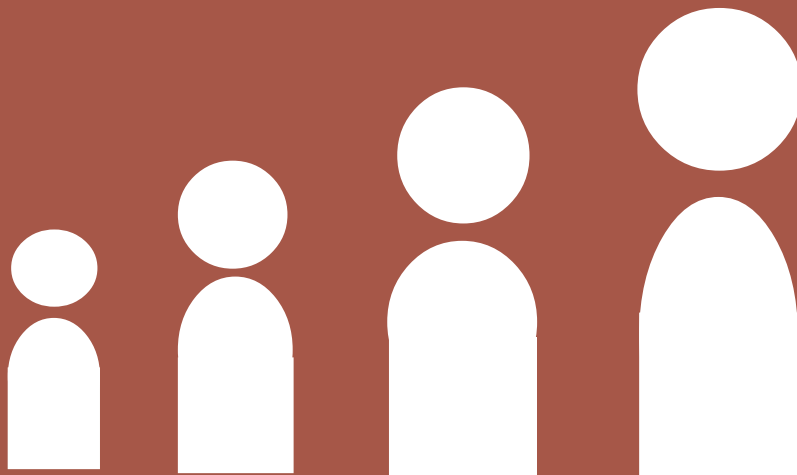


Banking events Update



Those who win, are those, who think they can

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**BANKING
POLICY****Fire Audit of Currency Chest**

On 13.04.18, RBI had advised all banks that are maintaining currency chest, to ensure that fire audits of currency chests are conducted once in two years by the officials from the District Fire Department.

RBI received references from various banks about non-availability of staff in State / District Fire Departments for getting the periodical fire audit conducted in their respective currency chests. RBI examined the matter and decided (25.10.18) that in case of non-availability of officials of the District Fire Department, the fire audit can also be conducted by the agencies approved by the respective State / District Fire Departments.

Partial Credit Enhancement to Bonds Issued by Non-Banking Financial Companies and Housing Finance Companies

Further to RBI circular dated 24.09.15, on Partial Credit Enhancement to Corporate Bonds, on 02.11.18, RBI decided to allow banks to provide partial credit enhancement (PCE) to bonds issued by the systemically important non-deposit taking non-banking financial companies (NBFC-ND-SIs) registered with the Reserve Bank of India and Housing Finance Companies (HFCs) registered with National Housing Bank, subject to the following conditions:

- i) The tenor of the bonds issued by NBFC-ND-SIs/HFCs for which PCEs are provided shall not be less than three years;
- ii) The proceeds from the bonds backed by PCE from banks shall only be utilized for refinancing the existing debt of the NBFC-ND-SIs/HFCs. Banks shall introduce appropriate mechanisms to monitor and ensure that the end-use condition is met;
- iii) The exposure of a bank by way of PCEs to bonds issued by each such NBFC-ND-SI/HFC shall be restricted to one percent of capital funds of the bank within the extant single/group borrower exposure limits; and
- iv) The exposure of banks to NBFC-ND-SIs/HFCs by way of PCEs shall be within the aggregate PCE exposure limit of 20 percent as provided in paragraph 24(b) of the circular *ibid*.

Payments Bank and Small Finance Banks– access to Call/Notice/Term Money Market

RBI clarified (29.10.2018) that Payments Banks and Small Finance Banks are eligible to participate in the Call/Notice/Term money market (hereafter referred to as Call money market) both as borrowers and lenders. Such eligibility is valid even prior to the completion of the process to get themselves included in the Second Schedule of Reserve Bank of India Act, 1934.

The prudential limits and other guidelines on Call money market for Payments Banks and Small Finance Banks will be the same as those applicable to Scheduled Commercial Banks in terms of the

Master Direction.

Inspection of Banks-Sets of Specimen Signatures

As per RBI circular dated December 19, 1984, Regional Offices of Reserve Bank of India were required to provide every year latest set of specimen signatures of senior officials of RBI authorized to issue letters of introduction to inspecting officers to the Head/ Controlling offices of banks/FIs within their jurisdiction.

Consequent to the introduction of Risk Based Supervision framework, Senior Supervisory Managers (SSMs) have been acting as a single and focal point of contact for all communications/interfaces between the bank and RBI. Banks/FIs are being advised of the appointment of SSMs, by Department of Banking Supervision, Central Office, RBI.

In view of the above, RBI decided (19.10.18) to discontinue the practice as mentioned in the aforesaid circular dated December 19, 1984.

Liquidity Coverage Ratio (LCR) - FALLCR against credit disbursed to NBFCs and HFCs

Vide circular dated 27.09.18, RBI had increased the carve-out from SLR, under the Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR), to 13 per cent of NDTL.

On Oct 19, 2018, RBI decided that, with immediate effect, banks will be permitted to also reckon Government securities held by them up to an amount equal to their incremental outstanding credit to NBFCs and Housing Finance Companies (HFCs), over and above the amount of credit to NBFCs and HFCs outstanding on their books as on October 19, 2018, as Level 1 HQLA under FALLCR within the mandatory SLR requirement. This will be in addition to the existing FALLCR of 13 per cent of NDTL, and limited to 0.5 per cent of the bank's NDTL.

This additional FALLCR will be available up to December 31, 2018.

Further, the single borrower exposure limit for NBFCs which do not finance infrastructure stands increased from 10 percent to 15 percent of capital funds, up to December 31, 2018.

PACKAGE FOR MSMEs

The Prime Minister on 02.11.2018, launched a support and outreach programme for the Micro, Small and Medium Enterprises (MSME) sector, by unveiling 12 initiatives to help the growth, expansion and facilitation of MSMEs across the country. The summary is given as under:

1. 59-minutes loans

The GST-registered micro, small and medium enterprises (MSMEs) will be sanctioned a loan up to Rs 1 crore in just 59 minutes through a new portal..

2. Rebate in interest rate

GST-registered MSMEs will get 2% subvention or rebate on incremental new loans of up to Rs 1 cr. Interest subvention on pre-shipment and post-shipment credit for exports by MSMEs has also been increased from 3% to 5%.

3. Cash flow certainty

It is now mandatory for companies with a turnover of more than Rs 500 crore to join Trade Receivables e- Discounting System (TReDS) so that MSMEs do not face trouble in cash flow..

4. Procurement by PSUs

Public sector companies, which were mandated to source 20% of their annual procurement from MSMEs, will now source at least a quarter of their requirement (25%) from the sector.

5. Women entrepreneurs

Out of the 25% procurement mandated from MSMEs, 3% must now be reserved for women entrepreneurs.

6. Government e-Marketplace (GeM)

All central public sector enterprises will have to take membership of the Government e-Marketplace (GeM) to facilitate online procurement of common use goods and services by various government departments and organisations.

7. Technological upgradation

The government announced Rs 6,000 crore package to facilitate better technological support and tools to small industries. The money will be used for 20 hubs and 100 tool rooms for technology upgradation.

8. Pharma companies

The government will form MSME pharma clusters. 70% cost of establishing these clusters will be borne by the government.

9. One annual return

MSMEs will have to file just one annual return on eight labour laws and 10 central rules.

10. No more inspector raj

Inspections of factories in the MSME sector will be sanctioned only through a computerised random allotment and inspectors will have to upload reports on the portal within 48 hours.

11. Relaxation in environmental clearances

MSMEs will single air and water clearance and just one consent to establish a factory.

12. Ordinance in Companies Act

An ordinance has been promulgated to simplify the levy of penalties for minor offences under the Companies Act.

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

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Highlights of the Companies (Amendment) Ordinance, 2018

The President of India gave assent to Companies (Amendment) Ordinance, 2018 on 02.11.2018. Important features of amendments are provided.

1. Sec 2-Definition of “financial year” : The authority to make application for adopting a different year as “financial year” shifted from NCLT to “Central Government”.

2. Sec 10 A - Commencement of Business, etc. : A company *having share capital* incorporated after the commencement of the Ordinance, has to ensure the following, before commencing its business or exercising borrowing powers:

- a) Director to file a declaration within a period of 180 days from the date of incorporation of the company that every subscriber to the memorandum has paid the value of the shares as agreed for. Failure to file the declaration shall give reasonable cause to the RoC, to remove name of company from register of companies.
- b) The company has verified its registered office in e-Form INC-22

Penal provisions: Company-Rs. 50000. Officer-in-default-Rs. 1000 for each day to max. Rs. 1 lac.

3. Sec 12-Registered office: Physical verification of the registered office may be done by ROC. If default found, the RoC may remove the name of the company from the register of companies.

4. Sec 14-Alteration of Articles: Authority to approve application for conversion of a public company to private shifted from NCLT to Central Government.

5. Sec 53-Prohibition on issue of shares at discount: The company and every officer-in-default shall pay a penalty of the amount raised through issue of shares at discount, upto Rs. 5 lakhs, whichever is less alongwith refunding the amount with interest at the rate of 12% p.a. from the date of issue of shares to the respective persons to whom the shares were issued.

6. Sec 64 - Notice to Registrar for alteration of share capital : For non-compliance, penalty on the Company and every officer-in-default with Rs. 1000 for each day during default or Rs. 5 lakhs, whichever is less.

7. Section 77-Duty to register charges, etc.

a) *Charges created before commencement of Ordinance-* RoC to register charges within 300 days of such creation. If not registered within this time, charge to be registered within 6 months from the date of commencement of Ordinance on payment of additional fees.

b) *Charges created after commencement of Ordinance* : RoC to register charges within 60 days of such creation. If not registered within this time, RoC may on application, allow the registration of the charge within a period of further 60 days on payment of advalorem fees.

8. Section 87 - Rectification by Central Government in Register of charges : CG on satisfaction that –

- a) Omission in giving intimation to the ROC regarding satisfaction of charge within the prescribed time,
- b) Omission or misstatement of an particulars w.r.t. any such charge or modification of charge or w.r.t any memorandum of satisfaction or other entry made u/s 82 or 83, was accidental or inadvertently made, may direct for extending the time for intimating about the satisfaction of charge and rectification of the misstatement or omission made.

9. Section 90 - Register of significant beneficial owners in a company

a. Aggrieved party to make an application to NCLT within 1 year from date of such order. In case no application made within this time, such shares shall be transferred to IEPF.

Person failing in making declaration shall be imprisoned for 1 year along with the fine applicable and may even be levied fine and imprisonment both.

10. Section 92- Annual Return : Penal provisions instead of levying fine for failure in filing annual return - Company and every officer-in-default : Rs. 50000 and in case of continuing default, further penalty of Rs. 100 for each day upto max. Rs. 5 lakhs.

11. Section 102 - Statement to be annexed to notice

Penal provisions instead of levying fine - Promoter, director, manager, KMP in default -

Rs. 50000 or 5 times the amount of benefit accruing to promoter, director, manager, KMP or his relatives, whichever is higher.

12. Section 117 - Resolutions and agreements to be filed: Failure to file resolution within time shall attract a penalty on –

Company - Rs. 1 lakh and in case of continuing failure, Rs. 500 for each day upto max. Rs. 25 lakhs;

Officer – in - default (including liquidator) -

Rs. 50000 and in case of continuing failure, Rs. 500 for each day upto max. Rs. 5 lakhs

13. Section 121- Report on Annual General Meeting

Failure to file the report shall attract a penalty of-
Company-

Rs. 1 lakh and in case of continuing default, Rs. 500 for each day upto max. 5 lakhs

Officer-in-default-

Rs. 25000 and in case of continuing default, a further penalty of Rs. 500 each day upto max. Rs. 1 lakh.

14. Section –137-Filing of Financial Statements

The erstwhile provisions of section 137 provided that if a Company fails to file financial statements with the Registrar it shall be punishable with fine and the officers of the Company shall be prosecuted. The Ordinance has categorised such default as a 'civil default' by substituting fine with penalty.

15. Section – 140 – Resignation of Auditor

If an auditor fails to file e -Form ADT - 3 within 30 days of his resignation, he shall be liable for a penalty of Rs. 50,000 or his/her remuneration whichever is lower, with an everyday penalty of Rs. 5000 if the failure continues.

As the default is merely a technical lapse, the same has been shifted from criminal prosecution to penalty.

16. Section 157(2) - Intimation of DIN

The fine under section 157 for not furnishing DIN to the Registrar has been substituted with penalty. Sub-section now specifically provides that if the default continues, a further penalty of rupees one hundred shall be levied everyday.

17. Section 164 –Disqualifications of Director

If a director does not comply with the number of directorships i.e. maximum 10 public companies and maximum 20 in all companies, he/she shall be disqualified under section 164 of the Act.

18. Section 165-Number of Directorships

If a director contravene the maximum limit of directorship as provided in section 165 of the Act, he/she shall be punishable with a penalty of rupees five thousand everyday till the contravention continues.

On similar lines, the default under this section has been categorised as a 'civil default' with the defaulting company and officers liable to penalty only.

19. Section 191-Payment to director for loss of office

The punishment for default has been shifted to civil liability. Accordingly, the director shall be punishable with penalty of rupees one lakh for any contravention under this section

20. Section 203 – Appointment of KMP

The penal provisions under this section shifted from fine to penalty. Further, a new insertion has been introduced which provides that a further penalty of rupees one thousand shall be levied everyday till the default continues. However, the same shall not exceed rupees five lakh.

21. Section 238 – Registration of offer of schemes involving transfer of shares

The fine provided under this section has been substituted with a penalty of rupees one lakh.

22. Section 248 –Power of the Registrar to remove the name of the company

The erstwhile provisions of the Act provided the following situations in which the Registrar can remove the name of the Company from the register of companies:

- a) It has failed to commence its business within one year of incorporation
- b) Is not carrying out any business or operations for a period of two years
- c) Is a dormant company under section 455

The Ordinance has introduced two new clauses for removal of name of the Company:

- i) if the subscribers of MoA of the Company have not paid the subscription amount and have not furnished a declaration in this regard within 180 days
- ii) if the Company is revealed to not having any registered office after physical verification of registered office.

23. Section 441-Compounding of offences

- a) The pecuniary jurisdiction of Regional Director (RD) for compounding of offence under section 441(1)(b) has been raised from Rs.5 lakhs to Rs. 25 lakhs.
- b) Ordinance has provided clarification that offences which are punishable with imprisonment only or with imprisonment and fine shall not be compoundable

24. Section 447-Punishment for Fraud

The section provided that where the fraud involves an amount less than Rs. 10 lakh or 1% of the turnover of the company and did not involve public interest, the defaulter shall be punishable with imprisonment for a term which may extend to 5 years and the maximum fine under section 447 has been increased from Rs.20 lakhs to Rs. 50 lakhs.

25. Section 454A-Penalty for repeated default

For repeated default within 3 years double penalty shall be imposed.

Types of Cyber Security Threats

1) Denial of service attack: A denial-of-service attack (DoS attack) generally consists of the concerted efforts of a person/persons to *prevent* an internet site or service from functioning efficiently. A DoS attack is an incident in which a user or organization is deprived of the services of a resource they would normally expect to have.

2) Distributed denial of service: In a distributed denial-of-service (DDoS) attack, *large numbers* of compromised systems (sometimes called a Bot net) attack, a single target, thereby causing denial of service for users of the targeted system. The flood of incoming messages to the target system essentially forces it to shut down, thereby, denying the service of the system to legitimate users.

3) Ransom ware: Ransomware is a type of malicious software from cryptovirology that threatens to publish the victim's data or perpetually block access to it, unless a ransom is paid.

4) Malware: Malware is the term for *maliciously* crafted software code. Special computer programmes exist that enable intruders to fool an individual into believing that traditional security is protecting him during online banking transactions. Attacks involving malware are a factor in online financial crime.

5) Phishing: Phishing is the fraudulent attempt to obtain sensitive information such as usernames, passwords and credit card details, often for malicious reasons, by disguising as a trustworthy entity in an electronic communication.

6) Spear phishing: Phishing attempts directed at specific individuals or companies have been termed spear phishing. In contrast to bulk phishing, spear phishing attackers often gather and use personal information about their target to increase their probability of success.

7) Whaling: The term whaling has been coined for spear phishing attacks directed specifically at senior executives and other high-profile targets. In these cases, the content will be crafted to target an upper manager and the person's role in the company. The content of a whaling attack email may be an executive issue such as a subpoena or customer complaint.

8) Vishing: Vishing is the illegal access of data via voice over Internet Protocol (VoIP). Vishing is IP telephony's version of phishing and uses voice messages to steal identities and financial resources. The term is a combination of 'voice' and 'phishing'.

9) Drive-by downloads: Drive-by download means two things, each concerning the unintended download of computer software from the Internet:

- a) Downloads which a person has authorized but without understanding the consequences (e.g. downloads which install an unknown or counterfeit executable program, ActiveX component, or Java applet) automatically
- b) Any download that happens without a person's knowledge, often a computer virus, spyware, malware or crimeware.

10) Browser Gateway frauds: The information sent and received from a PC/device is routed through an undesired path on the network thereby exposing it to unauthorised entity. The only gateway to outside world for the PC/device being the browser that has been compromised.

11) Ghost administrator exploit: A ghost administrator exploit is a code that takes advantage of a software vulnerability or security flaw to gain Administrator's rights/privileges in the system. This exploit allows the attacker to mask his identity in order to remotely access a network and gain Administrator rights/privileges, or move deeper into the network. In some cases, an exploit can be used as part of a multicomponent attack. Instead of using a malicious file, the exploit may instead drop another malware, which can include backdoor viruses and/or spyware to steal user information from the infected systems.

Continued from page:19

sensitive data, should take appropriate steps in preserving the Confidentiality, Integrity and Availability of the same, irrespective of whether the data is stored/in transit within themselves or with the third party vendors; the confidentiality of such custodial information should not be compromised in any situation. To achieve this, suitable systems and processes across the data/information lifecycle need to be put in place by UCBs. As regards customers, UCBs may educate and create awareness among them with regard to cyber security risks.

5. Supervisory reporting framework

UCBs should report immediately all unusual cyber security incidents (whether they were successful or mere attempts) to RBI giving full details of the incident. A 'NIL' report shall be submitted on quarterly basis in case of no cyber security incidents.

After framing of the policy, UCBs are to implement basic Cyber Security Controls and report the same to respective Regional Offices of Department of Co-operative Bank

Practical Problems based on Banking Ombudsman Decisions

1) The complainants (8 farmers) alleged that they have received less amount of insurance claim from the insurance company because of wrong reporting by their bank and hence claimed compensation as per their eligibility. The bank submitted that extent of crop loss varied from Gram-Panchayat to Gram-Panchayat and Gram-Panchayat having less crop loss was wrongly shown against the complainants. The bank maintained that the error was unintentional. The premium was remitted by the branch based on the residential address of the farmers available, which was different from the location of their cultivable land. This resulted in wrong reporting of Gram Panchayat.

The bank submitted that it has taken up the matter with concerned authorities to consider the matter and for an early settlement and sought more time for resolution. However, BO took a view that though bank had taken up the matter, complainant farmers cannot be forced to suffer till case was settled. BO advised the bank to compensate the complainants for less amount settled, pending settlement of the claim by the insurance company / Government.

2) A complainant who had taken personal loan from a bank alleged that the bank officials obtained his signature hurriedly in the loan agreement because of which he could not read the terms and conditions. The bank had filled up last page of the agreement after he had signed it. The bank deliberately delayed giving him loan agreement despite having asked for. After receiving the loan agreement after one year, he realised that the rate of interest was fixed at 18.15% instead of the assured rate of 10.5%. The complainant was not allowed to pre-pay. The cheque deposited towards payment of total loan dues was returned with the reason "A/c does not exist". Finally, when he was allowed to pre-pay, he was charged high foreclosure charges.

BO observed that (a) copy of the agreement was not given to the complainant in time, (b) rate of interest charged was high compared to the assurance given to the complainant and (3) delay in foreclosure of the account. BO advised the bank to charge interest at 14% on reducing balance basis from date of disbursement and charge fore-closure charges at a lesser rate of 3%.

3) The complainant having a home loan account in a bank deposited a cheque for Rs.6239 as one-time fee for reduction in rate of interest as advised by bank officials. But, bank did not account for the same and did not reduce the rate of interest. After 3 years, when the complainant came to know about it and asked for reduction in rate of interest with retrospective effect, the bank refused having received one-time fee towards reduction in rate of interest and advised him to deposit Rs.5589 again. The complainant again deposited Rs.5589/- and the rate of interest was reduced from the date of deposit. However, when the complainant produced the evidence pertaining to the payment of Rs.6239 made 3 years ago as one-time fee for reduction in rate of interest and asked for effecting reduction in rate of interest with retrospective effect, the bank declined. The bank submitted that while depositing the cheque for Rs.6239, the complainant had not submitted any mandate asking for reduction of interest and hence it was not extended. The BO concluded that cheque should not have been accepted without a mandate. Hence the bank had acted in a negligent manner in not extending reduction in interest rate even after accepting required amount. BO advised the bank to extend benefit of reduction in interest rate with retrospective effect. ●

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Tax Audit u/s 44AB of Income Tax Act

The Income-tax Law requires the taxpayer to get audit of accounts of his business/profession from view point of Income-tax Law. The audit conducted by the chartered accountant (CA) of accounts of the taxpayer in pursuance of the requirement of section 44AB, is called tax audit.

Section 44AB gives the provisions relating to the class of taxpayers who are required to get their accounts audited from a CA. It aims to ascertain the compliance of various provisions and the fulfillment of other requirements of the Income-tax Law. CA conducting the tax audit is to give his findings, observation, etc., in the form of audit report. The report of tax audit is to be given by CA in Form Nos. 3CA/3CB and 3CD.

Who is covered by Tax Audit u/s 44AB:

- A person carrying on business, if his total sales, turnover or gross receipts (as the case may be) in business for the year exceed or exceeds Rs. 1 crore. This provision is not applicable to the person, who opts for presumptive taxation scheme under section 44AD and his total sales or turnover does not exceed Rs. 2 crores.
- A person carrying on profession, if his gross receipts in profession for the year exceed Rs. 50 lakhs.
- A person who is eligible to opt for the presumptive taxation scheme of section 44AD but claims the profits or gains for such business to be lower than the profits and gains computed as per the presumptive taxation scheme of section 44AD and his income exceeds the amount which is not chargeable to tax.
- If an eligible assessee opts out of the presumptive taxation scheme, after specified period, he cannot choose to revert back to the presumptive taxation scheme for a period of five assessment years thereafter.
- A person who is eligible to opt for the presumptive taxation scheme of section 44ADA but he claims the profits or gains for such profession to be lower than the profit and gains computed as per the presumptive taxation scheme and his income exceeds the amount which is not chargeable to tax.
- A person who is eligible to opt for the presumptive taxation scheme of sections 44AE but he claims the profits or gains for such business to be lower than the profits and gains computed as per the presumptive taxation scheme of sections 44AE.
- A person who is eligible to opt for the taxation scheme prescribed under section 44BB or section 44BBB but he claims the profits or gains for such business to be lower than the profits and gains computed as per the taxation

scheme of these sections.

Section 44BB is applicable to non-resident taxpayers engaged in the business of providing services or facilities in connection with, or supplying plant and machinery on hire basis to be used in exploration of mineral oils. Section 44BBB is applicable to foreign companies engaged in the business of civil construction or erection of plant or machinery or testing or commissioning thereof, in connection with a turnkey power project.

Audit under other Law and Tax Audit : Persons like company or co-operative society are required to get their accounts audited under their respective law. These need not again get accounts audited to comply with the requirement of section 44AB.

In such a case, it shall be sufficient if such person gets a report by CA in the form prescribed u/s 44AB, i.e., Form No. 3CA and Form 3CD.

Form Nos. 3CA/3CB and 3CD

The report of the tax audit conducted under section 44AB is Form No. 3CB and the prescribed particulars are to be reported in Form No. 3CD.

In case of persons required to get their accounts audited by or under any other law, the form prescribed for audit report is Form No. 3CA/3CB and the prescribed particulars are to be reported in Form No. 3CD.

Due date to get accounts audited:

A person covered by Section 44AB should get his accounts audited and should obtain the audit report on or before the due date of filing of the return of income, of the relevant assessment year.

The tax audit report is to be electronically filed by the CA to the Income-tax Department. After filing of report by CA, the taxpayer has to approve the report from his e-filing account with Income-tax Department (i.e., at www.incometaxindiaefiling.gov.in).

Penalty for not getting the accounts audited:

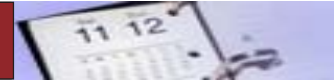
According to section 271B, if any person who is required to comply with section 44AB fails to get his accounts audited in respect of any year or years as required under section 44AB or furnish such report as required under section 44AB, the Assessing Officer may impose a penalty. The penalty shall be lower of the following amounts:

- (a) 0.5% of the total sales, turnover or gross receipts, as the case may be, in business, or of the gross receipts in profession, in such year or years.
- (b) Rs. 1,50,000.

No penalty shall be imposed if reasonable cause for such failure is proved.

- **HIGH COURT STAYS GOVT. MOVE ON LOAN RECOVERY IN DRTs:** The pecuniary limit for filing loan recovery application in DRTs by banks and financial institutions was upped by the Central Govt. from Rs.10 Lakhs to Rs. 20 Lakhs to declutter the tribunals. The Finance Ministry wants banks to step up recovery with equal focus on non-IBC cases as well. However the Rajasthan High Court has stayed the Govt. Notification which doubled the pecuniary limit. The petitioner contended that the upping of the pecuniary limit could be done only by Parliament by amending the Recovery of Debts Due to Banks and Financial Institutions (RDDBFT) Act 1993 for raising the limit upwards.
- **PANEL PROPOSAL ON CROSS-BORDER INSOLVENCY:** The Insolvency Law Panel came out with recommendations on cross-border insolvency – essentially based on the UN-CITRAL Model Law. It has proposed a “Presumption of Default” trigger for commencing insolvency proceedings in India. Currently, under the IBC, creditors can initiate insolvency proceedings on a default of Rs.1 Lakh, unlike some other jurisdictions which have to establish the state of insolvency of the debtor to initiate insolvency proceedings.
- **SEBI MOOTS EASIER LISTING NORMS FOR START-UPS:** SEBI has initiated tweaking of norms as there has been no interest from start-ups to be listed on the Institutional Trading Platform (ITP). Under the plan, ITP will be renamed Innovators Growth Platform (IGP). SEBI said that 25% of the pre-issue capital shall be held by qualified institutional buyers (QIBs) or other regulated entities or accredited investors for at least two years. Out of this, not more than 10% shall be held by accredited investors. QIBs, family trusts with networth of more than Rs.500 Crore and category-III foreign portfolio investors (FPIs) shall be made eligible.
- **DOT BARS OPERATORS FROM USING Aadhaar eKYC:** The Department of Telecommunications has directed the telecom service providers to stop using Aadhar authentication to carry out KYC of existing mobile customers and to issue new connections. The use of Aadhar authentication is not permissible for eKYC for verification to telecom subscribers, nor for issuing new mobile connections. In compliance to the judgment of Supreme Court, all licences are to discontinue the use of Aadhar eKYC service of UIDAI both for verification as well as for issuing new mobile connections. The telecom providers have to ensure

Financial Events

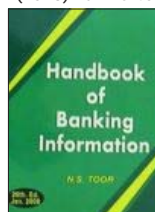


readiness of their systems and offer the proof of concept of the proposed digital process by November 5.

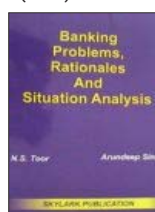
- **SUPREME COURT RULING ON IBC:** (Case- Transmission Corporation of Andhra Pradesh VS. Equipment conductors & Cables) Supreme Court has ruled in the case that the Insolvency and Bankruptcy Code (IBC) can not be invoked when there is a dispute over dues and the IBC machinery can not be made a substitute to a recovery forum.
- **HIGH COURT ORDER ON SUSPECTED CHEQUE:** (Case- Adya Global Export Inc VS. Canara Bank) Delhi High Court has said in the case that the standard of care expected from a banker in collecting the cheque does not require him to subject the cheque to a minute and microscopic examination. The collecting bank has its remedies against its clients for indemnification by asking them to return the money. In turn, the clients have remedies against the drawer of the cheque or customer to recover the amount from them as per law.
- **RBI ON ROAD MAP FOR CHANGING WHOLESALE CASH CYCLE TO RETAIL MODEL:** Currency Management is still extremely inefficient in India compared to other countries. RBI has discussed with the Cash Logistic Companies (CLCs) on a road map for changing the cash management cycle of the economy in the coming years. The plan to move from a wholesale cash cycle, in place at present, to retail-based model will increase the velocity of cash circulation,

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which will boost economic activity. Ideally, under the retail cash cycle, money that is picked up by CMS from retail outlets will be deposited back to bank branches/ATMs, instead of the currency chests again.


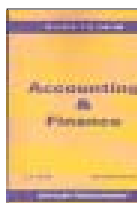
- **PANEL SET UP TO RESOLVE STRESSED ASSETS:** The Overseeing Committee (OC) that is being set up under the Inter-Creditor Agreement (ICA) for resolution of stressed assets will have 6 members including Janki Ballabh, former SBI Chairman, MBN Rao, former CMD of Canara Bank, M Damodaran, Former Chairman of SEBI and HR Khan, former Deputy Governor of RBI. The OC, which is being formed under the aegis of IBA, will approve resolution plans for stressed assets submitted by lead lenders. Mehta Committee had recommended the OC mechanism for all corporate borrowers that have taken loans for an amount of Rs.50 Crore and above. For loans below Rs.50 Crore, the Committee has recommended a bank-led ICA resolution approach with the resolution being achieved in 180 days.
- **IFC LAUNCHES \$1 BILLION MASALA BONDS:** IFC, a member of the World Bank Group, has launched Massala bonds worth \$1 billion to fund its investment activities in India. Massala Bonds are rupee-denominated borrowings issued overseas. IFC uses them to raise rupee funds overseas, and brings the proceeds to India for investments. India has been taking a series of steps to support massala Bonds. The Government had exempted withholding tax on these bonds. RBI has also permitted banks to issue massala bonds overseas for their capital requirements and to finance infrastructure and affordable housing.
- **CVC FOR ENDING MULTIPLE BANKING SYSTEM:** The Central Vigilance Commission (CVC) has recommended doing away with the multiple banking arrangement for availing big-ticket corporate loans along with a slew of measures, including setting up a centralised loan processing centre, for systematic improvements in the banking system. Multiple banking arrangements in large value financing have done more harm than good to banks. This type of arrangement enabled corporates to secure multiple finances from various banks far in excess of their requirements. It further added that the borrowed money was easily diverted through the company's accounts with various banks in the absence of effective exchange of information between the banks. Hence, there is a need to review the multiple banking arrangements.
- **SUPREME COURT FROWNED ON HIGH COURTS ORDERS ON NPAs:** The Supreme court has disapproved of some high courts continuing to entertain matters arising from the SARFAESI Act and granting interim orders in favour of non-performing assets. In an order passed in the case of ICICI Bank VS. Umakanta, the Apex Court reminded the high courts of its view and strongly said that "The SARFAESI Act is a complete Code and there is remedy provided for aggrieved persons which is to move the Debt Recovery Tribunal. In view of that, the High Courts are barred from entertaining writ petitions in the matter".
- **UIDAI CLARIFICATION ON AADHAR:** The Unique Identification Authority of India (UIDAI) has clarified that banks can continue with Aadhar-enabled payment system for transactions –including deposits, withdrawal, balance inquiry etc.-as the facility is part of direct benefit transfer scheme. The Aadhar-enabled payment system allows consumers who do not have smart phones or debit cards to perform basic transactions through biometric authentication at micro-ATMs.
- **NTPC SET TO BUY STRESSED ASSETS:** NTPC, India's Largest Power Utility, has received support from banks for funding its plan to buy assets landing in insolvency courts. It has evaluated all the 32 coal-based stressed units and shortlisted eight to nine totaling 10 gigawatts. Banks are ready to finance the "War Chest" that the company will use to bid for projects undergoing resolution in the National Company Law Tribunal (NCLT). The Company had set the stringent criteria for choosing such projects. NTPC would either pursue states to sign long-term PPAs (up to 25 years) or sell through medium-term contracts through central agencies.
- **SEBI TO MAKE EASIER TO START-UP ON BOURSES:** SEBI is planning to relax rules for listing of startups in India which include giving promoters the flexibility to categorise themselves as ordinary shareholders and exempting them from mandatory three-year lock-in period. SEBI may also free them from fiduciary responsibilities of a promoter. These measures, if implemented are expected to benefit the global private equity-backed startups inducing them to consider the possibility of listing in the country.
- **GOVT. WORKING ON NEW SCHEME TO REPLACE MEIS:** The Government is working on a new WTO-compliant export

incentive scheme for merchandise shipments to replace the existing Merchandise Exports from India Scheme (MEIS). Currently, exporters of goods avail incentives like duty benefits depending on product and country. US had challenged India's export subsidy programmes such as MEIS in the WTO, asserting that these initiatives harm its companies by creating an uneven playing field.

- **RBI TO PROVIDE 2% SUBVENTION ON CROPLANS:** To provide relief to farmers availing short term crop loans and those affected by natural calamities, RBI said that an interest subvention of 2% per annum will be made available to banks from the first year on the restructured loan amount. Such restructured loan will attract normal rate of interest from the second year onwards. In respect of default in current dues, no penal interest will be charged. Banks will also suitably defer the compounding of interest charges.
- **RBI ISSUES FINAL GUIDELINES FOR INTEROPERABILITY:** RBI has issued the final guidelines for interoperability among different kinds of prepaid instruments, including e-wallets, meal vouchers and gift vouchers. However, RBI has not made interoperability mandatory for the players. It has also not given any timeline for when the wallets can be operable. Once the new norms set in, users with different mobile wallets can make seamless transactions. There will also be free flow of money from wallets to banks and vice-versa through Unified Payment Service (UPI).
- **HIGH COURT RULING ON DGFT JURISDICTION:** (Case-Sanmarg Ltd. VS Union of India) Calcutta High Court has said in this case that the Director General of Foreign Trade (DGFT) has no jurisdiction to amend the Export and Import Policy. It was argued in the case that only the Central government can change the policy and it should be placed in Parliament. It has further been clarified by the High Court that the DGFT can only issue clarifications but he can not amend the policy.
- **IREDA PLANS TO SPONSOR ALTERNATEIVE INVESTMENT FUND:** The Government-owned lender, IREDA plans to sponsor an "Alternative Investment Fund" (AIF). The AIF would buy some of the loan assets in the books of IREDA, thereby providing IREDA with fresh funds for further lending. The lender is engaged in providing loans to companies in the renewable energy sector. IREDA expects to promote an IAF which would pool around Rs.1500 Crore from various investors. IRDEA's AIF would be a "Debt Fund" which means that it would primarily invest in debt or debt securities

of listed or unlisted companies. The AIF would buy loan assets from other lenders but cannot by itself give loans.

- **PSU BANKS WANT GOVT. TO SET UP OVERSIGHT PANEL:** State-run Banks have asked the Government to set up an Oversight Committee to examine allegations made against managements before any formal action is taken over allegations of wrongdoing. The Chief Executives of some state-owned banks had sought such a set up, seeking parity with private lenders, citing the example of ICICI Bank. Their concern was that action against executives at state-run lenders was being taken with undue haste.
- **GOVT. PLANS TO REWARD HONEST TAXPAYERS:** The Government is working on a policy proposal to reward honest tax payers in availing public services on priority. According to the proposal, honest tax payers will be empowered with "Priority Service" while at Airports, railway stations and at highway tolls, among other rewards. A Committee under the CBDT is working to chalk out the broad parameters for the proposal. It has also been proposed that the tax payers who have been consistently paying their taxes or even just filing their returns can be hosted at civic receptions held by the prominent government functionaries and are honoured publicly.
- **IRDAI PANEL TO STUDY FEASIBILITY OF PAYING CLAIMS:** The Insurance Regulatory and Development Authority of India (IRDAI) has formed a Panel to examine the

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feasibility of payment of general and health insurance claims in instalments. Some general and health insurance companies have proposed payment of claims in respect of personal accident policies and benefit-based health policies as against lump sum payments. The concept of settlement of claim benefits in instalments will enable the beneficiaries/claimants in a series of pre-determined instalments.

- **BANDHAN BANK GETS SEBI NOD ON “LOCK-IN-PERIOD EXEMPTION”:** Bandhan Bank has received exemption from SEBI on one-year lock-in-period for selling shares by promoters. This will enable the Bank to comply with the RBI’s licencing guidelines for new private sector banks. Effectively, this entails that Bandhan Bank can now sell promoter’s shares before March 2019. Previously, as a penalty for not complying with the norm of bringing down promoter’s shareholding to 40% within three years of operations, RBI had withdrawn the “General” permission given to Bandhan Bank to open new branches and had frozen to remuneration of its MD&CEO at the existing level.
- **IBBI ALLOWS MULTILATERAL FINANCIAL ENTITIES TO TAKE STAKE IN IPAs:** Insolvency Regulator, IBBI has allowed a multilateral financial institution to acquire and hold up to 15% equity stake in an Insolvency Professional Agency (IPA). A similar regulatory dispensation has also been allowed for other regulated entities such as stock exchanges, banking company, financial institution and depository. These entities too can now pick up to 15% stake in IPA which is a front-level regulator for insolvency professionals. Prescribing the shareholding pattern that would be allowed for IPAs, IBBI has also specified that the Central Government, state government and a statutory regulator can hold up to 100% equity in an IPA.
- **COMPETITION PANEL NOTIFIES CHANGES IN COMBINATION RULES:** The Competition Commission of India (CCI) has notified changes to its combination regulations in order to expedite disposal of combination cases coming up before it. The combination rules pertain to mergers and acquisitions. A significant change has been that parties to a combination can- in response to a show cause notice –now submit remedies voluntarily and offer modifications to the

combinations. If these modifications are considered sufficient to address the perceived competition harm, the combination can be approved.

- **CBIC CLARIFIED ON GST JURISDICTION:** The Central Board of Indirect Taxes and Customs (CBIC) has made it clear that irrespective of Assessee assigned under the GST Regime, officials from the Centre or State can initiate enforcement action against tax evaders and take it to the logical conclusion. The directive will remove the ambiguity on initiation of enforcement action by the Central Tax Officers in case of tax payers assigned to the State Tax authority or vice versa. It is also meant to end the jurisdictional disputes.
- **CA INSTITUTE MAKES UDIN MANDATORY:** The CA Institute, in an effort to tackle the menace of forged certification of financial statements and documents had come up with the concept of “Unique Document Identification Number” (UDIN). The new system had gone live from July 1 but was only recommendatory to start with. Now this has become mandatory from January 1. Under UDIN, unique number will be generated for every document certified by a practicing CA and registered with UDIN Portal. Regulators and Banks can use the portal to check the authenticity of the documents.
- **SEBI ALLOWS FOREIGN EXCHANGES TO HOLD IN SHARE DEPOSITORIES:** SEBI has allowed eligible foreign entities including stock exchanges to hold 15% stake in depository participants in India. Earlier, foreign players were allowed to hold 15% in domestic stock exchanges, but none of them have scaled up their holdings to that mark so far as India’s Exchange Space is highly regulated. SEBI has further prescribed that Managing Directors at Stock Exchanges, Depositories and Clearing Corporations can have a maximum of two terms of five years each.
- **RBI TO REVISE NBFC ASSET-LIABILITY NORMS:** RBI said that it will revise the asset-liability guidelines for NBFCs as there have been mismatches between their borrowings from the short-term money market and their lending practices. With NBFCs relying “excessively” on borrowing through short-term debt instruments such as CPs, there is a mis-match between their outflows in terms of repaying these instrument holders and the inflows they receive from borrowers. That is, they borrow funds through instruments that have a maturity of less than one year while funding infrastructure or capital-expenditure projects that take years to set up and even longer to generate profits and revenues for the borrowers. This creates an asset-liability mismatch and a liquidity problem at the NBFCs.

GENERAL AWARENESS

- Statue of Unity at 182 meters in Gujarat's Narmada District in honour of Sardar Vallabh Bhai Patel is- **Tallest Statue in the World.**
- State which bags "Best Agriculture Award"- **Gujarat.**
- Ranking in which India ranks 58th while US leads the same- **WEF's Global Competitiveness Rankings 2018.**
- Report according to which India is Asia's Most Savvy Economy- **StanChart Study Report**
- IDFC Bank has proposed to change its Name to- **IDFC First Bank Ltd.**
- First Female has been appointed President in a Unanimous Vote in Ethiopia- **Sahle-Work Zewade.**
- City which has the Third position after Silicon Valley and London having highest number of Tech Startups among Global Cities- **Bengaluru.**
- Agricultural Scientist MS Swaminathan has been awarded by Venkaiah Naidu – **First World Agriculture Prize.**
- Company which is the only Indian Company among Top 10 Firms to receive Foreign Labour Certification for H1B Visas for 2018- **Tata Consultancy Services.**
- Payment Bank on which RBI has lifted its ban on adding new Customers- **Fino Payment Bank.**
- Stock Exchange which has got SEBI's permission to launch Copper Contracts- **NSE.**
- Longest Sea Bridge which has been opened by China linking Hong Kong to the Mainland- **World's Longest Sea-crossing Bridge.**
- Index in which India has emerged as the Second Lowest among 34 Countries in the World providing Retirement Pension Benefits- **Global Pension Index.**
- Model which the Panel Headed by Corporate Affairs Secretary Injeti Srinivas recommended for Cross-Border Insolvency- **UNCITRAL Model.**
- Third Largest Securities Depository in the World- **NSDL.**
- Country which grew slowest in nine years at 6.5% economy- **China.**
- Crypto Currency Exchange which has launched its First ATM in Bengaluru- **Ucoin.**
- Rating which has been downgraded of Italy Government by Fitch Ratings Agency from "BBB" to "Negative" due to weakening of public finances – **Sovereign Rating.**
- Author Anna Burns has become the First Northern Irish Writer and First Woman since 2013 to win Britain's renowned Prize- **Man Booker Prize for Her Novel "Milkman".**
- Bank which launches Pre-approved Vehicle Loan Facility for its Savings Fund Account Holders – **ICICI Bank.**
- Tribunal which ruled that the financial service providers are outside the purview of Insolvency and Bankruptcy Code- **National Company Law Appellate Tribunal.**
- India has risen five spots and is ranked at 58th position on the World Economic Forum's- **Global Competitiveness Index for 2018.**
- Name of Historic City Allahabad has been changed by UP Government to- **Prayagraj.**
- A start-up at T-Hub which has

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- secured a NBFC Peer-to-Peer (P2P) Licence from RBI facilitating instant unsecured loans across India through 100% Digital Ecosystem- **Anytime loan. in.**
- State in which Centre's Flagship Health Insurance Scheme "Ayushman Bharat" has been merged with its Health Insurance Scheme-"Swasthya Sathi"- **West Bengal.**
 - Sikkim which was declared fully Organic State after phasing out chemical fertilizers and pesticides by substituting them with sustainable alternatives, got UN-backed Award- **Country's First Fully Organic State.**
 - Currency which is Weakest Currency in Asia- **Yuan .**
 - City which has been overtaken by Goa in average room rates of Branded Hotels- Mumbai..
 - A new Singapore Airlines Route connecting the city-state to New York went into operation becoming the- **Longest commercial plane ride in the world.**
 - State which is the only State which was levying Agricultural Income Tax at 30% of profit and now has been abolished by the State Govt.- **Kerala.**
 - Blockchain which has been launched by Belfrics- **World's First KYC-Compliant Blockchain "Belrium".**
 - Index in which India has been ranked among the Bottom 10 Countries in a new worldwide index- **Commitment to Reducing Inequality (CRI) Index.**
 - Country which devalues Rupee as it prepares to seek 13th IMF bailout- **Pakistan.**
 - Regulator which removes 30 day deadline for payment to Operational Creditors- **Insolvency and Bankruptcy Board of India.**
 - Body that oversees the issuance of IFRS Standards signs MOU with CA Institute which will formalise the mutual understanding and copyrights in IFRS standards and IND AS- **IFRS Foundation.**
 - Housing Finance Regulator which hikes the Refinance Limit of Housing Firms from Rs.24000 to Rs.30000 Crore for July 2018 to June 2019- **National Housing Bank.**
 - India ranks 5th in Asia while China has topped the list- **Ultra High Net worth Individuals.**
 - Two American Researchers William Nordhaus and Paul Romer got prize for studying the interplay of climate change and technological innovation with Economics- **Noble Prize.**
 - 16th October has been celebrated as- **World Food Day.**
 - Norwegian Denis Mukwege and Nadia Murad won for their efforts to end the use of sexual violence as a weapon of war and armed conflict – **Noble Peace Prize for 2018.**
 - State which is the Largest Producer of Wheat in India- **Uttar Pradesh.**
 - Maharashtra topped the Medals Tally in the Country's Biggest Skills Competition – **India Skills 2018.**
 - Harvinder Singh, Economics PHD Scholar won- **India's First-ever Para Asian Gold Medal in Archery.**
 - American Scientists Frances Arnold and George Smith and British Researcher Gregory Winter won for applying the principles of evolution to develop enzymes used to make everything from Biofuels to medicine- **Noble Prize for Chemistry.**
 - Country in which Rupiah weakened past 15000 per Dollar for First Time in 20 years- **Indonesia.**
 - Arthur Ashkin of US, Gerad Mourou of France and Donna Strickland of Canada got for Inventions in the field of Laser Physics- **Noble Prizes.**
 - India moves up 8 spots in Visa's e-payments adoption ranking and has been ranked 28th among 73 Countries- **Government E-Payments Adoption Ranking 2018.**
 - Digital Web Tool which has been launched by Karnataka Bank for Business Lead Capture and Conversion- **KBL-Force.**
 - After entering in Commodities, BSE Stock Exchange became- **India's First Universal Stock Exchange.**
 - Cancer Researchers Tasuku Honjo of Japan and James Allison of US got- **Noble Prize.**
 - 46th First Chief Justice of India from North-east- **Justice Ranjan Gogoi.**
 - India- born Economist Gita Gopinath has been appointed as -**Chief Economist of International Monetary Fund.**
 - 12 Indian Companies in "Forbes List of Best regarded Companies"- **Infosys at 31st Position.**
 - Jayant Mammen Mathew has been elected President of- **Indian Newspaper Society.**
 - Out of 10 Richest Families in India, Family which is on Top- **Mukesh Ambani (Rs.3905 Billion)-**
 - Bank which has lowered the "Cash withdrawal Limit" from Rs. 40000 to Rs.20000 only- **SBI.**



MOCK-TEST PAPER

Questions on RBI Policy

- 01** The concerted efforts of a person/ persons to *prevent* an internet site or service from functioning efficiently is called:
- Ransomware
 - Malware
 - Denial of service attack
 - Phishing
- 02** Large numbers of compromised systems (sometimes called a Bot net) attack a single target, thereby causing denial of service for users of the targeted system. It is called:
- Ransomware
 - Distributed denial of service
 - Denial of service attack
 - Spear phishing
- 03** A type of malicious software from cryptovirology that threatens to publish the victim's data or perpetually block access to it unless desired amount is paid, is called?
- Ransomware
 - Malware
 - Denial of service attack
 - Phishing
- 04** Special computer programmes that enable intruders to fool an individual into believing that traditional security is protecting him during online banking transactions.
- Ransomware
 - Malware
 - Whaling
 - Phishing
- 05** The fraudulent attempt to obtain sensitive information such as usernames, passwords and credit

card details, often for malicious reasons, by disguising as a trustworthy entity in an electronic communication.

- Ransomware
- Spear phishing
- Whaling
- Phishing

06 Fraudulent attempt directed at *specific individuals or companies* to obtain sensitive information such as usernames, passwords and credit card details, often for malicious reasons, by disguising as a trustworthy entity in an electronic communication.

- Ransomware
- Spear phishing
- Whaling
- Phishing

07 Fraudulent attempt directed specifically *at senior executives and other high-profile targets* to obtain sensitive information such as usernames, passwords and credit card details, often for malicious reasons, by disguising as a trustworthy entity in an electronic communication.

- Vishing
- Spear phishing
- Whaling
- Phishing

08 The illegal access of data via voice over Internet Protocol (VoIP). Vishing is IP telephony's version of phishing and uses voice messages to steal identities and financial resources.

- Vishing
- Spear phishing
- Whaling
- Phishing

09 As per provisions of Companies (Amendment) Ordinance, 2018, directors of companies with share capital, are to file a declaration within a period of ____ days from the date of incorporation of the company that every subscriber to the memorandum has paid the value of the shares as agreed for.

- 180 days
- 90 days
- 60 days
- 30 days

10 As per provisions of Companies (Amendment) Ordinance, 2018, Registrar of Company has the powers to register charge created on assets of a company within a period of ___ from date of creation of charge:

- 180 days
- 90 days
- 60 days
- 30 days

11 As per provisions of Companies (Amendment) Ordinance, 2018, if charge is not registered within stipulated time, RoC may on application, allow the registration of the charge within a period of further ____ days on payment of advalorem fees.

- 180 days
- 90 days
- 60 days
- 30 days

Recalled Questions

12 Which of the following is a situation that can be termed as negative working capital?

- when current assets are equal to current liabilities
- when current assets are less than

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- current liabilities
- c when current assets are more than current liabilities
- d when there are losses and current ratio is 1:1
- e when the current ratio is below the ideal ratio of 1.33:1
- 13** Which of the following cannot be a nominee:
- a a non-resident person
- b an old person aged above 100 years
- c a minor below 10 years of age
- d a Hindu undivided family
- 14** Form A 2 is used in the context of foreign exchange transactions, for which of the following:
- a annual statement of foreign currencies sold by a bank
- b annual statement of foreign currencies purchased by a bank
- c application form for purchase of foreign currency
- d application form for payment of import payments
- 15** Premium is to be paid by the bank to DICGC for the half-year ended Sept 2017. As on which date the amount of deposits is to be taken into account:
- a last Friday of Mar 2017
- b Last day of Sep 2016
- c last working day of Mar 2017
- d last Friday of Sep 2016
- 16** A bank wants to sell its NPA loan to another bank. Which of the following can be sold as on April 01, 2017:
- a loan that had become out of order on Jan 10, 2015
- b loan that had become sub-standard on May 12, 2015
- c loan that had become doubtful on April 10, 2016.
- d any of the above
- 17** The agriculture loans within priority sector have following segments (1) Farm Credit, (2) Agriculture Infrastructure (3) Ancillary Activities (4) Direct agriculture (5) Indirect agriculture.
- a 1 to 5 all
- b 1 to 4 only
- c 1 to 3 only
- d 4 and 5 only
- 18** Risk arising from failure of computer system and loss of data is:
- a credit risk
- b system risk
- c liquidity risk
- d operational risk
- e computer risk
- 19** On which among the following, a garnishee order is not applicable?.
- a funds in the account at the time of receipt of garnishee order
- b term deposit receipt which is yet to mature
- c recurring deposit the maturity of which will be 3 months after
- d a cheque realization advice that has not been credited to the account
- e amount deposited by the customer after receipt of the garnishee order
- 20** What is true with regard to investment criteria in case of micro enterprises in manufacturing & production:
- a investment can be maximum up to Rs.10 lac in plant and machinery
- b investment can be maximum up to Rs.20 lac in plant and machinery
- c investment can be maximum up to Rs.10 lac in land and building
- d investment can be maximum up to Rs.10 lac in fixed assets excluding plant and machinery
- e investment can be maximum up to Rs.25 lac in plant & machinery excluding land and building
- 21** How much provision is required to be made for unsecured balance of 15% of total outstanding for a sub-standard account:
- a 15% of the gross balance
- b 25% of the gross balance
- c 100% of the gross balance
- d 100% on unsecured portion of the balance
- 22** As per RBI directives, the inter-bank liabilities' (IBL) of a bank should not exceed ____ % of its net worth of 31st March of previous year.
- a 300% b 200%
- c 100% d 50%
- 23** If a loan guaranteed by State Govt. runs overdue for more than 90 days wef (which of the following will be incorrect):
- a interest will not be taken to income if not received
- b it will continue to be classified as standard
- c asset classification will be changed.
- d provision will be made based on asset classification.
- 24** Advances against their own shares are not allowed by banks because these are prohibited under:
- a RBI Act 1934
- b Negotiable Instrument Act
- c Banking Regulation Act 1949
- d SEBI Act
- e c and d
- 25** Which among the following can make the remittance, under RBI's liberalized remittance scheme :
- a All resident individuals
- b All NRIs
- c Resident companies
- d Resident partnership firms
- e Resident HUFs and Trusts

- 26 Which of the following defines a foreign exchange forward contract better?
- exchange rate that is determined in future
 - exchange rate that is determined in future but delivery is made now
 - exchange rate that is determined now but delivery of currency is made in future on a day fixed at the time of making the contract
 - exchange rate and delivery, both are determined in future
- 27 XOS is the statement which banks submit to RBI relating to:
- transactions in dollars
 - import transactions
 - export bills outstanding for more than 6 m
 - declaration of source for imports
- 28 For cases of detection of counterfeit notes of____, in a single transaction, FIRs should be lodged immediately, with the Nodal Police Station / Police Authorities as per jurisdiction
- 2 or more pieces
 - 3 or more pieces
 - 4 or more pieces
 - 5 or more pieces
- 29 Remittance such as DD, TT, MT, TC of Rs.50,000 and above
- should be issued by banks only by debit to the customer's account not against cash payment.
 - should be issued by banks only against cheques tendered by the purchaser and not against cash payment.
 - should be issued by banks only against other instruments tendered by the purchaser and not against cash payment.
 - any of the above
- 30 In case of overdraft facility, where the account is showing credit balance temporarily, what is the relationship of the bank and customer.
- creditor and debtor
 - debtor and creditor
 - principle and agent
 - trustee and beneficiary
- 31 A fraud has taken place in a bank branch involving an amount of Rs.200000. Its report is required to made by the bank to which of the following:
- local police
 - CBI
 - RBI
 - a and c
- 32 The loan system of credit delivery is mandatorily applicable for loan accounts having:
- term loan of Rs.10 crore and above
 - fund based working capital limits (MPBF) of Rs.10 cr and above from banking system
 - non-fund based limits of Rs.10 cr and above
 - combined limits of Rs.10 cr and above
- a, b and d
- 33 In case of a fixed deposit and recurring deposits, what is the amount of interest per financial year, for deduction of tax at source.
- Rs.10000 or above from a bank branch
 - Above Rs.10000 from a bank
 - Above Rs.10000 from all branches of the bank taken together
 - Rs.10000 and above including interest on saving bank deposits
- 34 Your branch has sanctioned cash credit limit of Rs.12 lac to M/s United Pharmacy. As at the close of July 31, it has been carrying stocks worth Rs.9 lac, sundry creditors of Rs.3 lac and book debts of Rs.6 lac. Bank has prescribed a margin of 25% on stocks and 30% on book debts. What is the maximum amount that can be withdrawn in the cash credit limit ?
- Rs.8.70 lac
 - Rs.8.30 lac
 - Rs.12 lac
 - Rs.6.75 lac
 - Rs.7.25 lac
- 35 At the time of renewal of working capital limits by your

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branch, the loan officer observed that M/s Babra Enterprises's utilisation of funds on a long term basis is 80% of the long term sources during the year. Which among the following would be the result of this kind of financial management:

- a the current liabilities would increase
- b the current assets would decline
- c the current ratio would decline
- d the current ratio would improve

36 Which among the following, is the Authority that fixes the rate of interest on saving bank deposits in banks?

- a Reserve Bank of India
- b Ministry of Finance
- c Indian Banks' Association
- d Board of Directors of a Bank

37 Stock audit is compulsory in case of NPA account, if the amount outstanding is Rs._____ or more

- a 5 cr
- b 4 cr
- c 3 cr
- d 2 cr

38 Popular Bank decides to provide finance to Ghai Films Ltd for production of a film. The working capital assessment would be done by the bank on the basis of:

- a cash budget system
- b turnover method of Nayak Committee
- c Traditional method of Tandon Committee
- d any of the above at bank's discretion

39 In a letter of credit received by M/s Ludhiana Garments, the date is stated to be on or about Dec 31, 2017. What (tolerance) flexibility is available.

- a 2 calendar days before
- b 2 calendar days after
- c 5 calendar days before

d 5 calendar days before or after

40 Corporate Bank files suit for recovery of its loan against the guarantor only and not the borrower. Guarantor pleads in the court that before filing suit against him, money should be recovered from the borrower. In such circumstances, the bank can seek recourse in the court against:

- a all the liable parties together only
- b any one of them at a time
- c all separately
- d at its discretion it can proceed against any one.
- e at the discretion of the court

41 The Framework notified by RBI for revival and rehabilitation of MSMEs can be used for MSME loans for limit up to:

- a Rs.50 cr
- b Rs.25 cr
- c Rs.10 cr
- d Rs.5 cr

42 What is the minimum amount outstanding in case of a suit filed willful default loan, that the information will be required to be sent to credit information companies:

- a Rs.2.5 lac
- b Rs.10 lac
- c Rs.25 lac
- d Rs.100 lac

43 What is the moratorium period in case of education loans (1) period of studies plus one year OR 6 months of getting the job whichever is earlier (2) period of studies plus one year (3) period of studies plus 2 years (4) Period of studies.

- a 2 only
- b 2 and 4
- c 3 and 4
- d only 4

44 The maximum value outstanding on individual prepaid payment

instruments at any point of time shall not exceed :

- a Rs.10000 b Rs.50000
- c Rs.100000 d Rs.200000

45 Your branch receives a cheque of Rs.17500 in the account of a saving bank customer. The balance in the account is Rs.16700. An outstation cheque of Rs.23000 has been sent for collection, the proceeds of which have not been received as yet. While returning the cheque, which among the following reasons will be given:

- a insufficient funds
- b exceeds arrangements, please present again
- c effects not cleared, please present again
- d drawer's instructions awaited
- e refer to drawer

46 Ceiling imposed by RBI on inter-bank call money market for lending is restricted to:

- a 25% of the net worth of the bank of previous year.
- b 25% of the deposits of the bank
- c 25% of the capital fund of the previous year
- d 25% of the total inter-bank liabilities

47 Under CTS 2010 standards, the term legal amount stands for:

- a amount written in words
- b amount written in figures
- c amount authenticated
- d amount restricted

Answers

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

Cyber Security Framework for UCBs

On 19.10.18, RBI circulated an indicative but not exhaustive, basic cyber security framework to be implemented by all Urban Coop Banks (UCBs):

1. Need for a Board approved Cyber Security Policy –

All UCBs should immediately put in place a Cyber Security policy, duly approved by their Board/Administrator, giving a framework and the strategy containing a suitable approach to check cyber threats depending on the level of complexity of business and acceptable levels of risk. On completion of the process of policy formulation by the Board, a confirmation is to be sent RBI within three months from the date of RBI circular. It shall be ensured that the cyber security policy deals with the following broad aspects, keeping in view the level of technology adoption and digital products offered to the customers:

a) Cyber Security Policy to be distinct from IT policy/IS Policy of the UCB:

The Cyber Security Policy should be distinct from the IT/IS policy of the UCB so that it highlights the risks from cyber threats and the measures to address/reduce these risks. While identifying and assessing the inherent risks, UCBs should keep in view the technologies adopted, delivery channels, digital products being offered, internal and external threats etc., and rate each of these risks as Low, Medium, High and Very High.

b) IT Architecture/Framework should be security compliant

IT architecture/ framework which includes network, server, database and application, end user systems, etc., should take care of security measures at all times. It should be reviewed by the Board or IT Sub-committee of the Board periodically. For this purpose, UCBs may carry out following steps:

1. Identify weak/vulnerable areas in IT systems and processes,
2. Allow restricted access to networks, databases and applications wherever permitted, through well-defined processes and approvals including rationale for permitting such access,
3. Assess the cost of impact in case of breaches/failures in these areas and,
4. Put in place suitable Cyber Security System to address them,
5. Specify and document clearly the responsibility for each of above steps.

A proper record should be kept of the entire process to enable supervisory assessment.

c) Cyber Crisis Management Plan

1) Since cyber risk is different from many other risks, the traditional BCP/DR (Business Continuity Plan/Disaster Recovery) arrangements may not be adequate and hence needs to be revisited keeping in view the nature of cyber risk. A Government of India organisation, CERT-In (Computer Emergency Response Team – India, a Government entity) has been taking important initiatives in strengthening Cyber Security by providing proactive/reactive services and guidelines, threat intelligence and assessment of preparedness of various agencies in different sectors, including the financial sector. CERT-In also has come out with National Cyber Crisis Management Plan and Cyber Security Assessment Framework. UCBs may refer to CERT-In/NCIIPC/RBI/IDRBT guidelines as reference material for their guidance.

2) UCBs should promptly detect any cyber intrusions (unauthorised entries) so as to respond/recover/contain impact of cyber-attacks. Among other

things, UCBs, especially those offering services such as internet banking, mobile banking, mobile wallet, RTGS/NEFT/IMPS, SWIFT, debit cards, credit cards etc., should take necessary detective and corrective measures/steps to address various types of cyber threats⁶ viz. denial of service (DoS), distributed denial of services (DDoS), ransomware/cryptoware, destructive malware, business email frauds including spam, email phishing, spear phishing, whaling, vishing frauds, drive-by downloads, browser gateway fraud, ghost administrator exploits, identity frauds, memory update frauds, password related frauds, etc.

2. Organisational Arrangements

UCBs should review the organisational arrangements so that the security concerns are brought to the notice of suitable/concerned officials to enable quick action.

3. Cyber Security awareness among Top Management/Board/other concerned parties

Managing cyber risk requires the commitment of the entire organization to create a cyber-safe environment. This will require a high level of awareness/familiarisation among staff at all levels including Board and Top Management. UCBs should actively promote among their customers, vendors, service providers and other concerned parties an understanding of its cyber security objectives. Security awareness among customers, employees, vendors, service providers, etc. about the potential impact of cyber-attacks helps in cyber security preparedness of UCBs.

4. Ensuring protection of customer information

UCBs, as owners of customer

Continued on page:6

Fit & Proper Criteria for Sponsors of ARCs

On 25.10.2018, RBI issued Fit and Proper Criteria for Sponsors - Asset Reconstruction Companies (Reserve Bank) Directions, 2018, which came into force with immediate effect.

The provisions of these Directions apply to the existing and proposed sponsors of the ARCs.

The "Sponsor" has the meaning as given SARFAESI Act and means any person holding not less than ten per cent of the paid-up equity capital of an asset reconstruction company.

Eligibility criteria for sponsors of ARCs

The sponsors should be fit and proper in order to be eligible to promote ARCs.

Determinants of fit and proper status of sponsors of ARCs

In determining whether the sponsor is fit and proper, the Bank shall take into account all relevant factors, as appropriate, including, but not limited to, the following:

- The sponsor's integrity, reputation, track record and compliance with applicable laws and regulations;
- The sponsor's track record and reputation for operating business in a manner that is consistent with the standards of good corporate governance, integrity, in addition to the similar assessment of individuals and other entities associated with the sponsor;
- The business record and experience of the sponsor;
- Sources and stability of funds for acquisition and the ability to access financial markets;
- Shareholding agreements and their impact on control and management of the ARC.

Continuous monitoring arrangements for due diligence in case of existing sponsors

- For the purpose of ensuring that all its sponsors are fit and proper, every ARC shall
 - obtain within one month of the close of financial year a declaration from all its sponsors in prescribed form.
 - furnish a certificate in prescribed form, by the end of May every year, to the Reserve Bank on the changes in the status of the sponsor.
- Every ARC shall examine any information on the sponsors which may come to its notice that may render such persons **not** fit and proper to hold such shares and shall immediately furnish a report on the same to the Bank.

Compliance with prior approval requirement

The ARCs shall make an application for RBI's prior approval for change in shareholding of the ARCs

Securitisation company

As per SARFAESI Act, it is company formed and registered under the Companies Act, 1956 for the purpose of securitisation. Securitisation means acquisition of financial assets by any securitisation company or reconstruction company from any originator, whether by raising of funds by such securitisation company or reconstruction company from qualified institutional buyers by issue of security receipts representing undivided interest in such financial assets or otherwise.

DATA COLUMN

Business of Banks

(Rs.in cr)	Mar31'18	Oct12'18
Aggregate deposits	10805150	11785980
Cash in hand/RBI	570490	544820
Investments	3043660	3494950
Bank Credit:	7881890	8993150
-Food	53930	45530
-Non-Food	7827960	8947620
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	Oct12'18
M3 (Out of which)	13962590	14441290
(a) Currency with public	1759710	1876170
(b) Demand deposits-Banks	1483710	1321910
(c) Time Deposits - Banks	10695260	11218980
(d) Other deposits with RBI	23910	24230

Sources of Money Supply

(a) Net Bank credit to Govt	4001440	4409720
(b) Bank credit to Comrc sector	9213720	9582800
(c) Net Forex assets of Banks	2922300	3027920

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-Oct18
Dollar-spot TT (Rs.)	65.50	73.43
BSE - Sensex (points)	31497	35076
NSE - Nifty(S&P CNX)	9860	10551
Foreign reserves (Million \$)	402247	392078
Gold /Oz in USD)	1301	1229

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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