order will be applicable to the share of Hari which is 50%
- b The order will be applicable to the whole of the amount.
- c The order will not be applicable at all, in joint account as account is not in the same name and capacity.
- d with receipt of order, operations would be stopped
- 43** Contribution in break even point is equal to:
- a selling price – fixed cost
- b fixed cost – variable cost
- c variable cost + fixed cost
- d selling price + fixed cost
- e selling price – variable cost
- 44** What is the maximum deposit that could be accepted under the Senior Citizen Scheme?
- a Rs.05.00 lac
- b Rs.07.50 lac
- c Rs.10.00 lac
- d Rs.12.50 lac
- e Rs.15.00 lac
- 45** If nothing is mentioned in the letter of credit about insurance, the insurance will be for:
- a no insurance
- b equal to the value of goods
- c 110% of CIF value
- d 100% of FOB value
- 46** Digital (electronic) signatures means:
- a a coded confirmation of drawer in electronic form attached to an electronic record
- b a coded signature with digital equipment
- c a signature with handwriting subsequently scanned
- d a confirmation with electronic and digital media
- e a code.
- 47** Bank has an account in the name of Master Sunil under guardianship of his father Naresh Kumar, who changes his religion. Who will operate this account and why.
- a father, since he is still guardian
- b father, since he is still alive
- c his mother being the guardian, as after change of religion father ceases to be a guardian
- d father, since bank has nothing to do with the change of religion of the father or mother.
- 48** A customer has become insane and receiver has been appointed by court. Outstanding loan of bank is Rs. 10000, and he has some money in his saving bank account also :
- a Bank can exercise right of set-off and send information to receiver.
- b Bank cannot exercise the right
- c Bank should refer the matter to court
- d b and c
- 49** Reverse Repo is used by RBI to:
- a inject liquidity
- b absorb liquidity
- c increase the liquidity with banking system
- d to keep the liquidity at one level

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

Non-Convertible Debentures - Maturity up to 1 year

Non-Convertible Debenture (NCD) means a debt instrument issued by a corporate (including NBFCs) with original or initial maturity up to one year and issued by way of private placement;

Eligibility conditions to issue NCDs

- the tangible net worth of not less than Rs.4 crore;
- the corporate has been sanctioned working capital limit or term loan by bank/s or all-India financial institution/s; and
- the borrowal account of the corporate is classified as a Standard Asset.

Rating Requirement

- An eligible corporate intending to issue NCDs shall obtain credit rating for issuance of the NCDs from one of the rating agencies.
- Minimum credit rating shall be 'A2' as per SEBI prescribed rating symbol.
- The Corporate shall ensure at the time of issuance of NCDs that the rating so obtained is current and has not fallen due for review.

Maturity

- NCDs shall be issued for minimum of 90 days from the date of issue.
- The exercise date of option (put/call), if any, attached to the NCDs shall not fall within the period of 90 days from the date of issue.
- The tenor shall not exceed validity period of the credit rating.

Denomination: NCDs may be issued in denominations with a minimum of Rs.5 lakh (face value) and in multiples of Rs.1 lakh.

Limits and the Amount of Issue of NCDs

- The aggregate amount of NCDs shall be within such limit as may be approved by the Board of Directors of the corporate or the quantum indicated by the Credit Rating Agency for the rating granted, whichever is lower.
- The total amount proposed to be issued shall be completed within two weeks from the date on which the corporate opens the issue for subscription.

Debenture Trustee (DT)

- Every corporate issuing NCDs shall appoint a DT for each issuance.
- Any entity that is registered as a DT with the SEBI shall be eligible to act as DT only subject to compliance with the requirement of these Directions.

Investment in NCD

- NCDs may be issued to and held by individuals, banks, Primary Dealers (PDs), other corporate bodies including insurance companies and mutual funds registered or incorporated in India and unincorporated bodies, Non-Resident Indians (NRIs) and Foreign Institutional Investors (FIIs).
- Investments in NCDs by Banks/PDs shall be subject to the approval of the respective statutes governing them, and approval of their respective regulators.

Preference for Dematerialisation

While option is available to both issuers and subscribers to issue/hold NCDs in dematerialised or physical form, they are encouraged to issue/ hold NCDs in dematerialised form. However, banks, FIs and PDs are required to make fresh investments in NCDs only in dematerialised form.

Responsibility of Corporates

Corporates shall ensure that the guidelines and procedures laid down for issuance of NCD are strictly adhered to.

Responsibility of Debenture Trustees

- The roles, responsibilities, duties and functions of the DTs shall be guided

by these regulations, SEBI(Debenture Trustees) Regulations,1993, the trust deed and offer document.

2) The DTs shall report, within three days from the date of completion of the issue, the issuance details to RBI.

3) DTs should submit to RBI (on a quarterly basis) a report on the outstanding amount of NCDs of maturity up to year.

4) In order to monitor defaults in redemption of NCDs, the DTs are to report immediately, on occurrence, full particulars of defaults in repayment of NCDs to RBI.

Role of Credit Rating Agencies:

1) Code of Conduct prescribed by the SEBI for the CRAs for undertaking rating of capital market instruments shall be applicable to them (CRAs) for rating the NCDs.

2) The CRA shall have the discretion to determine the validity period of the rating depending upon its perception about the strength of the issuer. Accordingly, CRA shall, at the time of rating, clearly indicate the date when the rating is due for review.

3) While the CRAs may decide the validity period of credit rating, they shall closely monitor the rating assigned to corporates vis-à-vis their track record at regular intervals and make their revision in the ratings public through their publications and website.

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Interest Subvention Scheme for Crop Loan 2017-18

On 25.05.17, RBI had conveyed to banks, the continuation of Interest Subvention Scheme on the interim basis. Government of India approved the implementation of the Scheme for the year 2017-18 for short term crop loans up to Rs.3.00 lakhs with the following stipulations:

a) For providing short-term crop loans upto Rs. 3 lakh to farmers at 7% p.a. interest rate, during 2017-18, **interest subvention of 2% p.a.** will be available to Public Sector Banks & Private Sector Commercial Banks (for loans given by their rural and semi-urban branches only) on use of their own resources. This will be calculated on the crop loan amount from date of disbursement to the date of actual repayment of the crop loan or up to the due date of the loan fixed by the banks whichever is earlier, subject to a maximum period of one year.

b) **Additional interest subvention of 3% p.a.** is available to farmers repaying in time [calculation as per (a) above] subject to a maximum period of one year from the date of disbursement. This also implies that the farmers paying promptly as above would get short term crop loans @ 4% per annum during the year 2017-18.

c) In order to discourage distress sale and to encourage them to store their produce in warehouses, the benefit of interest subvention will be available to **small and marginal farmers having KCC** for a further period of upto 6 months post the harvest of the crop at the same rate as available to crop loan against negotiable warehouse receipts issued for produce stored in warehouses accredited with Warehousing Development Regulatory Authority (WDRA).

d) To provide relief to farmers affected by **natural calamities**, an interest subvention of 2% p.a. will be made available to banks for the first year on the restructured loan amount. Such restructured loans will attract normal rate of interest from the second year onwards.

e) To avoid multiple loaning and to ensure that only genuine farmers avail concessional crop loan by way of gold loans, banks may conduct due diligence and ensure proper documentation including recording of land details even when farmer avails gold loans for such purposes.

f) To ensure hassle-free benefits to farmers under Interest Subvention Scheme, the banks are to make **Aadhar linkage mandatory** for availing short-term crop loans in 2017-18.

RBI has also advised banks that:

i. **Claims** in respect of 2% interest subvention and 3% additional interest subvention may be submitted RBI.

ii. **For 2% interest subvention**, banks are to submit their claims on a half-yearly basis as at Sept 30, 2017 and March 31, 2018, 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, 2018 as true and correct. Any remaining claim pertaining to the disbursements made during the year 2017-18 and not included in the claim for March 31, 2018, may be consolidated separately and marked as an 'Additional Claim' duly audited by Statutory Auditors certifying the correctness.

For 3% additional subvention, banks can submit one-time consolidated claims for disbursements made during the year 2017-18 by April 30, 2019, duly audited by Statutory Auditors certifying the correctness.

DATA COLUMN

Business of Banks

(Rs.in cr)	Mar31'17	Aug18'17
Aggregate deposits	10805150	10672670
Cash in hand/RBI	570490	512730
Investments	3043660	3313090
Bank Credit:	7881890	7704220
-Food	53930	54340
-Non-Food	7827960	7649880
Cash-Deposit Ratio	5.27	4.78
Investment-Deposit	28.14	31.02
Credit-Deposit	72.95	72.16

Money Stock

(Rs.in cr)	Mar31'16	Aug18'17
M3 (Out of which)	12844790	12926420
(a) Currency with public	1263710	1489160
(b) Demand deposits-Banks	1410630	1226680
(c) Time Deposits - Banks	10148950	10190090
(d) Other deposits with RBI	21090	20480

Sources of Money Supply

(a) Net Bank credit to Govt	3869090	4167420
(b) Bank credit to Comrcl sector	8451430	8272770
(c) Net Forex assets of Banks	2492010	2681840

Important Banking Indicators

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

Small Savings Interest Rates

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

Capital & Money Market Indicators

Parameter	end-Aug16	endAug17
Dollar-spot TT (Rs.)	66.98	63.97
BSE - Sensex (points)	28452	31882
NSE - Nifty(S&P CNX)	8786	9974
Foreign reserves (Million \$)	367169	394550
Gold /Oz in USD)	1318	1320

INDIAN ECONOMY-IMPORTANT PARAMETERS

RBI's growth estimate for 2017-18	: 7.6%
GDP growth-2016-17 (revised estimate)	: 7.1%
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- Jul17:Export \$ 94.8 bn\$ Imports	: 146.3 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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