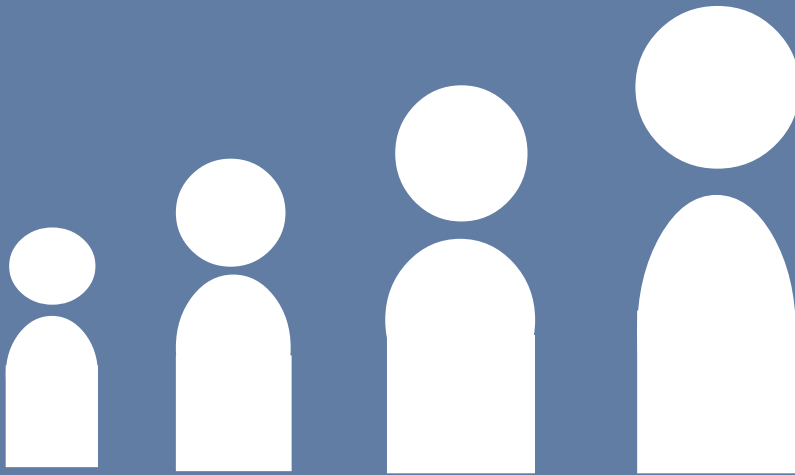


# Banking events Update



Those who win, are those, who think they can

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## Contents of this Issue

### BANKING POLICY : 2 & 5

- EDPMS - Issue of eBRC
- FPI investment in Govt. Securities
- Overseas Rupee Bonds
- FPI investment in Corporate Sec
- Trade Repository
- Lending to non-corporate farmers

### BANKING FEATURES : 4-8, 20

- Forex facilities for residents
- Overseas Direct Investment
- Who can hold ICC/IDC
- Authorised Money Changers
- India's External Debt Position

### DIARY OF EVENTS : Sep-2017: 9

- Policy, Economy
- Banking Developments
- Capital Markets & Insurance

### General Awareness : 13

### Multi-Option questions:15-18

### Data Bank : 20

**BANKING  
POLICY****EDPMS - Issue of eBRC**

As per circular dated 01.01.2016, related to As per RBI circular dated 01.01.2016, related to implementation and operationalisation of Export Data Processing and Monitoring System (EDPMS) of RBI as also circular dated 28.07.14, reporting of data related to realisation of export proceeds i.e. ENC and Schedule 3 to 6 files was discontinued with effect from the first fortnight of September 2014 after implementation of EDPMS.

In terms of circulated dated May 26, 2016, banks were advised to carry out appropriate changes in their IT system / operating procedure immediately, report subsequent export transactions in EDPMS and also capture the details of advance remittances (including old outstanding inward remittances) received for exports in EDPMS.

AD Category-I banks have been directed by RBI on Sept 15, 2017, to update the EDPMS with data of export proceeds on “as and when realised basis” and, with effect from October 16, 2017 generate Electronic Bank Realisation Certificate (eBRC) only from the data available in EDPMS, to ensure consistency of data in EDPMS and consolidated eBRC.

**Investment by Foreign Portfolio Investors (FPI) in Govt. Securities : Medium Term Framework**

**Revision of Limits for the quarter Oct-Dec 2017**

On Sept 28, 2017, RBI increased the limits for investment by FPIs for the quarter October-December 2017 by INR 80 billion in Central Government Securities and INR 62 billion in State Development Loans. The revised limits are allocated as per the framework modified by RBI on 03.07.17 is given as under.

**Limits for FPI investment in Government Securities**

Existing limit : (Rs. in billion)

	General	Long Term	Total	Grand Total
Central Govt.	1877	543	2420	
State Govts	285	46	331	2751
Limite for Quarter Dec 2017				
Central Govt.	1897	603	2500	
State Govts	300	93	393	2893

The revised limits will be effective from October 3, 2017.

**Issuance of Rupee Denominated Bonds (RDBs) Overseas**

On Sept 22, 2017, RBI brought modification relating to issuance of Rupee denominated bonds overseas under External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency.

In terms of the revision in consultation with the Government of India, the amount of issuances of RDBs from the limit for investments by FPIs in corporate bonds with effect from October 3, 2017 is to be excluded.

Consequently, reporting requirement in the form of additional email for RDB transactions for onward reporting to

depositories has been dispensed with. However, it should be noted that the reporting of RDBs will continue as per the extant ECB norms.

**Investment by Foreign Portfolio Investors in Corporate Debt Securities – Review**

Currently, the limit for investment by Foreign Portfolio Investors (FPIs) in corporate bonds is Rs. 244,323 crore. This includes issuance of Rupee denominated bonds overseas (Masala Bonds) by resident entities of Rs. 44,001 crore (including pipeline). The Masala Bonds are presently reckoned both under Combined Corporate Debt Limit (CCDL) for FPI and External Commercial Borrowings (ECBs).

On a review and to further harmonise norms for Masala Bonds issuance with the ECB guidelines, RBI made the following changes on Sept 22, 2017:

1. With effect from October 3, 2017, Masala bonds will no longer form a part of the limit for FPI investments in corporate bonds. They will form a part of the ECBs and will be monitored accordingly. Eligible Indian entities proposing to issue Masala Bonds may approach Foreign Exchange Department, Reserve Bank of India, Central Office, Mumbai.
2. The amount of Rs.44,001 crore arising from shifting of Masala bonds will be released for FPI investment in corporate bonds over the next two quarters as specified hereunder:

**Limit for FPI Investments in Corporate Bonds**

**Amount( Rs.crore)**

1. Current FPI limits for corporate bonds (including masala bonds) : 2,44,323  
(a) of which Masala bonds (including pipeline): 44,001
2. FPI limit after shifting Masala bonds to ECB (1-(a)) : 2,00,322
3. Additional limit for Q3 FY18 : 27,000
4. FPI limit for corporate bonds from 03 Oct 2017 (2+3) : 2,27,322  
(of which reserved for investment by long term FPIs in infrastructure : 9,500)
5. Additional limit for Q4 FY18 : 17,001
6. FPI limit for corporate bonds from January 01, 2018 (4+5) : 2,44,323  
(of which reserved for investment by long term

FPIs in infrastructure : 9,500)

3. An amount of Rs. 9,500 crore in each quarter will be available only for investment in infrastructure sector by long term FPIs (i.e., Sovereign Wealth Funds, Multilateral Agencies, Endowment Funds, Insurance Funds, Pension Funds and Foreign Central Banks). The definition of 'Infrastructure' shall be the same as defined under the Master Direction on ECBs issued by the Reserve Bank of India. Long term FPIs will continue to be eligible to invest in sectors other than infrastructure.

### Trade Repository for OTC Foreign Exchange and Interest Rate Derivatives

As per RBI circular dated March 13, 2013, a threshold of USD 1 million, and equivalent thereof in other currencies, was stipulated for reporting FCY-INR and FCY-FCY forward and options trades between AD Category-I banks and their clients to the Trade Repository (TR). Subsequently, Clearing Corporation of India Limited (CCIL), in consultation with Reserve Bank on June 02, 2016, had informed its members the removal of this threshold limit for reporting FCY-INR and FCY-FCY option trades w.e.f. July 04, 2016.

On Sept 21, 2017, RBI decided to remove the threshold for reporting FCY-INR and FCY-FCY forward trades between AD Category-I banks and their clients w.e.f. October 03, 2017.

As a one-time measure, in order to update the outstanding balances in the Trade Repository (TR), AD Category-I banks have been advised to report the following to the CCIL by October 06, 2017:

1. OTC currency option transactions between AD Category-I banks and their clients undertaken before April 02, 2013 and outstanding as on September 29, 2017.
2. OTC currency option transactions between AD Category-I banks and their clients, with value below USD 1 million and equivalent thereof in other currencies, undertaken in the period April 02, 2013 - July 03, 2016 and outstanding as on September 29, 2017.
3. Currency forward transactions between AD Category-I banks and their clients, with value below USD 1 million and equivalent thereof in other currencies, and outstanding as on September 29, 2017.

### Priority Sector Lending - Targets and Classification: Lending to non-corporate farmers – System wide average of last three years

It was communicated by RBI on 16.07.2015 that the system-wide average of the last three years achievement with regard to overall direct lending to non-corporate farmers will be notified in due course, and thereafter at the beginning of each year.

In this regard, the applicable system wide average figure for computing achievement under priority sector lending for the FY 2017-18 is 11.78 percent as informed by RBI on Sept 21, 2017.

### SLR and holdings of SLR in HTM category (Coop Banks)

In 4th Bi-monthly Monetary Policy Statement, 2017-18 on October 04, 2017, RBI decided to reduce the SLR requirement of banks from 20.0 per cent of their Net Demand and Time Liabilities (NDTL) to 19.5 per cent from the fortnight commencing October 14, 2017.

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

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## Forex Facilities for Residents

The legal framework for administration of foreign exchange transactions in India is provided by the Foreign Exchange Management Act (FEMA), 1999, which came into effect on 01.06.2000. All transactions involving foreign exchange are classified either as capital account or current account transactions. The transactions by a resident that do alter his / her assets or liabilities, including contingent liabilities, outside India, are capital account and others are current account transactions.

As per FEMA, persons resident in India can buy or sell forex for any current account transaction except the transactions for which drawal of forex is prohibited by Central Government. These transactions include remittance out of lottery winnings; remittance of income from racing/riding, etc. or any other hobby; remittance for purchase of lottery tickets, banned / proscribed magazines, football pools, sweepstakes, etc.; remittance of dividend by any company to which the requirement of dividend balancing is applicable; payment of commission on exports under Rupee State Credit Route except commission up to 10% of invoice value of exports of tea and tobacco; payment of commission on exports made towards equity investment in Joint Ventures / Wholly Owned Subsidiaries abroad of Indian companies; remittance of interest income on funds held in Non-Resident Special Rupee (Account) Scheme and payment related to "call back services" of telephones.

RBI updated frequently asked questions on this aspect and this write-up is based on these FAQs.

### Person resident in India

(Section 2(v) of FEMA, 1999)

(i) a person residing in India for more than one hundred and eighty-two (182) days during the course of the preceding financial year but does not include-

(A) a person who has gone out of India or who stays outside India, in either case-

(a) for or on taking up employment outside India, or  
(b) for carrying on outside India a business or vocation outside India, or

(c) for any other purpose, in such circumstances as would indicate his intention to stay outside India for an uncertain period;

(B) a person who has come to or stays in India, in either case, otherwise than-

(a) for or on taking up employment in India, or  
(b) for carrying on in India a business or vocation in

India, or

(c) for any other purpose, in such circumstances as would indicate his intention to stay in India for an uncertain period;

(ii) any person or body corporate registered or incorporated in India,

(iii) an office, branch or agency in India owned or controlled by a person resident outside India,

(iv) an office, branch or agency outside India owned or controlled by a person resident in India.

**Authorized Dealer (AD) :** It is a person specifically authorized by RBI under Section 10 (1) of FEMA, 1999, to deal in foreign exchange or foreign securities and normally includes banks.

### Purchase of foreign exchange for travel purposes:

It can be purchased from any authorised person, such as an AD Category-I bank and AD Category II.

Full-Fledged Money Changers (FFMCs) can also release exchange for business and private visits.

### Foreign currency cash for travel abroad:

(a) Travellers can purchase foreign currency notes / coins only up to USD 3000 per visit. Balance amount can be carried in the form of store value cards, travellers cheque or banker's draft.

(b) The travellers proceeding to Iraq and Libya can draw forex in foreign currency notes and coins up to USD 5000 or its equivalent per visit.

(c) The travellers proceeding to the Islamic Republic of Iran, Russian Federation and other Republics of Commonwealth of Independent States can draw entire amount (up-to USD 250,000) in foreign currency notes or coins.

(d) For travellers proceeding for Haj/ Umrah pilgrimage, full amount of entitlement (USD 250,000) in cash or up to the cash limit as specified by the Haj Committee of India, may be released by the ADs and FFMCs.

### Indian currency while coming into India:

(a) A resident gone out of India on a temporary visit may bring into India at the time of his return from any place outside India (other than Nepal and Bhutan), currency notes up to an amount of Rs.25,000.

(b) A person coming to India from Nepal or Bhutan can bring currency notes in denomination up to Rs.100.

(c) Any person resident outside India, not being a citizen of Pakistan and Bangladesh and also not a traveller coming from and going to Pakistan and Bangladesh, and visiting India, may bring into Indian currency notes of



Government of India and Reserve Bank of India notes up to an amount not exceeding Rs. 25,000 while entering only through an airport.

(d) Any person resident in India who had gone to Pakistan and/or Bangladesh on a temporary visit, may bring into India at the time of his return, currency notes of Government of India and Reserve Bank of India notes up to an amount not exceeding Rs. 10,000 per person.

**Foreign exchange while visiting India:** A person coming into India from abroad can bring with him foreign exchange without any limit. If the aggregate value exceeds USD 10,000 or its equivalent and/or the value of foreign currency alone exceeds USD 5,000 or its equivalent, it should be declared to the Customs Authorities at the Airport in the Currency Declaration Form (CDF), on arrival in India.

**Payment by cash to purchase forex for travel abroad:** It can be purchased from an authorized person against rupee payment in cash below Rs.50,000. For the amount equivalent to Rs 50,000/- and above, the entire payment should be made by way of a crossed cheque/ banker's cheque/ pay order/ demand draft/ debit card / credit card / prepaid card only.

**Surrender of foreign exchange:** On return from a foreign trip, travellers can surrender unspent foreign exchange within 180 days of return.

They can retain foreign exchange up to USD 2,000, for future use or credit to their Resident Foreign Currency (Domestic) [RFC (Domestic)] Accounts. The residents can hold foreign coins without any limit.

**Visit requiring prior approval from Government :** Dance troupes, artistes, etc., who wish to undertake cultural tours abroad, should obtain prior approval from the Ministry of Human Resources Development.

**Jewellery while going abroad:** Taking personal jewellery out of India is as per the Baggage Rules, governed and administered by Customs Department, Government of India. No approval of RBI is required in this case.

**Extension of local hospitality to a non-resident :** A person resident in India is free to make any payment in Indian Rupees towards meeting expenses, on account of boarding, lodging and services related thereto or travel to and from and within India, of a person resident outside India, who is on a visit to India.

**Purchase of air tickets in India for travel not touching India:** Residents may book their tickets in India for their visit to any third country through domestic/foreign airlines in India. This would be a part of the traveller's overall LRS entitlement of USD 250,000.

**Holding assets outside India:** A person resident in India is free to hold, own, transfer or invest in foreign currency, foreign security or any immovable property situated outside India if such currency, security or property was acquired, held or owned by such person when he was resident outside India or inherited from a person who was resident outside India.

Further, a resident individual can also acquire property and other assets overseas under LRS.

### Who can hold International Credit or Debit Cards

AD Banks can issue International Debit Cards (IDCs) which can be used by a resident individual for drawing cash or making payment to a merchant establishment overseas, during his visit abroad. IDCs can be used only for permissible current account transactions within the LRS limit.

AD banks can also issue Store Value Card/Charge Card/Smart Card to residents traveling on private/business visit abroad for making payments at overseas merchant establishments and also for drawing cash from ATM terminals. No prior permission from RBI is required for issue of such cards. The use is limited to permissible current account transactions and subject to the LRS limit.

Resident individuals maintaining a foreign currency (FC) account with an AD banks or a bank abroad, as permissible under extant Foreign Exchange Regulations, can obtain International Credit Cards (ICCs) issued by overseas banks and other reputed agencies. The charges incurred against the card either in India or abroad, can be met out of funds held in such FC account of card holder or through remittances, if any, from India only through a bank where the cardholder has a current or savings account. The remittance for this purpose, should also be made directly to the card-issuing agency abroad, and not to a third party. The applicable credit limit will be the limit fixed by the card issuing banks. There is no monetary ceiling fixed by the RBI for remittances, if any, under this facility. The LRS limit shall not apply to the use of ICC for making payment by a person towards meeting expenses while such person is on a visit outside India.

Use of ICCs/ IDCs can be made for travel abroad in connection with various purposes and for making personal payments like subscription to foreign journals, internet subscription, etc. Use of ICCs/IDCs is NOT permitted for prohibited transactions such as purchase of lottery tickets, banned magazines etc. or for payment in foreign exchange in Nepal and Bhutan is not permitted.

## Overseas Direct Investment (ODI)

*ODI outside India* means investments, either under the Automatic Route or the Approval Route, by way of contribution to the capital or subscription to the Memorandum of a foreign entity or by way of purchase of existing shares of a foreign entity either by market purchase or private placement or through stock exchange, signifying a long-term interest in the foreign entity (joint venture-JV or wholly owned subsidiary-WOS).

### General permissions to persons (individual) resident in India for purchase / acquisition of securities abroad :

General permission has been granted by RBI to persons (individual) resident in India for purchase / acquisition of securities as under:

- a) Out of funds held in the RFC account;
- b) As bonus shares on existing holding of foreign currency shares;
- c) When not permanently resident in India, from the foreign currency resources outside India.
- d) To sell the shares so purchased or acquired.

A resident Indian can remit, up to the limit under the Liberalised Remittance Scheme (LRS), for purchase of securities and also setting up/acquisition of JV/WOS overseas with effect from August 5, 2013.

An Indian Party can make overseas direct investment in any bonafide activity.

**What is a Joint Venture (JV) and Wholly Owned Subsidiary (WOS)?** WOS means a foreign entity formed, registered or incorporated in accordance with the laws and regulations of the *host country* in which the Indian party makes a direct investment;

A foreign entity is termed as JV of the Indian Party when there are other foreign promoters holding the stake along with the Indian Party. In case of WOS entire capital is held by the one or more Indian Company.

**Automatic Route and Approval Route :** Under the Automatic Route, an Indian Party does not require any prior approval from the Reserve Bank for making overseas direct investments in a JV/WOS abroad. In case of investment in the financial services sector, prior approval is required from the regulatory authority concerned, both in India and abroad.

**Designated Authorised Dealer (DAD) :** The Indian party/ Resident Individual is required to route all transactions in respect of a particular overseas JV/WOS only through one branch of an Authorized Dealer to be known as DAD in respect of that JV/WOS and all transactions and communications relating to the investment in that particular JV/WOS are to be reported only through this 'designated' branch of an Authorized Dealer.

**An Indian Party** is a company incorporated in India or a

body created under an Act of Parliament or a partnership firm registered under the Indian Partnership Act 1932 or a Limited Liability Partnership (LLP) incorporated under the LLP Act, 2008 and any other entity in India as may be notified by the Reserve Bank. When more than one such company, body or entity makes investment in the foreign JV / WOS, such combination will also form an "Indian Party".

**ODI transactions that require RBI approval :** There are a number of proposals which require prior approval.

**Restrictions on investment:** Investment in Pakistan is allowed under the approval route. Investments in Nepal can be only in Indian Rupees. Investments in Bhutan are allowed in Indian Rupees and in freely convertible currencies.

**Procedure to make overseas direct investment in a JV/ WOS under the Automatic Route :** The Indian Party intending to make overseas direct investment under the automatic route is required to fill up form ODI duly supported by the documents listed therein and approach an Authorized Dealer (designated Authorized Dealer) for making the investment/remittance.

**Prior registration with the Reserve Bank :** Per se no prior registration with the Reserve Bank is necessary for making direct investments under the automatic route.

**What is included in ODI financial commitment:** Financial commitment means the amount of direct investments outside India by an Indian Party -

- i. By way of contribution to equity shares or Compulsorily Convertible Preference Shares (CCPS) of the JV / WOS abroad
- ii. Contribution to the JV / WOS as preference shares (for reporting purpose to be treated as loan)
- iii. As loans to its the JV / WOS abroad
- iv. 100% of the amount of *corporate guarantee* issued on behalf of its overseas JV/WOS and
- v. 50% of the amount of *performance guarantee* issued on behalf of its overseas JV/WOS.
- vi. Bank guarantee/standby letter of credit issued by a resident bank on behalf of an overseas JV / WOS of the Indian party, which is backed by a counter guarantee / collateral by the Indian party
- vii. Amount of fund/ non fund based credit facility availed by creation of charge (pledge / mortgage / hypothecation) on the movable / immovable property or other financial assets of the Indian party / its group companies

**Permissible sources for funding overseas direct investment:** Funding for overseas direct investment can be made by one or more of the following sources:

- i. Drawal of foreign exchange from an AD bank in India.
- ii. Swap of shares (i.e. acquisition of the shares of an overseas JV / WOS by way of exchange of the shares of the Indian party).

(continued on page .....8)

### Practical Problems based on Banking Ombudsman Decisions

1) The complainant had attempted to withdraw 10,000/- from an ATM but the cash was not dispensed but his account got debited. Bank submitted that the ATM transaction was successful. No excess cash was found on the date of disputed transaction.

During conciliation meeting bank officials submitted EJ Log Report and Switch Centre Report wherein the transaction was shown as successful. Further, they submitted a certificate showing no excess cash was found on the date of disputed transaction. However, it was observed from the CCTV footage provided by the bank that the complainant, after making balance enquiry tried to withdraw money from the ATM and left the ATM after 40 seconds. After he left, another person came and found the cash lying in the ATM. He took the cash and left the ATM Kiosk. After a short while the person who had found the cash came again in the booth with a police personnel. First they examined the slips which were lying on the ground. Thereafter, the person who had found the cash from ATM did a transaction of 500/- from his own account. From this very transaction the person who had found the cash could be identified as a customer of another bank. The bank official contacted this person and he admitted that he had found the cash lying unclaimed in the ATM and handed over the cash to the police personnel. The alacrity of the OBO, the concerned bank and police officials helped the complainant to get back his money.

2) A complainant had applied for credit card from a bank. Though the bank had not delivered the card it was sending the account statement every month indicating the dues payable. CIBIL report also showed the complainant as a defaulter in respect of the said card. The bank in its response stated that the customer had applied for credit card and the same was issued on January 29, 2015. Accordingly, joining fees along with applicable service tax were levied. As the customer did not make requisite payment, financial charges were also being levied every month. This was also getting reflected in the CIBIL report as an outstanding towards the card.

In a conciliation meeting BO asked the bank to clarify as to when customer had not received the card how the customer was being billed to make payment for same. The bank stated that they had investigated the matter and it appeared that the card could not be delivered to customer despite multiple attempts owing to residence/ office closed. As the response of bank was not convincing and the bank's action was unfair; the bank was advised to pay 10000/- as a compensation to the complainant and rectify the CIBIL record suitably.

3) When a complainant tried to withdraw cash from ATM of other bank, the cash was not dispensed but his account got debited. Both the banks submitted the ATM related documents to BO and also certified that the disputed transaction was successful. The CCTV footage provided by ATM acquiring bank could not confirm that cash was withdrawn by the customer. On a scrutiny of the EJ log of the disputed transaction, it was observed that the said transaction indicated an error code and accordingly the bank was advised by OBO to give clarification for same. The acquiring bank checked details of the transaction and found that customer who had visited subsequently to the ATM to withdraw had received the cash. The bank recovered the amount from him and credited the disputed amount to the complainant's account.

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**Overseas Direct Investment (contd.. from page-6)**

- iii. Capitalization of exports and other dues and entitlements.
- iv. Proceeds of External Commercial Borrowings / Foreign Currency Convertible Bonds.
- v. In exchange of ADRs / GDRs issued in accordance with the Scheme for issue of Foreign Currency Convertible Bonds and Ordinary Shares (Through Depository Receipt Mechanism) Scheme, 1993 and the guidelines issued by Government of India in the matter.
- vi. Balances held in Exchange Earners Foreign Currency account of the Indian Party maintained with an Authorized Dealer.
- vii. Proceeds of foreign currency funds raised through ADR / GDR issues.

**Obligations of the Indian party, which has made direct investment outside India:** An Indian Party will have to comply with the following: -

- i. Receive share certificates or any other documentary evidence of investment in the foreign JV / WOS as an evidence of investment and submit the same to the designated AD within 6 months;
- ii. Repatriate to India, all dues receivable from the foreign JV / WOS, like dividend, royalty, technical fees etc.;
- iii. Submit to the Reserve Bank through the designated Authorized Dealer, every year, an Annual Performance Report in Part III of Form ODI in respect of each JV or WOS outside India set up or acquired by the Indian party.
- iv. Report the details of the decisions taken by a JV/WOS regarding diversification of its activities /setting up of step down subsidiaries/alteration in its share holding pattern within 30 days of the approval of those decisions by the competent authority concerned of such JV/WOS in terms of the local laws of the host country. These are also to be included in the relevant Annual Performance Report;
- v. In case of disinvestment, sale proceeds of shares/ securities shall be repatriated to India immediately on receipt thereof and in any case not later than 90 days from the date of sale of the shares /securities and documentary evidence to this effect shall be submitted to RBI through the designated Authorised Dealer.

**Furnishing of Annual Performance Reports (APR) of the overseas JV/WOS based on its audited financial statements**

: An Indian Party (IP) / Resident Individual (RI) which has made an Overseas Direct Investment (ODI) has to submit an Annual Performance Report (APR) in Form ODI Part III to the Reserve Bank by 30th of June every year in respect of each Joint Venture (JV) / Wholly Owned Subsidiary (WOS) outside India set up or acquired by the IP / RI.

With effect from April 13, 2016, the AD bank, before undertaking / facilitating any ODI related transaction on behalf of the eligible applicant, should necessarily check

with its nodal office to confirm that all APRs in respect of all the JV / WOS of the applicant have been submitted. Further, certification of APRs by the Statutory Auditor or Chartered Accountant may not be insisted upon in the case of Resident Individuals. Self-certification may be accepted.

With effect from April 13, 2016, where multiple IPs / RIs have invested in the same overseas JV / WOS, the obligation to submit APR shall lie with the IP / RI having maximum stake in the JV / WOS. Alternatively, the IPs / RIs holding stake in the overseas JV / WOS may mutually agree to assign the responsibility for APR submission to a designated entity which may acknowledge its obligation to submit the APR .

Where the law of the host country does not mandatorily require auditing of the books of accounts of JV / WOS, the Annual Performance Report (APR) may be submitted by the Indian party based on the un-audited annual accounts of the JV / WOS provided:

- a) The Statutory Auditor of the Indian party certifies that 'The un-audited annual accounts of the JV / WOS reflect the true and fair picture of the affairs of the JV / WOS' and
- b) That the un-audited annual accounts of the JV / WOS has been adopted and ratified by the Board of the Indian party.

Delayed submission/ non-submission of APRs entail penal measures, as prescribed under FEMA 1999, against the defaulting Indian Party.

**Pledge of shares of a JV/WOS abroad for financial assistance :**

The shares of a JV/WOS can be pledged by an Indian Party as a security for availing fund based or non-fund based facility for itself or for the JV/WOS, from an authorised dealer/ public financial institution in India or from an overseas lender, provided the overseas lender is regulated and supervised as a bank and the total financial commitments of the Indian party remains within the limit stipulated by the Reserve Bank for overseas investment from time to time.

**Use of the net worth of Indian subsidiary/holding company for investing in a JV/WOS abroad :**

An Indian Party can utilize the networth of its Indian subsidiary/holding company to the extent not availed of by the holding company or the subsidiary company independently subject to :

- a) Holding company holds at least 51% direct stake in the Indian Party.
- b) The Indian party holds at least 51% direct stake in its subsidiary company
- c) The holding or subsidiary company furnishes a letter of disclaimer for the same in favour of the Indian Party.

This facility is not available to / from partnership firms.

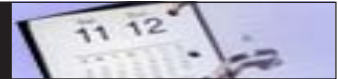
**Can an Indian Party extend loan or guarantee to an overseas entity without any equity participation in that entity :**

No.



- **NDB APPROVES LOAN FOR INFRA PROJECTS IN CHINA, INDIA AND RUSSIA:** Ahead of the BRICS Summit, the New Development Bank (NDB) of the 5 member group approved \$1.4 billion loans for sustainable development projects in China, India and Russia. The 4 projects approved are fully in line with national development agenda in member countries and the NDB's mandate of mobilizing resources for infrastructure and sustainable development in BRICS and other emerging economies and developing countries.
- **NATIONALISED BANKS EXEMPTED FROM CCI APPROVAL FOR MERGERS:** Paving the way for fast-tracking consolidation of public sector banks, the Government has exempted mergers of Nationalised Banks from seeking fair trade watch dog Competition Commission of India's approval. This exemption will be applicable for 10 years. Mergers and acquisitions beyond a certain threshold compulsorily require clearance from the CCI, which is mandated to keep a tab on unfair business practices across sectors.
- **UNION BANK LAUNCHED APPROUVE TO RECOVER BAD LOANS:** Union Bank of India has launched an Mobile-based Application (App) to recover its bad loans. By entering the postal pin-code of the area in the App, the bank officer gets all the details about the borrowers and defaulting accounts under the limits of that particular pin-code. If the officer decides to visit the borrower in the locality concerned, he can upload the photograph of the borrower and the premises on the App.
- **SEBI ALLOWS DEBT SECURITIES TO BE LISTED ON IFSC EXCHANGES:** SEBI has allowed debt securities to get listed on stock exchanges in the International Financial Services Centre (IFSC) even if these are issued elsewhere, but they will have to follow all necessary listing and corporate governance norms. SEBI has also allowed "over the counter" trading of debt securities in an IFSC subject to clearing and settlement through clearing corporations within such centres.
- **IBA APPROVES GROUP MEDICAL INSURANCE SCHEME:** The Managing Committee of Indian Banks' Association (IBA) has approved a proposal for renewal of the group medical insurance scheme for award staff and officers. The renewed policy with United India Insurance will be effective for another one year from October 1, 2017 to September 30, 2018 on existing terms and conditions. Gross premium payable per family including GST

## Financial Events

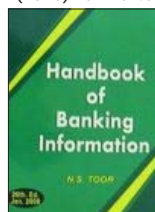


amounts to Rs.12, 333 for Award Staff and Rs.16, 443 for Officers with sum assured for Rs.3 Lakh and Rs.4 Lakh respectively.

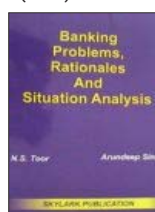
- **SUPREME COURT RULING ON DEFAULTING FIRMS:** (Case- Innovative Industries VS ICICI Bank) The Supreme Court has ruled that the management of a company undergoing bankruptcy proceedings could not continue in its role. The Apex Court has said that the entrenched managements are no longer allowed to continue in management if they can not pay their debts. As per Insolvency Code, once an insolvency professional is appointed by creditors, the management should step aside and let the company be run by the professional. The Insolvency Professional, in turn, will decide if the company must go for liquidation after six months.
- **IRDAI TO INSURANCE COMPANIES ON USE OF AADHAR FOR E-KYC:** The Insurance Regulatory and Development Authority of India (IRDAI) has clarified that the Insurance Companies can access the details of policy holders provided by the Unique Identification Authority of India (UIDAI) only with the consent on a voluntary basis. In view of the Aadhar regulations, the regulator informed the insurers that they should perform the verification of clients through e-KYC, provided the verification is done by biometric authentication and/or through one time pass-word received on the policyholder's mobile number or email address
- **STATE FINANCES IN INDIA**

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**DETERIORATE:** Finances of state governments are showing signs of increasing fiscal imbalance. Fiscal deficit aggregated across the states deteriorated as a percentage of GDP from 1.93% in 2011-12 to 3.03% in 2015-16. It was budgeted to further decline to 3.67% in 2016-17. As such the deficit breached the ceiling of 3% for the first time since 2004-05. Besides, the number of states having a fiscal deficit greater than 3% increased from 9 in 2011-12 to 14 in 2014-15 and 19 in 2016-17.

- **FINMIN TO HEADS OF PSU BANKS ON CONSOLIDATION:** The Finance Ministry has informed all the Heads of the Public Sector Banks about the government's decision to set up a Ministerial Panel to facilitate consolidation in the public sector space. The Ministry wants banks to undertake an internal exercise for the best match and come up with the merger idea for the Alternative Mechanism set up for the purpose. The banks should analyse regional balance, geographical reach, IT compatibility, financial burden and human resource transition while firming up the merger proposal for the ministerial panel. This formal communication to CEOs of the banks from the Department of Financial Services has set in motion the consolidation process.
- **SUPREME COURT RULING ON BOUNCED CHEQUE:** (Case-Harihara Krishnan VS J Thomas) Supreme Court has ruled that every person signing a cheque on behalf of a company on whose account a cheque is drawn, does not become the drawer of the cheque. Such signatory is only a person duly authorized to sign the cheque on behalf of the company/drawer of the cheque.
- **HDFC BANK ALSO INCLUDED IN THE LIST OF D-SIB:** RBI has included the HDFC Bank in the list of "Too Big to fail" Lenders, referred as "Domestic Systemically Important Bank" (D-SIB). India's Largest Lender SBI and ICICI Bank were classified as D-SIB in 2015. With the inclusion of HDFC Bank in the list, there will now be three "Too Big to fail" financial entities in the country. D-SIBs are subjected to higher level of supervision so as to prevent disruption in financial services in the event of any failure. The additional Common Equity Tier-I requirement for D-SIB has already been phased in from April 1, 2016 and will be effective fully from April 1, 2019.
- **GOVT. INTRODUCED FAST TRACK MECHANISM FOR START-UP:** The Government has introduced fast-track mechanism for StartUps for filing patents. Startups were earlier defined as companies that are only 5 years old with a maximum turnover of Rs.25 Crore per year and working towards innovation. With the rule revised, Startups will be eligible for an 80% rebate in patent fees. The DIPP will bear the facilitation cost on behalf of Startups and provide rebates in the statutory fee for filing of applications. Under the faster clearance route, the application fee for individuals and startups is Rs.8000, while

for established and older companies it is about Rs,60, 000.

- **CENTRE IMPOSED CURBS ON COMPANIES HAVING DUBIOUS TRANSACTIONS:** After de-registering 2.09 Lakh Companies for dubious transactions, the Centre has brought in curbs on the operation of their bank accounts by their existing directors and authorized representatives. Till the legal status of such companies is restored to "Active" from the current "Struck Off", the directors of such companies will not be able to operate the bank accounts of these companies. Banks have been advised to exercise enhanced diligence while dealing with companies in general and not only on "Struck Off" companies.
- **BANKS WITHOUT AadHAR ENROLMENT CENTRES TO FACE PENALTY:** The Unique Identification Authority of India (UIDAI), in July. had asked private and public sector banks to open Aadhar Enrolment and Updation Facility in one out of 10 branches by August end. As many banks sought additional time from the authority for setting up such facility on their premises, UIDAI has allowed one more month to open the Aadhar Enrolment Centres in a stipulated 10% of branches and will impose Rs.20, 000 fine for every uncovered branch after September 30, 2017.
- **SEBI PANEL SUGGESTS SPLITTING OF CMD ROLES:** In January 2015, the Government had separated the post of Chairman and MD or CEO of Public Sector Banks. Now, SEBI Panel has suggested that the roles of Chairman and Managing Director (CMD) be splitted at listed companies to prevent a potential conflict of interest arising out of the same person playing the two roles. The MD should be responsible for running the company while the Chairman should manage and oversee the Board. Separating the roles will ensure that the company is run more professionally and power is not concentrated in the hands of one individual.
- **CENTRE TO STATES FOR ALL GOVT. SCHEMES TO BE UNDER DBT:** After

bringing a number of Central Government Schemes under Direct Benefit Transfer (DBT), the Centre has instructed the states to ensure that they pass their own DBT laws and create their own portals to bring in their schemes under the DBT umbrella. Some 3500 Central and state government schemes and programmes, with a total outlay of Rs.6 Lakh Crore, are expected to be brought under the DBT mission. Out of 3500 schemes and programmes, 3000 schemes are expected to be from the states while 500 are Central Schemes.

- SEBI MOOTS TIGHTER NORMS FOR CREDIT RATING AGENCIES:** SEBI has proposed 10% cross-shareholding cap in Credit Rating Agencies along-with other measures for tightening the financial and operational eligibility of their promoters. No CRA should “directly or indirectly” hold more than 10% of shareholding and/or voting rights in another CRA and shall not have representation on the Board of the other CRA. Further, SEBI’s prior approval would be needed for acquisition of shares or voting rights in a CRA that results in change in control. The requirement would not be applicable for holdings by broad-based domestic financial institutions.
- RESOLUTION PLAN FOR NEXT SET OF STRESSED ASSETS:** A resolution plan, finalised for the next set of stressed assets identified by RBI, will be subject to a rating requirement if the plan for resolving their bad debts falls outside the scope of Insolvency and Bankruptcy Code. (IBC). RBI has told the banks that if any resolution plan is finalised outside the ambit of IBC, the residual debt would have to be rated as investment grade by two external credit rating agencies for bank loan rating. In case the plan fails to get the rating, the accounts would be referred under the IBC before December 31.
- COURT RULING ON PROPERTY SALE & CREDITOR ROLE:** (Case- United Bank of India VS. State of Bengal) The Calcutta High Court has ruled that a secured creditor who sells the mortgaged property has no interest in the immovable property after the issuance of sale certificate. He can not approach the District Magistrate to get possession of the property invoking section 14 of the SARFAESI. After sale, the secured creditor can no longer claim a security interest over such immovable property as such security interest stands dissolved by the issuance of the sale certificate.
- ELECTORAL BONDS TO BE NOTIFIED:** The Government is set to notify the Electoral Bonds Scheme. CBDT has already drafted

the contours of the scheme which will bring in transparency into political funding. The contours of the scheme are largely in line with the budget proposal under which donations over Rs.2000 to political parties will be through these bonds. To ensure that only clean money goes into political funding, the purchase of bonds would be through cheque or electronic means. Donors would purchase the bonds from designated branches of only a few authorized banks. Every recognised political party would also register with one designated bank account in which all such bonds would be redeemed.

- GOVT. TO HELP STRANDED SMALL HYDLE PROJECTS THROUGH IREDA:** The Ministry of New and Renewable Energy will help developers of stranded small hydropower projects by providing concessional loans through the Indian Renewable Energy Development Agency (IREDA). Concessional Loans are to be extended at an interest rate of up to 2% by IREDA. Further loan will be given up to 70% of the outstanding amount that project developers owe to the primary lender. Currently, small hydropower projects less than 25MW are eligible for benefits for renewable energy that include cheap financing and assured off-take of generated power.
- CBDT AND CORPORATE AFFAIRS MINISTRY SIGN MOU:** The Central Board of Direct Taxes and the Ministry of Corporate Affairs Ministry have signed a MOU for automatic sharing of data on regular basis. The MOU will ensure that both have seamless PAN-Corporate Identity Number (PAN-CIN) and PAN-

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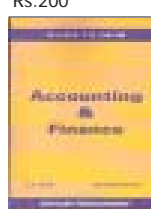
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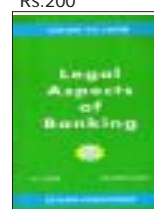
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Director Identity Number (PAN-DIN) linkage for regulatory purpose. The information shared will pertain to both Indian as well as foreign corporates operating in India. Both will also exchange any information for the purpose of carrying out scrutiny, inspection, investigation and prosecution.

- **SUPREME COURT RULING ON LOK ADALAT:** Supreme Court has ruled that an award passed in a Lok Adalat set up under the Legal Services Authorities Act can be challenged before the High Court, alleging fraud or misrepresentation by one of the parties. But such petitions can not be taken up by a Civil Court after the award is passed. Only the High Court can hear the petition challenging the award. The Supreme Court stated so while setting aside the judgment of the High Court of Andhra Pradesh/ Telengana in a case of sale of land in which over 30 parties were involved.
- **SEBI ALLOWS REALTY, INFRA TRUSTS TO ISSUE BONDS:** SEBI has allowed Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs) to raise capital by issuing debt securities. The move could help attract investors to the capital-starved property sector. In addition to allowing bond issuances, SEBI also introduced the concept of strategic investor for REITs similar to InvITs. Further SEBI had also decided to consult on a proposal to allow REITs to invest at least 50% of the equity share capital or interest in the underlying holding company and special purpose vehicle. Previously, raising capital was allowed via launch of equity-oriented REITs and InvITs, which offer indicative yields, not fixed yields. Debt-oriented REITs and InvITs offer fixed returns to investors.
- **IRDAI TO ASK INSURERS TO CREATE DEBENTURE REDEMPTION RESERVE:** IRDAI is likely to ask insurers to create a debenture redemption reserve (DRR). DRR provision was added in 2000 to the India Companies Act 1956 and has also been included under Section 71 of the Companies Act, 2013. Under this, an Indian Company that issues debentures has to create a redemption pool to protect the investors against the possibility of default by the company.
- **IRDAI FOR UNIFORM METHOD IN PUBLISHING DEATH CLAIMS PAID:** IRDAI has asked the Insurers that in order to have uniformity across the industry, they should use or publish only annual figures of death claims paid

ratios, based on the number of policies alone. These figures should reflect the entire financial year and be based upon the latest IRDAI Annual Report or latest annual audited final figures submitted to the authority. If an insurance advertisement contains death claims paid, then the data for individual and group policies shall not be clubbed together. In case of advertisements promoting the company's brand without reference to products, only individual death claims paid should be used.

- **GST COUNCIL LISTS NORMS ON ADMINISTRATIVE CONTROL OF TAXPAYERS:** In a bid to clarify the issue of administrative control and improve coordination between the Centre and the States, GST Council has defined the parameters for control over taxpayers. As per notification, the division of taxpayers under GST in each state will be done through computer-based random sampling. According to the broad formula for cross-empowerment, 90% of the small taxpayers with an annual turnover of less than Rs.1.5 Crore would be under the administrative control of states. The remaining 10% are with the Central Tax Administration. Similarly, all administrative control of larger tax payers above Rs.1.5 Crore turnover was divided equally in the ratio of 50% each for the Central and the State tax Administration.
- **GOVT. NOTIFICATION ON LAYERS OF COMPANYS' SUBSIDIARIES:** Govt. has notified that the companies can have only 2 layers of subsidiaries under the Company Law. While the rules would be applicable prospectively, companies, that have already more than two layers of subsidiaries, have to furnish details about them to the government. Banking and NBFCs as well as Insurance and Government Firms have been exempted from the restrictions. The rules will come into effect from September 20. It assumes significance against the backdrop of concerns that Shell Companies are being floated to act as conduits for illicit funding activities. The Cap of two layers of subsidiaries will not affect a company from acquiring an overseas firm that has subsidiaries beyond two layers as per the Laws of that Country.
- **GOVT. EXTENDED INTEREST SUBSIDY BENEFITS UNDER PMAY:** The Central Government has extended the benefits of the interest subsidy scheme on home loans under the Pradhan Mantri Awas Yojana (PMAY) by 15 months beyond December this year. So, now the benefits will be available up to March 2019 under the Scheme. MIG beneficiaries with annual income of above Rs.6 Lakh and up to Rs.12 Lakh get an interest subsidy of 4% on a 20-year loan component of Rs.9Lakh. Those with annual income exceeding Rs.12 Lakh and up to Rs.18 Lakh would get an interest subsidy of 3%.



## GENERAL AWARENESS

- Scheme, which targets putting all households on the Grid by Dec. 2018 - **Pradhan Mantri Sahaj Bijli Har Ghar Yojana-Saubhagya.**
- As per latest S&P Global Platts Top 250 Global Energy Company Rankings, the Company which has got 3<sup>rd</sup> Global Ranking- **Reliance Industries.**
- Chanda Kochar and Shikha Sharma, Heads of ICICI Bank and AXIS Bank have been ranked at 5<sup>th</sup> and 21<sup>st</sup> position respectively in – **Fortune Most Powerful Business Women List.**
- President Ram Nath Kovind launched “Incredible India 2.0 Campaign” on September 27 which is also celebrated as- **World Tourism Day.**
- Political Party which got 90% of Corporate Donations in FY 2016- **BJP.**
- Rajiv Maharishi, who has just retired as Union Home Secretary, has taken over as- new **Comptroller and Auditor General of India.**
- Anita Karwal, Additional Secretary in HRD of the Govt., has been appointed as- **Chairperson of Central Board of Secondary Education (CBSE)**
- Ajay Vipin Nanavati, who mentors Start-Ups/SMEs, has been appointed as- new **Chairman of Syndicate Bank.**
- Agreement which has been signed by India with Japan allowing designated airlines of both signatory countries to operate freely- **Open Skies Agreement.**
- Bank which has bagged the “Best Bank IDRBT Award 2016-17” among Small Banks for the use of technology for financial inclusion- **Karnataka Bank.**
- Country which has successfully tested a Hydrogen Bomb which is a significant escalation of its threats to strike the US- **North Korea.**
- Country which has banned individuals and organisations from raising funds through “Initial Coin Offerings” Crypto currencies- **China.**
- Bank which has got RBI approval to operate a “Wholly-owned Subsidiary” in India- **DBS Bank.**
- At the Event of ET Awards Ceremony, Mukesh Ambani, Chairman of Reliance industries has got- **Business Leader of the Year Award.**
- Insurer which has become the 4<sup>th</sup> Insurer to list on Stock Exchanges after ICICI Prudential, SBI Life and HDFC Life- **PNB MetLife.**
- RA Sankara Narayanan, who had joined Bank of India as Direct Recruit Officer, has assumed charge as- **MD & CEO of Vijaya Bank.**
- While the University of Oxford retains First place, no Indian University could come even in the 201-250 Band in the- **Times Higher Education World University Rankings 2018.**
- NITI Aayog has set up a Task Force on Employment and Exports, which is to be headed by- **Rajiv Kumar, Vice-Chairman of NITI Aayog.**
- India’s Largest Urban Co-operative Bank, which has declared a special dividend of 15% for 2016-17 on its Centenary Year on September 14, 2017- **Saraswat Co-operative Bank.**
- While Paytm Payments Bank has offered interest on Savings Fund Accounts @4%, the Payment

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- Bank which is offering the interest @4.5% to 5.5%- **India Post**.
- Scheme under which 21, 000 people have disclosed black money worth Rs.4900 Crore- **Pradhan Mantri Garib Kalyan Yojana**.
- Online Service which has been launched by the Govt. for importers and exporters to resolve all foreign-related issues- **Contact @ DGFT**.
- Pakistan Biggest Lender who has agreed to pay \$225 Fine for breach of Anti-Money Laundering Rules in US- **Habib Bank**.
- AB Pandey, CEO of Unique Identification Authority of India has been appointed as –**Interim Chairman of GST Network**.
- Insurance Company which has topped amongst its peers in Claims Settlement Ratio with 71% - **New India Assurance Company**.
- Court which has ruled that after amalgamation of a company, the merged entity is non-existent and it can not be assessed for income tax- **Delhi High Court**.
- Regulatory Authority which has allowed all General Insurers to sell motor cover policies through Auto Dealers by offering differential pricing- **IRDAI**.
- UK’s Prestigious University which is to scrap 800 year old practice of handwritten exams due to bad handwriting- **Cambridge University**.
- Microfinance Bank with which IndusInd Bank has signed Pact to explore Merger- **Bharat Financial Inclusion Co**.
- Global Body which slams India for Rohingyas’ Deportation Issue- **UN Human Rights Council**.
- Ceiling which has been approved by the Cabinet to double to Rs.20 Lakh from existing Rs.10 Lakh for employees in private and public sector- **Gratuity Ceiling**.
- The Finance Ministry has notified the new Rs.100 Coins along with Special Rs.5 Coin to mark the- **Centenary of AIADMK Founder MG Ramachandran**.
- Index in which India moved up to two spots and ranked at 103 of 130 countries on- **World Economic Forums’ Human Capital Index 2017**.
- Enterprises from whom all Government Departments and Public Sector Units are to ensure to meet 4% Procurement Target- **Enterprises owned by SC/STs**.
- Scheme under which the customers receive incentives for purchase of Hybrid and Electric Vehicles- **FAME India Scheme**.
- Train Project, which has been flagged off by Japanese PM Shinzo Abe and Indian PM Narendra Modi on 14<sup>th</sup> current for Mumbai-Ahemdabad Journey @320KMPH- **Bullet Train Project**.
- Bank which has bagged the First Prize under the Rajbhasha Kirti Puraskar Scheme 2016-17 for implementation of Hindi in daily activities- **Vijaya bank**.
- Chinese Exchange which would stop all trading from September 30 – **Chinese Bitcoin Exchange**.
- City Place which is the 10<sup>th</sup> Most Expansive Office Location in the World- **Delhi Connaught Place**.
- India’s Biggest Road Transport Tender which has got Supreme Court’s Green Signal- **Jawaharlal Nehru Port Trust Tender**.
- MN Sharma who was serving as General Manager has been appointed as- **CMD of United India Insurance Co. Ltd**.
- Stock Exchange which will conduct Forensic Audits on Shell Companies identified by SEBI- **Bombay Stock Exchange**.
- Bank with which Amazon ties up to offer Micro-Loans to Sellers- **Bank of Baroda**.
- Commercial Arm of ISRO’s Satellite which will attract Zero GST- **International Satellite Launch Services of Antrix Corporation**.
- Indigenous Passenger Aircraft which is to be launched at a 3000-sq-feet Terrace in Mumbai’s Borivilli Suburb- **India’s First 19-Seater Aircraft**.
- Dam which has been dedicated by PM Narendra Modi on his 67<sup>th</sup> Birthday on 17<sup>th</sup> September, 2017- **Sardar Sarovar Dam on Narmda River, Gujarat**.
- Mission for which Bollywood Actor Akshay Kumar has been appointed as the Brand Ambassador for Utrakhand State- **Swachh Bharat Mission**.
- British Pakistan Actor Riz Ahmad has become the First Muslim Actor as well as Man of Asian Descent to win- **Emmy Award**.
- Statements of Companies and Taxpayers getting their accounts audited, are required to be submitted by November 15 for six months of the financial year- **Income Estimates and Tax Liabilities**.
- The Iconic 50 year old Magazine of Music and Counterculture founded by Jann Wenner of California, which is putting itself up for sale amid uncertain outlook- **Rolling Stone**.
- The Country’s Largest Tractor Company, which unveils “Driverless Concept” for Tractors- **Mahindra & Mahindra**.
- Violet Mosse-Brown of UK who was given a letter by Queen Elizabeth-II in honour of her 115<sup>th</sup> Birthday, passed away at the age of 117- **World’s Oldest Person**.



### MOCK-TEST PAPER

- 1 What is the number of digits in UIDAI Aadhaar number :
- a 10                      b 11  
c 12                      d 14
- 2 Model Bank sanctioned working capital limits of Rs.30 lac to M/s Janardhan & Co. for which a guarantee was given by Mr. Satyanarayana, the father of managing partner Mr. Janardhan. Due to some dispute amongst the father and son, Mr. Satyanarayana gave a notice to the bank withdrawing his guarantee when the balance in the account was Rs.27.60 lac. The guarantee bond provide for a notice of withdrawal of 2 months.
- a With the issue of withdrawal notice the guarantor is totally absolved of his liability and he is no more liable for the outstanding dues.  
b After issue of the withdrawal notice, the guarantor will be liable for 2 months during which the bank can recover the loan from the guarantor along with other parties.  
c Bank will send a notice to the firm for arranging another guarantee during 2 months period and would continue with the operations.  
d Bank will stop debit operations in the account to determine the liability of the guarantor and inform the firm about withdrawals and also for arranging another security as per satisfaction of the bank.
- 3 Which of the following represents the direct quotation in India, in the forex transactions:
- a 1 US\$ = 0.75 euro  
b Rs.100 = 2.10 US\$
- c 1 pound sterling = Rs.79.10  
d all the above
- 4 The rates of interest on loans and advances given by banks w.e.f. 01.04.2016 are to be determined with reference to:
- a bench mark prime lending rate  
b marginal cost of funds based lending rate  
c base rate  
d bank rate
- 5 Which among the following instruments is not a negotiable instrument as per provisions of Section 13 of Negotiable Instrument Act?
- a bill of lading  
b commercial paper  
c certificate of deposit  
d govt. treasury bill  
e all the above
- 6 No collateral security to be taken for loan up to Rs.10 lac in which of the following cases:
- a MSE Loan and Agri-clinics and Agro Business Centres  
b MSE Loan and PMEGP Loan  
c PMEGP Loan and Agri-clinics and Agro Business Centres  
d MSE Loan, Loans to individual persons under SGSY, Agri-clinics and Agro Business Centres
- 7 Bank has granted a loan of Rs.90 lac to an MSE in other than NE States and other than Women enterprise. In case the loan becomes NPA, what is the amount of guarantee cover that would be available to this loan:
- a Rs.65 lac  
b Rs.62.50 lac  
c Rs.60.00 lac  
d Rs.57.50 lac
- 8 What is the income ceiling for DRI loan eligibility:
- a Rs.12000 for rural areas and Rs.15000 for urban areas  
b Rs.15000 for rural areas and Rs.20000 for urban areas  
c Rs.18000 for rural areas and Rs.20000 for urban areas  
d Rs.18000 for rural areas and Rs.24000 for urban areas
- 9 Where a bank is having un-reconciled inter-branch entries old than \_\_\_\_\_, it has to make provision at \_\_\_\_%
- a 6 months, 100%  
b 6 months, 75%  
c 12 months, 100%  
d 18 months, 100%  
e no provision is required, entries being intra-bank
- 10 A doubtful NPA account is purchased by Bank-B from Bank-A. What classification would be given by the Bank-B to this account:
- a to be treated as substandard account  
b to be treated as doubtful up to 12 months category irrespective of its classification with Bank-A  
c to be treated in the same category in which it had been classified by Bank-A  
d to be treated standard account for initial period of 90 days  
e to be treated standard account for 12 months.
- 11 Accumulated losses are shown by a joint stock company, in its balance sheet as:
- a footnote of the balance sheet  
b deduction from the paid up capital  
c deduction from the net worth  
d intangible asset

**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**



We strongly believe that the subscribers are the best consultants, we have. Based on their feed back, we keep on redesigning and restructuring this publication. Kindly send your suggestions and views.

- e non-current asset
- 12** In case of collection of cheques and bills, the relationship of bank with the customer is that of:
- Bank as agent and customer trustee
  - Bank as trustee and customer debtor
  - Banker as debtor and customer creditor
  - Banker as bailor and customer bailee
  - bank as agent and customer principal
- 13** The following categories of loans can be priced without being linked to MCLR as the benchmark for determining interest rate: (1) Advances to banks' depositors against their own deposits. (2) Advances to banks' own employees including retired employees. (3) Advances granted to the Chief Executive Officer / Whole Time Directors. (4) Loans linked to a market determined external benchmark.
- 1 only
  - 1 and 3 only
  - 1 to 4 all
  - 1, 3 and 4 only
- 14** Banks are to review and publish their Marginal Cost of Funds based Lending Rate (MCLR) of different maturities every \_\_\_ on a pre-announced date with the approval of the Board or any other committee to which powers have been delegated.
- fortnight
  - month
  - quarter
  - six months
- 15** On comparison of balance sheet of firm for two years, it is observed that its debt equity ratio has increased from 1.5:1 to 2:1 but its current ratio and the total of balance sheet has not changed. Which of the following is possibly true in this regard
- only the amount of net worth has increased
  - only the amount of long term liabilities has declined
  - only the amount of intangible assets has decreased
  - the amount of long term liabilities has increased or amount of net worth had declined or amount of intangible assets has increased
- 16** At the time of renewal of working capital limits of a partnership firm, it was observed by the appraising officer that the quick ratio of the firm has declined substantially but the current ratio has not changed. Which among the following could be true:
- the amount of stocks has declined
  - the firm has become slow in recovery of its book debts
  - the firm's stocks as percentage of current assets have increased
  - the firm's receivables as percentage of current assets have declined
  - c and d above
- 17** What is the maximum amount that can be remitted outside India, from NRO account, representing sale proceeds of the immovable property in India
- Rs.10 lac in a calendar year
  - Rs.1 lac in a calendar year
  - 1 lac US \$ per financial year
  - 1 million US \$ per financial year
  - no such remittance is allowed.
- 18** Hindi day is observed on :
- Jan 26
  - Jun 22
  - Sept 14
  - Nov 11
- 19** The minimum paid up capital of a new Private Universal Bank has to be:
- Rs.100 cr
  - Rs.200 cr
  - Rs.300 cr
  - Rs.400 cr
  - Rs.500 cr
- 20** Loan under which of the following scheme/purpose, can be allowed within the DRI financing of 4%:
- housing loans up to Rs.20000 to poor families
  - housing loans up to Rs.20000 under National Housing bank Scheme
  - housing loans up to Rs.20000 under Indira Awas Yojna
  - all the above
- 21** What is the maximum amount that banks can levy as penal charges for non-maintenance of minimum balances in any inoperative account.
- no charges can be levied
  - within the ceiling rate fixed by RBI
  - not more than 1%
  - at bank discretion under Board approved procedure and policy
- 22** HUF cannot be a partner in a partnership firm as per Supreme Court Judgments. The judgments in based on the premise that :
- HUF is a legal person with Karta as its head, but other coparceners are not liable
  - HUF is not a legal person and cannot enter into such agreement that makes it liable for the action of others.
  - HUF is not competent to enter into any contract with outsiders and make it liable for the actions of others
  - HUF cannot enter into any contract with outsiders
- 23** A company has to make payment of dividend to large no. of its shareholders through electronic medium. It should use:
- RTGS system



- b EFT system  
c SWIFT system  
d ECS – Debit clearing system  
e ECS – Credit clearing system
- 24** A firm has obtained a term loan of Rs.12 lac and its capital is Rs.4 lac. The firm has created general reserve of Rs.3 lac while it has been showing pre-paid expenses of Rs.1 lac in its balance sheet. The debt equity ratio is:
- a 1.71:1  
b 1.89:1  
c 2.00:1  
d data incomplete. Calculation not possible
- 25** Data Storage unit of a computer is called
- a random access memory  
b hard disk  
c memory unit  
d compact disk
- 26** X makes a request to the bank to write the name of his nominee on his pass book.
- a This can be done as customer has given his consent  
b This cannot be done, since it would amount to disclosure of customer account information  
c This cannot be done, as it is a risk-prone proposal.  
d Bank can make mention that it is a nomination account but name of the nominee cannot be written.
- 27** Which of the following is correct with regard to the interest on a saving bank deposit:
- a it is paid for the average balance maintained during the month, but from 1.4.2009 it is payable on a daily product basis  
b it is paid for the minimum balance maintained during 10<sup>th</sup> day to last day of the month, but from 1.4.2009 it is payable on a daily product basis  
c it is paid for the maximum balance maintained during the month, but from 1.4.2009 it is payable on a daily product basis  
d from 1.4.2010 it is payable on a daily product basis
- 28** When book debts are realised by a firm, what is the effect:
- a current ratio increases  
b current ratio decrease  
c quick ratio increase  
d quick ratio decreases  
e there is no effect
- 29** A bank has an oversold position in foreign exchange on a particular day. It has to square its position at the end of the day. The foreign exchange rates are increasing:
- a the bank will gain substantially  
b the bank will gain marginally  
c there will be no effect on the bank  
d the bank will incur loss
- 30** Form 15-H (in terms of Income Tax Act) is used in which of the following cases:
- a issue of tax deduction certificate by the banks  
b declaration by senior citizen for non-deduction of tax at source  
c declaration by an ordinary customer for non-deduction of tax at source  
d exemption for non-quoting of PAN  
e: None of the above
- 31** Under RTGS the transactions time 8 am to 4.30 pm is in respect of which of the following category of transactions:
- a inter-bank transactions  
b intra-bank transactions  
c all transactions  
d customer transactions
- 32** What is the time period of the notice which is required to be given by a bank for sale of security charged to the bank after taking possession under the provision of Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002:
- a 15 days  
b 30 days  
c 45 days  
d 60 days  
e 90 days
- 33** As per extant instructions of RBI, what is the maximum amount limit that the bank can fix up to which minors may be allowed to

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- operate their deposit accounts independently.
- a max Rs.2 lac
  - b max Rs.1 lac
  - c max Rs.50000
  - d at discretion of banks
- 34** In a loan account, the Central Govt. has given guarantee. The loan account is overdue for the last 2 years and 5 months. What is the provision %age on the loan:
- a 0.40%                      b 10%
  - c 20%                         d 30%
- e: No provision is to be made.
- 35** A loan is guaranteed by the Guarantee of State gov. and it is running irregular for the last 5 months. The loan will be classified as \_\_\_:
- a standard account
  - b special mention account
  - c sub-standard unsecured account
  - d sub-standard secured account
  - e: None of the above
- 36** A monetary ceiling of Rs.20 lac has been imposed for entertaining cases by which of the following:
- a Consumer Courts
  - b Lok Adalat
  - c District Courts
  - d Ombudsman Scheme
- 37** Which of the following in general, is eligible, as a borrower, under National Rural Livelihood Mission (NRLM)?
- a SC/ST women and non-SC/ST

- women
  - b women self help groups
  - c SC/ST and non-SC/ST men
  - d any of the above
- 38** A power of attorney executed by an NRI in favour of his mother for obtaining payment from the deceased account in the name of his father has been received. This requires to be stamped as per rates prescribed by \_\_\_, within a period of \_\_\_
- a Central Govt., 4 months
  - b Central Govt., 3 months
  - c State Govt., 3 months
  - d State Govt., 4 months
  - e Not require stamping in India
- 39** An NPA has been sold by Bank-B to Bank-A. What is the minimum period for which the account should have been in the books of Bank-B before sale to the bank:
- a 12 months as NPA
  - b any NPA account
  - c 24 months as doubtful account
  - d 24 months as sub-standard including special mention account status
  - e sale of ARC is not permitted.
- 40** What will be due date for a bill dated 27.12.2016 payable 30 days after date:
- a Jan 23, 2017
  - b Jan 25, 2017
  - c Jan 26, 2017
  - d Jan 27, 2017

- 41** What type of right the banks are having under SARFAESI Act in case of default by the borrower, in repayment of the loan:
- a take possession of the secured assets,
  - b takeover management of the assets
  - c to sell or lease the secured assets
  - d any of the above
- 42** Which of the following kinds of LCs, provides for storage of goods in warehouse:
- a Back to back letter of credit
  - b Transferable letter of credit
  - c Irrevocable letter of credit
  - d Green Clause letter of credit
  - e Red clause letter of credit
- 43** What is the target for domestic banks for priority sector lending:
- a 40% of adjusted net bank credit or credit equivalent of off-balance sheet exposure whichever is higher, as on 31<sup>st</sup> Mar of previous year
  - b 40% of the adjusted net bank credit or credit equivalent of off-balance sheet exposure whichever is lower, as on 31<sup>st</sup> Mar of current year
  - c 32% of the adjusted net bank credit or credit equivalent of off-balance sheet exposure whichever is higher, as on 31<sup>st</sup> Mar of previous year
  - d 40% of the net bank credit or non-fund based limit whichever is higher, as on 31<sup>st</sup> Mar of previous year

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

### Scheme of Authorized Money Changers

No person/entity can carry on or advertise in India that it carries on money changing business unless it is in possession of a valid money changer's licence issued by the Reserve Bank. A person found undertaking money changing business without a valid licence, is liable to be penalised.

Authorised Money Changers (AMCs) are entities, authorised by RBI u/s 10 of the Foreign Exchange Management Act, 1999 to deal in foreign exchange for specified purposes.

**Types of AMCs :** (a) Authorised Dealer Category -I Banks (AD Category-I Banks), Authorised Dealers Category - II (ADs

(b) Full Fledged Money Changers (FFMCs).

**Eligibility for FFMC licence:** The applicant has to be a company registered under the Companies Act with minimum Net Owned Funds (NOF) of Rs.25 lakh for Single branch FFMC and Rs.50 lakh for Multiple branch FFMC.

#### Calculation of Net Owned Funds:

NOF to be maintained on ongoing basis, by other than banks, should be calculated as per the following:

**Owned Funds:** (Paid-up Equity Capital + Free reserves + Credit balance in Profit & Loss A/c) minus (Accumulated balance of loss, Deferred revenue expenditure and Other intangible assets)

**Net Owned Funds:** Owned funds minus the amount of investments in shares of its subsidiaries, companies in the same group, all (other) non-banking financial companies as also the book value of debentures, bonds, outstanding loans and advances made to and deposits with its subsidiaries and companies in the same group in excess of 10% of the Owned funds.

#### Revocation of FFMC licence

RBI can revoke the licence at any time if RBI is satisfied that:

1. it is in public interest to do so or
2. the AMC has failed to comply with any condition.

RBI also reserves the right to revoke the authorization of any of the offices for infringement of any statutory or regulatory provision. RBI may at any time vary or revoke any of the existing conditions of a money changer's licence or impose new conditions.

#### Time frame a new FFMC to commence operations:

The FFMC should commence operations within a period of six months from the date of issuance of licence.

#### Types of Money Changing facilities available in India:

Conversion of currency notes, coins or travellers' cheques designated in foreign currency into Indian Rupees and vice versa.

Further, they can appoint franchisees (also known as Agents) to undertake purchase of foreign currency. The objective is to provide easier foreign exchange conversion facilities for travellers and tourists, including Non Resident Indians (NRIs), by enlarging the network of money changing facilities in the country.

#### Checks to be ensured while conducting due diligence of Franchisees before appointment:

The AD Category – I banks / ADs Category – II / FFMCs should undertake

the following minimum checks while conducting the due diligence of the franchisees:

1. Existing business activities of the franchisee and its position in the area.
2. Minimum Net Owned Funds of the franchisee. (Rs.10 lac on ongoing basis)
3. Shop & Establishment / other applicable municipal certification in favour of the franchisee.
4. Verification of physical existence of location of the franchisee, where restricted money changing activities will be conducted.
5. Conduct certificate of the franchisee from the local police authorities (certified copy of Memorandum and Articles of Association and Certificate of Incorporation in lieu of conduct certificate in respect of franchisees which are incorporated entities.
6. Declaration regarding past criminal cases, if any, and cases initiated / pending against the franchisee or its directors / partners by any law enforcing agency, if any.
7. PAN Card of the franchisee and its directors / partners.
8. Photographs of the directors / partners and the key persons.

The above checks should be done on a regular basis, at least once in a year.

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### India's External Debt Position (June 2017)

As per the standard practice, India's external debt statistics for the quarters ending March and June are released by the Reserve Bank of India with a lag of one quarter and those for the quarters ending September and December by the Ministry of Finance, Government of India. RBI released this data on Sept 29, 2017. The major developments relating to India's external debt as at end-June 2017 are presented below.

At end-June 2017, India's external debt witnessed an increase of 3% over its level at end-March 2017, primarily on account of an increase in inflow of foreign portfolio investment into the debt segment of domestic capital market encompassed under commercial borrowings. The increase in the magnitude of external debt was partly due to valuation loss resulting from the depreciation of the US dollar vis-à-vis the Indian rupee and other major currencies. The external debt to GDP ratio stood at 20.3% as at end-June 2017 (20.2 per cent at end-March 2017).

#### Major highlights :

1. At end-June 2017, India's external debt was placed at US\$ 485.8 billion, recording an increase of US\$ 13.96 billion over end-March 2017.
2. Valuation loss due to depreciation of the US dollar vis-à-vis the Indian rupee and other major currencies was placed at US\$ 1.72 billion. Excluding the valuation effect, the increase in external debt would have been around US\$ 12.24 billion instead of US\$ 13.96 billion as at end-June 2017 over the level at end-March 2017.
3. Commercial borrowings continued to be the largest component of external debt with a share of 37.8 per cent, followed by NRI deposits (24.3 per cent) and short-term trade credit (17.9 per cent).
4. At end-June 2017, long-term debt was placed at US\$ 397 billion, - an increase of US\$ 13.1 billion over its level at end-March 2017.
5. The share of long-term debt in total external debt as at end-June 2017 was 81.7%, marginally higher than its level of 81.4% at end-March 2017.
6. The share of short-term debt (original maturity) in total external debt decreased to 18.3 per cent at end-June 2017 from 18.6 per cent at end-March 2017. The ratio of short-term debt (original maturity) to foreign exchange reserves decreased to 23.0 per cent as at end-June 2017 (23.8 per cent at end-March 2017).
7. On a residual maturity basis, short-term debt constituted 41.1 per cent of total external debt at end-June 2017 (41.5 per cent at end-March 2017) and stood at 51.6 per cent of total foreign exchange reserves (52.9 per cent at end-March 2017).
8. US dollar denominated debt continued to be the largest component of India's external debt with a share of 50.3 per cent as at end-June 2017, followed by the Indian rupee (35.4 per cent), SDR (5.8 per cent), Japanese yen (4.5 per cent) and Euro (3.0 per cent).
9. The borrower-wise classification of the outstanding external debt shows that Govt. as well as non-Government debt increased at end-June 2017. Debt service payments declined to 6.3% of current receipts as at end-June 2017 as compared with 8.3% at end-March 2017, reflecting lower repayments of external commercial borrowings (ECBs).

### DATA COLUMN

#### Business of Banks

(Rs.in cr)	Mar31'17	Sep15'17
Aggregate deposits	10805150	10707370
Cash in hand/RBI	570490	531670
Investments	3043660	3334900
Bank Credit:	7881890	7781330
-Food	53930	53380
-Non-Food	7827960	7581530
Cash-Deposit Ratio	5.27	4.95
Investment-Deposit	28.14	31.09
Credit-Deposit	72.95	72.64

#### Money Stock

(Rs.in cr)	Mar31'16	Sep15'17
M3 (Out of which)	12844790	12974900
(a) Currency with public	1263710	1504330
(b) Demand deposits-Banks	1410630	1238330
(c) Time Deposits - Banks	10148950	10213670
(d) Other deposits with RBI	21090	18570

#### Sources of Money Supply

(a) Net Bank credit to Govt	3869090	4102890
(b) Bank credit to Comrc'l sector	8451430	8348940
(c) Net Forex assets of Banks	2492010	2738900

#### 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-Sep16	end-Sep17
Dollar-spot TT (Rs.)	66.61	65.50
BSE - Sensex (points)	27866	31497
NSE - Nifty(S&P CNX)	8611	9860
Foreign reserves (Million \$)	370766	402247
Gold /Oz in USD)	1324	1301

### 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 (2016-17)	: 379.6 Bn
Export target - 2017-18 (in \$)	: 310 bn
India's share in world merchandise export	: 1.70%
India's currency rating (S&P)	: BB Postv
India's external debt (Jun 2017) US \$	: 485.8 Bn
Tax-GDP ratio (2014-15)	: 9.93%
Apr- Aug17:Export \$ 118.6 bn\$ Imports	: 181.7 bn
Per capita Income 2015-16 (Rs.)	: 93293
Indian economy's ranking in PPP terms	: 3rd
Indian economy's ranking in world in value:	: 10th

### OUR PUBLICATIONS : REFER PAGE 9,11

DATE OF DESPATCH - Oct 7 / 10, 2017