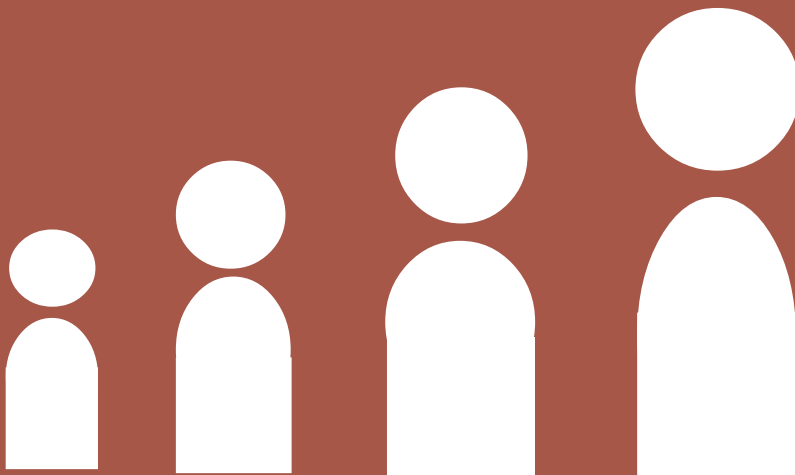


Banking events Update



Those who win, are those, who think they can

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Foreign Account Tax Compliance Act

FATCA stands for the Foreign Account Tax Compliance Act. It is a United States legislation which was primarily enacted to prevent tax evasion by US taxpayers using non-US financial institutions and offshore investment instruments.

The Act requires Financial Institutions to report the relevant account information to the US Internal Revenue Services (“IRS”), of all accounts held directly or indirectly by US Persons.

In order to ascertain whether the customer is a US or non-US person, FATCA requires Financial Institutions to collect additional information or documentation from customers. If the customers fail to provide the requested information or documentation, Financial Institutions are required to withhold 30% US tax on certain types of US source income paid to such customers.

FATCA imposes a 30% withholding tax on any “withholdable (US source) payment” made to a Foreign Financial Institution (FFI). In case if FFI has to avoid this withholding tax, it must comply with the new customer identification, reporting, tax withholding requirements.

FATCA and Indian Institutions:

As per FATCA provisions, financial institutions in India are required to report certain tax related information about US persons to the US Internal Revenue Service (IRS). USA has entered into Inter-Governmental Agreement (IGA) with for Automated Exchange of Information (AEOI) between the two countries on July 9, 2015. It provides that the Indian FIs will provide necessary information to the Indian tax authorities, which will then be transmitted to the USA periodically.

Reportable Account and Indian Reportable Account

The term “Reportable Account” means a US Reportable Account or an Indian Reportable Account, as the context requires.

The term “Indian Reportable Account” means a Financial Account maintained by a Reporting US Financial Institution if:

- (i) it is a Depository Account which is held by an individual resident in India, and receives more than \$10 as interest in any given calendar year; or
- (ii) in the case of a Financial Account other than a Depository Account, the Account Holder, including an Entity, is a resident of India that certifies that it is resident in India for tax purposes, with respect to which U.S. source income that is subject to reporting under U.S. Internal Revenue Code, is paid or credited.

Reporting Financial Institutions (Entities) under FATCA

Entities such as Financial institutions, Depository Institution, Custodial Institution, Investment Entity, Specified Insurance Company are treated as Reporting Financial Institution.

Banks are to report the details of financial accounts such as Savings Account, Current Account, Cash Credit/Overdraft Account, Credit Card Account, Prepaid Card Account, Loan Account, Term Deposit Account etc.

Financial information to be reported for reportable financial accounts by RFIs:

1) Account balance or value at the end of reporting period: The account balance or value of the reported financial account as on the last day of the reporting period. In case the account was closed during the reporting period, the balance immediately before closure. (Mandatory for all account types) The cash value insurance or annuity contract is the balance or value of the account. For Debt or equity accounts, the account balance is the value of the debt or equity interest that the account holder has in the financial institution.

2) Aggregate gross interest paid or credited: The aggregate gross amount of interest paid or credited to the account during the period. This information is mandatory for depository account and custodial

3) Aggregate gross dividend paid or credited: The aggregate gross amount of dividend paid or credited to the account during the period. This information can be collected from other regulated entity. This information is mandatory for custodial account.

4) Gross proceeds from sale of property: The gross proceeds from sale or redemption of property paid or credited to the account during the period with respect to which the reporting entity acted as a custodian, broker, nominee, or otherwise as an agent for the account holder. This information is mandatory for custodial account.

5) Aggregate gross amount of all other income paid or credited to the account: The aggregate gross amount of all other income paid or credited to the account during the period. This information is mandatory for custodial account.

6) Aggregate gross amount credited or debited to the account: Aggregate gross amount credited or debited to the account during the period.

No. of past years, information to be reported:

Under FATCA agreement reporting, the US Financial Institution is under an obligation to share with respect to each Indian Reportable Account, the information, starting 2014.

PADHO PARDESH - SCHEME OF INTEREST SUBSIDY ON EDUCATIONAL LOANS

The scheme is operated by Ministry of Minority Communities and revised w.e.f. 29.09.17.

Objective : To give interest subsidy to meritorious students for better opportunities for higher education abroad and enhance their employability.

Scope : Student belonging to communities declared as minority communities in terms of section 2 (c) of National Commission for Minorities Act, 1992

Amount of subsidy : Interest payable for the period of moratorium for the Education Loans under the Scheme of Interest subsidy on Educational Loans for Overseas Studies to pursue approved courses of studies abroad at Masters and M.Phil/Ph.D levels.

Eligibility

- i) Scheme is applicable for higher studies abroad. The Subsidy shall be linked with the existing Educational Loan Scheme of IBA and restricted to students enrolled for course at Masters, M.Phil and Ph.D levels.
- ii) The student should have secured admission in the approved courses at Masters, M.Phil or Ph.D levels abroad for the approved courses.
- iii) He/ She should have availed loan from a scheduled bank under the Education Loan Scheme of the Indian Banks Association for the purpose.
- iii) Students should apply for the benefits under the scheme during 1st year itself of the course. Fresh applications received during 2nd year or subsequent years will not be accepted in any case.
- iv) Preference will be given to those applications which are covered under lower rate of interest by various banks for each State/UT to their quota.
- v) Payment of financial benefit may be linked with Aadhaar Number if available. In this regard, Gazetted Notification S. O. 2409 (E) dated 14th June, 2017 issued under Section-7 of Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016) published dated July 31, 2017 may be referred.

INCOME CEILING : Total income from all sources of the employed candidate or his/ her parents/guardians in case of unemployed candidate shall not exceed Rs. 6.00 lakh per annum.

SELECTION OF CANDIDATES : The designated bank, on direction of Ministry of Minority Affairs will open the portal for receiving of applications for the claims of interest subsidy under the scheme. The portal will be opened only once in a financial Year for fresh applications. 35% seats will be earmarked for girl students.

RATE OF INTEREST SUBSIDY

Interest payable by the students availing of the education loans under IBA Scheme for the period of moratorium (i.e. course period, plus one year or six months after getting job, whichever is earlier), shall be borne by the Government of India.

ADMINISTRATIVE EXPENSES

The ministry shall be permitted to set aside upto the extent of 5% of the annual allocation to meet the administrative and allied costs.

MONITORING & TRANSPARENCY

The Ministry of Minority Affairs shall monitor the performance of the scheme.

CORRESPONDENCE COURSE

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Course Kit : The course kit include:

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- (b) assignment to improve retention
- (c) objective type practice exercise
- (d) recalled questions
- (e) mock test papers.

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

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

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Course Kit : The course kit include:

- (a) subject-wise basic study material,
- (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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Public Credit Registry (PCR) for India

The High Power Task Force appointed by RBI on PCR submitted its report on April 04, 2018 recommending that a PCR should be setup by the RBI in a phased and modular manner.

Present scene : Presently information on borrowings from banks, non-banking financial companies (NBFCs), corporate bonds or debentures from the market, external commercial borrowings (ECBs), foreign currency convertible bonds, Masala bonds, and inter-corporate borrowings are not available in a single data repository. The main objective of the PCR is to fill this gap and capture all the relevant information about a borrower, across different borrowing products, in one place.

The PCR is proposed to be an extensive database of credit information for all credit products in India, from point of origination of credit to its termination (repayments, restructuring, default, resolution, etc.), covering all loan accounts without a size threshold.

Organization of PCR : The PCR will be initially set up within the existing RBI infrastructure.

Important Issues related to PCR:

a) Consent based architecture: An important issue for setting up of PCR is the overriding of confidentiality provisions in many enactments, which directly or indirectly bar sharing of information, including credit information, except in manner specifically permitted. As the PCR will have to get information from different sources, the inability of the sources to share such information can be a constraint. To this end, the PCR will have a consent-based architecture.

b) PCR Act: High Power Committee considered it desirable to have a special comprehensive legislation, overriding the prohibitions contained in other legislations on sharing of information required for PCR, so that these legislations need not be amended separately to provide an exemption for sharing of information with PCR.

c) Linkages to other Datasets: With the objective of making credit available to those, without a recorded credit history and to enable flow based lending, the PCR would collect / facilitate linkage to ancillary credit information, such as utility / statutory / insurance payments data, GSTN data etc. subject to the extant legal provisions.

Expected gains: The PCR in India has been conceived as a data infrastructure that the financial ecosystem within and outside the Reserve Bank would be drawing data from as per the PCR's access policy. The prospective users will include lenders like banks and non-bank lenders

including the new "fin-tech" lenders; others providing data analytics such as rating agencies and credit information companies; as well as regulators.

At a broad level, the PCR increases the efficiency of lending institutions by reducing information asymmetry using a PCR, the lender can get a 360 degree view of the borrower's other outstanding credits and past performance, allowing better screening at time of credit origination and superior monitoring during the life of the credit. Research studies have indicated that credit registries and bureaus increase the amount of borrowing and assist in improving the quality of borrowing.

India currently has a robust and unique digital identification for every citizen in the form of Aadhaar. Similarly, the Corporate Identification Number & GSTN provide identities to businesses. Moreover, India is one of the few countries to provide an authentication service atop these identity services. These identities can be used in a PCR to aggregate data about borrowers from across multiple institutions with a high degree of confidence in the accuracy of merging and referencing of data.

The PCR will be a single source of information that has veracity. It will make reporting for small financial institutions easier and also remove the inconsistencies that come from aggregation across different reporting formats of multiple financial institutions.

With a repository of such trusted data available, banks and other lenders will be able to take better credit decisions. It can help them recognize early warning signs of asset quality problems by being able to see performance on other credits.

The principle of reciprocity is built into a PCR. While the lending institutions will be mandated by law to share borrower information, in turn, they will be able to see similar data from other lenders before they make a credit or rollover decision. Further, lenders can compete and offer attractive rates to borrowers based on their individual risk profile, instead of relying on an average risk profile for all customers in a sector.

In the Indian context, where many borrowers do not have a credit history to begin with, the PCR will enable good borrowers to distinguish themselves. The proposed PCR will mandate recording of all material events for all loans on all credit facilities from all credit institutions and also covering borrowings from other sources. This will reduce adverse selection, wherein low-risk borrowers are charged higher prices, while high-risk customers pay lower prices on their loans, as lenders cannot adequately distinguish among borrowers.

Chronology of RBI Directions issued during Jul 2017 to Jun 2018

Monetary Policy Department

October 14, 2017.

The ceiling on SLR securities under 'Held to Maturity' was also cut in phases to 19.5 per cent by March 31, 2018.

June 6, 2018

The policy repo rate was raised by 25 bps to 6.25 per cent.

Financial Inclusion and Development Department

July 6, 2017

A comprehensive set of guidelines was issued for Small Finance Banks, which included, inter alia, objectives, scope of activities, and guidance on financial inclusion.

July 13

Financial Literacy Centres (FLCs) and rural bank branches were advised to use hand-held projectors to show audiovisuals and posters on financial awareness messages.

July 13

Banks were advised regarding the documents to be relied upon for ascertaining investment in plant and machinery for the classification of enterprises as micro, small or medium.

August 3

Banks/SLBC convener banks were advised about the setting up of a dedicated portal for collection and compilation of data on natural calamities on a real time basis. Banks were to upload data files on relief measures extended by them. SLBCs were required to upload states' notifications on natural calamities.

August 16

Banks were advised of the Government's approval to implement the Interest Subvention Scheme for short term crop loans during 2017-18.

September 21

Banks were advised that the applicable system wide average figure of lending for computing achievement under the priority sector lending for 2017-18 would be 11.78 per cent.

October 18

Revised guidelines were issued relating to Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAYNRLM) Aajeevika and Interest Subvention Scheme.

March 1, 2018

A sub-target of 8 per cent of Adjusted Net Bank Credit or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever was higher, would apply to foreign banks with 20 branches and above, for lending to small and marginal farmers from 2018-19. Banks were advised that all loans to MSMEs engaged in providing or rendering services would qualify under the priority sector without any credit cap.

Google tax or Equalization Levy

The 'Google Tax' or 'Facebook Tax' came into effect from 1st June 2016 along with Equalization levy rules, 2016 notified by Central Board of Direct taxes. 'Equalization levy' in accordance with the Organization for Economic Co-operation and Development (OECD)'s view as part of the global Base Erosion and Profit Shifting (BEPS) recommendation to tax e-commerce transactions.

What is Google Tax?

Any person or entity that makes a payment exceeding Rs 1 lakh in a financial year to a non-resident technology company need to withhold 6% tax on the gross amount being paid as an equalization levy. The rule is applicable when the payment is made to companies that don't have a permanent establishment in India. This tax is applicable only when the payment has been made to avail certain B2B services from these technology companies.

Services that fall under Equalization Levy Rule: Specified services include online and digital advertising or any other services for using the digital advertising space.

Why Equalization Levy?

The tax has been aimed at technology companies that make money via online advertisements. Their revenue is mostly routed to a tax haven country. This tax helps bring the said companies under the tax radar in India. With this new tax, India has also joined the list of other Organization for Economic Cooperation and Development (OECD) and European countries where a similar tax is already in place.

Who is impacted?

Google Tax or 'equalization levy' impacts the bottomlines of giants like Google, Facebook, and others.

Business owners, especially running a small business or an online start up, and users of Facebook or Google, for advertising and marketing promotions, are impacted.

Failure to deduct the tax : Any Indian business owner or company that fails to deduct this tax or equalization levy or doesn't deposit it with the government, the company will not be allowed to consider the expenses in calculating taxable profits.

Chronology of RBI Policy directions issued during Jul 2017 to Jun 2018

Continued from page-5

April 6

SLBC convenor / Lead banks were advised the action points containing measures for improvement of the Lead Bank Scheme and the effectiveness of Lead District Managers.

April 18

Target group specific financial literacy contents for farmers, small entrepreneurs, school children, self-help groups and senior citizens were released.

June 19

Housing loan limits for eligibility under priority sector lending were revised to bring convergence with the Affordable Housing Scheme.

Financial Markets Regulation Department

August 10, 2017

Tri-party repo direction was introduced.

August 10

Measures like dual rating requirement for issuances of more than ₹10 billion in a year, restrictions on related party issuances, and extension of buy-back timeline were put in place for CP issuances.

September 21

The reporting requirement for OTC forex derivatives to trade repository was modified. Further, AD Category-I banks were advised to reconcile the outstanding balances between their books and the trade repository on an ongoing basis.

October 12, 2017

Central treasuries of non-residents having exposure to INR on account of exports from and imports to India were permitted to undertake hedges for and on behalf of such non-residents with AD Category-I banks in India.

November 9

Hedging Facility was simplified by reducing documentation requirements, avoiding prescriptive stipulations regarding products, purpose and hedging flexibility.

November 16

FPIs were allowed to settle OTC secondary market transactions in G-Sec either on T+1 or on T+2 basis.

November 16

Market participants were allowed to undertake 'notional'

short sale to deliver G-sec from their own HTM/AFS/HFT portfolio in exceptional situation of market stress.

February 26, 2018

Persons resident in India and FPIs in the Exchange Traded Currency Derivatives market were permitted to take positions (long or short), without having to establish existence of underlying exposure, up to a single limit of US\$ 100 million equivalent across all currency pairs involving INR, put together, and combined across all exchanges. March 1 FPIs were allocated separate limit of Rs. 50 billion for long position in IRFs.

March 12

The Hedging of Commodity Price Risk and Freight Risk in Overseas Markets (Reserve Bank) Directions, 2018 were issued.

March 31

Financial Benchmark India Pvt. Ltd (FBIL) was advised to assume the responsibility for administering valuation of G-sec (issued by both centre and states) effective March 31, 2018.

April 6

The limit for FPI's investment was increased to 5.5 per cent and 6 per cent of the outstanding stock of G-Sec for 2018-19 and 2019-20, respectively. Further, the limit for FPI investment in corporate bonds was fixed at 9 per cent of the outstanding stock.

June 14

Interest Rate Swaptions in Rupees were permitted so as to enable better timing flexibility for the market participants seeking to hedge their interest rate risk.

June 15

Operational guidelines on FPI investments in debt were revised with respect to minimum residual maturity requirement, security-wise limit (from 20 per cent of outstanding stock to 30 per cent for central government security), concentration limit and single/group investor-wise limit in corporate bonds.

Financial Markets Operations Department

June 6, 2018

Margin requirement under LAF and MSF would be assigned on the basis of residual maturity of the collateral, effective August 01, 2018. Further, the margin requirement for rated SDLs would be 1 per cent lower than that of unrated SDLs for the same maturity buckets.

Foreign Exchange Department

July 28, 2017

Continued on page-8

Practical Problems based on Banking Ombudsman Decisions

1) The complainant stated that the deposit of Rs.30,000/- made in the account of his business partner was not credited in the account. The complainant produced the original counterfoil of the slip as evidence of having deposited the amount. The bank initially stated that the matter was time barred. The bank also stated that the amount was deposited by the servant of the complainant who had been tutored and the details of the deposit could not be confirmed by the depositor. The bank was provided with the original counterfoil slip of having deposited the amount. Sequel to this, the bank confirmed that based on the findings of internal investigation they have refunded the amount to the complainant, recovering the same from one of their employees.

2) In a complaint about 13 online transactions, the complainant informed that the said transactions were not undertaken by him, neither had he received any SMS alert in respect of these transactions. The bank initially contended that the account holder might have compromised his CVV, expiry date on debit card and personal six digit 3D secure PIN number which are mandatory for effecting the online transactions. The bank reiterated that as the transactions were undertaken on the basis of information strictly personal to customer, it was, therefore, precluded from repudiating the transactions with the merchant. BO advised the bank to furnish their comments regarding non transmission of SMS alerts even though the mobile number of complainant was registered with the bank. The bank could not explain the lapse and decided to reverse the amount of the transactions as a service gesture.

3) The complainant's account was debited for Rs.33464 through unauthorized online transactions. The complainant had never used his card for online transactions. There were a total of 10 transactions in his account from 11:30 PM to 00:30 AM the next day. The bank stated in its reply that all the transactions were secured transactions and proceeded using PIN and OTP. But, the bank could not submit the documents evidencing the OTP and SMS alerts provided to the customer. The bank was asked to refund the disputed amount to the complainant.

4) A Complainant complained about fraudulent POS transaction on his ATM card in Paris while he was physically present in India (the same was supported by his passport). The bank admitted that the disputed transactions had been done abroad (Paris) making use of complainant's ATM Card. The bank, further, submitted that two unsuccessful POS transactions attempts in India were also observed on the same day, which was declined due to insufficient balance. Bank's submissions were that, the transactions were successful and no irregularities were observed on bank's part. In the conciliation meeting bank was asked whether any limit was fixed for the international use on the card, whether OTP/SMS alert were delivered to the registered mobile number of the card holder in respect of disputed transactions, whether Card was EMV Chip and PIN enabled, whether transaction pattern monitoring software was in place. Bank's response to these queries was found inadequate. The bank submitted that SMS log indicated that the SMS alerts were not delivered, the issued card was a magnetic stripe one and separate limit for international transactions was not set as per the regulatory instructions. Bank was advised to pay the disputed amount to the complainant within two working days. ●

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Chronology of RBI Policy directions issued during Jul 2017 to Jun 2018

Continued from page-7

Standard operating framework for facilitating outward remittance services by non-bank entities through Authorized Dealer (category I) banks in India was laid down. September 13 Certain changes on granting in-principle approval to Full Fledged Money Changers (FFMCs), KYC norms, loading of forex encashment in debit cards, compulsory display of money changing licence, introduction of licence fee for FFMCs and late fee for delayed submission of renewal application by the FFMC were incorporated in the Master Direction on money changing activities. September 15 AD Category-I banks were advised to update the EDPMS with data of export proceeds on “as and when realised basis” and, from October 16, 2017 generate Electronic Bank Realisation Certificate (eBRC) only from the data available in EDPMS, to ensure consistency of data in EDPMS and at DGFT.

September 22

Issuances of RDBs were excluded from the limit for investments by FPI in corporate bonds effective October 3, 2017. Consequently, email reporting requirement of RDB transactions for onward reporting to depositories was dispensed with. However, reporting of RDBs would continue as per the extant ECB norms.

November 7

The Foreign Exchange Management (transfer or issue of security by a person resident outside India) Regulations, 2017 (FEMA 20 R) were put in place to regulate investment in India by a person resident outside India, superseding Notifications dated May 3, 2000.

November 14, 2017

Notification No. FEMA 369/2017-RB, pertaining to changes in Overseas Direct Investment guidelines, was issued.

November 15

Exchange control copy of shipping bill on account of integration with EDPMS was discontinued.

December 8

Authorised Money Changers (AMCs) were advised to report any action initiated by Directorate of Enforcement (DoE) / Directorate of Revenue Intelligence (DRI) or any other law enforcing authorities against the AMCs or its directors within one month of such action.

December 14

Late Submission Fee was introduced for persons responsible for delayed filing of the reports/ forms/ returns prescribed in the rationalised notification such as Foreign Currency-Transfer of Shares (FC-TRS) and Foreign Currency-Gross Provisional Return (FC-GPR).

December 22

Delegation of powers was made for compounding of other contraventions which were not related to delay in reporting of various reports/forms/ returns.

January 4, 2018

Refinancing of existing ECBs was extended to the overseas branches/ subsidiaries of Indian banks permitting them to refinance ECBs of highly rated (AAA) corporates as well as Navratna and Maharatna PSUs.

January 4

Joint venture/ Wholly owned subsidiary (JV/WOS) in a country /jurisdiction which is either under the observation of the Financial Action Task Force (FATF) or in respect of which enhanced due diligence is recommended by FATF or any other country / jurisdiction as prescribed by Reserve Bank were not permitted to file Annual Performance Report (APR) on the basis of an unaudited balance sheet.

January 4

Instructions on Foreign Investment in India and its related aspects in FEMA compiled and issued for the first time.

January 12

AD Category- I banks were advised to consider requests for grant of export declaration form (EDF) waiver from exporters to export freely exportable items (excluding gems and jewellery, articles of gold and precious metals) on free of cost basis for export promotion.

January 24

The format of undertaking pertaining to Directorate of Enforcement (DoE) investigation, to be taken from applicants who have requested for compounding, was changed.

February 2

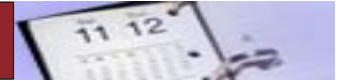
Consequent upon the stabilisation of IDPMS, the submission of a separate Bill of Entry Follow-up (BEF) statement by the AD Category-I bank was discontinued after the half year ended December 2017. However, in order to facilitate faster communication by ADs through electronic modes like e-mail/sms for follow-up, the existing instructions were broadened to include electronic communication channels. ADs would also be required to follow up at least once through a registered letter.

March 13

Continued on page-16

- **CENTRE -OWNED PORTS GET RELAXATION IN INVESTMENTS:** The Ports owned by the Centre have been allowed to invest their provident fund and surplus funds in debt securities such as corporate bonds, equity and equity-related instruments as well as government securities. They are also free to invest these funds in exchange-traded funds, index funds and derivatives, asset-backed securities and units of real estate/infrastructure investment trusts. Till now, these ports invested their funds in fixed deposits of nationalised banks, earning in the range of 5-5% to 8%.
- **RBI ISSUES CAUTIONARY ADVICE TO PUBLIC ON RICE-PULLER SCAM:** RBI has cautioned the public that some unscrupulous persons are marketing a device termed “Rice Puller” and reportedly misrepresenting the Government Securities Auction Circulars/Notifications issued by the Central Bank/Government of India as proof of RBI sourcing funds for such activities on behalf of the sellers of these articles. It has been brought to the notice of RBI that some unscrupulous persons are marketing a device termed “rice puller” with the claim it has magical properties to attract grains of rice towards it. RBI has cautioned the public not to fall prey to such claims.
- **RBI BEGINS SYSTEM-WIDE FINANCIAL AUDIT:** RBI has begun simultaneous Annual Financial Inspections (AFIs) for banks for 2017-18 financial year with an aim to collate system-wide note on how much banks are under-reporting on bad loans. The review of asset quality is a key element in this exercise. RBI has its own yardstick on gauging a bad asset, which may differ from a bank’s interpretation of bad debt. If such divergence in reporting becomes more than 15% what the bank has declared as NPA in its books, then it has to be disclosed.
- **RELAXATION ON CHARGES GETTING STAY IN DISPUTED TAX CASES:** In July 2007, The Central Board of Direct Taxes (CBDT) had issued a circular stating that in cases where the outstanding demand is disputed before the Commissioner of Income Tax (Appeals), the Assessing Officer shall grant a stay on the demand till the case is disposed of, on payment of 20% of the disputed amount. Earlier this amount was pegged at 15% of the disputed amount. Now the Supreme Court has ruled in the case of Principal Commissioner of Income Tax VS. LG Electronics India Pvt. Ltd. that “in case of a dispute, tax authorities can accept deposits of less than 20% of the demand amount to stay proceedings”.

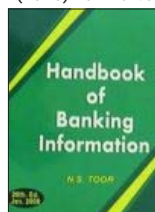
Financial Events



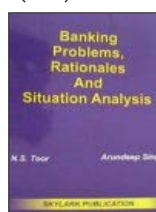
- **IRDAI WORKING GROUP FOR USE OF SMART DEVICES TO DECIDE INSURANCE PREMIUM:** A report by the Working Group set up by IRDAI has batted for the use of “Wearable Devices for life insurance and health insurance policies” as they can provide a regular stream of data about the policy holder. Insurers may develop frameworks/models using wearable data throughout the life cycle of the insured and help in building attractive product propositions and also monitor experience throughout the policy term. The Working Group has also examined a range of devices including fitness bands, skin patch sensors, smart contact lenses, medical e-textiles and even implantable devices. Now such devices if implemented may decide the insurance premium in future.
- **IBA SCHEME FOR BANKERS ON TAKING BONA-FIDE LENDING DECISIONS:** The move comes in the wake of bankers expressing concern at a June Press Meet over the arrest of Top Bank of Maharashtra Officials for decisions taken in the discharge of their official duties. Following the arrest, decisions on lending to corporates had slowed across the banking system. Now, to instill confidence and a sense of security among bankers so that they continue to take bona fide lending and recovery decisions without fear, banks will adopt a comprehensive financial and legal support scheme put together by Indian Banks Association (IBA).
- **NPCA CERTIFICATION FOR RuPay CARDS:** French company IDEMIA, a Global Leader in augmented identity, has

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become the First Company to be given the certification by the National Payments Corporation of India (NPCI) to manufacture and personalise RuPay chip contact and contactless cards on the qSPARC v2 platform. The qSPARC is a dual interface open loop payment specification, with the option of loading multiple payment applications-up to 20 payment applications-on a single card. With this, cardholders can use a single card for multiple payment options such as for the Metro, Bus, Parking, Toll, and Loyalty and at Retail Outlets.

- **PRESIDENT APPROVES FUGITIVE ECONOMIC OFFENDERS ACT:** The President has approved a Bill that will deter economic offenders from evading legal process in India and fleeing the country. According to the Fugitive Economic Offenders Act 2018, a fugitive economic offender is any individual against whom warrants for arrests are issued for his involvement in select economic offences involving an amount of at least Rs.100 Crore or more and has left India to avoid criminal prosecution. The new Law allows designated Special Court to declare a person as fugitive economic offender and to confiscate his property including Benami ones.
- **SUPREME COURT VERSION ON REVENUE RECORD:** (Case-Indian Bank VS.K Pappireddiyar) Supreme Court has stated in the case that though agricultural land is exempt from the rigours of the SARFAESI Act, it must be proved that the land is used for agriculture by evidence. Mere classification of a piece of land in the revenue records is not conclusive proof that it is agricultural land.
- **GOVT. TO CREDIT AMOUNT DIRECTLY FOR “LAND ACQUISITION”:** The Road Ministry has announced an online initiative that will slash the time taken for acquiring land and enable crediting of funds directly to the account of the person who owns the land on which a road is being built. The “Bhoomi Rashi Portal” will make the required land acquisition notification process online. The portal has also been linked with the public finance management system, which will enable flow of funds from the Consolidated Fund of India to the land owner’s account.
- **SBI CLARIFICATION ON CHARGES ON “NON-MAINTAINANCE BALANCE” IN ACCOUNTS:** State Bank of India has clarified that the customer could convert his/her savings bank account to a Basic Savings Bank Deposit (BSBD) account to avoid penalty for not maintaining average monthly balance (AMB). The clarification has come from SBI in response to the report highlighting a total penalty of over Rs.11, 500 Crore collected by public and private sector banks from customers for not maintaining AMB in the last four years. SBI alone had collected over Rs.2400 Crore during 2017-18.
- **MCA MAKES AADHAR MANDATORY FOR DIRECTORS:** The Ministry of Corporate Affairs (MCA) by notification makes it “Mandatory” for all directors to go through the new KYC process including Aadhar details. The KYC procedure for directors is a yearly affair, which, if left incomplete, leads to

invalidation of the director information number without which a person can not officially run the company or act on its behalf. The MCA notification lays down a deadline of August 31 for fulfillment of the KYC requirements and also says that the Director Information Number can be deactivated if the form is not submitted on time.




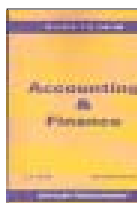
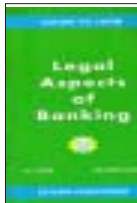

- **BANKS GO SLOW ON OPENING NEW BRANCHES:** Public Sector Banks have substantially slowed the pace of branch expansion in the past three years on higher use of digital banking, expansion of business correspondents’ network and need to cut down costs. While 4000 branches were opened in 2015, number dropped to 3334 in 2016, 2185 in 2017 and just 824 in FY 2018 according to the data given in Parliament. With more emphasis on financial inclusion, especially in unreserved and underserved areas, shift has been on getting business correspondents. Digital banking has made it easier for customers to access banking facilities thereby reducing pressure on banks to continue opening of new branches.
- **NSE TO SET UP SPOT GOLD EXCHANGE:** National Stock Exchange (NSE) , Country’s Largest Bourse, is keen to set up a Spot Gold Exchange. India has gold savings to the tune of 20, 000-25, 000 tonnes (about \$1 trillion) which are lying with various institutions, households, trusts, temples unutilised and unavailable to the Indian Economy. With India continuing to import 800-900 tonnes of gold every year, there are problems of a widening current account deficit, and the fact that these imports mainly get added to the unproductive existing holdings. A Spot Gold Exchange is seen as a possible route to curb the appetite for imports and encourage Indians to channel their gold savings into the economy. It is reckoned that a spot gold exchange would bring in transparency in gold pricing and boost recycling which may lead to lower imports.
- **GOVT. APPROVES LIC-IDBI DEAL:** The Government has conveyed its no-objection to reduction in its shareholding in

the bank below 50% as well as relinquishment of management control, paving the way for acquisition of a controlling stake in the bank by LIC as promoter. This comes in the wake of the Union Cabinet approving LIC's approval to own a controlling stake in the bank on August 1. Presently, the Government owns 85.96% stake in the bank while LIC owns 7.98% stake. Now the process of LIC increasing its stake to 51% is likely to be completed by September end.

- **IPPB LAUNCHED:** India Post Payment Bank (IPPB) was launched on August 21. IPPB was of the 11 entities to get in-principle nod from RBI in 2015 for setting up a payment bank. Many private firms such as Airtel, Fino, and Paytm etc. have launched these services but IPPB missed September 2017 deadline as it failed to get a system integrator (SI) on board. IPPB has 154,000 post offices of which 139,000 are in rural areas and this bank would become one of the Largest Banking Networks in India. **APPELLATE TRIBUNAL RULING ON MATTER RELATING PMLA:** In a landmark ruling, the Appellate Tribunal on matters relating to the Prevention of Money Laundering Act (PMLA) has ruled that Enforcement Directorate can not claim rights over assets of people suspected of criminal activity if banks have created prior rights over them through lending. The tribunal has ruled in favour of Standard Chartered Bank in a dispute with the Enforcement Directorate on the Winsome Diamonds & Jewellery case saying that it would be against the spirit of the Money Laundering Act if assets pledged are not available for banks to recover their dues.
- **SEBI NEW GUIDELINES ON HOLDING SHARES:** SEBI, in July said that transfer of shares of listed companies has to be essentially in dematerialised mode from December 5. Now SEBI has issued the new guidelines which do not bar investors from holding shares in physical form even after December 5. The new amendment is not applicable for transfer of title of shares by way of inheritance or succession and interchanging of the order of names of shareholders. Further, any investor who is desirous of transferring shares which are held in physical form after December 5, can do so only after the shares are dematerialised.
- **GOVT. PLANS TO LAUNCH JMJDY SCHEME 2.0:** The Government had launched the Pradhan Mantri Jan Dhan Yojana (PMJDY) on August 15, 2014 and now has become a vehicle for many government schemes with 32.25 Crore beneficiaries. As on August 1, 2018, the total balance in Jan Dhan accounts stood at Rs.80, 675 Crore of which public sector banks have deposits worth

Rs.64, 388 Crore with them. Of the total beneficiaries, 24.7 Crore have been issued RuPay Cards by the National Payments Corporation of India (NPCI). Now the Centre is likely to announce PMJDY 2.0 soon to address several issues, improvise and expand both its reach and impact.

- **SUPREME COURT RULING ON DAMAGES RELATING TO INSURANCE:** (Shamanna VS Oriental Insurance Co. Ltd.) In this case the Driver had no valid licence. The Tribunal applied the "Pay and order" principle but the Karnataka High Court held that only the driver was liable. However on appeal the Supreme Court set aside the ruling of the High Court and reiterated the principle of "Pay and recover" in road accident cases. According to this rule "If the driver of the offending vehicle has no licence or there is a violation of the insurance policy by the owner, the insurance company has to pay the compensation determined by the motor accident claims tribunal and then recover from the owner.
- **SEBI TO CAP INVESTORS' EQUITY EXPOSURE IN LINE WITH NET WORTH:** SEBI is planning to limit investors' exposure to shares and equity derivatives in line with their net worth. The move is aimed at preventing individuals from going overboard on equity investments, considered riskier than bonds. SEBI wants investors' assets certified by chartered accountants and brokers who will decide the extent of their equity exposure. The proposal is similar to the concept of accredited investors in some developed markets. An accredited investor is one who meets requirements regarding income, net worth, asset size, governance status or professional

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experience.

- **SEBI TO SET TRADING LIMITS FOR RETAIL INVESTORS:** SEBI may soon set a trading limit for retail investors based on their income or net worth. Retail participants in the equity and commodity markets may have to submit a net worth certificate to their brokers. Their trading limits can not exceed their income levels. It is likely that SEBI will bring a 40-50% cap on the position limit of retail players in the derivative segment. Net worth is defined as the value of all financial and non-financial assets owned by an individual minus his liabilities. Thus if net worth of an individual is Rs.10 Lakh, his trading limit will not exceed that.
- **SUPREME COURT CLARIFICATION ON PERSONAL GUARANTORS:** The Supreme Court clarified that the statutory moratorium period provided for corporate debtors facing insolvency proceedings will not apply to personal guarantors. The law mandates a limited moratorium of 180 days against a corporate debtor once insolvency proceedings are initiated for defaulting on loans. This is to allow the debtor a window within which to find a way to pay off the debt. No recovery proceedings can be initiated against the debtor by the creditor during those 180 days. Nor can the debtor's assets be disposed of in that period.
- **NORMS NOTIFIED FOR ATM CASH LOADING:** The Home Ministry has notified the rules relating to cash loading of ATMs and cash transportation, directing that no ATM should be replenished with cash after 9PM in cities and no cash van should carry more than Rs.5 Crore on a single trip. All persons engaged for cash transportation activities will also have to undergo Aadhar verification to determine their antecedents. Special provisions have been made for training of personnel engaged in cash transportation activity which includes criminal and miscreant action, distress alarm procedure, using weapons to deter and resist criminals and disengaging from the situation and driving the vehicle to safety.
- **PSBs TO COME OUT OF PCA FRAMEWORK THIS FISCAL:** As on date, as many as 11 out of 21 banks are under the RBI's Prompt Corrective Action (PCA) framework. RBI had issued the framework to encourage banks to eschew certain riskier activities, improve operational efficiency and focus on conserving capital to strengthen the banks. Now, Rajiv Kumar, Secretary, Department of Financial Services said that aggregate losses of

Public Sector Banks (PSBs) had come down to Rs.16, 600 Crore in June of this quarter from Rs.62, 680 Crore in March quarter. On the other hand, operating profit of PSBs had gone up to Rs.36, 600 Crore in June quarter from Rs.34, 000 Crore in March quarter. NPAs have been transparently recognised. Provisioning has been done. Recapitalisation has been done. Fundamentals of banks are improving. In view of this, some of the banks may come out of PCA framework.

- **RBI TO BANKS TO UPGRADE ATMs AND STRENGTHEN SECURITY MEASURES:** RBI had highlighted in its June 2018 Circular, the vulnerability of ATMs operating on unsupported version of operating system and non-implementation of other security measures. It had also set specific timelines for tightening the control measures, failure of which could lead to stringent supervisory action. Despite the RBI's constant prodding on upgrading ATMs and strengthening security measures, about 30% of the Two-Lakh ATMs in the country still operate on windows XP and other unsupported operating systems. Now RBI has again said that the banks have to upgrade all the ATMs with supported versions of operating system in a phased manner-25% upgraded by September 2018, 50% by December 2018, 75% by March 2019 and all ATMs by June 2019.
- **SEBI TO CUT LISTING TIME FOR DEBT SECURITIES:** SEBI has drastically cut the timeline for listing of debt securities to six days from 12 at present, in order to make the existing process of issuance of such securities simpler and cost effective. Besides, SEBI has made ASBA (Application Supported by Blocked Amount) mandatory for all investors for making payment, while applying in a public issue of debt securities. The mandatory ASBA facility would reduce the time taken for collecting banks to commence clearing of payment instruments, forwarding application forms along with bank schedules to registrar and undertaking of technical rejection test. The new rule will be applicable to all public issues of debt securities from October 1, 2018.
- **IRDAI DIRECTED INSURERS TO COVER MENTAL ILLNESS:** IRDAI issued circular directing insurers to cover mental illness which has reached serious proportions in the country. The Mental Healthcare Act 2017-which came into force from May 29-has made it mandatory to provide for medical insurance for treatment of mental illness on the same basis as is available for treatment of physical illness. However, so far, none of India's 33 insurers have introduced a product even though such covers are commonplace in many countries. Now, IRDAI again directed all insurance companies to comply with the provisions of the Mental Healthcare Act 2017.

GENERAL AWARENESS

- Scheme under which Common Service Centre (CSC) and National Health Accounts (NHA) signed MOU to implement the same through 3Lakh CSCs across the country- **Ayushman Bharat Scheme.**
- First Foreign Bank to get a wholly-owned subsidiary licence has announced to open six branches in India- **State Bank of Mauritius.**
- Company which has dislodged Tata Consultancy Services (TCS) as the Country's Most-valuable Company in market capitalisation- **Reliance Industries Ltd.**
- First Clearing Corporation to get SEBI approval in the commodity derivatives market- **MCX Clearing Corporation.**
- Kerala , with 77 points, leads all the states and UTs of India in- **Adopting Energy Efficiency Measures.**
- Payment Bank which has been ordered by RBI not to open any new account due to certain anomalies with regard to the deposits of existing account holders- **FINO Payment Bank.**
- India has emerged an easy target for hackers and "Ranked Sixth among the top victim countries across the World" in- **SamSam Ransomware Attack.**
- Seven Indian Companies figured in Fortune 500 List of World's Biggest Corporations in terms of revenue and Highest ranked Indian Firm is- **Indian Oil Corporation.**
- De Beers which is to launch First Diamond Sector Blockchain- **World's Largest Diamond Company.**
- Church which formally changed its teachings and declared that "Death Penalty is inadmissible in all cases"- **Roman Catholic Church of Vatican City.**
- State which is First State in the Country to have an "Umbrella Organisation" for the Urban Co-operative Banks- **Gujarat.**
- Category which SEBI has discontinued- **Sub-broker Category as Market Intermediary.**
- Index in which Delhi has emerged the Most Attractive State for Investors – **NCAER's 2018 State Investment Potential Index.**
- Country which dethrones China as World's Second-Largest Stock Market- **Japan.**
- Justice Geeta Mittal has been appointed as Chief Justice of J&K High court- **First Woman in Such Position.**
- Penalties close to Rs.5000 Crore which all Banks have collected from the Depositors in 2017-18 due to- **Non-Maintenance of Minimum Balance in Account.**
- India's Largest Equity Bourse, which for the First Time in nearly two decades, is to go for "Re-branding and to unveil New Logo"- **National Stock Exchange.**
- Social Media Apps. which the Govt. is examining the option to block them in order to curb fake news and child pornography- **WhatsApp, Facebook, Telegram and Instagram.**
- Country which over the past decade, has blocked Google, Facebook, Twitter and Instagram – **China.**
- Regulator which has given its approval for US retail giant Walmart's acquisition of e-commerce company Flipkart- **Competition Commission of India.**

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- Regulator which decided to pay a dividend of Rs.50, 000 Crore to the Government for year ended June 30 as it follows July-June Financial Year- **RBI**.
- Bank which launched the latest Customer Friendly Digital Initiative –MOPAD through which customer may pay through Cards, Bharat QR, UPI, e-wallet on a POS terminal-**SBI**.
- 7th August has been observed as- **National Handloom Day**.
- ICICI Bank issued over one million FASTags which enables automatic deduction of toll charges without stopping at toll plazas for cash transactions- **First Bank for Initiative**.
- Database Giant which launched a Cloud Platform with autonomous services claiming it to be the first-of-its-kind solution- **ORACLE**.
- IBM is the Top Largest IT Services Company in the World followed by- **Accenture, DXC Technology and TCS**.
- Country in which, for the First Time, Divorced or Widowed Hindu Women have been allowed to remarry under a landmark amendment made the Provincial Assembly- **Pakistan's Sindh Province**.
- Report in which Smitha V. Crishna of Godrej Group has been named Top Richest Indian Woman while Roshni Nadar of HCL featured on Second Position- **Indian 100 Leading Wealthy Women 2018 Report**.
- To update the norms for Insurance Surveyors, IRDAI has set up a Working Group to be headed by- **Yegna Priya Bharat, Chief GM of IRDAI**.
- Pune-based 112 year-old Bank which has reported fraudulent withdrawals of Rs.94 Crore due to Cyber Attacks including Malware attacks- **Cosmos Co-op. Bank**.
- Transactions which has crossed the Rs.100 Lakh Crore Mark in June for First Time- **RTGS Transactions**.
- Event in which nearly 5 Lakh people joined hands to form 700KM Human Chain along the Indo-Pakistan Border to honour Martyrs on the eve of Independence day- **Event "Shahadat Ko Salam"**.
- Global City which has beaten Melbourne of Australia and becomes "World's Most Liveable City" – **Vienna of Austria**.
- Bank which is to open its newly conceptualised Digital Banking Branch "CANDI" in each of 21 Circles of the Bank across the country- **Canara Bank**.
- Payment Bank which entered into alliance with Bharti Axa Life Insurance to offer Govt. insurance scheme "PMJJBY" to reach rural pockets and serve the underinsured- **Airtel Payments Bank**.
- Index for which SEBI plans to develop to measure the readiness of various Market Infrastructure Institutions to deal with potential hacking or cyber threats- **Cyber-capability Index**.
- Kerala State in which Massive Flood has been declared by the Union Government as- **Calamity of Severe Nature**.
- Country in which new banknotes have been issued after "lopping five zeroes off the crippled Bolivar" and where spiraling hyperinflation has thrown oil-rich and cash-poor nation into turmoil- **Venezuela**.
- List in which Mukesh Ambani's telecom unit Reliance Jio has been ranked the Top Company Globally for using the profit motive to help the planet and tackle social problems- **Fortune's "Change the World" List**.
- Report as per which India has been ranked among the Top five Nations for online piracy via peer-to-peer downloads and blue-ray files- **Irdeto Global Consumer Piracy Threat Report**.
- Bank on which SEBI has fined Rs.2 Lakh as its sub-account failed to satisfy the broad-based fund criteria- **European American Bank AG (Euram Bank)**.
- A First-of-its-kind Exclusive Job Portal for Chartered Accountants to go live on September 1- **Cajobs.com**.
- Bond which World Bank launches created and managed using only Blockchain in a \$100 million deal – **World's First Public Bond**.
- 7th Highest Paid Actor from India in the World- **Akshay Kumar**.
- State Government which is to provide Rs.1 Lakh Interest-Free Loans to flood-hit families to refurbish houses in order to make them habitable- **Kerala State**.
- Rare Flight to be operated from Dehradun to Delhi by SpiceJet on 27th August – **India's First Biofuels Flight**.
- World's Tallest Statue which is to be ready by 25th October, ahead of its inauguration on October 31, Birth Anniversary of Sardar Vallabhbhai Patel- **Statue of Unity**.
- Bank which has been ranked "Number 1 PSU Bank" in digital transactions in India- **PNB**.
- Bolivian Woman who was born on October 26, 1900 is the "Oldest Living Person in the World at the age of 118 Years"- **Julia Flores Colque**.
- Bank founded by BRICS Member Nations which has got AA + Credit Rating (Top Investment-Grade Rating) from S&P Global Ratings- **New Development Bank**.



MOCK-TEST PAPER

Recalled Questions

- 01** Bank has allowed a loan of Rs.4 lac to a firm, as cash credit which is running regular. The firm also has a term deposit of Rs.5 lac and there is an attachment order on the term deposit:
- the term deposit would be attached
 - the term deposit would be attached after recovering the outstanding balance in the cash credit account
 - the amount of term deposit above Rs.4 lac would be attached
 - the term deposit cannot be attached as long as bank loan outstands
- 02** Attachment order is applicable, where the relationship between the customer and the bank is that of:
- lessor and lessee
 - trustee and beneficiary
 - debtor and creditor
 - creditor and debtor
- 03** Bank account of which of the following is covered in the low risk category of customers:
- a public limited company
 - a high net worth individual
 - a salaried employee
 - a non-resident Indian
- 04** Under Banking Regulation Act, a banking company is prohibited to grant a loan or an advance against security of its own shares, u/s:
- 19(2)
 - 20(1)
 - 17(2)
 - 24 (3)
- 05** For acknowledgment of debt, the Central govt. has prescribed the payment of stamp-duty at which of the following rates?
- Re.0.50
 - Re.1.0
 - Rs.2.0
 - Rs.5.0

- e none of the above
- 06** Exposure ceiling for infrastructure projects in case of single and group are ___ of capital fund
- 15%, 40%
 - 20%, 45%
 - 20%, 50%
 - 25%, 55%
- 07** Which is not correct in respect of PPF account:
- scheme is operated by public sector banks and private sector banks
 - minimum amount of deposit per annum is Rs.500
 - maximum amount of deposit per annum is Rs.100000
 - account is opened for 15 years.
- 08** A micro enterprise has received an export order on FOB terms. In this case:
- the cost of insurance is to be borne by the exporter
 - the cost of freight is to be borne by the exporter
 - the cost of goods and also the insurance and freight is to the account of exporter
 - cost of insurance and freight is to be borne by the importer
 - cost of insurance and freight is to borne by the importer and exporter on equal basis
- 09** On rent payment, TDS is to be deducted when the amount of total payment in a financial year:
- is Rs.180000 or more
 - is more than Rs.180000
 - is Rs.120000 or more
 - is more than Rs.120000
- 10** What is not true of the following in connection with the payment to DICGC for deposit insurance:

- it is payable half yearly
 - premium is 10 paise p.a. for Rs.100 of deposit
 - insurance is obtained on mandatory basis
 - deposits of govt. departments are not to be got insured
 - max eligible amount of deposit for insurance is restricted to Rs.1 lac.
- 11** In red-clause letter of credits:
- exporter may avail pre-shipment credit at request of issuing bank
 - exporter cannot avail pre-shipment credit
 - exporter may avail pre-shipment credit with the consent of importers
 - exporter can get another LC issued on strength of original LC
- 12** When the no. of directors in public limited company is more than ____, shareholders' approval is required:
- 8
 - 10
 - 12
 - 15
- 13** Interest in agriculture advances is to be charged on:
- monthly basis
 - quarterly basis
 - half-yearly basis
 - yearly basis
 - any of the above as per discretion of the bank
- 14** The quarterly return on Form 26Q, of TDS is to be submitted within
- 31 days. For March by May 31
 - 15 days. For March by May 31
 - 30 days. For March by May 31
 - 30 days. For March by May 31

Answers

- 01 a 02 d 03 c 04 b 05 e
06 c 07 c 08 d 09 b 10 e
11 a 12 d 13 d 14 a

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Chronology of RBI Policy directions during Jul 2017 to Jun 2018

Continued from page-8

The practice of issuance of Letters of Undertaking (LoUs) and Letters of Comfort (LoCs) by AD Category-I banks in favour of overseas supplier, bank or financial institution up to USD 20 million per import transaction for a maximum period up to one year in case of import of non-capital goods (except gold, palladium, platinum, rhodium, silver, etc) was permitted. For import of capital goods, the period of guarantee/ Letters of Credit/ Letters of Undertaking by AD can be for a maximum period up to three years. The practice of issuance of LoUs/ LoCs for Trade Credits for imports in India has been discontinued with immediate effect. The reporting format was amended appropriately.

March 16

The floor limit (minimum applicable amount) of Rs.100/- for Late Submission Fee (LSF) was introduced.

April 6

Consequent to the publication of amendment to FEMA 20(R), on March 26, 2018, (i) 100 per cent foreign investment was allowed in real estate broking services under automatic route. (ii) Foreign investment in investing companies registered as NBFCs with Reserve Bank, would be under 100 per cent automatic route. (iii) Indian companies were permitted to issue capital instruments to a person resident outside India under automatic route or with the prior government approval if the Indian investee company is engaged in a sector under government route.

April 12, 2018

The definition of an Overseas Citizen

(OCI) was revised as a person resident outside India who is registered as an Overseas Citizen of India Cardholder under Section 7 (A) of the Citizenship Act, 1955. The conditions for an NRI/ OCI to acquire/ transfer of immovable property in India were laid down.

April 12

Daily reporting system by AD banks of transactions undertaken by individuals under Liberalised Remittance Scheme was introduced.

April 27

The guidelines on ECB were further rationalised and liberalised by stipulation of a uniform all-in-cost ceiling, increasing the ECB Liability to Equity Ratio for ECB raised from direct foreign equity holder under the automatic route, among others.

May 3

A new system for monitoring foreign investment limits, was put in place in consultation with SEBI to ensure compliance with the various foreign investment limits by listed Indian companies.

May 3

A system of data sharing with Directorate of Revenue Intelligence was introduced by advising all AD category I banks to ensure compliance with the provisions contained in Sections 108 A and 108 B of the Customs Act, 1962 and the Rules notified thereunder with immediate effect.

May 10

The provisions pertaining to the requirement of prior approval of RBI for establishment of Branch Office/ Liaison Office/Project Office or any other place of business in India by foreign entities in sectors where 100 per cent FDI is not allowed were done away with.

June 7

Two additional formats, Part E.1 for reporting details of hedging and foreign exchange earnings and Part E.2 for reporting of expenditure to simplify the format of ECB 2 return were introduced.

June 7

A Single Master Form (SMF), to be filed online, with the objective of integrating the extant reporting structures of various types of foreign investment in India was introduced.

June 19

Furnishing of Permanent Account Number (PAN) was made mandatory for all remittances under the Liberalised Remittance Scheme (LRS). Further, on remittances for maintenance of close relatives, the definition of 'relative' was aligned with that in the Companies Act, 2013 instead of the Companies Act, 1956.

Department of Banking Regulation

July 6, 2017

In view of widespread use of electronic banking and rise in complaints, a revised framework for limiting customer liabilities in unauthorised/ fraudulent electronic transactions was issued.

August 2

Credit information report on a borrower, furnished by credit information companies to credit institutions, needs to incorporate credit information available in all modules, e.g., consumer, commercial and MFI in respect of the borrower.

August 2

Banks incorporated in India were permitted to recognise reserves held with foreign central banks in excess of the reserve requirements as Level 1 HQLA, where a foreign sovereign was assigned a zero per cent risk weight by an international rating agency. Where a foreign sovereign

was assigned a non-zero per cent risk weight by an international rating agency, but a zero per cent risk weight at national discretion under Basel II, excess reserves held with such foreign central banks were allowed as Level 1 HQLA to the extent that they covered bank's stressed net cash outflows in that specific currency.

September 25

It was decided to amend regulations on banks' investments in Alternative Investment Funds and align the prudential requirements for investment in financial services companies in line with Basel III. Banks were allowed to act as Professional Clearing Member and banks' subsidiaries were allowed to offer broking services in commodities derivative segment.

November 2

Banks were advised to intimate their existing large corporate borrowers (including their parent as well as subsidiaries/associates) having total exposure of Rs.0.50 billion and above to obtain Legal Entity Identifier (LEI) as per the prescribed schedule. Borrowers who do not obtain LEI as per the schedule are not to be granted renewal/ enhancement of credit facilities.

November 9

Banks were advised to put in place appropriate mechanism for meeting the needs of senior citizens and

differently abled persons.

January 4, 2018

Harmonized definitions of a set of 83 data elements reported across multiple returns to the Reserve Bank were issued.

February 7, 2018

In the context of switch-over to GST, banks and NBFCs were permitted to continue to classify their exposure to GST-registered MSME borrowers as standard asset if the amount overdue from the borrower as on September 1, 2017 and payments due between September 1, 2017 and January 31, 2018 are paid not later than 180 days from their respective original due dates.

February 12

In view of the enactment of Insolvency and Bankruptcy Code, 2016, a harmonized and simplified framework for resolution of stressed assets replaced the previous schemes/guidelines like CDR.

April 2

Banks were allowed to spread provisioning for MTM losses on investments for the quarters ended December 31, 2017 and March 31, 2018 equally over up to four quarters, commencing with the quarter in which the loss was incurred. They were advised to create and maintain an Investment Fluctuation Reserve of at least 2 per cent on a continuing basis to be achieved preferably within

3 years from 2018-19.

April 5

SCBs, excluding RRBs, were required to implement Ind AS from April 1, 2018, However, in view of the banks' level of preparedness and the pending necessary legislative amendments, it was decided to defer implementation of Ind AS by one year.

April 6

Stand-alone plain vanilla forex options (without attached structures) purchased by clients would be exempted from the 'user suitability and appropriateness' norms, and the regulatory requirements would be at par with forex forward contracts.

April 6

In view of risks in dealing with virtual currencies, RBI-regulated entities were prohibited from dealing in such currencies or providing services for facilitating or settling.

April 20

KYC Directions were aligned with the amendments in the Prevention of Money Laundering (PML) rules vide Government Gazette notifications of June 1, 2017 and thereafter.

May 17

With a view to enabling IFSC Banking Units (IBUs) to start their operations, the parent bank will be required to provide a minimum capital of USD 20 million or equivalent in any foreign currency to its IBU which should be

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maintained at all times. The minimum prescribed regulatory capital, including for the exposures of the IBU, shall be maintained on an on-going basis at the parent level; for foreign banks, the IBU shall submit a certificate to this effect obtained from the parent on a half-yearly basis to RBI.

May 17

To mitigate funding risk over a longer time horizon, final guidelines on Net Stable Funding Ratio (NSFR) were issued.

June 6

Banks and NBFCs were permitted to classify exposure to all MSMEs (including those which are yet to register under GST) as standard asset as per a 180-day past due criterion. The dues of GST-registered MSMEs payable from January 1, 2019 onwards would be aligned to 90 days NPA norm in a phased manner.

June 7

Deposits under Gold Monetization Scheme can be made for broken periods. Under Medium and Long-Term Government Scheme (MLTGD), the interest payment will be annual. For managing MLTGD Scheme, designated banks will be paid handling charges and commission at a flat rate of 1.5 per cent and 1 per cent respectively of the rupee equivalent of the amount of gold mobilised by them. Any premature redemption under MLTGD

scheme would be only in INR.

June 7

The rate of interest payable by banks to the depositors/claimants on the unclaimed amount transferred to the Depositors' Education and Awareness (DEA) Fund has been revised to 3.5 per cent simple interest per annum effective July 1, 2018 from 4 per cent earlier.

June 15

Given the rising yields on G-sec, as also the inadequacy of time to build the Investment Fluctuation Reserve (IFR) for many banks, banks were allowed to spread provisioning for the MTM losses in AFS and HFT portfolios for the quarter ending June 30, 2018, subject to suitable disclosure in their notes to accounts/quarterly results. June 15 Banks were allowed to reckon G-sec 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.

Department of Cooperative Bank Regulation

July 13, 2017

Cooperative banks were advised to provide relevant details on entries in the accounts and information on 'deposit insurance cover' along with the limit of coverage upfront in the passbooks.

August 16

The functional and technical

requirements for Core Banking Solution in UCBs were released.

December 14

Guidelines on limiting the liability of customers of co-operative banks in unauthorised electronic banking transactions were issued.

May 10, 2018

The guidelines on priority sector lending by UCBs were broadly harmonised with those of SCBs.

Department of Non-Banking Regulation

July 6, 2017

NBFCs with asset size of Rs.5 billion and above were permitted to undertake point of presence (PoP) services for the National Pension System after registration with the PFRDA.

August 14

NBFCs notified as 'Financial Institutions' under the SARFAESI Act, 2002 were advised to appoint a nominated counsel in the High Court of Delhi.

October 4

Regulation on P2P lending platforms as NBFC-Peer to Peer Lending Platform was issued.

November 23

ARCs, meeting prescribed conditions, were exempted from the shareholding limit of 26 per cent in the borrower company.

January 4, 2018

ARCs were advised to adhere to the relevant provisions of the Insolvency and Bankruptcy Code (IBC), 2016 and Insolvency and Bankruptcy Board of India (Information Utilities) Regulations, 2017 on submission of financial information to information utilities.

Department of Banking Supervision

July 13, 2017

SUBSCRIPTION FORM

Name: _____

Address: _____

Pin _____

E-Mail Id _____ Mobile: _____

Draft No _____ Date _____ drawn on _____ Bank, for Rs _____ fvg
Banking & Management Academy. PERIOD from _____ to _____

(Old Subscn No. _____)

Chronology of RBI Policy directions during Jul 2017 to Jun 2018

For banks with non-executive chairman, there will be no restriction if he/she is also nominated to the Audit Committee of the Board of Directors.

July 27

To ensure rest and rotation for statutory central auditors, an audit firm after completing its four year tenure in a particular private/foreign bank would not be eligible for appointment for a period of six years.

June 21, 2018

Banks and White-Label ATM Operators were advised to initiate immediate action for addressing concerns about the ATMs running on Windows XP and/or other unsupported operating system.

June 29

For improving audit quality and transparency in examination of accountability of Statutory Auditors (SAs), enforcement action framework was put in place.

Consumer Education and Protection Department

February 23, 2018

To provide a cost-free and expeditious complaint redressal mechanism relating to deficiency in services by NBFCs, Ombudsman Scheme for Non-Banking Financial Companies, 2018 was introduced initially for deposit taking NBFCs.

Internal Debt Management Department

October 4, 2017

It was decided to conduct weekly auctions of SDLs (held fortnightly earlier) and announce the auction results latest by 3:00 PM the same day.

November 23

To encourage participation of retail investors in G-sec and T-Bill primary

auctions, specified stock exchanges were permitted to act as aggregators/facilitators for submitting investor bids in the non-competitive segment of primary auction. May 3, 2018 With a view to meeting the diverse needs of investors and making Separate Trading of Registered Interest and Principal of Securities (STRIPS) more aligned with market requirements, it was decided to remove the restrictions on the securities eligible for Stripping/Reconstitution as well as the requirement of authorisation of all requests for Stripping/Reconstitution by Primary Dealers (PDs).

June 6

In order to facilitate Standalone Primary Dealers (SPDs) to provide comprehensive services to their FPI clients, it was decided to provide the SPDs a limited foreign exchange licence.

June 6

It was decided to lower the rate of interest on special drawing facility from 100 bps to 200 bps below the policy repo rate to incentivise maintenance of adequate funds by state governments in Consolidated Sinking Fund (CSF) and Guarantee Redemption Fund (GRF).

Department of Currency Management

February 9, 2018

On delayed reporting the Reserve Bank advised that penal interest at the prevailing rate for instances where the currency chest had reported "net deposit" might not be charged. However, a flat penalty of Rs.50,000 is to be levied on the currency chests in the case of wrong reporting of soiled note remittances to RBI/diversions shown as "Withdrawal". February 15 Banks were advised to

direct all their branches to accept coins of all denominations tendered at their counters either for exchange or deposit, violation of which might attract penal action by the RBI.

March 1

Incentives to banks for installation of cash recyclers and ATMs dispensing only lower denomination notes were withdrawn.

April 6

Certain minimum standards for engaging the service providers/sub-contractors by banks for cash management logistics were prescribed. Banks were advised to review their outsourcing arrangements, bring them in line with the instructions within 90 days and put in place business continuity plan.

April 12

To mitigate risks, banks were advised to consider using lockable cassettes in their ATMs for cash replenishment and implement the same in phases, covering at least one-third ATMs every year, so that all ATMs achieve cassette swap by March 31, 2021.

Department of Payment and Settlement Systems

October 11, 2017

To foster innovation and competition, and to ensure safety, security and customer protection, the revised Master Directions on Prepaid Payment Instruments (PPI) were released.

December 6

Merchant discount rate for debit card transactions was rationalised.

April 6, 2018

All payment system providers and other entities participating in the payment ecosystem in India were advised to ensure that the entire data relating to payment systems operated by them are stored in a system only in India.

National Financial Switch (NFS) of NPCI

National Financial Switch (NFS) ATM network having 37 members and connecting about 50,000 ATMs was taken over by NPCI from Institute for Development and Research in Banking Technology (IDRBT) on December 14, 2009. As on 31st August' 17, there were 941 members that includes 101 Direct, 776 Sub members, 56 RRBs and 8 WLAOs using NFS network connected to more than 2.37 Lac ATM.

Salient Features

- NFS has introduced sub-membership model which enables smaller, regional banks including RRBs and local co-operative banks to participate in the ATM network.
- NFS maintained high standards of application and network uptime of above 99.50% helping member banks to enhance customer experience.
- The Dispute Management System (DMS), has benefitted members with high operational efficiency and ease of online transaction life cycle management (chargeback, representment, etc.) in the network apart from being compliant with local regulatory requirements.
- NPCI has also tied up with International card schemes like Discover Financial Service (DFS), Japan Credit Bureau (JCB) and China UnionPay International (CUPI) which allows their cardholders to use ATMs connected to NFS network.
- The Fraud Risk Management (FRM) solution is offered as a value added service to monitor transactions (in real time) and to generate alert or decline the transaction in the NFS network

Value Added Services:

Apart from basic transactions like Cash Withdrawal, Balance Enquiry, PIN Change and Mini Statement, NFS also offers other Value Added Services (VAS) on ATMs/CDMs like:

Interoperable Cash Deposit (ICD): The service enables cardholders of participating member banks to use NFS networked Cash Recyclers/ Cash Deposit Machines of participating member banks for depositing cash in their own account or third party account.

Mobile Banking Registration (MBR): The service enables cardholders of participating member bank to register for Mobile Banking using any other participating member bank's ATM.

Card-to-Card Fund Transfer (C2C): The service enables cardholders of participating member bank to use NFS network ATMs of participating member bank for initiating funds transfer to the any other participating member bank's cardholder's account.

Cheque Book Request (CBR): This service enables cardholder of participating member bank to request for Cheque Book using any other participating member Bank's ATM.

Statement Request (SR): This service enables cardholder of participating member bank to request for account statement using any other participating member Bank's ATM.

Aadhaar Number Seeding (ANS): This service enables cardholder of participating member bank to request for seeding of Aadhaar number in a/c linked to card using any other participating member Bank's ATM.

(Source - NPCI website)

DATA COLUMN

Business of Banks

(Rs.in cr)	Mar31'17	Aug17'18
Aggregate deposits	10805150	11511190
Cash in hand/RBI	570490	529720
Investments	3043660	3509160
Bank Credit:	7881890	8675130
-Food	53930	54160
-Non-Food	7827960	8620980
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	Aug17'18
M3 (Out of which)	13962590	14155180
(a) Currency with public	1759710	1866470
(b) Demand deposits-Banks	1483710	1293920
(c) Time Deposits - Banks	10695260	10971760
(d) Other deposits with RBI	23910	23030

Sources of Money Supply

(a) Net Bank credit to Govt	4001400	4383190
(b) Bank credit to Comrcl sector	9213720	9262730
(c) Net Forex assets of Banks	2922300	2969570

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	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-Aug17	end-Aug18
Dollar-spot TT (Rs.)	63.97	71.99
BSE - Sensex (points)	31882	38243
NSE - Nifty(S&P CNX)	9974	11537
Foreign reserves (Million \$)	394550	401293
Gold /Oz in USD)	1320	1303

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

OUR PUBLICATIONS : REFER PAGE 9,11

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