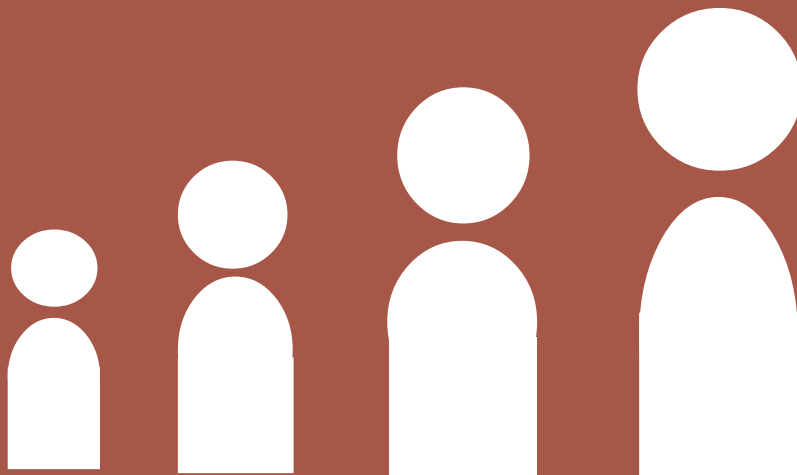


Banking events Update



Those who win, are those, who think they can

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**BANKING
POLICY****AADHAAR JOURNEY**

On Sept 26, 2018, Supreme Court gave its judgment on Aadhaar. We summarize the Aadhaar journey:

Aadhaar is a 12 digit number allotted on enrollment by UIDAI.

March 2006 : Deptt of Information Technology, GOI, Ministry of Communication approves project titled Unique Identification for BPL families (UID).

Dec 2006 : Empowered group of Ministers constituted to collate a National Population Register under Citizenship Act 1955 and UID

Jan 2009 : UIDAI constituted under aegis of Planning commission.

Jul 2009 : Mr. Nandan Nilekani appointed Chairman of UIDAI. Name 'Aadhaar' adopted, as suggested by a labourer near Jaipur.

Sep 2010 : 1st Aadhaar number issued to home maker in Tembhal village (Maharashtra).

Dec 2010 : National Identification Authority of India Bill 2010 introduced. Parliamentary Standing Committee rejects it in 2011.

2012 : Aadhaar payments bridge launched for funds transfer using only the 12 digit biometric identity number.

Mar 2016 : Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Bill introduced in Lok Sabha as a Money bill and passed.

Mar 2017 : Govt. makes Aadhaar mandatory for 22 welfare schemes.

Apr 2018 : RBI updates Master Circular on KYC norms making Aadhaar and PAN mandatory for new and existing bank accounts.

Sept 26, 2018 : A majority judgement of a Constitution Bench of Supreme Court upheld the constitutional validity of Aadhaar, but restricted its use. The highlights of judgement are:

1) Aadhaar is not mandatory for credit card, welfare schemes for children up to 14 years of age, mobile payment apps, pension, mobile wallets, State govt. welfare schemes, private companies salary account linking, company directors, bank account, mobile phone connection, school admission, UGC, NEED, CBSE exam, private companies etc.

2. Aadhaar is mandatory for availing facilities of welfare scheme and govt. subsidies and filing Income Returns after linking it with PAN (benefit of govt. scheme cannot be denied, in absence of Aadhaar)

Key Changes ordered:

a) Sec 57 – Struck down – Mandate of Aadhaar based authentication by private entities.

b) Sec 33 (2)-Struck down: Disclosure of information in the interest of national security.

c) Modification to Section 33(1) – Disclosure of biometric and demographic data upon order of district court.

d) Cognisance of offence only on a complaint by UIDAI or person authorized by the authority
e) Retention of citizens' data for a period of 6 months instead of 5 years

What can be stored: Name, date of birth, address, gender, mobile number, email address.

What cannot be collected : Information about race, religion, caste, tribe, ethnicity, language, records of entitlement, income or medical history

Has to be deleted : After 6 months, all authentication transaction data must be deleted except when it has to be maintained by a court or in connection with a pending dispute.

External Commercial Borrowings (ECB) Policy - Liberalisation

On 19.09.18, RBI liberalized the provisions of the scheme as under:

(i) ECBs by companies in manufacturing sector: As per the extant norms, ECB up to USD 50 million or its equivalent can be raised by eligible borrowers with minimum average maturity period of 3 years. RBI decided to allow eligible ECB borrowers who are into manufacturing sector to raise ECB up to USD 50 million or its equivalent with minimum average maturity period of 1 year.

(ii) Underwriting and market making by Indian banks for Rupee denominated bonds (RDB) issued overseas: Presently, Indian banks, subject to applicable prudential norms, can act as arranger and underwriter for RDBs issued overseas and in case of underwriting an issue, their holding cannot be more than 5 per cent of the issue size after 6 months of issue. RBI decided to permit Indian banks to participate as arrangers/underwriters/market makers/traders in RDBs issued overseas subject to applicable prudential norms.

Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio, Liquidity Risk Monitoring Tools and LCR Disclosure Standards

Presently, the assets allowed as the Level 1 High Quality Liquid Assets (HQLAs) for the purpose of computing the LCR of banks, inter alia, include (a) Government securities in excess of the minimum SLR requirement and, (b) within

the mandatory SLR requirement, (i) Government securities to the extent allowed by RBI under Marginal Standing Facility (MSF) [presently 2 per cent of the bank's NDTL] and (ii) under Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) [presently 11 per cent of the bank's NDTL].

On 27.09.18, RBI decided to permit banks with effect from October 1, 2018, to reckon Government securities held by them up to another 2 per cent of their NDTL, under FALLCR within the mandatory SLR requirement, as Level 1 HQLA for the purpose of computing their LCR. Hence, the carve-out from SLR, under FALLCR will now be 13 per cent, taking the total carve out from SLR available to banks to 15 per cent of their NDTL.

For the purpose of LCR, banks shall continue to value such government securities reckoned as HQLA at an amount not greater than their current market value (irrespective of the category under which the security is held, i.e., HTM, AFS or HFT).

External Commercial Borrowings (ECB) Policy - Liberalisation

Under the extant policy, ECB can be raised under tracks I and III for working capital purposes if such ECB is raised from direct and indirect equity holders or from a group company, provided the loan is for a minimum average maturity of 5 years. RBI decided (03.10.18), in consultation with the Government of India, to liberalise the said provision and permit public sector Oil Marketing Companies (OMCs) to raise ECB for working capital purposes with minimum average maturity period of 3/5 years from all recognized lenders under the automatic route.

Further, the individual limit of USD 750 million or equivalent and mandatory hedging requirements as per the ECB framework have also been waived for borrowings under this dispensation. However, OMCs should have a Board approved forex mark to market procedure and prudent risk management policy, for such ECBs.

The overall ceiling for such ECBs shall be USD 10 billion equivalent and the said facility will come into effect from the date of this Circular. All other provisions of the ECB policy shall remain unchanged. AD Category - I banks should bring the contents of this circular to the notice of their constituents and customers.

Bi-monthly Review of Monetary Policy (Oct 05, 2018)

Monetary Policy Committee decided to keep the policy repo rate unchanged at 6.5%. Consequently, reverse repo rate is 6.25% and MSF rate/ Bank Rate at 6.75 %.

Assessment

1. Global economic activity has remained resilient in spite of ongoing trade tensions.
2. Economic activity in major emerging market economies (EMEs) has been facing headwinds from both global and country-specific factors.
3. Growth in global trade is weakening as reflected in export orders and automobile production and sales.
4. On the domestic front, real GDP growth surged to a 9-quarter high of 8.2% in Q1.
5. Retail inflation (CPI), fell from 4.9 per cent in June to 3.7 per cent in August.

Outlook

GDP growth projection for 2018-19 is retained at 7.4%, with risks broadly balanced. The MPC notes that global headwinds in the form of escalating trade tensions, volatility and rising oil prices, and tightening of global financial conditions pose substantial risks to the growth and inflation outlook. It is, therefore, imperative to further strengthen domestic macroeconomic fundamentals.

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- (d) recalled questions
- (e) mock test papers.

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

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Course Kit : The course kit include:

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

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

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

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Co-origination of loans by Banks and NBFCs for lending to Priority Sector

As per RBI guidelines (21.09.18) all scheduled commercial banks (excluding Regional Rural Banks and Small Finance Banks) may engage with NBFC-ND-SIs (hereinafter referred to as NBFC) to co-originate loans for the creation of priority sector assets.

Salient features include:

- a) The arrangement should entail joint contribution of credit at the facility level, by both lenders. It should also involve sharing of risks and rewards between the bank and the NBFC for ensuring appropriate alignment of respective business objectives, as per the mutually decided agreement between the bank and the NBFC.
- b) The bank can claim priority sector status in respect of its share of credit while engaging in the co-origination arrangement. However, the priority sector assets on the bank's books should at all times be without recourse to the NBFC. Further, the loans extended by foreign banks under the co-origination framework shall be restricted only to loans qualifying as priority sector assets.
- c) Based on the respective interest rates and proportion of risk sharing, a *single blended interest rate* should be offered to the ultimate borrower in case of fixed rate loans. In the scenario of floating interest rates, a weighted average of the benchmark interest rates in proportion to the respective loan contribution, should be offered. The interest rate charged by the bank for its portion of credit, shall be subject to applicable directions on interest rates on advances. Further, the NBFC-MFIs which are categorized as NBFC-ND-SIs, are also required to abide by the pricing of credit and other applicable guidelines for loans covered under "Qualifying Assets" regarding their contribution towards the co-originated loan. It is envisaged that the benefit of low cost funds from banks and lower cost of operations of NBFC would be passed on to the ultimate beneficiary through the blended rate/ weighted average rate. In this regard, banks/NBFCs shall provide all the information like loan details including interest rate and other charges, details of risk sharing arrangement, etc., as and when called for by RBI.
- d) While engaging in co-origination arrangements, inter-alia, the bank/ NBFC is required to adhere to extant guidelines on outsourcing of financial services. Accordingly, though the NBFC is expected to source loans as per the mutually agreed parameters between the bank and the NBFC, bank shall not outsource its part of credit sanction component to the NBFC.
- e) With regard to grievance redressal, any complaint

registered by a borrower with the NBFC/ bank shall also be shared with the bank/ NBFC; in case the complaint is not resolved within 30 days, the borrower would have the option to escalate the same with the concerned Banking Ombudsman/ Ombudsman for NBFCs.

Essential Features of Co-origination Model between Banks and NBFC-ND-SIs

I. Sharing of Risk and Rewards: Minimum 20% of the credit risk by way of direct exposure shall be on NBFC's books till maturity and the balance will be on bank's books. The NBFC shall give an undertaking to the bank that its contribution towards the loan amount is not funded out of borrowing from the co-originating bank or any other group company of the partner bank.

II. Interest Rate: NBFC would have the flexibility to price their part of the exposure, while bank shall price its part of the exposure in a manner found fit as per their respective risk appetite/ assessment of the borrower and the RBI regulations issued from time to time. An indicative illustration for arriving at the single blended/ weighted average rate is detailed in this write-up. However, notwithstanding the charging of a single blended/ weighted average rate of interest from the borrower, the repayment/ recovery of interest shall be shared between the bank and the NBFC in proportion to their share of credit and interest.

III. Know Your Customer (KYC): The co-originating lenders shall adhere to applicable KYC/ AML guidelines, as prescribed by Department of Banking Regulation (DBR)/ Department of Non-Banking Regulation (DNBR).

IV. Loan Sanction: The NBFC shall recommend to the Bank, proposals as found relevant for joint lending. The lenders shall be entitled to independently assess the risks and requirements of the applicant borrowers. The loan agreement would be tripartite in nature, wherein, both the Bank and the NBFC shall be parties as lenders to the loan agreement with the customer.

V. Common Account: The Bank and the NBFC shall open an escrow type common account for pooling respective loan contributions for disbursement as well as to appropriate loan repayments from borrowers, without holding the funds for usage of float. Regarding loan balances, the NBFC/ Bank shall maintain individual borrower's accounts and should also be able to generate and share a single unified statement to the customer, through appropriate sharing of required information with the Bank/ NBFC.

VI. Monitoring & Recovery: Both lenders shall create the framework for day to day monitoring and recovery

of the loan, as mutually agreed upon.

VII. Security and Charge Creation: The lenders shall arrange for creation of security and charge as per mutually agreeable terms.

VIII. Provisioning/Reporting Requirement: Each of the lenders shall follow its independent provisioning requirements including declaration of account as NPA, as per the regulatory guidelines respectively applicable to each of them. Each of the lenders shall carry out their respective reporting requirements including reporting to Credit Information Companies, under respectively applicable law and regulations for their portion of lending.

IX. Assignment/ Change in Loan Limits: Any assignment of loans by any of the lenders can be done only with the mutual consent of both the lenders. Further, any change in loan limit of the co-originated facility can be done only with the mutual consent of both the lenders.

X. Grievance Redressal: It shall be the responsibility of the NBFC to explain to end borrower regarding the difference between products offered through the co-origination model as compared to its own products. The front-ending lender will be primarily responsible for providing the required customer service and grievance redressal to the borrower. However, any complaint registered by a borrower with the NBFC and/or bank shall also be shared with the bank/ NBFC and in case, the complaint is not resolved within 30 days, the borrower would have the option to escalate the same with concerned Banking Ombudsman/ Ombudsman for NBFCs.

XI. Business Continuity Plan: Bank and the NBFC shall formulate a business continuity plan to ensure uninterrupted service to the borrowers till repayment of the loans under the co-origination agreement.

Calculation of Blended/ Weighted Average Interest Rate

Scenario 1: Fixed interest rates throughout life of loan period.

	Example 1		Example 2	
	Bank	NBFC	Bank	NBFC
Benchmark Interest Rate	8%	9%	8%	9%
Spread	2%	3%	2%	3%
Interest rate to consumer	10% (A)	12% (B)	10% (A)	12% (B)
Loan contribution ratio	80%(C)	20%(D)	70%(C)	30%(D)
Blended interest rate (A*C)+(B*D)=	E 10.40% 10.60%			

Scenario 2: Floating interest rates

	Example 1		Example 2	
	Bank	NBFC	Bank	NBFC
Change in Weighted Average ROI	8% (A)	9% (B)	8% (A)	9% (B)
Benchmark Interest Rate	8% (A)	9% (B)	8% (A)	9% (B)
Loan contribution ratio	80% (C)	20% (D)	70% (C)	30% (D)
Weighted Average Benchmark Interest Rate (X = A*C + B*D)	8.20% 8.30%			
Spread	2% (E)	3% (F)	2% (E)	3% (F)
Weighted Average Spread (Y = E*C+F*D)	2.20%		2.30%	
Weighted Average interest rate offered to customer at the time of disbursement (X + Y)	10.40%		10.60%	
Change in Benchmark Rate	0% (F)	+1% (G)	0% (F)	+1% (G)
Revised Weighted Average Benchmark ROI X'	= [(A+F)*C + (B+G)*D]			
	8.40		8.60	
New Weighted ROI (X' + Y)	10.60%		10.90%	

Other Charges : Any other applicable charges, will be decided mutually between co-originating lenders and communicated to the customer.

Customer Acceptance Policy under KYC Policy

As per KYC Directions of RBI, the reporting entities (REs) are required to frame a Customer Acceptance Policy.

Without prejudice to the generality of the aspect that Customer Acceptance Policy may contain, REs shall ensure that :

- No account is opened in anonymous or fictitious/benami name.
- No account is opened where the RE is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.
- No transaction or account based relationship is undertaken without following the CDD procedure.
- The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
- 'Optional'/additional information, is obtained with the explicit consent of the customer after the account is opened.
- REs shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of a RE desires to open another account with the same RE, there shall be no need for a fresh CDD exercise.
- CDD Procedure is followed for all the joint account holders, while opening a joint account.

h. Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.

i. Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.

RBI has prescribed that the Customer Acceptance Policy shall not result in denial of banking/financial facility to members of the general public, especially those, who are financially or socially disadvantaged.

Voluntary Transition of Primary Coop Bank (UCBs) into Small Finance Banks (SFB)

Urban Cooperative Bank : As per Banking Regulation Act, 1949 a primary co-operative bank (Urban Co-operative Bank or UCB) means a co-operative society, other than a primary agricultural credit society, whose,

- Principal business is transaction of banking business;
- Paid-up share capital and reserves of which are not less than Rs.1 lac; and
- Bye-laws do not permit admission of any other co-operative society as a member.

RBI notified a scheme for conversion of such banks to Small Finance Banks on 27.09.18. Under the scheme UCBs with a good track record shall be eligible to voluntarily transit into a SFB.

General modalities of the Scheme

(1) Eligible UCB shall identify promoters for making an application to RBI for transition to SFB. After due diligence exercise, RBI will issue an in-principle approval for transitioning, within maximum period of 18 months for commencement of business as SFB.

(2) The promoters shall incorporate a public limited company under Companies Act, 2013 with a word 'bank' in its name after receiving RBI's in-principle approval.

(3) The board of directors of the company shall have required experience and shall meet RBI's 'fit and proper' criteria. This company shall enter into an agreement with UCB for transfer of assets and liabilities, to be executed at a future date (after issuance of SFB licence).

(4) The promoters shall then approach RBI for issuance of SFB licence, with evidence that the SFB commences operations with a minimum net worth of Rs.1 billion and minimum promoters' contribution of 26% of the paid-up equity capital. The licence application will be processed in accordance with the guidelines dated Nov 27, 2014 for licensing of SFBs in the private sector.

(5) RBI will issue SFB licence to be followed by execution of the slump sale agreement to transfer the assets and liabilities of the UCB to the new company. The licence will be effective only after transfer of assets and liabilities of the UCB to the SFB.

On transition into a SFB, it will be subjected to all the norms as applicable to SFBs including maintenance of CRAR of 15% on a continuous basis. The UCB will surrender its banking licence to RBI. The resultant Co-operative Society will be wound up in due course.

On transition into a SFB, it will be subjected to all the norms RBI had issued for licensing of Small Finance

Banks in the private sector on Nov 27, 2014 such as (a) minimum paid-up-capital of Rs.1 billion, (b) minimum regulatory CRAR of 15% (c) 75% of adjusted net bank credit to go towards priority sector lending and 50% of loan portfolio will constitute loans up to Rs.2.5 million.

Base financial benchmarks for eligibility: UCBs with a minimum net worth of Rs.500 million and maintaining Capital Adequacy Ratio of 9% and above can apply for voluntary transition to SFB under this scheme.

Promoters: A group of individuals/professionals, having an association with UCB as regular members for a min period of 3 years and approved by General Body with 2/3rd majority of members present and voting, shall be treated as promoters for incorporation of the new public limited company. The promoters must be residents and shall have 10 years of experience in banking and finance.

Capital requirement: The minimum net worth of the proposed SFB shall be Rs.1 billion from the date of commencement of business. As SFBs are to maintain a minimum capital adequacy ratio of 15% of its risk weighted assets on a continuous basis, availability of adequate capital shall be ensured. Promoters shall maintain at least 26% of the paid-up equity capital.

Procedure for application :

1. The scheme shall be 'on-tap', and the applications could be submitted to RBI at any point of time.

2. The promoters are to furnish a project report covering business potential and viability of the proposed SFB, area of operation, business plan, plan for compliance with CRR/SLR, composition of loan portfolio etc. The business plan should address how the bank proposes to achieve financial inclusion and how the existing business of the UCB will fold into SFB or divested / disposed of.

RBI decision: The applications will be screened by RBI to ensure eligibility of the applicants. RBI may apply additional criteria to determine the suitability of applications, in addition to the prescribed criteria.

After issue of the in-principle approval to the UCB, if any adverse features are noticed subsequently regarding the promoters or the UCB, RBI may impose additional conditions and if warranted, may withdraw the in-principle approval. SFB licence will be granted on demonstrating compliance to the conditions stipulated in the 'in-principle' approval, to the satisfaction of RBI. Till such period, the UCB will continue to function in the depositors' interest. On transition into a SFB, it will be subjected to all the norms as applicable to SFBs including maintenance of CRAR of 15% on a continuous basis. Decision of RBI in this regard will be final and no request for reconsideration will be entertained.

Practical Problems based on Banking Ombudsman Decisions

1) A complainant's SB a/c was debited for Rs. 30,000 through unauthorized transactions. The bank assured that his ATM Card was disabled and new debit card was issued and that no transactions could be carried out with old card. His a/c was frozen and he could not operate his a/c. As his daughter was getting married, he requested bank to activate his a/c. The bank reactivated his old debit card, even though a new ATM card had been issued. He subsequently realised that fraudulent transactions amounting to Rs.2,88,360 had been recorded in his SB account subsequent to freezing of his card.

BO observed that bank was at fault for unlocking the old ATM card despite that customer had informed that an unknown caller had taken details on a false pretext and a new ATM card was issued. The old card should have remained hot listed. Freezing of a/c caused a lot of hardship to the customer by not giving him access to his funds for his daughter's marriage. The above failure of the bank led to unhindered fraudulent transactions causing loss to the account holder. The BO observed that the bank cannot absolve of its responsibility of enabling old debit card and advised the bank to compensate the complainant with disputed amount of Rs.2,88,360.

2) In a complaint regarding fraudulent withdrawal of Rs.90,500 from complainant's account through internet banking, the complainant alleged that no SMS alerts for such 32 fraudulent transactions were sent to him. On examination, it was found that the bank had failed to put in place a mechanism for velocity check on the number of transactions effected per day/per beneficiary as per regulatory guidelines, wherein suspicious operations should be subjected to alert within the bank and to the customer. In view of the above, the BO advised the bank to refund the disputed amount to the customer.

3) A bank had charged higher rate of interest than what was provided in the sanction letter issued. A loan was sanctioned by the bank at floating rate of interest of 9.25% p.a. for the first 5 year. As per bank's then extant guidelines, fixed ROI was applicable to home loans up to Rs.20 lakh only. Since the loan was above Rs.20 lakh; applicable ROI, as on that date of sanction of the loan, was 9.50%. With the interest rate being floating, the ROI was bound to vary with change in the PLR from time to time. Hence, the bank pleaded that the stipulation of 9.25% for first five years was a discrepancy which had inadvertently mentioned in the sanction letter.

BO observed that the information regarding the applicable ROI was not conveyed correctly to the complainant and advised the bank to settle the issue as per their loan agreement (where the applicable ROI was fixed at 9.25%). The bank re-credited the excess amount of interest levied to the complainant's account.

4) The complainant alleged that the bank had debited loan for processing charges despite agreeing for waiver. Bank had also levied interest for late payment of processing fees. The complainant submitted documents for renewal of his overdraft limit one month in advance which bank did not renew even after 6 months. BO after hearing both parties advised the bank to refund 50% of processing fee, as the complainant continued to use facility though his account was not renewed by the bank. Bank was also advised to refund interest levied for late payment of processing fees as there was a delay on part of the bank in processing complainant's renewal proposal. ●

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Corporate Social Responsibility

Corporate Social Responsibility (CSR) can be defined as a Company's sense of responsibility towards the community and environment (both ecological and social) in which it operates.

Companies can fulfil CSR in different manners such as waste and pollution reduction processes, by contributing to educational and social programs, by being environmentally friendly and by undertaking activities of similar nature. Socially responsible companies use CSR to integrate economic, environmental and social objectives with the company's operations and growth. Companies (Corporate Social Responsibility) Rules, 2014 based on Sec 135 of Companies Act 2013 prescribe mandatory provisions for Companies to fulfil their CSR.

Applicability of CSR Provisions:

CSR provisions are applicable for every Company including its holding or subsidiary having:

- Net worth of Rs. 500 Crore or more, or
- Turnover of Rs. 1000 crore or more, or
- Net Profit of Rs. 5 crore or more

during the immediately preceding financial year

CSR Committee:

Every company on which CSR is applicable is required to constitute a CSR Committee of the Board.

Functions of CSR Committee:

- Formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the Company
- Recommend the amount of expenditure to be incurred on the activities
- Monitor the CSR Policy of the company from time to time
- Institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company.

Responsibility of Board of Directors (BoD):

The BoD of every company on which CSR is applicable shall:

- after considering the recommendations made by the CSR Committee, approve the CSR Policy for the Company and disclose contents of such Policy in Board report.
- ensure that the activities as are included in CSR Policy of the company are undertaken by the Company
- shall disclose the composition of the CSR Committee in Board Report

- ensure that the company spends, in every financial year, at least 2% of the average net profits of the company made during the 3 immediately preceding financial years, in pursuance of its CSR Policy.

The CSR projects/programs/activities undertaken in India only shall amount to CSR Expenditure.

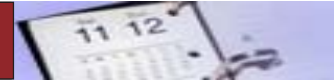
CSR Activities

Activities which may be included by companies in their Corporate Social Responsibility Policies relating to:

- Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water.
- Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement projects.
- Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.
- Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.
- Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts;
- Measures for the benefit of armed forces veterans, war widows and their dependents;
- Training to promote rural sports, nationally recognised sports, paralympic sports and olympic sports
- Contribution to the Prime Minister's national relief fund or any other fund set up by the central govt. for socio economic development and relief and welfare of the schedule caste, tribes, other backward classes, minorities and women;
- Contributions or funds provided to technology incubators located within academic institutions which are approved by the central govt.
- Rural development projects
- Slum area development.

- **GOVT. ANNOUNCED AMALGAMATION OF BOB, DENA BANK AND VIJAYA BANK:** The Government has announced proposal to amalgamate three public sector banks- Bank of Baroda, Vijaya Bank and Dena Bank. With a combined business of approximately Rs.15 Lakh Crore, the new entity will be the Third-largest Bank in India after SBI and ICICI Bank. The key difference between a merger and an amalgamation is that a merger is a union of two or more enterprises whereby the assets and liabilities of one are vested in the other with the effect that the former enterprise loses its identity. On the other hand an amalgamation is coming together of two-three corporate entities where the assets and liabilities of all of them are vested with a new entity, with the effect that all of them lose their identities to form a new entity.
- **GOVT. APPOINTS MDs AND CEOs OF 10 BANKS:** The Government has appointed MDs and CEOs of 10 nationalised banks. Former SBI DMD, Mrutyunjay Mahapatra and Padmaja will have tenure till the date of their superannuation-May 2020 and August 2021 respectively. Three other SBI DMDs Pallav Mohapatra, J, Packirisami and Kranam Shekher have been appointed as MD&CEO of Central Bank, Andhra Bank and Dena Bank respectively. SS Mallikarjuna Rao, ED of Syndicate Bank has been appointed as MD&CEO of Allahabad Bank. Further Rajiv Kumar, ED of Indian Bank, Anil Goel, ED of Union Bank of India and S.Hari Shankar, ED of Allahabad Bank have been appointed as MD&CEO of Bank of Maharashtra, UCO Bank and Punjab & Sindh Bank respectively. Lastly, Ashok Kumar Pradhan, ED of United Bank of India has appointed as MD&CEO of the same bank.
- **UNION CABINET NOD TO PMJDY TO MAKE IT OPEN-ENDED SCHEME:** Union Cabinet has given its nod to turn the Pradhan Mantri JanDhan Yojana (PMJDY) into an Open-ended Scheme with higher insurance cover and doubling the overdraft facility. This is being done to continue the scheme –also known as National Mission on Financial Inclusion-beyond August 28, 2018. Overdraft facility has been increased to Rs.10, 000 from existing Rs.5000. In addition, no condition will be attached for any overdraft up to Rs.2000. The age range for availing the OD has been revised from 18-60 years to 18-65 years. Further, the accident insurance cover for new RuPay cardholders has been raised to Rs.2 Lakh.
- **REC FOR “PARIWARTAN FRAMEWORK” FOR STRESSED ASSETS RESOLUTION:** The Power Asset Revival Focused Warehousing & Revitalization (PARIWARTAN) Framework for

Financial Events

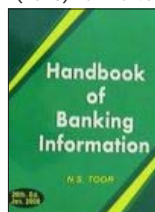


resolving stress in power sector, drafted by Rural Electrification Corporation (REC) will now be used even for the assets that land in the bankruptcy court. Pariwartaan is one of many solutions proposed to rescue Rs.1.74 Lakh Crore power sector assets facing liquidation since they failed to service debt beyond 180 days. Once a stressed asset is identified, it will be transferred to the Pariwartaan ARC at net book value for which the latter will issue a warehousing receipt. The asset will continue to be listed as an NPA in the lenders' books which will make a provision as per norms for ARCs. The asset will be managed by a professional O&M agency preferably NTPC.

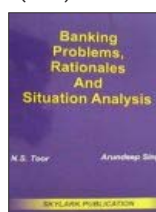
- **PARLIAMENTARY COMMITTEE FOR RAISING PSBs CHIEFs RETIREMENT AGE:** The Parliamentary Committee has recommended for raising the retirement age of the Chiefs of Public Sector Banks (PSBs) from 60 years to 70 years. While recruitment at the junior level are taking place, there has been a slowdown in hiring recently coupled with “attrition of officer staff” which has led to a shortage at the middle and senior levels. In PSBs 95% of the General Managers, 75% of Deputy General Managers and 58% of Additional GM-level employees are going to retire by 2019-20. The senior employees carry with them exposure, experience and wealth of knowledge about clients and other business-related information.
- **RBI TWEAKS NORMS FOR EXCHANGE OF TORN CURRENCY:** RBI has tweaked norms for exchange of

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mutilated currency notes following the introduction of Rs.2000, Rs.200 and other lower denomination currencies. Post demonetization, RBI introduced Rs.2000 and Rs 200 Notes. Besides it came out with smaller notes of Rs.10, Rs.20, Rs.50, Rs.100 and Rs.500. The public can exchange mutilated or defective notes at the RBI offices and designated bank branches for either full or half value, depending upon the condition of the currency. While making amendments to the RBI (Note Refund) Rules 2009, RBI said that it has been done to enable the public exchange mutilated notes in Mahatma Gandhi (New) series.

- **FINMIN FOR CPSEs FOR SHARE BUYBACK:** The Finance Ministry has shortlisted some companies for buyback of shares during current financial year. These CPSEs have been asked to buy back the shares following the capital restructuring guidelines set out by DIPAM on May 27, 2016. According to the guidelines, CPSEs having net worth of at least Rs.2000 Crore and cash and bank balance of above Rs.1000 Crore have to go in for buyback. Share buybacks offer a route for companies to return some wealth to their shareholders while potentially boosting their stock prices. In a share buyback, a company will absorb or retire repurchased shares and rename them as treasury stock.
- **ICICI BANK LAUNCHES NEW OD FACILITY FOR MSMEs:** ICICI Bank has launched “GST Business loan for MSMEs” facility. Under this facility, Micro, Small and Medium Enterprises (MSMEs) will now be able to quick overdraft (OD) of up to Rs.1 Crore for working capital requirements based on their Goods and Services Tax (GST) Returns. The overdraft amount can range between Rs.10 Lakh and Rs.1 Crore and would be up to 20% of the turnover reported in the GST Return. MSMEs will be sanctioned the overdraft amount within two working days and the bank will assess their GST returns to determine the eligibility of their working capital limit.
- **FINMIN ANNOUNCES ONE-TIME SCHEME FOR GSTR:** The Finance Ministry has announced a one-time special scheme to file GST Return Form-1. Filing of this return is mandatory under GST Law and violation invites late fee. The new scheme prescribes waiving off the late fee payable for delayed furnishing of Form GSTR-1 for the period July 2017 to September 2018 till October 31. The new scheme will be applicable for all registered persons having aggregate turnover above Rs.1.5 Cr.
- **INDIA POST PAYMENT BANK TIES UP WITH FSS:** India Post Payments Bank (IPPB) has tied up with Financial Software and Systems (FSS), a leading payments technology and transaction processing system, to offer a wide range of affordable, quality banking and payments services to financially underserved customer segment. The Payments-in-a-Box solution will help India Post provide banking solutions to rural households, small and medium enterprises and women. The Bank is also enrolling billers and merchants to create wide acceptance network where consumers can make payments.
- **NEW NORMS FOR ATMs BY RBI:** The new norms for cash management by RBI would cost Rs.120 billion over a period of 5 years. New norms require shift to “Cassette Swap System” for ATMs. Under the new cassette swap method, the cassette, along with the residual cash at the end of the day, would have to be transported daily. At present, the cassettes are refilled with differential amounts in the cassettes. The currency circulation needs to be higher or even be doubled from current volumes due to cassette swap method. There are 240,000 ATMs across the country with each having four cassettes. Assuming 50% of these ATMs have to be replenished daily with cassette swap method; there is need for 480,000 additional cassettes in the system to replenish these 120,000 ATMs. Deployment of ATMs would be affected due to increased cost of compliance and it could also lead to closure of existing ATMs.
- **IL&FS FIN SERVICES BARRED FROM ACCESSING CP MARKET:** IL&FS Financial Services will not be able to access the Commercial Paper (CP) market up to February 28, 2019, following a delay in repayment of commercial papers which matured in August. According to RBI Commercial Paper Directions 2017, the issuer who has defaulted on a CP can not access the CP market for six months from the date of repayment of the defaulted obligation. CP is an unsecured money market instrument issued in the form of a promissory note. The original tenor of a CP is between seven days to one year.
- **SUPREME COURT RULING ON INSURANCE CLAIM:** (Case-Sonell Clocks & Gifts Ltd. VS. New India Assurance) In this case, Supreme Court has ruled that “if the insurance claim is made late, it can be rejected even if the insurance company had appointed a Surveyor to assess the damage. The survey is no evidence of waiver of the time limit by the insurer. It does not condone the delay made by the claimant”.
- **SUPREME COURT RULING ON EXEMPTIONS TO INDUSTRIES:** (Case-CIT VS. Classic Binding Industries) Supreme

Court has set aside the judgment of the HP High Court and stated that industries in the state, which had set up units, can not claim total income tax exemption for 10 years on the ground that they had expanded the industry during that period. In this case, while in Himachal Pradesh, the industries could get a total exemption for five years and for the next five years 25%, the above industry claimed a total exemption for all 10 years on the ground that they had expanded their units. The Apex Court has said that the units in the state of HP can not claim 100% exemption for all 10 years but must be satisfied with 25% for the second half of the 10-year period.

- **SUPREME COURT RULING ON GRATUITY:** (Case- Union Bank of India VS. CG Ajay Babu) In this case the Employee was dismissed after an inquiry but his gratuity was withheld alleging that his conduct involved “Moral Turpitude”. Supreme Court stated that it was not for the bank to decide it but for criminal court. Forfeiture is allowed only if a criminal court has convicted the employee for moral turpitude and he was dismissed on that count. In this case the bank did not file a criminal case against the employee and there was no conviction either. Merely stating that the charges involved moral turpitude would not do. The Court further ruled that the Payment of Gratuity Act shall take precedence over any rule set by the bank.
- **RBI DIRECTIVES TO BANKS ON INTERNAL OMBUDSMEN:** RBI has directed all Scheduled Commercial Banks having more than 10 banking outlets to appoint an Internal Ombudsman (IO) so that complaints are redressed at the bank level itself. As per the Internal Ombudsman Scheme 2018, the IO will examine customer complaints that are partly or wholly rejected by the bank. As the banks shall internally escalate all complaints which are not fully redressed to their respective IOs before conveying the final decision to the complainant, customers need not approach the IO directly. The implementation of IO Scheme 2018 will be monitored by the bank’s internal audit mechanism, apart from regulatory oversight by RBI.
- **SEBI MULLS ALLOWING NRIs THROUGH FPI ROUTE:** SEBI is to include Non-Resident Indians (NRIs) under the Foreign Portfolio Investors (FPI) quota. The move could open a new source for foreign inflows into the country, as NRIs are currently not big investors because of regulatory curbs. NRIs usually take the mutual fund route. However this does not allow them to make company-specific investments. NRIs could be allowed to invest under category-II and III of FPIs. The move could boost capital flows at

a time when the rupee is weakening.

- **SUPREME COURT STAYS RBI CIRCULAR FEB.12:** Supreme Court has put an interim stay on RBI’s Circular February 12 asking banks to scrap all debt restructuring and begin insolvency process if a company delays payments even by a day. There were about 70 such assets of which 30 are in the Power Sector. Allahabad High Court was moved for stay of the Circular but the court refused to stay. After that Supreme Court has transferred all pleas filed before the various high courts to itself while asking the RBI and parties to maintain status quo with regards to insolvency proceedings. The stay on RBI circular from the Supreme Court will now make it impossible for the lenders to take any power company to NCLT.
- **GOVT. FOR “DEMAT MUST” FOR SHARES OF UNLISTED COMPANIES:** The Central Government, aimed continuing efforts to curb illicit fund flows, said that the Unlisted Public Companies have to compulsorily issue new shares in Demat form beginning October 2. Besides the transfer of shares of these companies has to be done only in the dematerialised or electronic form. According to companies Act 2013, a public company is formed by seven persons or more while for a private company this number is two or more. If shares of such companies are not traded on a stock exchange they are normally called unlisted companies. As on Dec 2017, there were 11.34 Lakh unlisted companies, out of which more than 66000 were unlisted public companies. The new norms are aimed at these 66000 plus

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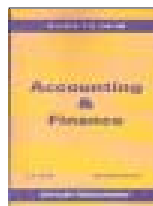
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companies.

- **GOVT. LAUNCHES NEW SCHEME “PM-AASHA” FOR FARMERS:** The Government announced the launch of a new umbrella scheme “Pradhan Mantri Annadata Aay SanraksHan Abhiyan” (PM-AaSHA) which aims to provide minimum support price (MSP) assurance to farmers. The scheme has been designed to ensure that farmers get remunerative prices for their produce as announced in the general Budget this year. Govt. has already hiked MSP for Kharif crops on the principle of 1.5 times the cost of production –in line with the target to double farmers’ income by 2022. The Centre also implements the Market Intervention Scheme for procurement of those commodities which are perishable in nature and are not covered under the MSP Policy.
- **SUPREME COURT VERSION ON NCLT:** Supreme Court has said that the litigants taking recourse to moving National Company Law Tribunal (NCLT) to stall the proceedings before finalisation of a resolution plan must stop and NCLT should not be allowed to intervene till the Committee of Creditors took a final view. Supreme Court’s remarks came after it expressed disgust on NCLT acting as a “Super Supervisor” at each stage of proceedings against debt-ridden companies under the Insolvency and Bankruptcy Code, virtually defeating the IBC’s objective of speedy resolution.
- **SUPREME COURT RULING ON ARBITRATION APPEAL:** (Case-K. Kishan VS M/S Vijay Nirman Co.) Supreme Court has ruled that the Insolvency and Bankruptcy Code can not be invoked when an arbitration award has been passed against an operational debtor and it is under appeal. The Apex Court has further said that “Operational Creditors can not use the Insolvency Code either prematurely or for extraneous considerations or as a substitute for debt enforcement procedures.”
- **NATIONAL CONSUMER COMMISSION RULING ON LOST IVPs:** The National Consumer Commission dismissed an appeal of the Superintendent of Post Offices and directed him to pay the maturity value of the Indira Vikas Patrikas which were lost by some claimants in Odisha. The Commission further said that “It certainly can not be the case of the Postal Department to appropriate the entire amount forever since the lost documents have not been submitted to them. It is but fair and reasonable that after proper verification and taking due precautions- the department after securing its interests, should at least pay the maturity value after having not succeeded in the several rounds of litigation.
- **CBDT ON WITHHOLDING TAX ON INTEREST PAYMENT OF BONDS:** The Central Board of Direct Taxes (CBDT) has said that “No withholding tax will apply on interest payments made by an Indian Company or a business trust to a non-resident in respect of offshore rupee-denominated bonds issued between September 2018 and March 2019.”The move is expected to incentivise foreign exchange inflows into India through low cost offshore rupee denominated bonds, popularly known as “Masala Bonds”. Legislative amendment in this regard will be done in due course.
- **SEBI REVISES SHARE BUYBACK MECHANISM:** SEBI has revised the share buyback mechanism to bring clarity on the requirement to make public announcements. Now buybacks can not be made out of the proceeds of an earlier issue of the same kind of shares or the same kind of other specified securities. Buybacks are often made by companies from surplus cash or free reserves, which will now include securities premium account. SEBI has also barred “fugitive economic offender” from making an open offer or a competing offer for acquiring shares in a company. The move is expected to help in preventing such offender from taking control of a listed company.
- **GST COUNCIL SUGGESTIONS ON INVOICING:** “A Committee on Invoicing” set up by the GST Council has made two procedural suggestions that, if implemented, could dispense with the need for businesses to file GST Returns and improve compliance and collections. The first suggestion relates to “Business-to-Business (B2B) Transactions” and could make compliance simple. The second relates to “Business-to-Consumer” (B2C) Transactions” and will ensure that the final seller of goods or of a service actually pays the GST collected from end-consumers.
- **GOVT. PANEL FOR HAVING INDEPENDENT PAYMENTS REGULATORY BOARD:** An Internal-Ministerial Committee, has suggested setting up of an independent Payments Regulatory Board (PRB). Though the committee has suggested the PRB to be an independent payments regulator, it has provided for the RBI to have significant representation on the board. It also envisages a formal mechanism for co-ordination between RBI and PRB so that the regulation of payments, in so far as it may be relevant in the context of financial stability, monetary and credit policy is achieved harmoniously.

GENERAL AWARENESS

- Sunil Mehta, MD&CEO of PNB has been elected as- **Chairman of Indian Bank's Association (IBA)**.
- Bharat Vatwani and Sonam Wangchuck have got "Magsaysay Award" popularly known as- **Asia's Noble Prize**.
- Country which is World's Biggest Consumer of Sugar, is now set to replace Brazil as the Biggest Producer as well- **India**.
- Country whose Military Aid of \$300 million has been cancelled by US due to failure to act against terror groups- **Pakistan**.
- As per RTI Query, Govt. spent Rs.132.37 Crore on- **GST Advertisements**.
- Gold of 8.5 Tonnes has been bought in 2017-18 first time in 9 years by -**RBI**.
- Bank which has launched two digital products aimed at simplifying retail and corporate loan processing and account opening for customers- **Karur Vyasa Bank**.
- After Reliance Industries Ltd., the company which became "2nd Indian Company" to hit the market valuation mark of over Rs.8 Lakh Crore- **Tata Consultancy Services**.
- Index which has been launched to measure the performance of private banks- **Private Banks Index**.
- According to Union Transport Minister, Vehicles which will not need permit- **Green Vehicles (For alternative fuel vehicles)**
- Bank which has developed a solution that will help feature phone users make payments even in the absence of Internet Network- **Yes Bank**.
- Bank which has retained the Top Spot for the Fifth Consecutive Year with a "Rise of 21% in its Brand Value to \$21.7 Billion"- **HDFC Bank**.
- Govt. has doubled the pecuniary limit from Rs.1 million to Rs.2 million for filing loan recovery application in- **Debt Recovery Tribunals (DRTs)**
- Global City which has overtaken New York City in having "Ultra-High Net Worth Population"- **Hong Kong**.
- HDFC Bank has got the "ET Award" and named - **Company of the Year**.
- The First of its Kind University in the Country started operations in Gujarat on Transport Sector- **National Rail and Transportation Institute**.
- As part of its celebration of the "Year of Zayed" UAE university has broken the record for the Largest Mosaic Painting, made of paper rolls (10m high and 3.125m wide)- **Guinness World Records**.
- Monetary ceiling has been enhanced from Rs.5 Lakhs to Rs.10 Lakhs for furnishings to be provided free of rent at the official residence- **Chief Justice of India**.
- Alibaba Founder and Billionaire Jack Ma has announced to step down and named his successor- CEO of the Company- **Daniel Zhang**.
- To deal with increasing number of cases, Courts which are to be set up by the Govt. by November 2018- **Special Insolvency Courts**.
- Norms which have been relaxed by the Central Board of Indirect

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Taxes and Custom (CBIC) for re-import after repair – **Electronic Goods.**

- Court which has restrained Corporation Bank Management from holding any sort of demonstration by its employees in front of loan defaulter's residence- **Kerala High Court.**
- State which has been adjudged the Best State in the Country on the parameter of achieving "Convergence and Livelihood Augmentation" under MGNREGA Scheme- **West Bengal.**
- Justice Ranjan Gogoi has been appointed as- **46th Chief Justice of India.**
- India's Top earning Corporate Executive- **CP Gurnani, MD&CEO of Tech Mahindra.**
- According to a Report by Credit Suisse, Country which has Third-Highest Number of Family-run Businesses in the World- **India after US and China.**
- Index in which India has moved one spot up to 130 from 131 last year- **Human Development Index.**
- Court which has accepted the claim of Indian Government seeking repatriation of funds on behalf of PACL investors- **Australian Court .**
- Central Bank which unveiled new versions of •100 and 200 bank Notes with new security features which would make them harder to counterfeit-**European Central Bank..**
- Bank which has tied up with Health Assure to offer tailor-made facilities for NRIs-**ICICI Bank.**
- The Sole International Air Route from India appeared on the Top 100 Busiest Routes in the World- **Mumbai-Dubai.**
- City which has been ranked above Singapore for "Best Locations for Tech Firms" in Asia- **Bengaluru.**
- Two Leading Stock Exchanges which have received SEBI's approval to launch Commodity Derivatives Trading Platform where operations to start from October 1- **BSE & NSE Exchanges.**
- Bank which has approved \$525 million loan to Madhya Pradesh State for infrastructure projects- **New Development Bank of BRICS.**
- Platform which is to be launched by Global Banks and trading firms for financing the trading of commodities from oil to wheat- **First Blockchain-based Platform.**
- Rate which the Finance Minister has pegged at Rs.73.65 for calculation of Import Duty w.e.f. September 21- **Exchange Rate for Dollar.**
- Registry which has been launched by India in an effort to curb crime against women and children, becoming the 9th Country in the World to have such a database- **National Crime Registry.**
- Regulator which clarified that Financial Creditors not becoming members of the Committee of Creditors do not have Voting

Rights for approving a resolution process- **Insolvency and Bankruptcy Board of India.**

- Scheme which has been launched by the Prime minister to get Rs.5 Lakh Health cover- **Pradhan Mantri Jan Arogya Yojana.**
- States which have opted to stay out of Ayushman Bharat Scheme as they will continue their own state's Health Schemes- **Telangana, Punjab, Delhi, Odisha and Kerala.**
- Index in which Andhra Pradesh State has topped in the Country- **Ease of Living Index.**
- State which has got its 1st Airport putting the North-Eastern State on the Domestic Aviation Map- **Sikkim.**
- India has 831 list of "Super-Rich Millionaires" in July 2018 and the Person who topped the list- **Mukesh Ambani (Rs.3.7 Lakh Crore).**
- Award which Virat Kohli has received from the President sharing the country's Highest Sporting Honour- **Rajiv Gandhi Khel Ratna Award.**
- New Policy which has been approved by the Union Cabinet to safeguard data privacy and autonomy of individuals- **National Digital Communications Policy.**
- Stock Exchange which has got SEBI's approval to launch on October 1 Delivery-based Futures Contract in Gold (1KG) and Silver (30KG) – **BSE.**
- Court which agreed to "Live Streaming and Video recording of Court Proceedings" to have transparency- **Supreme Court.**
- UN Highest Environmental Award which Prime Minister Narendra Modi and French President Emmanuel Macron have jointly received- **Champions of the Earth Award.**
- As per faster Payments Innovation Index, India's Real-time Payment Service, which ranked "First" Globally- **IMPS.**
- New Regulator of Auditors in which the Government has appointed Former IAS Officer Rangachari Sridharan as- **Chairperson of National Financial Reporting Authority.**



MOCK-TEST PAPER

Questions on RBI Policy

- 01** To change the liquidity conditions in banking system, RBI sells and buys govt. securities. It is called:
- sterilization operation
 - repo transactions
 - open market operations
 - liquidity adjustment facility
- 02** For the purpose of Facility to Avail Liquidity for Liquidity Coverage Ratio, how much amount can be carved out from SLR as a percent of NDTL w.e.f. Oct 01, 2018:
- 16%
 - 15%
 - 13%
 - 11%
- 03** Under RBI's ECB policy for manufacturing sector, the minimum average maturity for amount up to USD 50 million can be:
- 1 year
 - 3 years
 - 5 years
 - 7 years
- 04** Indian banks, can act as arranger and underwriter for Rupee denominated bonds (RDB) issued overseas and in case of underwriting an issue, their holding cannot be more than ____ of the issue size after 6 months of issue.
- 15%
 - 10%
 - 7.5%
 - 5%
- 05** Banks and NBFCs can co-originate priority sector loans. Out of the following type of NBFCs, which one is eligible for this purpose:

- NBFC - factors
 - NBFC – micro finance institution
 - NBFC – non-deposit taking systematically important
 - all the above
- 06** Banks and NBFCs can co-originate priority sector loans as per RBI guidelines. What is the minimum percent of credit risk by way of direct exposure, that the NBFC has to take?
- 10% of credit risk
 - 20% of credit risk
 - 25% of credit risk
 - 30% of credit risk
- 07** The Bank and the NBFC shall open an _____ account for pooling respective loan contributions for disbursement as well as to appropriate loan repayments from borrowers, without holding the funds for usage of float.
- no lien account
 - joint account
 - escrow type common account
 - NOSTRO account
- 08** Banks and NBFCs can co-originate priority sector loan as per RBI guidelines. The asset classification status of these loans shall be:
- independent of each other
 - asset classification of bank
 - asset classification of NBFC
 - if account with one is NPA, it will be NPA with other also
- 09** Any complaint registered by a borrower with the NBFC and/or bank under co-origination of priority sector loans, shall also be shared with the bank/ NBFC and in case, the complaint is not resolved within ____ days, the

borrower would have the option to escalate the same with concerned Banking Ombudsman/ Ombudsman for NBFCs.

- 60 days
- 45 days
- 30 days
- 15 days

Recalled Questions

- 10** A partnership firm wants to open a Current Account with your branch, but it is not registered with Registrar of Firms.
- Is the registration of a partnership firm essential ?
 - It is not essential as it is only optional
 - It depends on will of creditors of the firm
 - It depends on will of the bank
 - c and d
- 11** A term deposit matured on July 12, being Sunday. It is presented for payment by the customer on Jul 13. The contracted rate of interest is 8.5%. Bank changed the interest rate to 8% from Jul 11. In this connection which of the following option is appropriate?
- bank shall pay interest till Jul 12 at 8.5%
 - bank shall pay interest till Jul 12 at 8.0%
 - bank shall pay interest till Jul 13 at 8.5%
 - bank shall pay interest till Jul 13 at 8.0%
- 12** What is the maximum amount of outward remittance that can be made by an AD for capital account transaction under Liberalised Remittance Scheme of RBI:

Disclaimer : We have taken every care to provide information, we believe to be accurate and reliable and do not assume responsibility of any kind nor shall be liable for losses & consequence arising from use thereof. Since this information is based on the published reports mostly, correctness or otherwise thereof may be verified by the user with the original sources, in advance.*Editor*



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- a not permitted for capital account transaction
 b USD 75000 in a calendar year
 c USD 125000 in a financial year
 d USD 250000 per financial year
- 13** Under National Urban Livelihood Mission (NRLM), which of the following statement is correct regarding repayment period and moratorium period
 a repayment period 3 to 7 years and moratorium as per bank discretion
 b repayment period 3 to 7 years and moratorium 6 to 18 months
 c repayment period 5 to 7 years and moratorium 6 to 18 months
 d repayment period 5 to 7 years and moratorium as per bank discretion
- 14** X opened an account with your branch under the Senior Citizens Saving Scheme 2004 for 3 years. He needs the funds to meet his medical expenses by raising a loan on the basis of security of the deposit. What precautions would be taken by the bank:
 a the loan cannot be sanctioned under the scheme
 b the loan amount should not be more than 80% of the amount of original deposit
 c the loan amount will be linked to present maturity value of the deposit
 d the loan would be allowed after obtaining a written request supported by a estimate from hospital
- 15** When a seller undertakes to make the goods available for export, at his factory, such arrangement is called, as per International Commercial Terms:
 a Ex-works b FOB
 c CIF d FOR on ship
- 16** A high value customer issued 5 cheques of above Rs.1 cr each from his account, which have been dishonoured, due to insufficiency of funds. Which of the following type of action can be taken by bank?
 a bank can stop the operations
 b bank can withdraw cheque book facility
 c bank can close the account
 d bank can take suitable action as deemed appropriate
- 17** International Bank Limited negotiated documents worth Euro 15000 against a without-recourse irrevocable letter of credit issued by a bank in UK. When the documents were sent to the opening bank in UK, these were returned with the reason that the bill of lading and the insurance certificate attached to the documents are fake. Opening bank also refused to make the payment against these documents, which are otherwise as per terms of the letter of credit. What is the position of International Bank Limited?
 a Bank has acted negligently by accepting fake documents due to which it cannot recover the money from opening bank
 b Bank has the option to recover the money from the seller who has tendered fake documents
 c Bank can rightly claim the money from opening bank under UCPDC provisions since the bank was to see the regularity of the documents and was not responsible for their being fake
 d Bank will have to approach international court
 e a and b above
- 18** A borrower is aggrieved by the decision of DRT under SARFAESI Act and wants to approach DRAT. How much amount (of the amount decided by DRT) he is required to deposit before his appeal is heard and to what extent, this amount can be reduced to:
 a 75%, 25%
 b 75%, 50%
 c 50%, 25%
 d 50%, nil
 e 75%, nil
- 19** Which of the following can be member of joint liability group (JLG) ? (1) landless farmers cultivating land as tenant farmers, oral lessees or share croppers (2) small / marginal farmers (3) other poor individuals:
 a 1 to 3 all
 b 1 and 2 only
 c 2 and 3 only
 d 1 and 3 only
- 20** Under Liberalized Remittance Scheme (LRS) of RBI, the AD banks can allow remittances by a resident individual up to prescribed amount per financial year for permitted capital account transaction. Which of the following are included in the capital account transactions:
 a opening of foreign currency account abroad with a bank
 b purchase of property abroad
 c making investments abroad
 d all the above
- 21** If a counterfeit note is returned by the police, it is to be carefully preserved for a period of ___ from date of receipt from the police authorities:
 a 1 year b 3 years
 c 5 years d 8 years
- 22** Non-Convertible Debentures may be issued by a company, in denominations with a minimum of ___ (face value) and in multiples of ___:
 a Rs.1 lac, Rs.1 lac

- b Rs.5 lac, Rs.1 lac
c Rs.5 lac, Rs.5 lac
d Rs.5 lac, Rs.10 lac
- 23** Firm A has fixed cost of Rs.90000, the selling price Rs.300000, the variable cost Rs.200000 and profit Rs.10000. The amount of break-even sales will be:
a Rs.200000
b Rs.210000
c Rs.270000
d Rs.390000
- 24** The level of sales of a firm, where the sales are equal to cost (i.e. where there is no profit and no loss), is called
a contribution
b break-even point
c margin of safety
d any of the above
- 25** What is the role of advising bank in case of a letter of credit:
a to forward to the seller and to negotiate documents
b to verify the genuineness of LC and forward it to the seller/beneficiary
c to give confirmation that payment would be made by it in case the issuing bank fails to make the payment
d to allow pre-shipment credit if asked for by the beneficiary
e all the above
- 26** What will be due date for a bill dated 1.2.2016 payable 45 days after sight and the bills was accepted on 6.2.2016:
a 23.03.2016
b 25.03.2016
c 26.03.2016
d 28.03.2016
- 27** A garnishee order has been received in the account of Mr. Z from a local court. What is the relationship between the court and the bank:
a debtor and credit
b agent and principal
c beneficiary and trustee
d bailee and bailor
- 28** The maximum period for which a certificate of deposit can be issued
a 7 days
b 15 days
c 179 days
d not more than 12 months
e 3 years
- 29** Which of the following document shall be obtained as a basic document, if an account is to be opened in the name of a cooperative society:
a memorandum of association
b bye-laws
c articles of association
d Society deed
- 30** Foreign currency non-resident accounts can be opened, in which of the following forms:
a current accounts or term deposit
b saving bank accounts or term deposit
c all types of term deposits including recurring deposits
d none of the given options is correct.
- 31** Production of oil seeds and pulses is connected with which of the following:
a green revolution
b yellow revolution
c blue revolution
d white revolution
- 32** The audit in a bank branch which is contemporaneous with the occurrence of transactions or is carried out as near thereto as possible, is called:
a regular audit
b special audit
c concurrent audit
d statutory audit
- 33** In case of discount of export usance bills, the credit can be granted for a maximum duration of _____ days from date of shipment _____ of Normal Transit Period and grace period, if any.
a 6 months, inclusive
b 9 months, inclusive
c 6 months, exclusive
d 365 days, exclusive
- 34** The words about or approximately is used in connection with the amount in a letter of credit or the

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quantity or the unit price stated in the LC, are to be construed as allowing a tolerance not exceeding ___ than the amount, the quantity or the unit price to which they refer.

- a 15%
- b 10%
- c 5%
- d different for amount, quantity and unit price

35 While providing finance to a project, the term Net Present Value method represents which of the following:

- a to find out the present value of the investment made in the project
- b a tool to understand as to what shall be the present value of the loan being given at the end of a particular period.
- c present value of the cash flows which the project would generate over a time period on the basis of a discount factor less the outlay
- d present value of the cash outgo over the life time of the project so as to understand the actual outlay
- e the discount rate at which the present value of future cash flows becomes zero taking into account the investment.

36 A firm has networking capital of Rs.90000. With its current ratio at 3:1, what is the amount of current assets:

- a Rs.135000 b Rs.90000
- c Rs.45000 d Rs.180000

37 Under financial inclusion the use of business correspondents and business facilitators, the distance between the place of business correspondents can be (which one is correct)

- a metro – at bank discretion
- b urban – 30 km
- c semi-urban – 30 km
- d rural – 30 km

38 The study of balance sheet of a

firm reveals that there is increase in the debt velocity ratio (debt collection period) of the firm. It could be on account which of the following:

- a increase in sales compared to the previous period
- b decrease in book debts
- c efficiency in collection of book debts
- d decrease in sales or increase in credit period to buyers
- e all the above

39 Project A has higher fixed cost than the project B. What will be true with regard to Break even point of these project, other things being equal:

- a project A has higher break-even and scope of better profits
- b project A has higher break-even and scope of lower profits
- c project B has higher break-even and scope of better profits
- d project B has higher break-even and scope of lower profits
- e Break even shall be equal based on the cash flows

40 Under which section of Banking Regulation Act 1949, every bank-ing company has to submit annual statement of all those accounts which are lying under in-operative category for the last 10 years (called unclaimed deposits) to RBI:

- a 27 b 26
- c 19(2) d 15
- e 12

41 A company has been formed to undertake the business of software development. This objective of the company would be found in which of the following documents:

- a Certificate of Incorporation
- b Certificate of Commencement of Business
- c Resolution from Board of

Directors

- d Articles of Association
- e Memorandum of Association

42 When a banker is acting on the standing instructions of a customer, their relationship is of

- a An employer and an employee
- b An owner and a servant
- c A trustee and beneficiary
- d A principal and an agent
- e Agent and principal

43 Under which of the following methods of depreciation on fixed assets, the annual amount of depreciation decreases:

- a Written down value method
- b Straight line method
- c Annuity method
- d Insurance policy method
- e a and c above

44 An importer has imported from Australia (invoicing Aus Dollar) certain plant and machinery the payment of which is to be made 2 months after. On the basis of prevailing situation the home currency is expected to record depreciation compared to Aus Dollar. What should the importer do:

- a He must go for a swap of Aus Dollar with Rupee
- b He must arbitrage in Aus Dollars
- c He should book a forward contract and purchase Aus Dollar
- d He should sell Aus Dollars immediately
- e He should purchase Aus \$ spot

Answers

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

THE BANKING LAWS (AMENDMENT) ACT 2012

The Banking Laws (Amendment) Act, 2012 was notified in January 2013. The Act amended a) Banking Regulation Act, 1949, b) Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and 1980, and c) Consequential amendments to certain other enactments including the Indian Stamp Act, 1899 and the Indian Contract Act, 1972.

The Act strengthened the regulatory and supervisory powers of Reserve Bank of India (RBI) and increased the access of the banks to capital market to raise capital required for expansion of banking business.

The amendments can be categorized under two broad heads,

- (a) those intended to attract private sector investment and build investor confidence in the banking sector; and
- (b) those intended to strengthen the RBI's regulatory powers over banks.

Reforms to attract investment

1) The Act allows banks to issue preference shares in accordance with guidelines issued by the RBI.

2) *Increase in the ceiling on voting rights* : Previously, any shareholder of a private bank, regardless of the extent of its shareholding, was entitled to exercise only 10% of the total voting rights of all shareholders of the company on a poll. The amended Act enables the RBI to increase, the voting rights of shareholders of private sector banks from the current limit of 10% to 26%. Similarly, in case of public sector banks, the voting right that may be exercised by a shareholder has been increased from 1% to 10%.

3) *Increase in the authorized capital of nationalized banks*: In order to enable nationalized banks to attract investors, the authorized share capital of nationalized banks has been increased to INR thirty billion (Rs.3000 crores) from INR fifteen billion (Rs.1500 crores). Nationalized banks have also been permitted to increase or decrease their authorized capital with the permission of the RBI and the Central Government, and raise capital through rights issues and the issue of bonus shares.

4) The brokerage, commission or remuneration that a banking company can pay in respect of any shares issued by it has been increased from 2.5% of the paid up value of the shares to 2.5% of the price at which shares are issued. The "price of shares" includes the amount of premium on the shares.

Regulatory powers of RBI

1) Approval of the RBI must be procured for any direct or indirect acquisition of shares or voting rights in an Indian bank which is in excess of 5% of the paid-up capital of the bank. The RBI may grant its approval if it is satisfied that the acquirer is a fit and proper person.

2) RBI can direct a banking company to provide information relating to the business or affairs of any Associate Enterprise of such banking company. The RBI can also inspect the books of any Associate Enterprise of the banking company along with the authority regulating such Associate Enterprise.

3) RBI has been given the powers to supersede the board of directors of a banking company, in consultation with the Central Government, if the RBI believes that it is necessary to do so in the public interest, or for preventing

the affairs of any banking company from being conducted in a manner detrimental to the interest of the depositors or any banking company, or for securing the proper management of any banking company. This is in addition to the power granted to the RBI under the Banking Regulation Act, 1949 to remove the chairman, a director or other officers or employees of a banking company. The period of such supersession of the board of directors may not exceed 12 months. During this period, the chairman, the managing director and the directors of the banking company will vacate their office and their power, functions or duties will be exercised by the administrator appointed by the RBI.

RBI Role as Banker to Govt.

As per Sec 20 of RBI Act 1934, RBI has the obligation to undertake the receipts and payments of the Central Govt. and to carry out exchange, remittance and other banking operations, including the management of the public debt of Central Govt. As per Section 21, RBI has the right to transact Government business of the Union in India.

State Government transactions are carried out by RBI in terms of the agreement entered into with the State Governments in terms of section 21 A of the Act. As of now, such agreements exist between RBI and all the State Governments except Government of Sikkim. Thus, the legal provisions vest RBI with both the right and obligation to function as banker to the government.

RBI carries out the general banking business of the governments through its own offices and commercial banks, both public and private, appointed as its agents. U/s 45 RBI can appoint scheduled commercial banks as agents at all places or at any place in India, for purposes that it may specify.

RBI maintains the Principal Accounts of Central as well as State Governments at its Central Accounts Section, Nagpur. A network RBI and branches of agency banks carry out the government transactions. Only designated branches of agency banks can conduct government banking business.

Portal for Sanction of MSME Loans up to Rs.1 cr in 59 Min

On 25.09.2018, the Union Minister of Finance and Corporate Affairs, launched a transformative initiative in MSME credit space by launching a web portal www.psbloansin59minutes.com. It will enable in principle approval of MSME loans up to Rs. 1 crore within 59 minutes from SIDBI and 5 Public Sector Banks (SBI, PNB, BOB, Indian Bank, Vijaya Bank). It is a strategic initiative of SIBDI led PSB consortium incubated under the aegis of Department of Financial Services (DFS), Ministry of Finance. The Portal sets a new benchmark in loan processing and reduces the turnaround time from 20-25 days to 59 minutes. Subsequent to this in principle approval, the loan will be disbursed in 7-8 working days.

The website, www.psbloansin59minutes.com integrates advanced fintech to ensure seamless loan approval and management.

The in-principle loan sanctions are undertaken without human intervention. A User Friendly Platform has been built where MSME borrower is not required to submit any physical document for in-principle approval.

The solution uses sophisticated algorithms to read and analyse data points from various sources such as IT returns, GST data, bank statements, MCA21 etc. in less than an hour while capturing the applicants basic details using Smart analytics from available documents.

The system simplifies the decision making process for a loan officer as the final output provides a summary of credit, valuation and verification on a user-friendly dashboard in real time.

Type of information required for in-principle approval:

- GST Identification Number, GST User ID and PW
- Income Tax E-filing PW
- Date of incorporation
- ITR for last 3 years in XML format
- Current account : User Name and PW for bank statement for the last 6 months in PDF format
- Director/Owner details - basic, personal, educational

The key features of the contactless platform include:

- Advanced Digital Platform for MSME Financing with Services Driven Architecture and highest level of Information Security.
- A Platform in the market with a Banker Interface which covers the Branch Level integrations (with maker-checker-approver) in tune with current systems of PSBs.
- A Platform that enables Bankers to create Loan Products in line with the Scoring models & assessment methods within their approved credit policy.
- A Platform that has an integrated GST, ITR, Bank Statement Analyzer, Fraud Check and Bureau Check as well as host of other features which at present is not available with any other player in the market.
- A Platform that has been integrated with CGTMSE for checking the eligibility of Borrowers.
- MSME borrower gets loan up to Rs.2 crore without any collateral, which is major relief for MSME borrower.

(Source : PIB-Govt. of India and Website www.PSB Loans in 59 min)

DATA COLUMN

Business of Banks

(Rs.in cr)	Mar31'18	Sep14'18
Aggregate deposits	10805150	11570750
Cash in hand/RBI	570490	551130
Investments	3043660	3488110
Bank Credit:	7881890	8798810
-Food	53930	49490
-Non-Food	7827960	8749320
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	Sep14'18
M3 (Out of which)	13962590	14222170
(a) Currency with public	1759710	1870090
(b) Demand deposits-Banks	1483710	1300760
(c) Time Deposits - Banks	10695260	11022900
(d) Other deposits with RBI	23910	28420

Sources of Money Supply

(a) Net Bank credit to Govt	4001400	4362050
(b) Bank credit to Comrcl sector	9213720	9387410
(c) Net Forex assets of Banks	2922300	3031640

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	06.25%	(02.08.2018)
Repo Rate	06.50%	(02.08.2018)
MSF Rate	06.75%	(02.08.2018)
Bank Rate	06.75%	(02.08.2018)

Small Savings Interest Rates

PPF	8.0%	(01.10.2018)
NSC	8.0%	(01.10.2018)
Sukanya Smridhi	8.5%	(01.10.2018)
Senior Citizen Saving	8.7%	(01.10.2018)

Capital & Money Market Indicators

Parameter	end-Sep17	end-Sep18
Dollar-spot TT (Rs.)	65.50	73.89
BSE - Sensex (points)	31497	34377
NSE - Nifty(S&P CNX)	9860	10316
Foreign reserves (Million \$)	402247	400525
Gold /Oz in USD)	1301	1198

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- Jul 18:Export \$ 108.2 bn\$ Imports	: 171.2 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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