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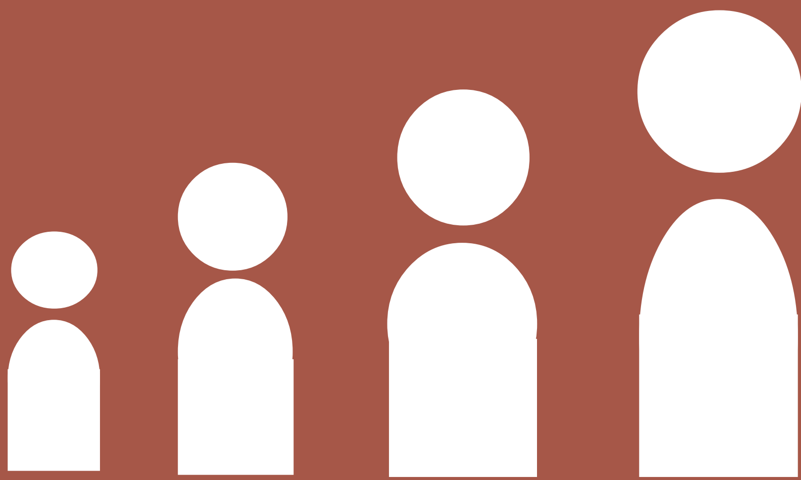
Banking events Update



Those who win, are those, who think they can

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BANKING POLICY

RBI Bi-monthly Monetary Policy

RBI announced the following measures in its 2nd Bi-monthly Policy Statement, on 06.06.2018

1. Increase in Liquidity Coverage Ratio (LCR) carve-out from Statutory Liquidity Ratio (SLR): In addition to the existing assets, banks will be permitted to reckon as Level 1 HQLAs Government securities held by them upto another 2 per cent of their NDTL under FALLCR within the mandatory SLR requirement. Hence, the total carve-out from SLR available to banks would be 13 per cent of their NDTL.

2. Valuation of State Government Securities: As per extant guidelines on prudential norms for classification, valuation and operation of investment portfolio by banks, the state government securities are valued applying the Yield to Maturity (YTM) method with a uniform mark-up of 25 basis points above the yield of the Central Government securities (G-Secs) of equivalent maturity.

The valuation of traded state government securities shall be at the price at which they have been traded in the market. In case of non-traded state government securities, the valuation shall be based on the state-specific weighted average spread over the yield of the central government securities of equivalent maturity, as observed at primary auctions.

3. Spreading of MTM losses: Banks will have option to spread the mark-to-market (MTM) losses on investments held in Available for Sale (AFS) and Held for Trading (HFT) portfolio for the quarter ending June 30, 2018, equally over a period of four quarters, commencing from the quarter ending June 30, 2018.

4. Voluntary Transition of Urban Cooperative Banks into Small Finance Banks: UCBs meeting the prescribed criteria have been allowed voluntary transition into SFBs.

5. Encouraging formalisation of the MSME Sector: RBI decided to temporarily allow banks and NBFCs to classify their exposure, as per the 180 day past due criterion, to all MSMEs with aggregate credit facilities up to Rs.250 million, including those not registered under GST. Accordingly, eligible MSME accounts, which were standard as on August 31, 2017, shall continue to be classified as standard by banks and NBFCs if the payments due as on Sept 1, 2017 and falling due thereafter up to December 31, 2018 were/ are paid not later than 180 days from their original due date.

The 180 day past due criterion, in respect of dues payable by GST registered MSMEs from January 1, 2019 onwards, shall be aligned to the extant norm of 90 day past due in a phased manner, whereas for entities that do not get registered under GST by December 31, 2018, the asset classification in respect of dues payable from January 1, 2019 onwards shall immediately revert to the 90 day norm.

6. Convergence of Priority Sector Lending (PSL) guidelines for housing loans with Affordable Housing definition under Pradhan Mantri Awas Yojana : RBI decided to revise the housing loan limits for PSL eligibility from existing Rs.28 lakh to Rs.35 lakh in metropolitan centres (with population of ten lakh and above), and from existing Rs.20 lakh to Rs.25 lakh in other centres, provided the overall cost of the dwelling unit in the metropolitan centre and at other centres does not exceed Rs.45 lakh and Rs.30 lakh, respectively.

7. Emerging Developments in Low Ticket Housing: RBI has observed that the level of NPAs for the ticket size of up to Rs.2 lac has been high. RBI is closely monitoring this sector and will consider appropriate policy response such as a tightening of the LTV ratios and/or an increase in risk weights, should the need arise.

8. Permitting Core Investment Companies to invest in Infrastructure Investment Trusts (InvITs) as Sponsors: RBI decided to enable CICs to act as sponsors to InvIT issuances and permit them to reckon their holdings of InvIT units as sponsors as part of the sub-limit of 60 percent for equity investments in group companies. Exposure of such CICs towards InvITs shall be limited to their holdings as sponsors and shall not, at any point in time, exceed the minimum limit in terms of amount and tenor prescribed in this regard by Securities and Exchange Board of India (SEBI) (Infrastructure Investment Trusts) Regulations, 2014. Necessary instructions will be issued within a week.

9. Harmonising Liquidity Adjustment Facility (LAF) Haircuts with International Standards

RBI provides Rupee liquidity to market participants through the Repo/Marginal Standing Facility (MSF) window against eligible collateral. RBI decided to require (starting August 1, 2018) initial margin on collateral on the basis of its residual maturity. The initial margin requirement for Central Government Securities would be in the range of 0.5 per cent to 4 per cent in five different buckets of residual maturity. The initial margin requirement in case of SDLs would be in the range of 2.5 per cent to 6.0 per cent for the same maturity buckets. With a view to incentivising the State Governments to get SDLs a public rating, it has been decided that the initial margin requirement for rated SDLs shall be set at 1.0 per cent lower than that of other SDLs for the same maturity buckets, i.e., in the range of 1.5% to 5.0%.

10. Enhancing participation in Government Securities Market

(i) Short Sale in Government Securities

RBI proposed to liberalise the eligible short sale participants' base as well as relax the entity-wise and security category-wise limits for short selling in G-Sec.

(ii) When issued market in Government Securities

RBI proposed to liberalise the eligible participants' base and relax the entity-wise limits for taking positions in the when issued market.

11. Expanding Activities of Standalone Primary Dealers

RBI decided to provide Standalone Primary Dealers, a limited Foreign Exchange licence.

12. Market abuse regulations

RBI proposed to introduce regulations, in line with the best global practices, to prevent abuse in markets regulated by the Reserve Bank.

13. Policy framework for Central Counter-parties

RBI will lay down the framework for the recognition of the foreign CCPs as also the capital requirement and governance framework for all CCPs.

14. Consolidated Sinking Fund and Guarantee Redemption Fund of State Governments : RBI decided to lower the rate of interest on Special Drawing Facility (SDF) from 100 bps below the Repo Rate to 200 bps below the Repo Rate.

15. Authorisation of Payment Systems : RBI plans to encourage more players to participate in and promote pan-India payment platforms so as to give a fillip to innovation and competition in the sector.

16. Easing of Challenges faced by the Visually Challenged in using Indian Banknotes : RBI decided that in consultation with various entities representing the visually challenged, RBI will explore the feasibility of developing a suitable device or mechanism for aiding them in the identification of Indian banknotes.

17. High-level Task Force on Public Credit Registry

A High Level Task Force on Public Credit Registry (PCR) for India (Chairman: Shri Yeshwant M. Deosthalee) was constituted by RBI which submitted its report on April 4, 2018. The report of the Task Force has been released for public on the Reserve Bank's website. An Implementation Task Force (ITF) is being constituted by RBI to help design undertake logistics for the next steps in setting up of the PCR.

18. Harmonisation of Data and Definitions for the Liberalised Remittance Scheme: RBI decided that furnishing of PAN, which hitherto was not to be insisted upon while putting through permissible current account transactions of upto USD 25,000, shall now be mandatory for making all remittances under LRS. Further, in the context of remittances allowed under LRS for maintenance of close relatives, it has been decided to align the definition of 'relative' with the definition given in Companies Act, 2013 instead of Companies Act, 1956.

●

Basel III Framework on NSFR (Net Stable Funding Ratio)

NSFR and Liquidity Coverage Ratio (LCR) are significant components of the Basel III reforms.

The LCR promotes short-term resilience of banks to potential liquidity disruptions, by ensuring that they have sufficient high quality liquid assets (HQLAs) to survive an acute stress scenario lasting for 30 days.

The NSFR promotes resilience over a longer-term time horizon by requiring banks to fund their activities with more stable sources of funding on an ongoing basis.

While, LCR has already been implemented, NSFR shall be implemented as per date to be announced by RBI.

However, RBI issued final guidelines related to NSFR on May 17, 2018. A summary is provided;

Scope: The NSFR would be applicable for Indian banks at the solo as well as consolidated level. For foreign banks operating as branches in India, the framework would be applicable on stand-alone basis (i.e., for Indian operations only).

Definition of NSFR : It is defined as the amount of available stable funding relative to the amount of required stable funding.

Available stable funding (ASF) means the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year.

The amount of stable funding required (Required stable funding -RSF) of a specific institution is a function of the liquidity characteristics and residual maturities of the various assets held by that institution as well as those of its off-balance sheet (OBS) exposures.

Minimum Requirement : NSFR should be 100% or more on ongoing basis, to be calculated as:*(ASF/RSF)*

Available stable funding / Required stable funding

Implementation Date : The NSFR would be binding on banks with effect from a date which will be communicated in due course by RBI.

Computation of Available Stable Funding

The amount of ASF is measured, based on the broad characteristics of the relative stability of an institution's funding sources. The amount of ASF is calculated by *first* assigning the carrying value of an institution's capital and liabilities to one of five categories as presented below. The amount assigned to each category, is then multiplied by an ASF factor. The total ASF is the sum of the weighted amounts. Carrying value represents the amount at which a liability or equity instrument is recorded before the application of any regulatory deductions, filters or other adjustments.

Components of ASF category (liability categories)

1) (a) Total regulatory capital (excluding Tier 2 instruments with residual maturity of less than one year) (b) Other capital instruments with effective residual maturity of one year or more (c) Other liabilities with effective residual maturity of one year or more : Associated ASF factor = 100%

2) Stable non-maturity (demand) deposits and term deposits with residual maturity of less than one year provided by retail and small business customers : ASF 95%

3) Less stable non-maturity deposits and term deposits with residual maturity of less than one year provided by retail and small business customers : ASF 90%

4) (a) Funding with residual maturity of less than one year provided by non-financial corporate customers (b) Operational deposits (c) Funding with residual maturity of less than one year from sovereigns, PSEs, and multilateral and national development banks (d) Other funding with residual maturity between 6 months and less than 1 year not included in above categories, including funding provided by central banks & financial institutions: ASF 50%

5) (a) All other liabilities and equity not included in the above categories, including liabilities without a stated maturity (with a specific treatment for deferred tax liabilities and minority interests) (b) NSFR derivative liabilities net of NSFR derivative assets if NSFR derivative liabilities are greater than NSFR derivative assets (c) "Trade debt" payables arising from purchases of financial instruments, foreign currencies and commodities : ASF 0%

Computation of Required Stable Funding (RSF)

The amount of required stable funding is measured based on the broad characteristics of the liquidity risk profile of an institution's assets and OBS exposures. The amount of required stable funding is calculated by first assigning the carrying value of an institution's assets to the categories. The amount assigned to each category is then multiplied by its associated required stable funding (RSF) factor.

The total RSF is the sum of the weighted amounts added to the amount of OBS activity (or potential liquidity exposure) multiplied by its associated RSF factor.

Components of RSF category

1) (a) Coins and banknotes (b) Cash Reserve Ratio (CRR) including excess CRR (c) All claims on RBI with residual maturities of less than six months (d) Trade date receivables arising from sales of financial instruments, foreign currencies & commodities : RSF 0%.
2) (a) Unencumbered Level 1 assets, excluding coins, banknotes and CRR (b) Unencumbered SLR Securities : RSF 5%

3) Unencumbered loans to financial institutions with residual maturities of less than six months, where the loan is secured against Level 1 assets as defined in LCR circular dated June 9, 2014 and updated from time to time, and where the bank has the ability to freely re-hypothecate 6the received collateral for the life of the loan : RSF 10%

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

4) (a) All other 'standard' unencumbered loans to financial institutions with residual maturities of less than six months not included in the above categories (b) Unencumbered Level 2A assets : RSF 15%

5) (a) Unencumbered Level 2B assets (b) HQLA encumbered for a period of six months or more and less than one year (c) 'Standard' Loans to financial institutions and central banks with residual maturities between six months and less than one year (d) Deposits held at other financial institutions for operational purposes (e) All other assets not included in the above categories with residual maturity of less than one year, including 'standard' loans to non-financial corporate clients, to retail and small business customers, and 'standard' loans to sovereigns and PSEs : RSF 50%

6) (a) Unencumbered 'standard' residential mortgages with a residual maturity of one year or more and with the minimum risk weight permitted under the Standardised Approach (b) Other unencumbered 'standard' loans not included in the above categories, excluding loans to financial institutions, with a residual maturity of one year or more and with a risk weight of less than or equal to 35% under the Standardised Approach : RSF 65%

7) (a) Cash, securities or other assets posted as initial margin for derivative contracts and cash or other assets provided to contribute to the default fund of a CCP (b) Other unencumbered performing loans with risk weights greater than 35% under the Standardised Approach and residual maturities of one year or more, excluding loans to financial institutions (c) Unencumbered securities that are not in default and do not qualify as HQLA/SLR with a remaining maturity of one year or more and exchange-traded equities (d) Physical traded commodities, including gold : RSF 85%

8) (a) All assets that are encumbered for a period of one year or more (b) NSFR derivative assets net of NSFR derivative liabilities if NSFR derivative assets are greater than NSFR derivative liabilities (c) 5% of derivative liabilities as calculated according to guidelines (d) All other assets not included in the above categories, including non-performing loans, loans to financial institutions with a residual maturity of one year or more, non-exchange-traded equities, fixed assets, items deducted from regulatory capital, retained interest, insurance assets, subsidiary interests and defaulted securities (e) All restructured 'standard' loans which attract higher risk weight and additional provision : RSF 100%

Off-balance Sheet Items which require stable Funding

1) Irrevocable and conditionally revocable credit and liquidity facilities to any client: 5% of the currently undrawn portion

2) (a) Other contingent funding obligations, including products and instruments such as: (b) Unconditionally revocable credit and liquidity facilities (c) Non-contractual obligations such as:" potential requests for debt repurchases of the bank's own debt or that of related conduits, securities investment vehicles and other such financing facilities" structured products where customers anticipate ready marketability, such as adjustable rate notes and variable rate demand notes (VRDNs)" managed funds that are marketed with the objective of maintaining a stable value : ASF 5% of the currently undrawn portion

3) (a) Trade finance-related obligations (including guarantees and letters of credit) (b) Guarantees and letters of credit unrelated to trade finance obligations : RSF 3% of the currently undrawn portion

Frequency of calculation and reporting: Banks are required to meet the NSFR requirement on an ongoing basis and they should have the required systems in place for such calculation and monitoring. The NSFR as at the end of each quarter should be reported to the RBI in format (BLR 7) within 15 days from the end of the quarter.

NSFR Disclosure Standards

Banks will publish their NSFRs disclosure along with the publication of their financial statements (i.e. typically quarterly or semi-annually). The NSFR information must be calculated on a consolidated basis and presented in Indian Rupee.

Foreign Currency Accounts of

Organisers of international Seminars, Conferences, Conventions

They can open temporary foreign currency accounts in India subject to the following conditions:

1. Credits: All inward remittances in foreign currency towards registration fees payable by overseas delegates, grant, sponsorship fees and donations, received from abroad, in connection with the conference, convention, etc

2. Debits: (i) Payment to foreign/ special invitees attending the conference, etc., on the specific invitation of the organisers, towards travel, hotel charges, etc., and honorarium to foreign guest speakers; (ii) Remittance towards refund of registration fees to foreign delegates and unutilised sponsorship/grant amount, if any; (iii) Bank charges, if any; (iv) Conversion of funds into rupees.

3. All other credits/ debits would require the prior approval of the Reserve Bank.

4. The account should be closed immediately, after the conference/event is over.

Accounts by Indian agent of shipping or airline companies incorporated outside India

They can maintain FC account in India for meeting the local expenses of the overseas company. The credits permitted to such accounts are freight or passage fare collections in India or from his principal outside India.

Most Wealthy Person

While Bill Gates (Total Net Worth $92 billion Dollars) of Microsoft came to Second position, the First Rank went (with Total Net Worth $133 Dollar) in the List of World's Billionaires to- **Jeff Bezos of Amazone.**

Companies Act 2013 - Important amendments in 2018

The Companies (Amendment) Act, 2017 which was passed by the Lok Sabha on July 27, 2017 and by the Rajya Sabha on December 19, 2017, received assent of the President of India on January 3, 2018. Certain provisions of the Companies (Amendment) Act, 2017 have been notified on 26th January, 2018, 9th February, 2018 and 7th May, 2018 respectively. A summary of these is provided:

Section 2(6) - Definition of Associate Company

In the definition of Associate Company, the term significant influence would mean control of at least 20% of total voting power, or control of or participation in business decisions under an agreement as against 20% of total share capital.

Definition of joint venture :

JV defined as a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Section 2(46)- Definition of 'Holding Company'

In the term 'holding company', the expression "company" will include any body corporate (including a company incorporated outside India but does not include a Co-operative Society registered and any other body corporate.

Section 2(85)- Definition of 'small company'

The maximum paid-up share capital amount for determining a company as a small company has been increased *from Rs.5 cr to Rs.10 cr* and prescribed turnover amount *from Rs.20 cr to Rs.100 cr.*

Section 2(87)- Definition of Subsidiary Company

In the definition, the term total share capital has been substituted with *total voting power*.

A Company would be a subsidiary if another company controls the composition of Board of Directors or exercises or controls *more than ½* of the total voting power either at its own or together with one or more of its subsidiary companies.

Section 3A- Members severally liable in certain cases: If at any time the number of members of a company is reduced, in the case of a public company, *below seven*, in the case of a private company, *below two*, and the company carries on business for more than *six months* while the number of members is so reduced, every person who is a member of the company during the time that it so carries on business after those six months and is cognisant of the fact that it is carrying on business with less than seven members or two members, as the case may be, shall be severally liable for the payment of the whole debts of the company contracted during that time, and may be severally sued therefor.

Section 53- Prohibition on issue of shares at discount: Companies have been allowed to issue shares at a discount to its creditors when the debt of the Company is converted into shares in pursuance of any statutory resolution plan or debt restructuring scheme in accordance with any directions or guidelines or regulations specified by Reserve Bank of India under the Reserve Bank of India Act, 1934 or the Banking Regulation Act, 1949.

Section 54- Issue of Sweat Equity Shares

Sweat equity shares can be issued at any time after registration of the Company. The provision debarring a Company to issue sweat equity shares before expiry of one year from the date of commencement has been omitted.

Section 77- Duty to register Charges etc

A new provision has been added which states that this section shall not apply to such charges as may be prescribed in consultation with the Reserve Bank of India.

Section 78- Application for registration of Charge

The person in whose favour the charge has been created can file the charge on the expiry of 30 days from the creation of charge where the company fails to file so. Earlier the charge holder could register the charge only in case the company failed to do so within the period specified under section 77, which is 300 days.

Section 132- Constitution of National Financial Reporting Authority

(a) The minimum fine in respect of professional or other misconduct reduced from Rs.10 lac to Rs.5 lac.

(b) Appeal against any order of NFRA shall lie before the National Company Law Appellate Tribunal in the prescribed manner.

Section 137- Copy of financial statement to be filed with Registrar: Time limit of 270 days within which financial statement could be filed on payment of additional fee has been done away with under all the sub-sections. A company can file the financial statement with ROC at any time on payment of prescribed additional fee. (The additional fee shall be Rs. 100/- per day after completion of thirty days.)

Section 165- Number of Directorship: The directorship in a dormant company shall not be included in reckoning the limit of directorships in 20 companies.

Section 180- Restrictions on powers of board

Securities premium will be included along with paid-up share capital and free reserves for calculation of maximum limits on borrowing powers of the Board.

Compilation : Sapandeep Toor (in Sydney - Australia) (Source different websites).

Practical Problems based on Banking Ombudsman Decisions

1) The complainant alleged that an anonymous person who introduced himself as bank manager, asked for his ATM PIN and had made transactions amounting to Rs.39780 from his a/c. He immediately referred the incident to the branch in person and requested to freeze the a/c. The bank confirmed freezing of account and gave him account statement showing a balance of Rs.11148. He lodged a police complaint. Later on when he got updated his passbook, he found that Rs.5010 were debited after freezing of a/c.

The bank submitted that these were online transactions with valid card details and ATM PIN. It added that OTP is not sent for these transactions as they were done through bank's own payment gateway, which is a secured and no charge back facility is applicable for such transactions.

BO observed that the transaction was done subsequent to the freezing and hence it was bank's mistake in allowing the operations in the frozen account The BO advised the bank to credit the disputed amount of Rs.5010 which was withdrawn after freezing the account.

2) The complainant was having a balance of Rs.93637 in his SB account when he went abroad. On return, when he withdrew Rs.2,000, he found that balance was only Rs.8047. There were many unauthorized withdrawals in the intervening period without any SMS alerts to his registered number. He lodged a complaint to bank and also lodged a police complaint.

The bank contended that all the transactions were successful and were routed through valid ATM card number and ATM PIN which were known only to the complainant and no chargeback facility was available for these transactions routed through payment gateway. The bank added that no OTP was requireed as the transactions were made using valid ATM card number and ATM PIN.

BO observed that the SMS alerts could have avoided further fraudulent transactions in the account. Due to this service deficiency, BO advised the bank to credit the disputed amount to the complainant.

3) An unsigned cancelled blank cheque sent by a complainant to insurance agent by post for foreclosing the insurance policy was not received by the agent but was used for fraudulent withdrawal of Rs.498200 from the complainant's account by a person through his account with other bank. The complainant sought refund of the amount fraudulently withdrawn.

It was observed that the Complainant's bank had not exercised necessary due diligence in verifying the signature as there was a significant mismatch between the signature on the cheque with the specimen signature card. This fact was also corroborated by the handwriting expert. The Collecting bank had failed in ensuring due diligence while opening the account of the fraudster who (according to Police investigation) was an imposter, having stolen the identity papers of another person. The bank had not risk categorized the account. The bank had also ignored / not monitored the suspicious chain of high value transactions in his account, although the account was opened only three months earlier. The Collecting bank was able to mark a lien on an amount of Rs.105436 lying to the credit of the fraudster's account.

BO advised paying bank to bear 70% of net loss (4,98,200 less 1,05,436) for failure to verify the signature and negligence in paying a forged cheque. Collecting bank was directed to pay 30% for its gross negligence which enabled the fraudster to siphon off the funds and for violation of KYC norms.

Foreign Currency (FC) Deposit Accounts of Residents in India

Opening, holding and maintaining FC accounts by resident in India is regulated u/s 9 of Foreign Exchange Management Act, 1999 & Forex Management (Foreign Currency Accounts by a person resident in India) Regulations, 2015 issued by RBI on 21.01.2016.

Accounts in India by a person resident in India

Exchange Earner's Foreign Currency (EEFC) A/c

A person resident in India may open an EEFC account with an AD in India. The salient features are:

1. Account will be as a non-interest bearing account.

2) Credits: The credits permitted to this account are:

a. 100% forex earnings as inward remittance through normal banking channel(other than loans or investments);

b. payments received for the purpose of counter trade;

c. advance remittance received by an exporter;

d. professional earnings including director's fees, consultancy fees, lecture fees, honorarium and similar other earnings received by a professional by rendering services in his individual capacity;

e. interest earned on the funds held in the account;

f. Re-credit of unutilised foreign currency earlier withdrawn from the account;

g. repayment of trade related loans/ advances (which were granted to the account holder's importer customer out of balances held in the EEFC accounts);

h. disinvestment proceeds received by resident account holder on conversion of shares as ADRs/ GDRs

i. Payments received in forex by an Indian startup arising out of sales/ export by startup or its overseas subsidiaries.

3) Debits: The debits allowed in these accounts are:

a. Payment outside India towards capital or current account transactions as per Forex Management (Permissible Capital Account Transactions) Regulations, 2000 or Foreign Exchange Management (Current Account Transactions) Rules, 2000, respectively;

b. payment in forex towards cost of goods purchased from a 100 percent Export Oriented Unit or a Unit in an Export Processing Zone/ Software Technology Park/ Electronic Hardware Technology Park;

c. payment of customs duty in accordance with the provisions of Export Import Policy;

d. trade related loans/ advances, by an exporter account holder to his importer customer outside India, subject to complying the provisions of FEMA and the rules/ regulations made thereunder;

e. payment in foreign exchange to a person resident in India for supply of goods/ services including payments for air fare and hotel expenditure

4) Such accounts can be held jointly with resident relative as joint holder on *'former or survivor'* basis. But, such resident Indian relative joint a/c holder cannot operate the account during life time of the resident account holder.

5) The sum total of the accruals in the account during a calendar month should be converted into Rupees on or before the last day of the succeeding calendar month after adjusting for utilization of the balances for approved purposes or forward commitments.

6) Fund-based/ non-fund based credit facilities should not be granted against balances held in EEFC Accounts.

7) Exporters can repay packing credit advances, whether availed of in Rupee or in foreign currency, from balances in their EEFC account to the extent exports have actually taken place.

8) Balances held in the account may be credited to NRE/ FCNR (B) Accounts, at the option/ request of the account holders consequent upon change of their residential status from resident to non-resident.

Resident Foreign Currency (RFC) Account

1) A person resident in India is permitted to open a RFC account with an AD bank in India out of foreign exchange received or acquired by him:

a. as pension or superannuation benefits or other monetary benefits from his overseas employer;

b. by converting assets which were acquired by him when he was a non-resident or inherited from or gifted by a person resident outside India and repatriated to India;

c. before July 8, 1947 or any income arising or accruing thereon which is held outside India in pursuance of a general or special permission granted by RBI.

d. received as proceeds of LIC claims/ maturity/ surrendered value settled in forex from an Indian insurance company permitted to undertake life insurance business by IRDAI

2) The balances in the RFC account are free from all restrictions regarding utilisation of foreign currency balances outside India.

3) Such accounts can be held jointly with resident relative as joint holder on 'former or survivor' basis. However, such resident Indian relative joint account holder cannot operate the account during the life time of the resident account holder.

4) The balances in the Non-Resident External (NRE) Account and Foreign Currency Bank [FCNR (B)] Account can be credited to the RFC account when the residential status of the non-resident Indian (NRI) [9] or person of Indian origin (PIO) changes to that of a Resident.

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

- **GOVT. KICKS OFF PILOT SCHEME FOR POWER WITHOUT PPAs:** Govt. has kicked off a pilot scheme to procure 2500 MW power for three years under medium term agreements. The power will be procured from generators with commissioned projects but without Power Purchase Agreements. Under the scheme, a single entity can be allotted maximum capacity of 600 MW. The scheme assures a minimum off-take of 55% of connected capacity. The tariff will be fixed for three years without escalation.
- **OMBUDSMAN FOR TELECOM GRIEVANCES:** The Telecom Commission has approved the creation of Ombudsman, which will be set up by Telecom Regulatory Authority of India (TRAI). The Department of Telecommunications (DOT) will initiate the necessary amendments in the TRAI Act to help empower the regulator to set up the Ombudsman. Telecom consumer can also reach out to a consumer grievance redressal forum, which was not allowed earlier. Under the current mechanism, a consumer can reach out to a mobile operator for any grievance and if the operator fails to resolve the complaint, DOT comes in the picture but this system has not been found fully satisfactory.
- **CENTRE TO OFFER SUBSIDY TO FARMERS ON CANE ARREARS:** Due to higher production against estimated consumption, domestic prices have remained depressed since the beginning of the 2017-18 sugar season. This has hut the liquidity position of sugar mills, leading to accumulation of dues to farmers to the extent of about Rs.19, 000 Crore. In a bid to ease the financial difficulties faced by the sugarcane grovers on account of mounting arrears from sugar mills, the Cabinet Committee on Economic Affairs cleared the proposal for a production subsidy of Rs.5.5 per quintal of cane crushed during the current sugar season. The subsidy amount will be paid directly to farmers and adjusted against their dues from sugar mills.
- **KERALA FINANCIAL SEBI PUT STRONGER MECHANISM ON LISTING CONDITIONS:** SEBI has put in place a stronger mechanism to check non-compliance of listing conditions, wherein Exchanges will have powers to freeze promoter shareholding and even delist the shares of such defaulting companies. The move is aimed at maintaining consistency and adopting a uniform approach in the matter of levy of fines for non-compliance with certain provisions of the listing regulations. Under the new Framework, Exchanges can also levy fines on non-compliant company, move the stocks of such firms to restricted trading category and suspend

Financial Events

trading in the shares of such entities.

- **GST COUNCIL APPROVES PROPOSAL FOR GSTN TO BE GOVT.CO.** The GST Council has approved a proposal for GSTN to become 100% Government-owned Entity. The Goods and Services Tax Network- Special Purpose Vehicle (GSTN-SPV) will cease to be a Private Company and morph into a 100% Government-owned Entity. Currently, the Centre and the state governments hold 24.5% each in GSTN and non-governmental institutions hold the other 51%. Following the GSTN's metamorphosis, the Centre will hold 50% and the remaining stake will be held by state governments on a pro-rata basis. The GSTN Board will initiate the process.
- **RBI TO BANKS FOR SHARING FE DATA WITH DRI:** RBI has asked the banks authorised to deal in Foreign Exchange (FE) to share data with the Directorate of Revenue Intelligence (DRI). This directive has come in the wake of the Government making rules to exercise powers conferred by the relevant sections of the Customs Act which requires that a banking company to furnish, electronically, information relating to foreign exchange transactions made or received by any person to the receiving authority.
- **GST COUNCIL APPROVES SINGLE RETURN UNDER GST:** The GST Council approved a simplified return filing framework that would require a taxpayer to file only one return every month. The council has set a period of six months for the transition to take place. Transition to the new filing framework will take place in

three stages in six months. Earlier, GSTR-2 buyer return form and GSTR-3 Input-output return form had been suspended. GSR-1, the seller return and GSTR-3B, the summary input-output return were to continue till June 30. But now, these two forms will continue till the single return replaces these in about 6 months.

- **GOVT. MULLS CSR SPEND FOR LIC:** The Government is planning to bring State - Owned insurer Life Insurance Corporation (LIC) under the ambit of Corporate Social Responsibility (CSR). This would lead to spend at least 2% of its surplus fund on social activities. At present, there is no obligation on the insurer to spend a fixed amount on such activities. Now LIC should contribute a portion of the surplus fund on social welfare.
- **GOVT. TO EXPLORE ENGLISH AUCTION SYSTEM FOR DISINVESTMENT:** The Government is working on an online portal for selling state-owned entities in departure from physical bids. The portal, which is being developed by MSTC, will redesign the process of privatisation. Electronic bidding will also change the sales process from sealed bidding to an English Auction System, which is an open ascending system under which participants bid against one another, with each subsequent bid required to be higher than the previous one. The auction ends when no participant is willing to bid further, and then the highest bidder is declared the winner. Currently, disinvestment of state-owned entities happens through a manual process in which an interested bidder submits a sealed bid. The bid is opened on a stipulated date and the highest bidder is declared the winner.
- **CORPORATION TO ENTER VENTURE DEBT:** In a first for a State Financial Corporation, Kerala Financial Corporation (KFC) is to launch two new schemes for new-age entrepreneurs and start-ups. For starters, KFC Board has approved the Purchase Order Refinancing Scheme under which if somebody has some purchase order, the Corporation will finance against the purchase order and without security to execute the order. The Second is Venture Debt Scheme where, if there is a unit which has already received venture capital equity, KFC will provide venture debt without any collateral. Both these schemes would be backed by Government guarantee and so no collateral is being insisted.
- **HIGH COURT RULING ON E-WAY BILL UNDER GST:** The Allahabad High Court has ruled that the Tax Authorities can not seize goods just because they are not accompanied by a physical copy of the electronic way bill (E-way Bill) . It has further been said that the E-Way Bills can also be stored in the electronic form on a mobile phone or other device. The ruling will ensure that tax authorities do not penalise transporters not carrying printouts and make sure that e-way bills stored in electronic format are recognised.
- **PFRDA ON EQUITY INVESTMENT & PARTIAL WITHDRAWAL UNDER NPS:** PFRDA has increased the cap on equity investment in active choice by private sector subscribers of the National Pension System to 75% from 50%. PFRDA also allowed partial withdrawal for NPS subscribers who wish to improve their employability or acquire new skills by pursuing higher education/acquiring professional and technical qualifications. Individual NPS subscribers who wish to set up or acquire a business will also be allowed to make partial withdrawals from their contributions.
- **GOVT. FOR 2ND ROUND OF PSB RECAPITALISATION:** The Finance Ministry has begun the process of ascertaining the amount of capital to be infused into public sector banks this financial year as a part of the second round of recapitalisation. Under the first trenche of recapitalisation, over Rs.1 trillion has been infused into banks, last financial year, which included Rs.800 billion as bonds, Rs.81.4 billion as budgetary support and over Rs.100 billion through market-raising. Last year, a major chunk of the capital went to weaker banks to meet their capital adequacy requirements. The Government has asked banks for update about the implementation of the reforms agenda set out by them, which will become an important parameter for allocating funds to banks.
- **GOVT. TO UNVEIL HYBRID INSTRUMENTS TO BOOST STARTUPS:** The Government is to unveil a wide array of Hybrid Instruments on the lines of those available in developed markets that will allow promoters to retain control of an entity even with a majority stake, a move that make fundraising easier, particularly for startups. There is a need to have a wider choice of hybrid instruments that would provide flexibility in terms of control and holding. Globally, such funding options have caught on with private equity and venture capital funds, a key source of funding for startups.
- **GOVT. CONSIDERING WITHDRAWAL OF CASES UNDER IBC:** Government is considering setting a time limit for withdrawing cases admitted for insolvency resolution, ending ambiguity on a key aspect of the procedure. The Law Committee on the Insolvency and Bankruptcy Code (IBC)

had recommended allowing retraction of applications if 90% of the creditors voted in favour of withdrawal. However the Panel had not specified a time limit for withdrawal of such cases. The Government now wants to set a clear cut-off time, after which a reference under the Code can not be withdrawn.

- **NCDEX TO SET UP CLEARING CORPORATION:** The National Commodity and Derivatives Exchange of India has received in-principle approval from SEBI to set up a standalone Clearing Corporation, to be called “National Commodity Clearing Ltd.” (NCCL). The Exchange plans to invest Rs.100 Crore in the Clearing Corporation, which is being set up in line with the SEBI directive to de-mutualise commodity exchange operations and promote transparency. Exchange will transfer all existing technology for clearing trades to newly-formed wholly-owned clearing corporation.
- **FINMIN FOR PSC TO EASE LENDERS’ NPA LOAD:** The Finance Ministry is considering of “Provision Shore-up Certificates” (PSC) to relieve banks of the burden of non-performing loans and allow them to focus on the core issue of financial intermediation. The idea is on the lines of the structure created to bail out the US-64 Scheme of the Unit Trust of India. A designated public agency will issue PSCs to banks to the extent of provision made in the books of banks. The PSCs will be guaranteed by the bank and carry a coupon rate. The government would pay the interest on the PSCs. A Special Trust would take over the underlying provisioned asset for monitoring, recovery and unlocking value using the Insolvency and Bankruptcy Code. PFCs be redeemed as and when the bad loans are resolved.
- **IRDAI RELAXES NORMS FOR EMPANELLED ACTUARIES:** Insurance Regulatory and Development Authority of India (IRDAI) has eased norms for empanelled Actuaries, allowing them to undertake valuation of more than one insurer every quarter. Under the original guidelines, each panel actuary would not be involved in the annual statutory valuation of more than one insurer during any financial year. Now actuaries for life and general insurers will continue to remain separate. However, IRDAI has allowed each actuary for general insurers to work with as many as three firms in each quarter. Similarly, actuaries undertaking valuations of life insurers are now allowed to work with one life insurer and one life insurance business of a reinsurer in each quarter.
- **SUPREME COURT RULING ON PARLIAMENTARY REPORTS:** The Supreme Court has ruled that the Parliamentary Reports can be used and relied upon in court but their contents can not be challenged because it would affect the privilege of elected members to speak their mind freely inside the house. The Apex Court further said that such reports are not conclusive but persuasive. Facts culled from such reports would have to be proved in court independently by leading evidence. The Court can take judicial notice of the facts stated in such reports, but would not allow them to be challenged for their veracity or otherwise.
- **CRYPTOCURRENCY EXCHANGES FOR CRIPTO-TO-CRIPTO TRADING:** Traditionally, all trade on cryptocurrency exchanges happen through banking channels to trade Bitcoin and other crypto currencies. On April 6, 2018, RBI had mandated e-wallets and payment gateway providers to withdraw support for cryptocurrency exchanges in three months. Now, India’s reluctance to allow buying and selling of Bitcoin using banking channels has pushed the country’s three large cryptocurrency exchanges- Zebpay, Koinex and Zecoex –to offer its customers trading between virtual currencies on their platforms.
- **GOVT. TIGHTENS NORMS FOR INDEPENDENT DIRECTORS:** The Ministry of Corporate Affairs has now amended the Companies Rules 2014 to specify that none of the relatives of an independent director should be in any way “indebted” to the company, its holding, subsidiary or associate company, promoters or directors. Further, the relatives should also not have given a guarantee or provided any security in connection with indebtness of any third person to the company or its promoters and subsidiaries. To ensure that a proper

arm's length is maintained, the new rules will govern all transactions involving an amount of Rs.50 Lakh or more in the preceding two financial years or even the current year.

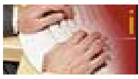
- **NEW MONETARY NORMS FOR PSBs ON REPORTING FRAUDS:** According to the Central Vigilance Commission (CVC), the monetary threshold for public sector banks to report frauds to different departments of the CBI for a probe has been revised. Frauds of a minimum Rs.3 Crore and up to Rs.25 Crore have to be reported either to CBI's Anti-corruption branch (in case of staff involvement is prima facie evident) or to the Economic Offences Wing (if employee involvement is prima facie not evident) respectively. Frauds involving more than Rs.25 Crore and up to Rs.50 Crore should be given to the CBI's Banking Security and Fraud Cell irrespective of involvement of a public servant. The cases of more than Rs.50 Crore should be lodged with the Joint Director.
- **SEBI NOTIFICATION ON NEW GOVERNANCE NORMS:** SEBI' Board has accepted 40 out of 80 recommendations of Uday Kotak Panel and has issued the notification. SEBI has asked the Boards of the companies to split the post of Chairman and Managing Director. The Regulator has also asked them to have at least six independent directors, including a woman. The changes need to be placed in phases, while settling a deadline of April, 2019 for the independent directors. The companies will have more time to split CMD Post for which, deadline is April, 2020.
- **RBI BARS DENA BANK FROM FRESH LENDING AND HIRING:** RBI had in May last year initiated Prompt Corrective Action against the bank and imposed certain restrictions in view of high net NPAs and negative Return on Assets. Now the bank has clocked a net loss of Rs.1924 Crore for March 2018. This is the third consecutive year that the Bank has posted a net loss. Now in view of worsening asset quality of the Bank, RBI has initiated further action and barred the Bank from giving fresh loans and recruiting staff.
- **WPI BASE YEAR LIKELY TO BE REVISED AGAIN:** The Commerce and Industry Ministry has started the exercise to revise the base year to 2017-18 for computation of Wholesale inflation, with a view to present more realistic picture of the price situation. In May last year, the Government had revised the base year for WPI-based inflation to 2011-12 to give a better indication of changes in prices of commodities. The new index with 2017-18 is expected to have new items to provide a more realistic picture of price rise and its impact on people.
- **SUPREME COURT RULING ON ARBITRATION AWARD:** (Case- Union Bank of India VS. Varindra Construction s Ltd.) A Contractor, after completing the project of building a residential complex in Haryana, claimed additional amount due to the escalation of wages during the construction. The Government denied it pointing out that such escalation had specifically kept out in the contract. The contractor invoked the arbitration clause and the award was in their favour. The Government moved the High Court where the petition dismissed. Then the Government moved the Supreme Court which allowed the appeal, agreeing with the Government that the terms of the contract had excluded the claims on account of statutory increase in wages of labour.
- **RBI IMPOSES RESTRICTIONS ON ALLAHABAD BANK:** RBI has imposed restrictions on Allahabad Bank including on expansion of risky assets, creation of non-banking assets and accessing/ renewing wholesale/costly deposits. It has also asked the Bank to reduce exposure on unrated and high-risk advances. The Bank is already under RBI's Prompt Corrective Action (PCA) guidelines due to high Net NPAs and Negative Return on Assets. RBI's latest dictate has come in the wake of Bank's equity tier-1 (Core Capital) breaching the minimum regulatory requirement of 7.375% in March 2018.
- **RBI TO SUPREME COURT ON CRIPTOS:** RBI has told the Supreme Court that it should not hear public interest litigation on the issue of legality of Bitcoin as it was a policy matter. RBI further said that the correct forum to test the correctness of a policy is Parliament and not the Courts. RBI has also said that it alone can not take any decision on the legality or illegality of virtual currencies since there are already some committees that are studying the implications that crypto will have on the economy and its characteristics.
- **NPCI PLANS TO LAUNCH UPI 2.0 FOR ADDED USER CONVENIENCE:** In a bid to integrate its retail payments infrastructure with businesses, the National Payments Corporation of India (NPCI) is upgrading its mobile-based Unified Payments Interface (UPI), whereby a trader, shopkeeper or SME entrepreneur can send a GST invoice or a bill to his customer as an attachment for verification and payment digitally. Further NPCI is also planning to incorporate signed intent for QR (Quick Response) code-based payments to provide an additional layer of security. So, in a UPI Version 2.0, an attachment can be sent for verification and payment digitally.

GENERAL AWARENESS

- Bank which celebrates its 154th Foundation Day on 24th April- **Allahabad Bank.**
- Anniversary Event in which Social Scientists from across the World will debate dialectical materialism in Patna for 5 days from June 16– **Karl Marx's 200th Birth Anniversary.**
- For the First Time in the Country, Sector which has surpassed Conventional Energy Sector in adding more capacity- **Renewable Energy Sector.**
- The number of transactions has crossed the 100-Crore Mark within two years of it's Launch- **National Payment Corporation of India's Unified Payment Interface.**
- Water Conservation Programme, which Gujarat Government has launched aiming to conserve additional 1100 million cubic ft of rain water- **"Sujalam Sufalam Jal Sanchay Abhiyan"**.
- Egyptian Billionaire who has put half of his Net-Worth $5.7 billion in Gold- **Naguib Sawiris.**
- Subhash Chandra Khuntia, Former Chief Secretary to Karnataka Government, has been appointed as- **Chairman of Insurance Regulatory and Development Authority of India (IRDAI)**
- Indian-origin Lady who has been hailed by US President Donald Trump, as an American Hero for devoting her life to the space programme and inspiring millions of girls to become Astronauts- **Kalpna Chawla.**
- As per World Health Organisation (WHO) Report, India has 14 out of 15 –**Most Polluted Cities in the World.**
- For better Coordination and fine-tuning, an Umbrella Scheme under which 11 Farm Schemes have been merged- **Green Revolution- Krishonnati Yojana** (GRKY)
- Scheme under which the Investment Limit has been enhanced from Rs.7.5 Lakh to Rs.15 Lakh with 8% return per annum- **Pradhan Mantri Vaya Vandan Yojana**.
- Index in which India has slipped three notches to the 11th Position while US remained on the Top – **AT Kearney Foreign Direct Investment Confidence Index 2018.**
- Bank which launches "Simply Reading App" for Visually Impaired- **Standard Chartered Bank.**
- According to EPFO, "App" through which the Pensioners will be able to view their pass books on mobile phone- **Umang App.**
- Growth which falls to Five-decade Low to 6.7% in Fiscal ended March 2018, Lowest since Fiscal 1963- **Bank Deposit Growth.**
- Prize Ceremony which will not be held for the First time in almost last 70 years as the British Academy that selects the Laureate finds itself in turmoil over links to a man accused of sex crimes- **Noble Literature Prize Ceremony.**
- Country which is World's Largest Oil Exporter- **Saudi Arbia**.
- In a first of its kind in the Country, State, which rolled out a Project to give Land Titles to Slum Dwellers- **Odisha.**
- Country's Largest Commodity Derivatives Exchange which is to launch Options Trading in Crude Oil Futures- **MCX.**
- Indian Railways has received 23.6 million Applications against

1 Lakh Vacancies only- **World's Largest Recruitment Drive.**

- Country which has ended a Decade-long Ban on Women to start Driving- **Saudi Arabia.**
- Bank which is set to roll out Water- Security Programme in Haryana and Rajasthan under its "Livelihood and Water Security CSR Initiative"- **Yes Bank**
- Prime Minister Narendra Modi has figured at 9th Position out of 10 Most Powerful People in the World- **US Magazine Forbes 'List 2018**.
- US Retail Giant Walmart acquired 77% stake in India's Largest E-commerce Marketplace Flipkart for $16 Billion- **Largest Transaction in History of Online Space Globally**.
- India remains Second Most Represented Nation after China among 42 countries across four continents – **Times Higher Education Emerging Economies University Rankings 2018.**
- Presently, India has three Underground Rock Caverns with Oil Storage Capacity of 1.33mt, 1.5mt and 2.5mt respectively at- **Vishakhapatnam, Mangalore and Padur.**
- Film for which Filmmaker-cum writer Vinod Mankara, won National Award for Sanskrit Movie- **Priyamanasam.**
- Hinduja Brothers have been displaced to Second position by Chemical Entrepreneur Jim Radcliffe- **Wealthiest on UK's Annual Rich List.**
- Top Chinese Bank which has launched China's First India-dedicated publicly offered Investment Fund- **Industrial and Commercial Bank of China.**
- Bank whose NPA Provisioning has absorbed 70% of the Capital infused by the Government into it- **Dena Bank.**
- Platform which has been used by HSBC to perform the World's First Trade Finance Transaction- **Single Blockchain Platform.**
- Bank which has reported the Highest Quarterly Net Loss (Rs.13, 420 Crore) for March 2018 in the Country's Banking History- **Punjab National Bank.**
- Scheme under which the Subscriber Base has crossed the "One Crore" mark on the completion of the three years of its launch- **Atal Pension Yojana (APY) Scheme.**
- Buddhist Monks coming from India, who have been banned by China- **"Wrongly-Educated" Buddhist Monks.**
- Market in which India has emerged as 3rd Largest after China and US- **Solar Market Globally.**
- Certification which BSE has received from the United States Securities and Exchange Commission- **Designated Offshore Securities Market (DOSM) Certification.**
- Country whose Prime Minister Mahathir Mohammad has abolished "GST".- **Malaysian**
- State whose Tourism's Face Book Page has emerged on the Top among all the States in the Country in 2017- **Kerala.**
- With the acquisition of Bhushan Steel Ltd. for Rs.35, 200 Crore, Company which has become the "First" to acquire a stressed asset under the new Insolvency and Bankruptcy Code- **Tata Steels Ltd.**
- The First Resolution from the First List of 12 Major Accounts identified by RBI- **Vedanta buying Electrosteel** .
- As per notification, Licence for which Aadhar, PAN made Mandatory- **Customs Broker Licence.**
- Ruling according to which the payments in respect of non-performance of a contract would be liable to 18% GST- **Authority for Advance Rulings.**
- While India is 6th Wealthiest Country, the Richest Nation Globally is- **US.**
- Bank whose Local and Foreign Currency Deposit ratings have been downgraded by Moody's to Ba1/NP from Baa3/P3- **PNB**
- Country which has lowered the official value of its currency verses Dollar for the First Time to boost Exports- **Iran.**
- Law which is to be amended and Ordinance is to be promulgated in which Home Buyers to get Rights as "Creditors" of Insolvent Firms- **Insolvency Law**.
- N.Ramakrishnan, Senior Associate Editor of Hindu Business Line and Archana Shukla of CNBC-TV18 are India Winners and got- **Citi Journalistic Excellence(CJEA) Award.**
- Index in which India has moved up to 44th Position while US remains on the Top- **Competitiveness Index.**
- Financial Services platform which becomes the First Wallet to launch UPI through own Virtual Payment Address- **MobiKwik.**
- According to International Energy Agency, only Four Industries which have passed the "Clean Energy Tech Test"- **Solar PV, Lighting (LED), Electric Vehicles and Data Centres.**
- India's Biggest Software Service Exporter which becomes the First Indian Company to top Rs7 Trillion in Market Capitalisation- **Tata Consultancy Services** (TCS).
- Indian Motor Fuel Prices after those of Germany, South Korea and Japan - **World's Highest.**
- According to the Election Commission, the Act under which the Political Parties are out of it's purview- **RTI Act.**
- Oil Company which will be First Public Sector Company to adopt reporting standards that are at par with International Benchmarks- **ONGC**.



MOCK-TEST PAPER

Questions on RBI Policy

01 As per Basel III Framework for Liquidity Risk measurement, there are 2 minimum standards relating to liquidity. These include:

a liquidity management, liquidity coverage ratio

b net stable funding ratio, liquidity coverage ratio

c net stable funding ratio, liquidity management

d liquidity risk management, liquidity coverage ratio

02 Net stable funding ratio (NSFR) is calculated, with the help of following?

a net stable funds / total funds

b net stable funds / total liabilities

c net stable funds / total assets

d net stable funds / required stable funds

03 The net stable funding ratio, as being implemented in India should be:

a 100% or more

b 80% or more

c 75% or more

d 50% or more

04 Under net stable funding ratio, which of the following is not part of available stable funding?

a regulatory capital funds

b demand deposits with residual maturity of min one year

c other liabilities with residual maturity of min one year

d deposits placed with other insitutions with min maturity of one year

05 What is the associated ASF factor value for demand and time deposit with min maturity of one year for net stable funding ratio calculation, under NSFR guidelines?

a 100%

b 95%

c 90%

d 50%

06 Which of the following is not part of required stable funding for the purpose of net stable funding ratio, as part of NSFR?

a CRR balances

b SLR investment

c standard loans

d none of the above

07 What is included in off-balance sheet items requiring stable funding, as part of NSFR:

a term loans

b cash credit

c bank guarantee

d all the above

08 What is the associate RSF factor for bank guarantee, as part of NSFR?

a 5%

b 3%

c 2%

d 1%

09 What is the periodicity of sending report to RBI relating to NSFR?

a yearly

b half-yearly

c quarterly

d monthly

10 What is the minimum capital which sponsor bank must contribute for an IFSC Banking Unit?

a USD 50 million

b USD 20 million

c USD 10 million

d USD 5 million

11 What is RBI prescribed ceiling on all-in-cost, in case of External Commercial Borrowings:

a 4.5%

b 4%

c 3.5%

d 3%

12 ECB liability to equity ratio, in case of External Commercial Borrowing can be maximum?

a 2:1

b 3:1

c 5:1

d 7:1

13 Which of the following keys are used in digital signature:

a master key

b public key

c private key

d customer key

e b and c both

14 What is the lending target in priority sector for micro enterprises:

a 7.5% of ANBC

B 7% of ANBC

C 8% of ANBC

D 7% of MSE loans

15 In the beginning of the financial year, the capital of a firm was Rs.24000. The firm earned a profit of Rs.4500 and paid tax at 20%. The partners also withdrawn Rs.1500. What is the closing balance in the capital account.

a Rs.24000

b Rs.26100

c Rs. 27000

d inadequate information

16 What is the margin on loan against physical shares that banks are to retain:

a 25% of the market value

b 50% of the market value

c 50% of the face value

d at discretion of the bank

17 Establishment of Lok Adalt is governed by which of the following Acts:

a SARFAESI Act

b Recovery of Debt due to Banks and Financial Institutions 2002

c Legal Services Authority Act 1987

d Lok Adalt Act 1985

18 Who among the following bears the exchange fluctuation risk for the foreign currency in respect of Foreign Currency Non-resident (banks) accounts ?

a Reserve Bank

b Ministry of Commerce

c Ministry of Finance

d Depositor

e Concerned banks

19 The payment of a cheque is made by a bank, without receiving the physical cheque from collecting bank, on the basis of electronic image, by using which of the following system:

a RTGS

b CTS

c NEFT

d ECS

20 What is the extent of loss of security for considering an account as doubtful NPA directly, in doubtful up to one year category:

a 50% of the balance in the account

b more than 50% of the sanctioned limit

c realisable value is less than 50% of the value assessed

d realisable value is 50% or less of the value assessed

21 Loan sanctioned by a bank to finance plant tissue culture and agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizer and vermi composting is part of ____ within agriculture advances in priority sector.

a farm credit

b development loans

c ancillary activity

d agriculture infrastructure

22 In a partnership firm, a minor is admitted for benefits and he attains majority and decides to be a partner. His liability in this case shall begin from:

a the date when he was admitted for benefits

b the date of majority

c the date when he decided to become partner

d the date when he actually became full fledged partner

23 A company proposes to pay dividend to its very large no. of shareholders holding small no. of shares. The most appropriate mode for such payment would be:

a send dividend cheques to them

b get dividend warrants printed

c send demand draft to them

d send dividend warrants in manageable lots of shareholders

e use ECS-Credit service

24 Loans to distressed persons (other than farmers) up to Rs. ______ per borrower to prepay their loans to non-institutional lenders can be classified as part of other priority sector:

A 25000

B 35000

C 50000

d 100000

25 On the death of an FD holder his nominee claims the payment before maturity, but the legal heirs oppose such payment:

a The bank will not pay

b The bank will not pay because the legal heirs may also claim the amount on maturity

c Bank will pay as now the nominee has all rights of the depositor to obtain payment

d a and b

26 A wants to have a bank account, where, after his death, B should be able to get payment of balance. He can:

a open a joint 'former or survivor' account

b nominate B in the account

c appoint B as his agent after his death

d any of the above

27 X and Y have a joint locker in their name and Z is the nominee. In case Y dies, the access to the locker will be given by the bank to which of the following:

a X alone

b X and legal heirs of Y

c X and Z

d X, Z and legal heirs

28 Unsecured exposure in the context of bank loans means where the quantum of security is ____, compared to amount of loan:

a 50% or less

b 20% or less

c 10% or less

d 5% or less

29 The normal exposure ceiling on individual borrowers under the group approach in Indian banks as per RBI directives is restricted to:

a 12% of the capital fund

b 15% of the capital fund

c 18% of paid up capital

d 22.5% of paid up capital

e 15% of the paid up capital

30 Bank notes should not be stappled. These instructions have been issued by RBI under:

a RBI Act Section 21

b Banking Regulation Act Sec 35-A

c Banking Regulation Act Sec 21

d Coinage and Currency Act Sec 12

31 What is the maximum amount per withdrawal from SB account that can be withdrawn by a customer by using ATM of other bank under RBI ATM Free Access Policy?

a Rs.1000

b Rs.5000

c Rs.10000

d no such limit

32 According to RBI definition under RBI (Interest Rate on Deposits) Directions 2016, the maximum maturity period of a term deposit can be:

a one year

b five years

c 10 years

d at bank discretion

33 Your branch has sanctioned a loan of Rs.15 lac under Agri Clinics and Agro-Business Centres scheme. It will be classified in priority sector as:

a direct agriculture advance

b agriculture advance for allied activity

c direct MSE advance

d indirect agriculture advance

34 Section 269 T of Income Tax Act deals with which of the following aspects:

a payment of FDR in cash less than Rs.20000

b preparation of bank draft in cash for less than Rs.50000

c obtaining PAN for opening term deposit account

d all the above

35 Bank-B maintained FDR account of X, who has expired. The FDR had matured after his death. What interest rate would be paid from date of maturity to date of payment to legal heirs:

a no interest is payable

b interest at saving rate is payable

c interest applicable to FDR for the period deposit remained with bank is payable

d simple interest applicable to FD for the period, the deposit remained with bank after maturity, is payable

36 The insurance sector and capital market is regulated by which of the following:

a SEBI

b IRDA

c IRDA and SEBI respectively

d SEBI and IRDA respectively

37 Star series notes replace:

a mutilated notes

b mismatched notes

c soiled notes

d counterfeit notes

e defectively printed notes.

38 The minimum no. of shareholders required for formation of a public limited company is:

a 3

b 50

c 7

d 1

e: as allowed by ROC while issuing certificate of incorporation.

39 A partner of a firm cannot give guarantee on behalf of the firm, if the firm's business is not to give guarantee due to which of the following:

a prohibition under Companies Act

b restrictions by the partners

c restrictions on the implied authority

d restrictions by Registrar of Firms

40 For which of the following kinds of loans, the SARFAESI Act is not applicable:

a loan outstanding amount is Rs.2.50 lac

b recovery has taken place to the extent of 45% of the original amount

c security is not charged to the bank

d security is other than agriculture land

41 Commercial banks can obtain funds by way of rediscounting of eligible bills with RBI under section:

a 17(2) and 17(3) of RBI Act 1934

b 17(5 of RBI Act

c 17(1) of Banking Regulation Act

d Section 19 of RBI Act

42 M/s XYZ approach for issue of deferred payment guarantee of Rs.5.85 lac and are ready to meet all the requirements of the bank. For which of the following purposes, this request will come for:

a purchase of raw material

b deposit of security deposit

c performance of a contract they have got from a Govt. deptt.

d payment of import duty

e acquiring plant and machinery by availing credit from the supplier

43 A bank purchased more foreign currency than it sold during a particular day. The situation would be known as:

a over-sold position

b short position

c long position

d overnight position

44 A&B have joint a/c. They give power of attorney to C to operate their a/c. You received information about B's death. You receive a cheque signed by C. What you will do.

a you will pass cheque, as one of account holders is still alive

b you will return cheque as after the death power of attorney has been cancelled

c you will pass the cheque if it is date prior to death of the account holder

d you will pay the cheque as the agent is still alive.

45 A firm approaches for issue of demand draft of Rs.62000, by depositing small currency notes of Rs.5. How the request of the firm would be disposed off:

a draft will be issued by charging higher commission

b draft will be issued by charging normal commission

c draft will be issued if the firm is maintaining a bank account with the bank

d draft will not be issued as the small currency notes are additional work load

e draft cannot be issued

46 An exporter M/s Delhi Exports dealing with your branch receives an export order for export of certain spices. As per terms of the contract for sale of which a letter of credit is to be received subsequently, the goods are to be delivered by the exporter to the shipping company without putting the goods on board the ship (i.e. to be kept by the side of the ship). Which of the following kinds of contract it will be termed?

a Free on Board (FOB)

b Ex-Quay

c Cost and freight

d Free alongside ship

e Ex-works

47 On which of the following types of securities, the charge assignment cannot be created:

a stocks of finished goods in transit

b bank fixed deposit receipt

c national saving certificate

d life insurance policy

48 A personal loan of Rs.2 lac has been sanctioned by Popular Bank without obtaining any security and the borrower fails to repay the loan which became sub-standard during January 2015. What will be the amount of provision as on Mar 31, 2018:

a Rs.500

b Rs.800

c Rs.30000

d Rs.50000

e Rs.200000

49 A core investment company must hold not less than ____of its net assets in the form of investment in equity shares, preference shares, bonds, debentures, debt or loans in group companies

a 100% b 90%

c 74% d 60%

Answers

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

FC accounts in India of resident in India

Resident Foreign Currency (Domestic) Account – RFC (D) Account

1) A resident individual may open an RFC(D) account to retain in a bank account in India forex acquired in the form of currency notes, bank notes and travellers cheques from overseas sources such as:

a. payment while on a visit abroad for services not arising from any business or anything done in India;

b. honorarium or gift or services rendered or in settlement of lawful obligation from any person not resident in India and who is on a visit to India;

c. honorarium or gift while on a visit to any place outside India;

d. gift from a relative;

e. unspent forex acquired from an authorised person for travel abroad;

f. representing disinvestment proceeds received by resident account holder on conversion of shares held by him to ADRs/ GDRs;

g. by way of earnings received as proceeds of life insurance policy claims/ maturity/ surrender values settled in foreign currency from an insurance company in India permitted to undertake life insurance business by IRDAI.

2) Sum total of accruals in the a/c during a calendar month to be converted into INR on or before last day of the succeeding calendar month after adjusting for utilization of the balances for approved purposes or forward commitments.

3) Balances can be used for any current or capital account transactions.

4) Balances may be credited to NRE/ FCNR (B) Accounts, at the request of a/c holders due to change of residential status from resident to non-resident.

Diamond Dollar Account (DDA) Scheme – DDA Account

Firms and companies which comply with eligibility criteria as per Foreign Trade Policy of Govt. of India may open. Salient features are:

1. Realisation of export proceeds and local sales (in USD) of rough, cut, polished diamonds; and pre and post shipment finance availed in USD can be credited to such account.

2. Payments for purchase of rough, cut and polished diamonds can be made. Funds can also be transferred to rupee account of the exporter.

3. A/c should be maintained as a non-interest bearing current a/c

4. The sum total of the accruals in the account during a calendar month should be converted into Rupees on or before the last day of the succeeding calendar month after adjusting for utilization of the balances for approved purposes or forward commitments.

Project Offices of foreign companies

They can open non-interest bearing one or more FC a/c in India for the project to be executed in India.

1) Project Office is established in India, with permission of RBI plus approval from the concerned Project Sanctioning Authority,

2) The contract provides for payment in foreign currency,

3) Each Project has only one FC A/c

4) Debits: Project related expenditure.

5) Credits: a. FC receipts from the Project Sanctioning Authority, and

b. Remittances from parent/ Group Company abroad.

6) Account should be closed at the completion of the Project.

Ship-manning/ crew managing agencies in India

They may maintain non-interest bearing FC a/c for their business.

1. Credits: Inward remittances via banking channels from overseas principal.

2. Debits: Expenses for management of ships/ crew in ordinary course.

3. No credit facility should be granted against security of funds held in a/c.

4. Bank should meet prescribed reserve requirements for such accounts.

5. No EEFC facility allowed for remittances received in the account.

6. The account will be maintained during validity period of agreement.

Units located in a Special Economic Zone (SEZ)

They may open FC a/c with to credit all forx funds received by the unit.

1. The account can be used between unit and a person resident in/ outside India.

2. Forex purchased in India against rupees can be credited to account with prior permission from RBI.

3. The funds held cannot be lent or made available to any person or entity resident in India not being a unit in Special Economic Zones.

Indian company receiving foreign investment under FDI

They can open FC account in India provided the Indian investee company has impending FC expenditure and account is closed immediately after the requirements are completed or within 6 months from date of opening of such account, whichever is earlier.

An exporter with construction contract or a turnkey project outside India.

Can open FC A/c in India, provided that approval as required under the Foreign Exchange Management (Export of goods and services) Regulations, 2015, has been obtained

Early Warning Signal (EWS) for wrongdoing in Loan A/c

Loan accounts do not turnout to be stessed assets (NPAs) suddenly. They throw EWS to alert the bank official. If action is initiated on the basis of such signals, the incidence of NPA may be managed. RBI came out with a list of EWS, which is provided, for benefit of readers:

1 Default in undisputed payment to the statutory bodies as declared in the Annual report and bouncing of high value cheques
2 Frequent change in scope of project to be undertaken by the borrower
3 Foreign bills outstanding for a long time and tendency to remain overdue.
4 Delay observed in payment of outstanding dues.
5 Frequent invocation of BGs and devolvement of LCs.
6 Under insured or over insured inventory.
7 Invoices devoid of TAN and other details.
8 Dispute on title of collateral securities.
9 Funds coming from other banks to repay a loan unless in normal course.
10 In merchanting trade, import leg not revealed to the bank.
11 Request received from borrower to postpone inspection of godown .
12 Funding of the interest by sanctioning additional facilities.
13 Exclusive collateral charged to a number of lenders without NOC of existing charge holders.
14 Concealment of certain vital documents.
15 Floating front / associate companies by investing borrowed money
16 Critical issues highlighted in the stock audit report.
17 Liabilities appearing in ROC search report, not included in annual report
18 Frequent request for general purpose loans.
19 Frequent ad hoc sanctions.
20 Not routing of sales proceeds through consortium I member bank/ lenders to the company.
21 LCs issued for related party transactions without underlying trade transaction
22 High value RTGS payment to unrelated parties.
23 Heavy cash withdrawal in loan accounts.
24 Non production of original bills for verification upon request.
25 Significant movements in inventory, disproportionate to turnover.
26 Significant movements in receivables, disproportionately differing vis-à-vis change in the turnover and/or increase in ageing of the receivables
27 Disproportionate change in other current assets
28 Significant increase in working capital borrowing as %age of turnover
29 Fixed Assets increased, without matching increase in long term sources.
30 Increase in borrowings, despite huge cash in borrower's balance sheet
31 Frequent change in accounting period and/or accounting policies
32 Project cost in wide variance with standard cost of similar project
33 Claims not acknowledged as debt high
34 Substantial increase in unbilled revenue year after year.
35 Large number of transactions with inter-connected companies and large outstanding from such companies
36 Substantial related party transactions
37 Material discrepancies in the annual report
38 Significant inconsistencies within the annual report
39 Poor disclosure of materially adverse information.
40 Raid by Income tax /sales tax/ central excise duty officials
41 Significant reduction in the stake of promoter /director.
42 Resignation of key personnel and frequent changes in management ●

DATA COLUMN

Business of Banks

(Rs.in cr)	Mar31'17	May11'18
Aggregate deposits	10805150	11392170
Cash in hand/RBI	570490	521970
Investments	3043660	3400090
Bank Credit:	7881890	8551100
-Food	53930	58020
-Non-Food	7827960	8493070
Cash-Deposit Ratio	5.27	4.57
Investment-Deposit	28.14	29.85
Credit-Deposit	72.95	75.06

Money Stock

(Rs.in cr)	Mar31'18	May11'18
M3 (Out of which)	1401141	14023480
(a) Currency with public	1759300	1857830
(b) Demand deposits-Banks	1492180	1281160
(c) Time Deposits - Banks	10736020	10862630
(d) Other deposits with RBI	23910	21860

Sources of Money Supply

(a) Net Bank credit to Govt	4014730	4211110
(b) Bank credit to Comrcl sector	9238900	9138220
(c) Net Forex assets of Banks	2894620	2940500

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	06.00%	(06.06.2018)
Repo Rate	06.25%	(06.06.2018)
MSF Rate	06.50%	(06.06.2018)
Bank Rate	06.50%	(06.06.2018)

Small Savings Interest Rates

PPF	7.6%	(01.04.2018)
NSC	7.6%	(01.04.2018)
Sukanya Smridhi	8.1%	(01.04.2018)
Senior Citizen Saving	8.3%	(01.04.2018)

Capital & Money Market Indicators

Parameter	end-May17	end-May18
Dollar-spot TT (Rs.)	64.42	67.14
BSE - Sensex (points)	29868	35113
NSE - Nifty(S&P CNX)	9314	10661
Foreign reserves (Million $)	371138	412824
Gold /Oz in USD)	1264	1293

INDIAN ECONOMY-IMPORTANT PARAMETERS

RBI's growth estimate for 2018-19	: 7.4%
GDP growth-2016-17 (revised estimate)	: 6.7%
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- Feb18:Export $ 273.7 bn$ Imports	: 416.9 bn
Per capita Income 2017-18 (Rs.)	: 111782
Indian economy's ranking in PPP terms	: 3rd
Indian economy's ranking in world in value	: 6th

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