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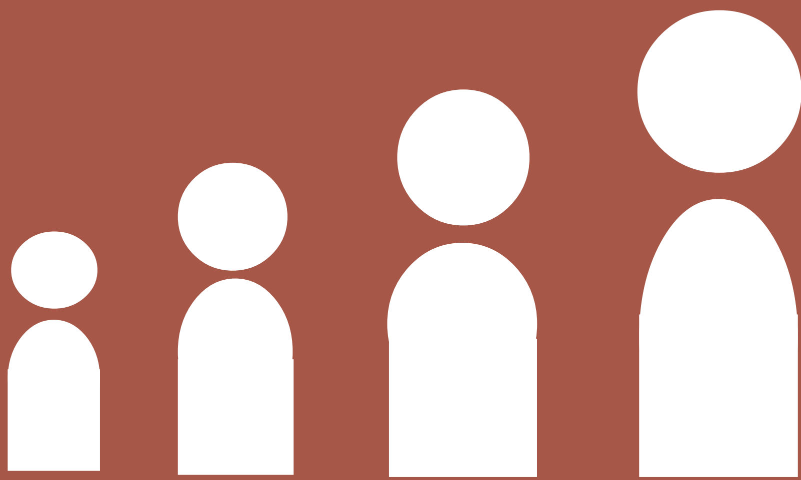
Banking events Update



Those who win, are those, who think they can

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

www.bankingindiaupdate.com

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Executive Editor - S. Chand Singh

Editor in Chief - Sh. N S Toor

BANKING POLICY

Relief for MSME Borrowers under GST

Presently, banks and NBFCs in India, generally classify a loan account as Non-Performing Asset (NPA) based on 90 day and 120 day delinquency norms, respectively. As a measure of support to MSMEs in their transition to a formalised business environment due to implementation of GST, RBI decided (Feb 07, 2018) that the exposure of banks and NBFCs to a borrower classified as MSME under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, shall continue to be classified as a standard asset in the books of banks and NBFCs subject to the following conditions:

1. Borrower is registered under GST regime as on Jan 31, 2018.
2. The aggregate exposure, including non-fund based facilities, of banks and NBFCs, to the borrower does not exceed Rs.250 million as on January 31, 2018.
3. The borrower's account was standard as on August 31, 2017.
4. The amount from the borrower overdue as on Sept 1, 2017 and payments from the borrower due between Sept 1, 2017 and January 31, 2018 are paid not later than 180 days from their respective original due dates.
5. A provision of 5% shall be made against the exposures not classified as NPA in terms of this circular. The provision in respect of the account may be reversed as and when no amount is overdue beyond the 90/120 day norm, as the case may be.
6. The additional time is being provided for the *purpose of asset classification only* and not for income recognition, i.e., if the interest from the borrower is overdue for more than 90/120 days, the same shall not be recognised on accrual basis.

Removal of Credit Caps on MSME (Services) under Priority Sector Lending

In the light of feedback received from various stakeholders and in line with the increasing importance of services sector in our economy, RBI decided (07.02.18) to remove the currently applicable loan limits of Rs.50 million and Rs.100 million per borrower to Micro & Small Enterprises and Medium Enterprises (Services) respectively, for classification under priority sector. Accordingly, all bank loans to MSMEs, engaged in providing or rendering of services as defined in terms of investment in equipment under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, shall qualify under priority sector without any credit caps.

Applicability of sub-targets of Small & Marginal Farmers and Micro Enterprises for foreign banks with 20 branches and above

RBI had stipulated in April, 2015 that post 2018 (i.e., after 3 years from the issuance of guidelines), the sub-targets for lending to small and marginal farmers and micro enterprises shall be made applicable for foreign banks with 20 branches and above. RBI decided (07.02.18) that the sub-target of 8 percent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of Off-Balance Sheet Exposure (CEOBE), whichever is higher, will be made applicable for lending to the small and marginal farmers for foreign banks with 20 branches and above, *from FY 2018-19*. Further, the sub-target for bank lending to the Micro Enterprises in the country of 7.50 percent of ANBC or CEOBE, whichever is higher, will also be made applicable for foreign banks with 20 branches and above *from FY 2018-19*.

Harmonizing Benchmark Lending Rate Methodology

Reserve Bank introduced the Marginal Cost of Funds based Lending Rates (MCLR) system with effect from April 1, 2016 on account of the limitations of the Base Rate regime. With the introduction of the MCLR system, it was expected that the existing Base Rate linked credit exposures shall also migrate to MCLR system. It is observed by RBI that a large proportion of bank loans continue to be linked to the Base Rate despite RBI highlighting this concern in earlier monetary policy statements. Since MCLR is more sensitive to policy rate signals, RBI decided (07.02.18) to harmonize the methodology of determining benchmark rates by linking the Base Rate to the MCLR with effect from April 1, 2018.

Ombudsman Scheme for Non-Banking Financial Companies, 2018

RBI brought into operation on Feb 23, 2018 the Ombudsman Scheme for Non-Banking Financial Companies, 2018 (by issuing directions u/s 45L of RBI Act, 1934)

The NBFCs covered by the Scheme shall appoint Nodal Officers (NOs) at their Head/ Registered/Regional/Zonal Offices and inform all the Offices of the Ombudsman about the same, for following types of NBFCs:

(a) are authorised to accept deposits; or

(b) have customer interface, with assets size of *one billion rupees or above*, as on the date of the audited balance sheet of the previous financial year.

2. The Non-banking Financial Company - Infrastructure Finance Company (NBFC-IFC), Core Investment Company (CIC), Infrastructure Debt Fund - Non-banking Financial Company

(IDF-NBFC) and an NBFC under liquidation, **are excluded** from the ambit of the Scheme.

The Nodal Officer shall be responsible, inter alia, for representing the NBFC before the Ombudsman and the Appellate Authority under the Scheme.

Participation in Exchange Traded Currency Derivatives Market

Currently, persons resident in India and FPIs are allowed to take a long (bought) or short (sold) position in USD-INR upto USD 15 million per exchange without having to establish existence of underlying exposure. In addition, residents & FPIs are allowed to take long or short positions in EUR-INR, GBP-INR and JPY-INR pairs, all put together, upto USD 5 million equivalent per exchange without having to establish existence of any underlying exposure.

RBI decided (Feb 26, 2018) to permit persons resident in India and FPIs to take positions (long or short), without having to establish existence of underlying exposure, upto a single limit of USD 100 million equivalent across all currency pairs involving INR, put together, and combined across all exchanges.

The onus of complying with the provisions of this circular rests with the participant in the ETCD market and in case of any contravention the participant shall be liable to any action that may be warranted as per the provisions of FEMA, 1999 and the regulations, directions, etc. issued thereunder. These limits shall also be monitored by the exchanges, and breaches, if any, may be reported to RBI.

Acceptance of coins

RBI advised banks (15.02.18) to immediately direct their branches to accept coins of all denominations tendered at their counters either for exchange or deposit in accounts, as per provisions of Master Circular dated 03.07.17.

RBI further advised that it will be preferable to accept coins, particularly, in the denominations of Re.1 and Rs.2, by weighment. However, accepting coins packed in polythene sachets of 100 each would perhaps be more convenient for the cashiers as well as the customers. Such polythene sachets may be kept at the counters and made available to the customers. A notice to this effect may be displayed suitably inside as also outside the branch premises for information of the public.

Penal Interest – Delayed Reporting of Currency Chest Operations

Presently, penal interest is levied for all cases where the bank has enjoyed "ineligible" credit in its current account with the RBI on account of wrong / delayed / non-reporting of transactions i.e. the currency chest had reported a net deposit. However, instances of delayed reporting where the currency chest had "net deposit" i.e. the currency chest did not enjoy RBI funds, are being dealt with differently by Issue offices due to absence of clear instructions on the subject.

On a review, RBI decided (09.02.18) that, penal interest at the prevailing rate for delayed reporting of the instances where the currency chest had reported "net deposit" may not be charged. However, in order to ensure proper discipline in reporting currency chest transactions, a flat penalty of Rs. 50,000 may be levied on the currency chests for delayed reporting as in the case of wrong reporting of soiled note remittances to RBI / diversions shown as "Withdrawal". ●

Code of Bank's Commitment to Customers-2018

It is a Code of Customer Rights, which sets minimum standards of banking practices, banks are to follow as a member of Banking Codes and Standards Board of India (BCSBI), while dealing with individual customers. The Code provides protection to customers and explains how a member bank is required to deal with customers in its day-to-day operations.

The Code does not replace or supersede regulatory or supervisory instructions of RBI and banks will continue to comply with such instructions / directions issued by RBI from time to time. The Code may have set higher standards than those prescribed in the regulatory instructions and such higher standards will prevail as the Code represents the best practices, voluntarily agreed to by banks, as their commitment to customers.

Objectives of the Code: The Code has been developed to promote good and fair banking practices, increase transparency, foster confidence in the banking system, promote safe and fair customer dealing in case of banking in a digitized environment and increase awareness of customers and to enhance customer protection.

Application of the Code: This Code applies to all deposit accounts, Remittance / Payment services, Government transactions, Demat accounts, Equity, Indian currency notes / coins exchange facility, Collection of cheques, safe custody services, safe deposit locker facility, Loans, overdrafts and guarantees, Foreign exchange services including money changing, 3rd party insurance and investment products marketed through bank branch and / or bank authorised representatives or agents, Card products, Digital Products.

KEY COMMITMENTS: Key commitments cover right to fair treatment, right to transparency, fair and honest dealing, right to suitability, right to privacy and right to grievance redressal and compensation

Salient features of the Code

Changes in terms and conditions : Banks will tell changes in terms and conditions *one month* prior to the revised terms and conditions becoming effective. If change is without notice, banks will notify the change *within 30 days*. If such change is to customer's disadvantage, customer may within 60 days of the notice, close the account or switch to any other eligible account without having to pay revised charge or interest.

PRIVACY AND CONFIDENTIALITY: Banks will not reveal information or data relating to customer accounts, to anyone except information to the Credit Information Companies (CICs) OR required by law OR by the banking regulator OR fulfilling a duty towards the public to reveal the information etc.

Information to Credit Information Companies: Banks will update the credit status immediately but not later than *30 days* on repayment of overdues. Banks will report closure of loan to CICs within *30 days* of the event. If loan account was in default, but regularised, banks will update this information with the CICs in the next report.

Banks will identify and declare the names of willful defaulters of Rs.25 lakh and above and names of such wilful defaulters will be furnished to CICs, as per the guidelines of RBI.

Banks will furnish the names of defaulters of Rs.1.00 crore and above whose accounts have been classified as doubtful or loss assets to CICs as per the guidelines of RBI.

Complaints, Grievances and Feedback : If customer complaint is unresolved at the branch level, banks will ensure to escalate it to the topmost level of grievance redressal authority within the Bank and give a final response or explain why bank needs more time to respond *within 30 days.*

COLLECTION OF DUES for loans: Normally bank representatives will contact borrowers *between 0700 hrs and 1900 hrs*, unless the special circumstances of customer's business or occupation require otherwise.

Change in account: If customer is not happy about his choice of current / savings account, customer may *within 14 days* of opening the account, approach the bank to switch to any of other account / products offered. Alternatively, customer may ask for closure of the account and no penal charges will be applied in such cases.

Further, if customer want to transfer active and operative account to another branch of same bank it will be affected within *3 (three) working days*. Customer will have to submit documentary proof of new address within a period of *six months.*

Minimum balance: The minimum balance to be maintained in the Savings Bank account will be displayed in bank branch. Bank will inform the customer, *30 days in advance*, of any change in minimum balance to be maintained.

Passbook / statements : Banks will provide a *monthly* statement / e-mail statement.

Inoperative / Dormant accounts: Banks will inform the customer *at least 3 months* before account is

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

classified as inoperative / dormant and the consequences thereof at last recorded address and / or e-mail.

Closing of account: Under normal circumstances, bank will not close customer account without giving at least *30 days' notice* indicating the reasons for such closure.

Clearing cycle / collection services: Banks will return a cheque unpaid / dishonoured along with a duly signed return memo indicating the date of return as also the reason for return / refusal of payment *within 24 hours*.

Time limit for settlement of deceased account claims: Banks will settle the claims in respect of deceased depositors and release payments to survivor(s) / nominee within a period *not exceeding 15 days* from the date of receipt of the claim.

Return of security documents on adjustment of loan : Banks will return to borrower, all the securities / documents / title deeds to mortgaged property *within 15 working days* of the repayment of all dues agreed to or contracted and report to Central Registry for Securitisation, Asset Reconstruction and Security Interest (CERSAI) about satisfaction of bank charge.

Banks will compensate the customers for any delay in return of securities / documents / title deeds to mortgaged property beyond 15 working days of the repayment of all dues.

Transfer of loan account : Banks will process a request for transfer of borrowal account and convey their concurrence or otherwise within *two weeks* of receipt of request.

Credit card statements: It will be dispatched on a predetermined date *every month***,** by post / courier to mailing address or by e-mail.

In case, a complaint is raised against any bill, bank will provide documentary evidence to customer within a maximum period of *sixty days*.

Collateral Security : Banks will not insist on collateral security for credit limits (i) up to Rs.1 lac for Government sponsored schemes under Priority Sector Lending (ii) up to Rs.10 lac for MSE customers and (iii) upto Rs.4 lakh under Education Loan Scheme.

Senior Citizens and Differently Abled Persons : Banks will endeavour to provide 'Doorstep' banking in special circumstances like ill health, inability to come to the branch, etc. for senior citizens more than 70 years of age and differently abled or infirm persons (having medically certified chronic illness or disability) including those who are visually impaired.

Banking Codes and Standards Board of India (BCSBI)

BCSBI is a society registered in Feb 2006, under Societies Registration Act, 1860. It functions as an autonomous body. Membership of BCSBI is voluntary and is open to banks. The general superintendence, direction and control of the affairs and funds of the Society is vested in the Governing Council consisting of members drawn from different disciplines such as banking, economics, service etc.

Main objectives : (i) To plan, evolve, prepare, develop, promote and publish comprehensive Codes and Standards for banks, for providing for fair treatment to their customers. (ii) To function as an independent and autonomous body to monitor, and to ensure that the Codes and Standards adopted by banks are adhered to, in letter and spirit, while delivering services to their customers.

National Automated Clearing House (NACH)

National Payments Corporation of India (NPCI) offers to banks, financial institutions, Corporates and Government/s NACH. It has 2 components i.e. NACH (Debit) & NACH (Credit). It aims at facilitating interbank high volume, low value debit/ credit transactions, of repetitive nature, electronically using the NPCI service.

Benefits of NACH :

- Standardization and digitization of mandates allowing complete audit trail of the Mandate lifecycle.
- Simplification of the mandate acceptance and recording process.
- Will result in reduced operational cost for the banks and its clients.
- Will result in higher revenues for the banks and its clients as the scope of services expand pan India - beyond the 90 clearing centers.
- Unique identifier number allocated to each mandate (UMRN – Unique Mandate Reference Number).
- Secure web access for file upload/ download, dissuading the concept of regional NCC/Clearing House submissions.
- Mandates can be processed for any branch across country by member .
- Allows corporate clients to directly upload files for approval (DCA).
- Functions on International Messaging Standard - ISO 20022.
- Minimal time taken to activate the Mandate – same day processing possible.
- Corporates get to have direct access to the NACH systems, making it easier for them to get access to status of transaction/mandate without delay.
- Reduction of the uploading work to the sponsor banks, since the file upload will be done by the corporates themselves

Framework for Resolution of Stressed Assets 2018

To align Stressed Assets Resolution Process with Insolvency and Bankruptcy Code, 2016 (IBC), RBI, on Feb 12, 2018, withdrew the extant instructions for (i) Framework for Revitalising Distressed Assets, (ii) CDR, (iii) Flexible Structuring of Existing Long Term Project Loans, (iv) Strategic Debt Restructuring Scheme (SDR), (v) Change in Ownership outside SDR, (vi) Scheme for Sustainable Structuring of Stressed Assets (vii) Joint Lenders' Forum (JLF) as an institutional mechanism.

RBI revised the framework by issuing guidelines u/s 35A, 35AA & 35AB of Banking Regulation Act and Sec 45(L) of RBI Act, for accounts other than MSMEs. A summary of revised framework is provided:

What is a Stressed Asset : It is an account which reflects the following signs of financial difficulty:

- Irregularities/overdrawings in cash credit/overdraft accounts;
- Failure to make timely payment of due amount in TLs;
- Delay in meeting obligation under non-fund based facilities like LC/BGs/LOC/LOU.
- Excessive leverage;
- Inability to adhere to financial / loan covenants;
- Failure to pay statutory liabilities, non- payment of bills to operational creditors, etc.;
- Non-submission / delayed submission or submission of incorrect stock statements and delay in publication and adversely qualified, financial statements;
- Steep decline in production figures, downward trends in sales and fall in profits, margin erosion etc.;
- Elongation of working capital cycle, excessive inventory build-up;
- Significant delay in project implementation;
- Downward migration of ratings/rating outlook.

Early identification and reporting of stress

Lenders (i.e. financial institutions & commercial banks *other than* RRBs) are to identify incipient stress in loan accounts, immediately on default, by classifying stressed assets as Special Mention Accounts (SMA) as under:

Principle or interest payment or any other amount, wholly or partly overdue between 1-30 days = SMA-0, 31-60 days = SMA-1 and 61-90 days = SMA-2

Report to CRILC: Lenders to send report (including SMA classification) to CRILC for borrower with fund and non-fund based exposure of Rs.50 million and above, on a *monthly* basis effective from April 1, 2018.

In addition, report on borrowers in default (Rs.50 million and above), to be sent on a *weekly* basis (Friday - preceding working day if Friday is holiday).

Resolution Plan (RP)

In case of default in borrower's account with any lender, *all lenders* (singly or jointly) to initiate steps to cure the default. RP may involve any actions / plans / reorganization including, but not limited to:

- regularisation of the account by payment of all over dues by the borrower entity,
- sale of the exposures to other entities / investors,
- change in ownership, or
- restructuring

[**Default** means non-payment of due amount of instalment / interest. In CC-OD, it means o/s balance remaining above limit or DP, for more than 30 days]

RP implementation conditions

An RP shall be deemed to be 'implemented' if the borrower is no longer in default, with any lender.

Additional steps for restructuring / change in ownership in large borrowers: In 'large' a/c (exposure Rs.1 billion & above), lenders shall obtain Independent Credit Evaluation (ICE) of o/s debt from RBI authorized Credit Rating Agencies. [two ICEs for exposure of Rs. 5 billion & above and one ICE in others cases].

Benchmark ICE : RPs with a credit opinion of RP-4 or better, shall be considered for implementation.

Timelines for large accounts (Rs.20 billion or above) to make reference under IBC 2016

On or after March 1, 2018 ('reference date'), RP shall be implemented as per under:

- If in default *as on* 01.03.2018: maximum 180 days from 01.03.18
- If in default *after* 01.03.2018: maximum 180 days from the date of first such default.

Non-implementation of RP : If an RP is not implemented as above, lenders shall file insolvency application (singly or jointly), under Insolvency and Bankruptcy Code 2016 (IBC), within 15 days.

Default after implementation : Where RP involving restructuring/change in ownership is implemented within time-line, it should not be in default at any point of time during the 'specified period'. Failing this, lenders shall file insolvency application under IBC within 15 days from date of default. The specified period time is maximum one year from the commencement of the first payment of interest or principal (whichever is later) of a loan, with *longest* period of moratorium.

[Specified period' begins from the date of implementation

(continued...... on page-8)

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

Practical Problems based on Banking Ombudsman Decisions

1) The bank was insisting on Succession Certificate for withdrawal of amount of FD in the name of deceased husband, even though the wife was nominee as per bank records. On taking up the case, the bank had stated that a dispute was pending before the Court between the legal heirs and the Succession Certificate was required based on the interim judgment of the Court. On a scrutiny of the judgement of the Court, BO observed that the bank could insist for succession certificate only if it was necessary for withdrawing the deposits as per banking rules. Further, the order of the Court was not intended to affect the procedural formalities of the bank for releasing FD. As there was no order from Court restraining the bank from making payment, BO directed the bank to make payment to the nominee in terms of extant regulatory instructions on this subject.

2) The complainant, a State Govt. entity, alleged that it had placed FDs of Rs.8.10 cr for 90 days as per bank's offer with 8.8% interest and 1% penalty for premature withdrawal. Due to exigency, FDs were foreclosed and bank levied 2% penalty for premature closure. The bank maintained that excess of 1% was wrongly quoted in offer document due to clerical error. Further the complainant also alleged that the bank had deducted TDS on the total amount, though TDS was not applicable.

BO observed that complainant, being a Govt. body, had asked for quotation from the bank before placing funds under FD. Hence charging of penalty of 2% as against 1% was a breach of trust by bank. The bank was advised to re-calculate the penalty for premature closure of FD at 1% and refund the excess amount deducted along with SB rate of interest from date of deduction till date of refund.

3) The complainant, director of 3 companies, had availed from the bank, Cash credit (CC) limits and term loans at floating rate of interest. As the bank could not sanction additional limits for expansion, the companies shifted the credit facilities to other bank. The bank charged foreclosure charges of 3% on the outstanding term loans and on the entire CC limits. The complainant alleged that the companies were not informed about levy of foreclosure charges at the time of sanction of loan and that no foreclosure charges should be levied in terms of extant RBI instructions.

The bank while agreeing that it had charged pre-payment charges of 3% plus service tax @12.36% on the CC limits and outstanding balance of Term loans as per the terms of sanction signed by these companies, informed that since the Directors were common and had also extended their personal guarantee in individual capacity to the credit facilities granted to the companies, they were orally informed at the time of closure about upward revision in pre-payment charges from the existing 2% to 3%, in case of takeover of the credit facility by any other bank or Financial Institution.

It was observed from the complaint letters that the complainant was the authorized signatory/director of the three companies and had not availed the loan in individual capacity and hence the above mentioned RBI guidelines were not applicable. Further, as the complainant had issued cheques to the bank as "pre-payment charges" indicated that he was aware of these charges. It was also observed from the sanction letters that there was a condition to levy 2% foreclosure charges on all outstanding credit facilities and not 3%. The bank had, however, based on their oral communication levied foreclosure charges of 3% on the outstanding term loans and the entire CC limit.

BO advised the bank to levy 2% foreclosure charges on the terms loans and on the outstanding CC limit as per the agreed terms and refund the excess charges levied with service tax and interest at SB rate from the date of debit to the date of reversal. ●

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and goes upto the date by which, at least 20% of o/s principal debt as per RP and interest capitalisation sanctioned as part of the restructuring, is repaid]

Default after expiry of specified period : It shall be reckoned as a fresh default under this framework.

Reference dates for accounts with aggregate exposure of Rs.1 billion to below Rs.20 billion : RBI shall announce reference dates for implementing RP over a two-year period, for such accounts.

Disclosures: Banks are to make disclosures in their financial statements, under 'Notes on Accounts'.

Norms Applicable to Restructuring

What is Restructuring? It is an act in which a lender, for economic or legal reasons relating to the borrower's financial difficulty, grants concessions to the borrowers. Restructuring normally involves (i) modification of terms of the advances / securities, which may include, alteration of repayment period / repayable amount / the amount of instalments / rate of interest; (ii) roll over of credit facilities; (iii) sanction of additional credit facility; (iv) enhancement of existing credit limits; (v) compromise settlements - payment time exceeding 3 months.

Prudential Norms

A. Asset Classification : Standard a/c shall be immediately downgraded as sub-standard. NPA, on restructuring, would continue to be in same classification, as prior to restructuring, based on ageing criteria.

B. Upgrade : Can be upgraded when all o/s loans demonstrate 'satisfactory performance' (i.e., payments not in default at any time) during the 'specified period'.

Additionally, large accounts (i.e. aggregate exposure of lenders is Rs.1 billion and above) to qualify for an upgrade, to demonstrate satisfactory performance and the credit facilities shall also be rated as investment grade (BBB- or better) as at the end of 'specified period' by CRAs accredited by RBI for bank loan ratings. [Rs.5 billion and above shall require 2 ratings and below Rs.5 billion shall require one rating].

If satisfactory performance during specified period is not demonstrated, a/c shall, on default, be reclassified as per repayment schedule existing before restructuring.

Future upgrade for shall be contingent on implementation of a fresh RP and satisfactory performance.

C. Provisioning Norms: Provisioning shall be as per asset classification category. The provisions made in respect of accounts restructured before the date of these instructions (12.02.18) shall continue to be held as per the requirements specified therein.

D. Additional Finance

Additional finance approved under RP (including by NCLT under IBC) may be treated as 'standard asset' during the specified period, provided the account performs satisfactorily during the specified period. If the restructured asset fails to perform satisfactorily during such period or does not qualify for upgradation at the end of specified period, additional finance shall be placed in same classification category as restructured debt.

E. Income recognition norms

Interest income in restructured accounts, classified as 'standard' may be recognized on *accrual basis*.

In restructured accounts classified as 'non-performing assets' it shall be recognised on *cash basis*.

For *additional finance* in accounts where pre-restructuring facilities were classified as NPA, income shall be recognised only on *cash basis* except when the restructuring is with change in ownership.

F. Conversion of Principal into Debt / Equity and Unpaid Interest into 'Funded Interest Term Loan' (FITL), Debt or Equity Instruments

Such FITL / debt / equity instruments will be placed in same classification in which restructured advance has been classified. These instruments shall be valued as per usual valuation norms and marked to market. Equity instruments, if not quoted, shall be valued at break-up value (excluding revaluation reserve) as per company's balance sheet as on Mar 31st of preceding FY. If balance sheet is not available, the entire portfolio of equity shares of the company held by the bank shall be valued at Re.1.

G. Change in Ownership of borrowing entity:

After implementation of change in ownership, loans may be continued/upgraded as 'standard' subject to the following conditions:

- Banks shall conduct due diligence and clearly establish that the acquirer is not a person disqualified u/s 29A of Insolvency and Bankruptcy Code, 2016.
- New promoter shall be single largest shareholder and have acquired at least 26% of paid up equity.
- New promoter shall be in 'control' of the entity as per definition of 'control' in Companies Act 2013 / regulations issued by SEBI.

For such accounts to continue to be classified as standard, all the o/s loans/credit facilities should demonstrate satisfactory performance during the specified period.

If the account fails to perform satisfactorily, at any point of time during the specified period, loans shall be immediately downgraded as sub-standard.

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

Financial Events

- **SBI INKS INFORMATION UTILITY AGREEMENT WITH NESL:** State Bank of India has signed an Information Utility (IU) Agreement with the National E-Governance Services Ltd. (NESL) to share financial and security information under the Insolvency and Bankruptcy Board of India (IBBI) (IU) Regulations,2017. The agreement comes in the wake of RBI advising all financial creditors regulated by it to adhere to the relevant provisions of Insolvency and Bankruptcy Code (IBC) 2016 and IBBI(IU) regulations 2017 and submit financial and security information to IU. NESL is the First IU registered with IBBI. Under IBC,IU will offer services for accepting electronic submission of financial information, recording the same safely and accurately, verifying and authenticating the financial information submitted by a person and providing access to information stored.
- **SALARY OF PRESIDENT, GOVERNOR AND MPs INCREASED:** After the implementation of the 7th Pay Commission's Awards on January 1, 2016, the Cabinet Secretary who is the top-most bureaucrat in the country gets Rs.2.5 Lakh per month and a Secretary in the Union Government draws Rs.2.25 Lakh per month. As of now, the President gets Rs.1.50 Lakh per month, the Vice-President draws Rs.1.25 Lakh and a Governor of a State Rs.1.10 Lakh per month. Now to rectify the anomaly, the salaries of the High Dignitaries have been increased. The emoluments have been revised to Rs.5 Lakh for the President, Rs.4 lakh for the Vice-President and to Rs.3.50 lakh for the Governor per month. Salary of MPs has also been doubled to Rs.1 Lakh.
- **SUPREME COURT VERSION ON TRIBUNALS:** (Case- State Bank of Travancore VS. Mathew KC) In this case the borrower was declared a defaulter and the mortgaged property was taken over by the bank. The borrower moved the High Court, arguing that he had not been given an opportunity to regularize the loan. The High Court accepted the plea and stayed the recovery proceedings. The Supreme Court stated "Staying the proceedings amounted to Judicial Adventurism as the law is well settled that a writ petition would not be entertained when debt recovery law allow appeals before tribunals."
- **ANGEL TAX CLERIFICATION ON STARTUPS:** Startups incorporated after 2016 and recognised under the Startup India Policy are spared from Angel Tax. Now the question remains about the Startups incorporated before 2016. It has been clarified that the Startups incorporated before 2016 that have got up to Rs.10 Crore in Angel funding would not face the so-called angel tax, once changes in the regime are finalised by the Department of Industrial Policy and Promotion (DIPP) and amendments are notified.
- **UIDAI CAUTIONED PUBLIC FOR PLASTIC, PVC SMART CARDS USE:** The Unique Identification Authority of India (UIDAI) has asked public to stay away from shops/vendors who make plastic or PVC Aadhar smart cards. Many times, such cards are not usable because the QR Code often becomes dysfunctional during unauthorised printing at these shops. The Authority also cautioned card holders to the risk that their details might be shared, without consent, with some devious elements. The Aadhar Card or the downloaded Aadhar Card printed on ordinary paper are perfectly valid for all kind of uses.
- **BANKS TO FACE MORE PROVISIONS AFTER NEW ACCOUNTING NORMS:** India's lenders, already struggling with $210 billion of stressed assets, may have to prepare for another hit as early as the coming financial year if new accounting norms kick in as planned on April 1, 2018. The IndAS-based on the IFRS9standards created in the aftermath of the financial crises- would require banks to make provisions for expected bad loans instead of the current system where they only cover actual losses incurred. It is estimated that this process would almost double stressed advances and boost provisioning

by $30 billion.

- **MAT RELIEF FOR COMPANIES FACING INSOLVENCY:** According to Section 115JB of Income Tax Act, MAT is leived on book profit after deducting the amont of loss brought forard or unabsorbed depriciation, whiever is less. The Finance Bill 2018 has clarified that in computing MAT in case of a company whose application for corporate insolvency resolution under the Insolvency and Bankruptcy Code 2016 has been admitted by the Adjudicating Authority, an aggregate amount of unabsorbed depriciation and loss brought forward (excluding unabsorbed depriciation) shall be allowed to be reduced from book profits. This releif will help motivate and revive insolvent companies.
- **SUPREME COURT RULING ON "SMALL SCHEMERS" FOR SEBI:** The Supreme Court judgment in "Rakhi Trading Case" is a landmark judgment as it nullifies the arguments of scamsters who got off the hook by saying that their trading schemes were not fraudulent as they did not impact the wider market. Supreme Court told the SEBI to punish even the smallest manipulation schemes and bring perpetrators to book irrespective of the scale of their fraud. The Apex Court further said that even small schemes of fraud in the derivative segment could impact the "Integrity" of stock markets. **SUPREME COURT RULING ON COMMERCIAL COURTS AND ARBITRATION ACTS:** (Case-Kandla Export Corporation VS. OCI Corporation) Supreme Court ruled that when Commercial Courts Act is invoked as against the Arbitration and Conciliation Act in a dispute between companies, it is the latter which will prevail as it is a special law. The object of both laws is an expeditious settlement of disputes. Hence in the interest of speedy decision, an appeal, which is not maintainable under the Arbitration Act, can not be taken to a commercial court set up in high courts.
- **SUPREME COURT RULING ON REGISTERED OWNER:** (Case- Naveen Kumar VS. Vijay Kumar) The Supreme Court has ruled that a person whose name is found in the records of the Motor Vehicles Registering Authority is the owner of the vehicle for the purpose of fulfilling the obligation to pay compensation in case of a road accident. The Apex Court further said that the owner might have changed but the person on record is liable to compensate.
- **SUPREME COURT RULING ON BOUNCED CHEQUE:** (Case- Data Ram Singh VS. State of UP) Supreme Court has ruled that bail is the general rule and jail is an exception in the cheque bounced case. The accused person in this case was charged with cheating by issuing a cheque of Rs.18 Lakh which he stopped from payment by the bank. The drawee filed the case under Negotiable Instruments Act and the person was jailed. He was denied bail by the Trial Court as well as by the High Court. However the Supreme Court allowed the bail with the plea that there was no apprehension that the accused would abscond or hamper the trial in any manner. Further he was no shoddy character. The Apex Court said that the High Court ought to have judiciously exercised discretion and granted bail.
- **GOVT. REMOVES EXEMPTION ON SHELL FIRMS:** In a move to crackdown on shell companies, the Government has proposed to remove exemption available to firms with tax liability of up to Rs.3000 from filing income tax returns beginning from the next fiscal year. The Union Budget 2018-19 has rationalised the IT Act provision relating to prosecution for failure to furnish the returns. Thus MD or Director of a company during a particular financial year could be liable for prosecution in case of any lapse in IT Returns filings for any financial year beginning April 1.
- **GOVT. CLARIFICATION ON SMALL SAVINGS SCHEMES AND PPF:** FINMIN has said that the legislative changes proposed in the Finance Bill 2018 are aimed at adding flexibility in the operation of the accounts under the Small Savings Schemes. No existing benefits to the depositors are proposed to be taken away through this process. The Government has proposed to allow premature closure of PPF accounts and permit opening of small savings accounts in the name of minors.
- **FRAUD OF RS.11, 400 CRORE AT PNB:** Fraudulent transactions have been made in PNB's Brady House Branch in Mumbai and a complaint has been lodged with CBI against Neerav Modi who has been Billionaire and Diamantaire Jeweller. Based on multiple fraudulent "Letters of Undertakings" issued from Mumbai PNB's branch, various other banks have advanced money to the concerned persons abroad. Though PNB says that this is the contingent liability but RBI norms require banks to provide 100% of the sum the day a fraud is detected and reported to the Law Enforcement Agencies. So the bank would need to provide for the entire amount of fraud when the books for the current quarter are updated.
- **EQUITAS BANK ROLLS OUT DIGITAL**

SAVINGS ACCOUNT: Equitas Small Finance Bank has introduced “SelfeSavings” an interactive digital savings account. This account can be opened with the web-based interactive video form by using Aadhar number, PAN and other basic details. Customers can set up a mobile banking PIN and start using their account instantly. The ineractive account has been developed to engage with the millennials. This will be a standalone acquisition channel.

- **GOVT. SET TO LAUNCH FIVE NEW SURVEYS:** The Government is to launch five new surveys to fill up the data gaps in the country’s statistical system. New Surveys to capture the activities are in the services sector, informal enterprises, women in households, overall establishments and employment creation. The Government will be launching an Annual Survey of Services, Survey of Informal Enterprises, Time Use Survey and the Economic Census in 2018-19. The new base year for GDP and IIP will be 2017-18 and for CPI, it will be 2018. The current base year followed for these indices is 2011-12. It will take about two years for the revision to take effect and the new series will be available from 2020-21.
- **SEBI FOR COMPENSATION TO RETAIL INVESTORS IN IPO:** SEBI has said that the retail investors applying for shares in Initial Public Offerings (IPOs) would need to be compensated if bankers fail to make the allotment despite their eligibility. Besides, the public issue banker would have to pay an interest amount at 15% to the investors for failing to resolve the grievance within 15 days, while they may also face SEBI’s action for such failures. SEBI has further said that there should be a uniform policy for calculation of minimum compensation payable to the customers.
- **SEBI OPENS NEW DOOR FOR OVERSEAS INVESTORS:** SEBI has opened up the Indian Capital Markets to clients of global private banks, which can invest in stocks without having to go through registration or compliance requirements. Until now, foreign banks were allowed to do propriety trades only. However, now they have been allowed to invest in domestic securities on behalf of their clients. SEBI’s move will provide more flexibility to investors compared to P-Notes, as they will be able to take unhedged exposure to Indian derivatives market.
- **BANKS BOARD BUREAU TO BE WOUND UP:** The Bank Board Bureau was set up in February 2016 under the chaimanship of Vonod Rai, former Comproller and Auditor General of India.The term of Banks Board Bureau (BBB) is going to expire on March 31, 2018. It is unlikely the Government will look for a successor to Vinod Rai who has been its Charman. The BBB has not been able to live up to expectations that it will improve the quality of human resources in state-owned banks from the board-room down to entry-level probationary officers.
- **LAW TO BAN UNREGULATED DEPOSIT SCHEMES:** The Union Cabinet gave its nod for introduction in the Parliament of a comprehensive Bill to deal with illicit depsoit schemes. The new Bill- The Banning of Unregulated Deposit Schemes Bill 2018 provides for complete prohibition of unregulated deposit taking activity. It also provides for deterrent punishment from promoting or opertaion an unregulated deposit-taking scheme. There will also be stringent punishmnet for fraudulent default in repayment to depositors.
- **NEW BANKING CODE FOCUSES ON DIGITAL TRANSACTIONS:** The Banking Codes and Standards Board of India (BCSBI) released a new “Code of Bank’s Commitment to Customers” to ensure protection of consumers’ rights in the dynamic banking environment. The new codes will be adopted and implemented withot exception by the member banks with immediate effect. New Edition of 2018 Code has given importance to protect interests of consumers embracing digital transactions.
- **RBI SETS PANEL TO CURB BANK FRAUDS:** RBI has set up a Panel under the Chairmanship of YH Malegam, former Director at RBI, to look into the divergence in the Asset Classification- as interpretaed by RBI and reported by banks in their quarterly results-and ways to minimise

frauds occuring in banks. The panel will explore factors leading to an increasing incidence of frauds in banks and the measures including IT interventions, needed to curb and prevent it, and the role and effectiveness of various types of audits conducted in banks in mitigating the incidence of such divergence and frauds. The move comes days after PNB reported Rs.114 Billion Fraud in Neerav Modi case.

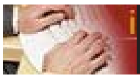
- **SEBI ALLOWS CASH AS TRADE COLLETERAL AT IFSC:** SEBI allowed clearing corporations at International Financial Services Centers (IFSCs) to accept cash and cash equivalent as collateral for trades in all product categories. Clearing corporations in IFSCs shall be permitted to accept cash and cash equivalents, Indian securities held with foreign depositories, foreign securities including units of liquid mutual funds and gold, as eligible collateral for trades in all product categories. However, cash and cash equivalents should form at least 50% of the total liquid assets at all times.
- **RBI DEMANDS BANKS FOCUS ON NOSTRO ACCOUNTS:** RBI has asked bankers to step up the monitoring of debits from their Nostro accounts after a cyber attack to $2 million being siphoned off from the accounts of City Union Bank. A nostro account refers to a foreign currency account that a lender holds in another account overseas. RBI has directed lenders to reconcile transactions real time in the nostro accounts so that disparities are traced immediately.
- **GOVT. TIGHTENS NORMS FOR REMOVAL OF DIRECTORS:** The Government has tightened the rules for removal of independent directors. Now if independent directors appointed for a second term in companies can now be removed only by a special resolution passed by shareholders. The move comes in the backdrop of concerns in certain quarters about the independence of independent directors in carrying out their functions and instances of such people being removed from the boards of companies by promoter entities. A special resolution requires approval from at least 75% shareholders present at the meeting whereas only 50% is needed in case of ordinary resolutions.
- **FIRST TRANCHE OF ELECTORAL BONDS ON SALE:** The sale of the first tranche of electoral bonds will start from March 1 for a period of 10 days. This is the first issue of the scheme, which was originally scheduled for January 2018 for the first quarter of the year. SBI has been authorised to issue and encash electoral bonds initially at four of its authorised branches. The bonds will be valid for 15 days from the date of issue and no payment shall be made to any political party if it is deposited after expiry of the validity period. However, the bond deposited by any eligible political party to its account shall be credited on the same day.
- **SUPREME COURT RULING ON SALE OF GOVT. LAND: (**Case- Odisha Industrial Infrastructure Development Corporation Ltd. VS. Pitabasa Mishra) The Supreme Court has ruled that a public corporation has vast powers to deal with land in possession for promoting industries, including regularization of encroachments. There is no need for formal regulations. Apex Court also reiterated that auction is not the only way to dispose of public properties. Govt. can devise other methods that do not violate the equality provisions in the constitution.
- **SUPREME COURT VERSION ON INSURANCE CLAIM:** (Case- D Sriniwas VS. SBI Life Insurance Co.) The Supreme Court has opined that if an insurance company rejects a proposal and payment of premium after an excessive delay, it would be implied that the firm had accepted it and the policy is active. The Apex Court further stated that the rejection of the policy must be made in a reasonable time so as to be fair and in consonance with the good faith standards.
- **FINMIN NOTIFIES ONLINE ASSESSMENT SCHEME:** The finance ministry has notified a new On-line Assessment Scheme. The Centralised Communication centre shall issue notice to any person requiring him to furnish information or documents for the purpose of verification of information in his possession. The notice will be delivered by e-mail or by sending a copy in the registered account on the portal followed by an intimation through text message. Assessees will no longer be expected to appear personally or through a representative before the income Tax Department but can respond to the notice online.
- **GOVT. TO BANKS FOR EFFECTIVE SYSTEM TO ADDRESS RISKS:** Jolted by PNB Fraud case of Neerav Modi, the Finance Ministry has asked all banks to put in place an effective system to address rising operational and technological risks within a “Deadline of 15 Days”. Executive Directors and Chief Technology Officers of Public Sector Banks (PSBs) have been asked to prepare a blueprint to enhance preparedness for combating these risks. Further all PSBs have been directed to probe all NPA Accounts of over Rs.500 million for possible fraud and report such cases to the CBI.

GENERAL AWARENESS

- Salil Parekh has been appointed as- **CEO & MD of INFOSYS.**
- Sale of Bonds which have been stopped by the Govt. from Januray2, 2018- **GOI Savings (Taxable) Bonds, 2003.**
- South Africa's National Anthem has been named –**World's Best Anthem.**
- Bank which has been mandated by the Govt. to sell Electoral Bonds- **SBI.**
- Central Bank of the Country which has allowed the Chinese Yuan to be used for bilateral trade and investment activities to replace the US Dollar- **Pakistan's Central Bank.**
- Bank which unveils Desktop ATM in Rural India- **Andhra Pradesh Grameen Vikas Bank.**
- An Indian Origin Banker, Ravi Menon, MD of Monetary Authority of Singapore has been recognised as- **Best Central Bank Governor in Asia-Pacific for 2018**.
- Govt. notified new savings bonds scheme which will offer 7.75% return- **Seven year Savings (Taxable) Bonds 2018 Scheme.**
- Technology Giant which has become World's First Trillion Dollar Company- **Apple**.
- With a novel idea to strengthen its balance-sheet, Bank which is to use balance available in Share Premium Account to write off losses of Rs.6979 Crore- **Indian Overseas Bank.**
- State which tops the National Logistics Index- **Gujarat.**
- Oprah Winfrey of Los Angeles for delivering an impassioned speech in support of those who have exposed sexual misconduct in Hollywood and beyond, became-**First Black Woman getting Golden Globe for Lifetime Achievement**.
- Bank which is to roll out First Battery-powered, Interactive Payment Cards in the Indian Market- **IndusInd Bank.**
- K. Sivan, Director of Vikram Sarabhai Space Centre has been appointed as- **New Chairman of ISRO.**
- Scheme which has been approved by CCEA for continuation with the term of the 14th Finance Commission for March 31,2020- **Members of Parliament Local Area Development (MPLAD) Scheme**.
- As per Henley Passport index, German Passport has been ranked as- **Most Powerful Passport.**
- Country which is to use the Chinese Internet Bandwidth ending the Himalayan Nation's Sole dependence on India for connecting to the Cyber Space- **Nepal.**
- India's Space Agency which successfully launched its 100th Satellite, along with 30 others, on board PSLV Rocket- **ISRO.**
- Banks which have agreed for merger to form combined entity that will have assets under management of Rs.88000 Crore- **IDFC Bank and Capital First.**)
- World Economic Forum has ranked India at 30th position below China but above other BRICS Peers on- **Global Manufacturing Index.**
- Council which has been disbanded by the Govt. for their several malpractices including misuse of funds and serious conflict of interest- **Security**

Sector Skill Development Council.

- A Popular Tax Haven which inks Multilateral Tax Pact to end Bank Secrecy- **Panama.**
- Coins on which RBI clarified to the public that so far such coins issued in 14 designs and all have Legal Status- **Rs.10 Coin.**
- Bank whose Board has given Nod to raise Rs.20, 000 Crore for financing affordable housing and infrastructure projects through long term bonds- **SBI.**
- Scheme under which the Regulator has permitted partial withdrawal up to 25% of corpus for specified reasons- **National Pension System**
- Surat City with largest number of projects implemented and completed has emerged as- **India's Highest Ranked Smart City.**
- President who has unveiled "Fake News Awards"**- US President Donald Trump.**
- People in the age group of 25-35 years are usually referred as- **Millennials.**
- Ballistic Missile which India successfully test-fired from Odisha Coast- Agni-5.
- Gurbir S Grewal, a prominent Indian-American Lawyer has become**- First Sikh Attorney General of US State of Jersey.**
- Group which India has joined to ensure that exports do not contribute to the development of chemical and biological weapons**- Australian Nuclear Group.**
- Om Prakash Rawat has been appointed in place of Achal Kumar Joti as- **Chief Election Commissioner.**
- Index in which India continues to be ranked at 62 below Neighbours Pakistan, Nepal and Sri Lanka- **Inclusive Development Index.**
- Survey which shows that India's Richest 1% cornered 73% of Wealth generated in 2017- **Oxfam Survey**.
- Mumbai-Delhi Air Route is in 2017- **World's Third Busiest Air Route.**
- Out of Top 10 Countries for Leadership in Energy and Environment Design (LEED)Certified Buildings, India ranks Third on**- US Green Building Council's Annual Ranking.**
- Indian Actor Shah Rukh Khan, for his Leadership in championing Children's and women's Rights in India received in Davos- **Crystal Award**.
- Rankings in which, while Singapore, Sweeden and Germany soared up, US dropped out of Top Ten**- 2018 Bloomberg Innovation Index.**
- Jerome Powell has replaced Jenet Yellen as- **Chairman of Federal Reserve Bank of US**.
- Arundhati Bhattacharya, Former Chairman of SBI is- **Business Standard banker of the Year for 2016-17.**
- Usha Ananthasubramanian, MD & CEO of Allahabad Bank has been elected the First Woman as- **Chairman of Indian Banks' Association (IBA)**.
- Rankings in which Indian School of Business (ISB) retained Top Ranked Position for it's one year Executive Post-graduate Programme, though it fell one place to 28th position globally- **Financial Times Global MBA 2018 Rankings**.
- Report in which India has been ranked 6th in the list of Wealthiest Countries with total wealth of $8230 billion while US topped the list- **New World Wealth Report 2017.**
- Index in which India has slipped Ten Places and ranked at 42nd position- **Global Democracy Index.**
- To reduce Industry emission, tax rate has been reduced from 30% to 10% on**- Carbon Credit Income.**
- India's Rising Golfing Star Shubhankar Sharma has won**- Maybank Championship Title**.)
- UK and USA banks have banned the use of Credit Cards to buy the currency- **Bitcoin and other Crypto Currencies.**
- Country whose President declared the State of Emergency and their troops arrested the top judges of the Supreme Court**- Maldives.**
- World's Largest Traded Derivative Index- **NIFTY.**
- Index released by NITI Aayog in which Kerala tops the list of Large States in overall health performance-**Health Index.**
- System with which RBI has asked all banks to link their Core Software – **SWIFT Interbank Messaging System.**)
- System which is to be made Mandatory from April 1, 2018 as per recommendations of Group of Ministers on GST**- E-Way Bill System.**
- President of the Country whose tenure has been made "Life-long"**- Xi Jinping of China.**
- Bank which has gone live on Google Tez- **SBI**.
- Category of 9500 NBFCs which have been published by Govt- "High-Risk NBFCs".



MOCK-TEST PAPER

Questions on Latest RBI Policy

01 As per exant RBI policy, what is the maximum amount of loan which can be allowed to MSMEs engaged in rendering services:

a Rs.5 cr in case of micro and small enterprises
b Rs.10 cr in case of medium enterprises
c need based
d a and b

02 What is the lending target for small and marginal farmers (within priority sector) in respect of foreign banks with 20 or more branches w.e.f. 1.4.2018?

a 7.5% of ANBC or CEOBE, whichever is higher
b 8.0% of ANBC or CEOBE, whichever is higher
c 13.5% of ANBC or CEOBE, whichever is higher
d no target

03 What is the lending target for micro enterprises (within priority sector) in respect of foreign banks with 20 or more branches w.e.f. 1.4.2018?

a 7.5% of ANBC or CEOBE, whichever is higher
b 8.0% of ANBC or CEOBE, whichever is higher
c 13.5% of ANBC or CEOBE, whichever is higher
d no target

04 With effect from 01.04.2018, the base rate of bank should be linked with which of the following:

a Repo Rate
b Marginal cost-based lending rate
c Bank rate
d Bench mark prime lending rate

05 As per provisions of Code of Bank's Commitment to Customers-2018, if bank changes terms and conditions of its products, it has to inform the customers:

a within 30 days after the change
b 30 days before the change
c within 60 days after the change
d 60 days before the change

06 As per provisions of Code of Bank's Commitment to Customers-2018, the bank is required to update the credit status of a borrower with Credit Information Companies within:

a 7 days
b 15 days
c 30 days
d 45 days

07 As per provisions of Code of Bank's Commitment to Customers-2018, if a customer lodges a complaint with the bank, it will be finally disposed off within?

a 7 days
b 15 days
c 30 days
d 45 days

08 As per provisions of Code of Bank's Commitment to Customers-2018, to contact a borrower, bank official or agent, can approach them:

a at any time of the day
b between 7 am to 7 pm
c between 10 am to 5 pm
d betwen 8 am to 5 pm

09 As per provisions of Code of Bank's Commitment to Customers-2018, if a customer opens a new account but is not satisfied and wants to switch to some other account, he can do so within ____ without payment of any charges

a 7 days
b 14 days
c 30 days
d 45 days

10 As per provisions of Code of Bank's Commitment to Customers-2018, if bank wants to change the minimum balance condition, it can be done ____:

a within 30 days
b within 60 days
c by giving 30 days advance notice
d by giving 60 days advance notice

11 As per provisions of Code of Bank's Commitment to Customers-2018, banks will inform the customer *at least* ____ before account is classified as inoperative / dormant and the consequences thereof at last recorded address and / or e-mail.

a 3 months
b 2 months
c 1 month
d 15 days

12 As per provisions of Code of Bank's Commitment to Customers-2018, under normal circumstances, bank will not close customer account without giving at least ____ *notice* indicating the reasons for such closure.

a 7 days
b 15 days
c 30 days
d 45 days

13 As per provisions of Code of Bank's Commitment to Customers-2018, banks will settle the claims in respect of deceased depositors and release payments to survivor(s) / nominee within a period *not exceeding* ___ from the date of receipt of the claim.

a 7 days
b 15 days
c 30 days
d 45 days

14 As per provisions of Code of Bank's Commitment to Customers-2018, banks will return to borrower, all the securities / documents / title deeds to mortgaged property *within ______ days* of the repayment of all dues agreed to

a 10 calendar days
b 15 calendar days
c 7 working days
d 15 working days

15 As per provisions of Code of Bank's Commitment to Customers-2018, banks will process a request for transfer of borrowal account and convey their concurrence or otherwise within _____ of receipt of request.

a one week
b 2 weeks
c 3 weeks
d 4 weeks

16 As per RBI directives on resolution of stressed assets, if a loan account shows some irregularity in CC account or fails to pay term loan dues on time or delays in meeting obligation under non-fund facilities, it is called:

a non-performing assets
b stressed asset
c willful default account
d any of the above

17 As per RBI directives on resolution of stressed assets, if a loan account shows some irregularity in CC account for 43 days or fails to pay term loan dues with in 43 days, it is classified as:

a SMA-1 account
b sub-standard account
c non-performing advance
d doubtful account

18 As per RBI directives on resolution of stressed assets, *default* in CC or OD account means that the o/s balance remaining above limit or DP, for more than ___ days

a 7 days
b 10 days
c 15 days
d 30 days

19 As per RBI directives on resolution of stressed assets, in respect of loan accounts with exposure of Rs.2000 cr or above, the resolution plan is to be implemented within :

a 30 days
b 60 days
c 90 days
d 180 days

20 As per RBI directives on resolution of stressed assets, if a resolution plan is not implemented within stipulated period, the lenders shall file insolvency application (singly or jointly), under Insolvency and Bankruptcy Code 2016 (IBC), within:

a 15 days
b 30 days
c 45 days
d 60 days

21 As per RBI directives on resolution of stressed assets, the term 'specified period' begins from the date of implementation and goes upto the date by which, at least ___ % of o/s principal debt as per RP and interest capitalisation sanctioned as part of the restructuring, is repaid.

a 20%
b 25%
c 30%
d 50%

22 As per RBI directives on resolution of stressed assets, after change of ownership in respect of a borrowing entity, for an account (stressed asset) to be classified as standard after resolution plan, one of the conditions is that the new promoter should be a single largest shareholder with a share of ___ % in the paid up equity of the company:

a 33%
b 26%
c 24%
d 15%

23 As per RBI directives on resolution of stressed assets, large accounts (i.e. aggregate exposure of lenders is Rs.1 billion and above) are to qualify for an upgrade to standard category, to demonstrate satisfactory performance and the credit facilities shall also be rated as investment grade i.e. ____ as at the end of 'specified period' by CRAs accredited by RBI for bank loan ratings.

a BB or better
b BBB- or better
c BBB or better
d A or better

Recalled Questions

24 In a letter of credit, which of the following is primarily liable:

a the confirming bank
b the reimbursing bank
c the issuing bank
d the issuing bank and advising bank

25 Debt-service coverage ratio of a firm is 3.5, which indicates that:

a the firm will be comfortable in paying in current liabilities without any difficulty
b the firm will be comfortable in

paying its long term and current liabilities without any difficulty

c the firm may find it difficult to repay its long term liabilities

d the firm will find it difficult to repay its current liabilities

e c and d above

26 Banking Codes and Standards Board of India, has been constituted as a :

a joint stock company

b trust

c society

d partnership firm

27 Purchase transactions by banks in the context of foreign exchange mean:

a converting dollars into rupees

b converting a foreign currency into rupees

c converting rupees into any foreign currency

d converting rupees into pounds

28 Which of the following agreement is prepared in CDR system for providing legal basis amongst the lenders, during the period, the proposal is under restructuring:

a joint deed of hypothecation

b inter-creditor agreement

c consortium agreement

d debtor-creditor agreement

29 The current ratio of a firm is 1.5:1 and its tangible net worth Rs.5 lac. If the total liabilities of the firm are Rs.30 lac and the debt equity ratio at 3:1, what will be amount of current liabilities:

a Rs.5 lac b Rs.10 lac

c Rs.15 lac d Rs.20 lac

30 In the context of computers, the term DOS represents:

a an utility software

b an application software

c input hardware

d output device

e a system operating software

31 Which among the following committees is associated with the concept of Capital Adequacy Ratio?

a Malegam Committee

b SS Tarapore Committee

c Basel Committee

d Sodhani Committee

e Rangarajan Committee

32 A term loan of Rs.2 lac is advanced to Mr. X by Model Bank which is guaranteed by Mr. Z. What is the valid consideration for the loan advanced by the bank?

a the commission which must have been paid by the bank to the guarantor for having given the guarantee

b the fee which the guarantor must have received from the borrower

c the consideration which the bank received in the form of interest

d the consideration which the borrower has received in the form of loan

33 On which of the following types of liabilities, the Cash Reserve Ratio is applicable:

a Liabilities to the banking system in India under clause (d) of the explanation to Section 42(1) of the RBI Act, 1934.

b Credit balances in ACU (US$) Accounts.

c Demand and Time Liabilities in respect of their Offshore Banking Units (OBUs).

d Liabilities arising out of CBLO transactions.

34 Which among the following is not correct in connection with the institution of Lok Adalat:

a its awards are deemed to be decrees of the civil courts

b its awards are final and binding on all the parties

c appeal can be made against the awards by deposit of 75% of the amount of award

d normal Lok Adalat can entertain cases involving a sum up to Rs.20 lac

e For cases involving sums above Rs.20 lac, DRT Lok Adalat has the pecuniary jurisdiction

35 Which among the following is appropriate description of the term ‘Administrator’ while dealing with the balances in deceased customer’s account?

a person appointed by the court on

the basis of the will left by the deceased

b person appointed by the deceased to look after his estate after his death

c nominee whose authority is confirmed by the court

d person appointed by the court where the deceased did not leave a will

e person appointed by the legal heirs to look after the estate of the deceased.

36 Which of the following is not a common source of computer virus:

a floppy disk

b compact disk

c internet

d emails

e local area network

37 While a banking company can undertake trading in securities but it cannot trade in goods, under the provision of which of the following:

a RBI Act 1934

b Banking Regulation Act 1949

c Indian Contract Act 1872

d Companies Act 1956

e All the above

38 By following which of the following methods, the limitation period of a document about to become time barred, could be extended?

a obtaining an acknowledgement of debt from the borrower including their agents, if authorised for that purpose

b by part payment of the debt by the borrower or duly constituted attorney

c by obtaining fresh set of documents

d by filing the suit in a competent court

e a to c above

39 Among which of the following categories a letter of credit would be categorised where the stipulated conditions cannot be amended unless the beneficiary, the confirming bank and the opening bank agree?

a Restricted letter of credit

b Without recourse letter of credit

c Revocable letter of credit

d Back to back letter of credit

e Irrevocable letter of credit

40 Which among the following authorities issue an import licence for import of capital goods

a Controller of Capital Issues

b Reserve Bank of India

c Foreign Investment Board

d Directorate General of Foreign Trade

e Ministry of Commerce, GOI

41 Your branch receives a cheque for payment but the cheque bears the words order as well as bearer:

a it will be treated a bearer cheque and the payment will be made accordingly

b it will be treated ambiguous instrument and the cheque would be returned

c it will be treated as incomplete instrument and will be returned

d it will be treated as an order cheque and payment will be made accordingly

e none of the above

42 Doubtful above 3 years loan, remains in this category up to a period of:

a 1 years

b 2 year

c 3 years

d uncertain period

43 Under Free ATM Access Policy of RBI, the maximum amount that can be withdrawn by a customer per day / per transaction, from ATM of other bank is restricted to :

a Rs.10000

b Rs.5000

c Rs.2000

d at discretion of the bank

44 Universal Bank is approached by one of their existing customer to retire an import bill received by the bank for collection from a foreign seller, the due date of which is falling shortly. Which of the following rates the bank will apply for this transaction?

a bills selling rate

b bill buying rate

c TT selling rate

d a or c above

Answers

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

Financial Benchmarks and Role of FBIL

The Financial Benchmarks India Pvt. Ltd (FBIL) jointly owned by Fixed Income Money Market & Derivatives Association of India (FIMMDA), FEDAI and IBA (shareholding 76%, 14%, 10% respectively), was formed in Dec 2014 as a private limited company under the Companies Act 2013.

The aim of FBIL is to develop and administer benchmarks relating to (i) money market, (ii) government securities and (iii) foreign exchange in India. It is responsible for all aspects relating to benchmarks such as collection and submission of market data and information including polled data, formulation, adoption and periodic review of benchmark calculation methodologies, publication and administration of benchmarks.

What are financial benchmarks? These are indices, values or reference rates used for the purpose of pricing, settlement and valuation of financial contracts. Globally huge volumes of financial transactions are referenced to or valued using various such benchmarks. Financial benchmarks play a critical role in promoting efficient and transparent financial markets and ensuring financial stability.

The International Organisation of Securities Commissions (IOSCO), an association of organisations that regulate the world's securities and futures markets has issued Principles on Financial Benchmarks.

FBIL started taking over the administration of the benchmarks from July 22, 2015. It has so far taken over existing benchmarks such as Mumbai Inter-Bank Outright Rate (MIBOR) and option volatility, and introduced new benchmarks such as Market Repo Overnight Rate (MROR), Certificate of Deposits (CDs) and T-Bills yield curves.

(1) Overnight MIBOR : FBIL announces the benchmark rate for MIBOR on a daily basis on all working days (except Saturdays, Sundays and local holidays). The benchmark rate is calculated based on the actual call money transactions data obtained from the NDS-call platform of Clearing Corporation of India Ltd (CCIL). The CCIL acts as the Calculating Agent. The rate is announced at 10.45 AM every day.

(2) Term MIBOR: FBIL announces the benchmark rates for Term MIBOR for 3 tenors of 14-day, 1-month and 3-month on a daily basis on all working days. The benchmark rates are determined through a polling-based submission by the participating banks and Primary Dealers [PDs] out of the FBIL's list of identified submitters. The CCIL acts as the Calculating Agent. The rates are announced at 11.45 AM every day.

(3) FC-Rupee Options Volatility Matrix : FBIL announces the benchmark matrix of FC-Rupee Options Volatilities for 5 tenors of 1-week, 1-month, 3-month, 6-month and 12-month on a daily basis on all working days. The matrix is determined on the basis of data obtained through a poll among participating banks out of FBIL's list of identified submitters. The CCIL acts as the Calculating Agent. The matrix is announced at 6 PM every day.

(4) Certificates of Deposit: FBIL announces the benchmark rates for FBIL-CD on a daily basis on all working days at 5.30 PM. FBIL has developed the FBIL- CD, for the money market based on traded CDs reported on the FTRAC platform of CCIL up to 5 PM. FBIL-CD is announced for 7 tenors of 14 days, 1 month, 2 months, 3 months, 6 months, 9 months and 12 months. All trades having a value of Rs.5 cr and above and a minimum of 3 trades in each tenor are considered for calculating the benchmark for each tenor. In the event of the threshold criteria not being met for any tenor, the benchmark rate thereof is calculated using the FBIL- TBILL rates for that tenor plus a spread. The CCIL is the Calculating Agent.

(5) Treasury Bills: FBIL announces the benchmark rates for Treasury Bills (FBIL-TBILL) on a daily basis on all working days at 5.30 PM. FBIL has developed the FBIL-TBILL, based on Treasury bills traded in the market. FBIL-TBILL is announced for 7 tenors of 14 days, 1 month, 2 months, 3 months, 6 months, 9 months and 12 months. FBIL-TBILL is calculated on the basis of secondary market trades executed and reported up to 5 PM on the NDS-OM Platform. All trades having a value of Rs.5 crores and above and a minimum of three trades in each tenor are considered for calculating the benchmark for each tenor. If there are less than 3 trades in a particular tenor, the data is augmented by including the executable orders on the NDS –OM Platform. CCIL is Calculating Agent.

(6) Market Repo Overnight Rate (FBIL – MROR)

FBIL announces the benchmark for Market Repo Overnight Rates (FBIL-MROR) on a daily basis on all working days. The benchmark rate is calculated based on the Basket Repo trades executed on the Basket Repo segment on the CROMS Platform of Clearing Corporation of India (CCIL) in the first hour of trading between 9.00 AM to 10 AM. The CCIL acts as the Calculating Agent. The rate is announced by 10.45 AM every day. If the time is extended due to non-fulfillment of threshold criteria, the dissemination time may get suitably extended.

Source : FBIL website

Central Repository of Information on Large Credits (CRILC)

In a bank or financial institution, performing asset do not get converted to non-performing, overnight. There are some early signs of distress which if ignored, can lead to delinquency. With strong systems in place, warning signs can be recognized well in advance to prevent problems and also alert other players within the system, to curb the negative effects.

Hence, monitoring NPA is of immense importance for a Lender and the regulator. To help overcome some of the challenges, RBI, introduced in 2014, u/s 27(2) of BR Act 1949 the "Central Repository of Large Common Exposures-Across Banks" by subsuming the erstwhile quarterly Form A return on Large Borrowers (Rs 100 million and above).

Objective of creation of CRILC: To collect, store and share information with Lenders w.e.f. 01.04.2014.

What do Financial Institutions have to Report under CRILC?

Banks and financial institutions have to separately send CRILC-Main and CRILC-SMA2.

I. CRILC-Main, is a monthly submission w.e.f. 1.4.2018 (earlier quarterly) that comprises four sections namely:

a. Section 1: Exposure to large borrowers (Rs.5 cr or above)

b. Section 2: Reporting of technically/prudentially written-off accounts,

c. Section 3: Reporting of balance in current account (Rs.1 cr or more)

d. Section 4: Reporting of non-cooperative borrowers.

II. CRILC-SMA 2 : Apart from above regular monthly submissions, banks are to submit this report on an ‘as and when’ basis, i.e. whenever a large borrower’s account becomes overdue for 61 days (SMA2).

RAF Accounts : In addition banks are to send report on loan accounts markeed Red Flagged or classified as Fraud Account with a threshold exposure of Rs.500 million or more at the level of a bank irrespective of the lending arrangement (whether solo banking, multiple banking or consortium), together with the dates on which the accounts were classified as such.

Filing Dates for CRILC Submissions?

1. The CRILC-Main Report is required to be submitted on a monthly basis effective April 1, 2018.

2. In addition, the lenders shall report to CRILC, all borrower entities in default (with aggregate exposure of Rs. 50 million and above), on a weekly basis, at the close of business on every Friday, or the preceding working day if Friday happens to be a holiday. The first such weekly report shall be submitted for the week ending February 23, 2018.

How Can Banks Benefit with CRILC Data?

i) RBI shares the CRILC data with all lending institutions which help lenders to look at and tackle their NPA.

ii) Lending banks can also search whether their borrower customers are having current account with other banks, with large balances.

iii) Banks opening a current account of a large corporate, can use the data available in the CRILC platform to know whether the customer is availing credit facility from another bank.

DATA COLUMN

Business of Banks

(Rs.in cr)	Mar31'17	Feb16'18
Aggregate deposits	10805150	11052390
Cash in hand/RBI	570490	511700
Investments	3043660	3414270
Bank Credit:	7881890	8253520
-Food	53930	47550
-Non-Food	7827960	8205970
Cash-Deposit Ratio	5.27	4.73
Investment-Deposit	28.14	30.69
Credit-Deposit	72.95	73.86

Money Stock

(Rs.in cr)	Mar31'17	Feb16'18
M3 (Out of which)	12791940	13528640
(a) Currency with public	1264120	1706740
(b) Demand deposits-Banks	1396740	1248720
(c) Time Deposits - Banks	10109980	10553100
(d) Other deposits with RBI	21090	20090

Sources of Money Supply

(a) Net Bank credit to Govt	3856610	4037370
(b) Bank credit to Comrcl sector	8411490	8827450
(c) Net Forex assets of Banks	2558230	2821920

Important Banking Indicators

Statutory Liquidity Ratio	19.50%	(10.10.2017)
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	7.6%	(01.01.2018)
NSC	7.6%	(01.01.2018)
Sukanya Smridhi	8.1%	(01.01.2018)
Senior Citizen Saving	8.3%	(01.01.2018)

Capital & Money Market Indicators

Parameter	end-Feb17	end-Feb18
Dollar-spot TT (Rs.)	66.73	65.17
BSE - Sensex (points)	28832	34047
NSE - Nifty(S&P CNX)	8898	10458
Foreign reserves (Million $)	362793	420591
Gold /Oz in USD)	1238	1311

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)2017.18	: 12985363
GVA@2011-12 basic prices (cr) 2017-18	: 11871321
GDP projected by Govt. for 2018-19	: 18722302
Fiscal Deficit Target (2018-19) 3.3% of GDP	: 624276 cr
Revenue Deficit Target (2018-19) 2.2.% of GDP	: 416034 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- Dec17:Export $ 223.5 bn$ Imports	: 338.3 bn
Per capita Income 2017-18 (Rs.)	: 111782
Indian economy's ranking in PPP terms	: 3rd
Indian economy's ranking in world in value	: 10th

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