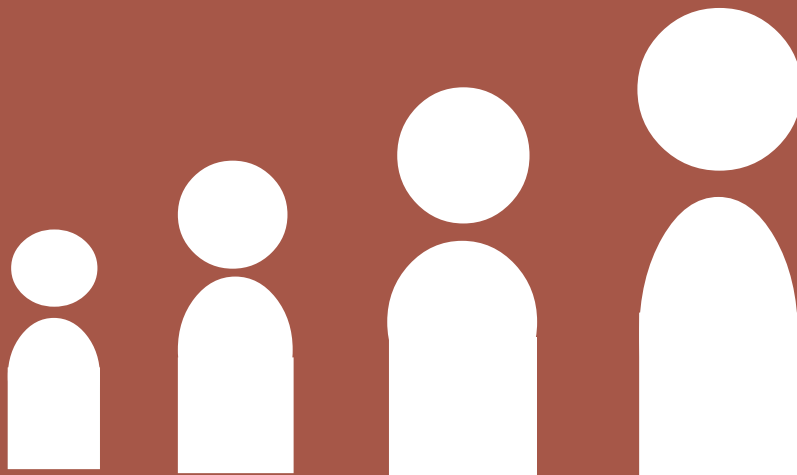


Banking events Update



Those who win, are those, who think they can

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

www.bankingindiaupdate.com

21st year of publication

Registration RNI No.67802/98
Volume - XXI No.12 : December 2018

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Executive Editor - S. Chand Singh

Editor in Chief - Sh. N S Toor

**BANKING
POLICY****ECB Policy Review**

RBI reviewed the extant provisions of External Commercial Borrowing (ECB) framework on 06.11.18 and made following amendments:

i. Minimum average maturity: Reduced the minimum average maturity requirement for ECBs in the infrastructure space raised by eligible borrowers, from 5 years to 3 years; and

ii. Hedging requirements: Reduced the average maturity requirement from extant 10 years to 5 years for exemption from mandatory hedging provision applicable to ECBs raised by eligible borrowers. Accordingly, the ECBs with minimum average maturity period of 3 to 5 years in the infrastructure space will have to meet 100% mandatory hedging requirement. ECBs falling under these provision raised prior to date of RBI circular (06.11.18) will not be required to mandatorily roll-over their existing hedges.

Relaxation to NBFCs on securitisation transactions

In order to encourage NBFCs to securitise/assign their eligible assets, RBI decided on 29.11.18, to relax the Minimum Holding Period (MHP) requirement for originating NBFCs, in respect of loans of original maturity above 5 years, to receipt of repayment of six monthly instalments or two quarterly instalments (as applicable), subject to the following prudential requirement:

Minimum Retention Requirement (MRR) for such securitisation/assignment transactions shall be 20% of the book value of the loans being securitised/20% of the cash flows from the assets assigned.

This shall be applicable to securitisation/assignment transactions carried out during a period of six months from the date of issuance of RBI circular dated 29.11.18. Other terms and conditions of the above referred Directions remain the same.

ECB Policy – Review of Hedging Provision

RBI reviewed its ECB framework on 26.11.18 and decided, in consultation with the Government of India, to reduce the mandatory hedge coverage from 100 per cent to 70 per cent for ECBs raised under Track I of the ECB framework by eligible borrowers for a maturity period between 3 and 5 years. Further, it also clarified that ECBs falling within the aforesaid scope but raised prior to the date of RBI circular (26.11.18) will be required to mandatorily roll-over their existing hedge(s) only to the extent of 70 per cent of outstanding ECB exposure.

Legal Entity Identifier Code for participation in non-derivative markets

The Legal Entity Identifier (LEI) code has been conceived of as a key measure to improve the quality and accuracy of financial data systems for better risk management post the Global Financial Crisis. The LEI is a 20-character unique identity code assigned to entities who are parties to a financial transaction. Globally, use of LEI has expanded beyond derivative reporting and it is being

used in areas relating to banking, securities market, credit rating, market supervision, etc. The LEI system has been implemented in a phased manner for participants (other than individuals) in the over-the-counter markets for rupee interest rate derivatives, foreign currency derivatives and credit derivatives in India in terms of RBI circulars dated 01.06.17 and for large corporate borrowers of banks as per circular dated 02.11.17.

In RBI Monetary Policy of April 2018, it was proposed to implement the LEI mechanism for all financial market transactions undertaken by non-individuals in interest rate, currency or credit markets regulated by RBI. Based on draft directions and comments received during the consultation, the directions on requirement of LEI Code for participation in non-derivative markets have been finalized by RBI on 29.11.18. Summary is provided as under:

All participants, other than individuals, undertaking transactions in the markets regulated by RBI viz., Government securities markets, money markets (markets for any instrument with a maturity of one year or less) and non-derivative forex markets (transactions that settle on or before the spot date) shall obtain Legal Entity Identifier (LEI) codes by the due date indicated in the schedule below. Only those entities that obtain an LEI code on or before the due dates applicable to them shall be able to undertake transactions in these financial markets after the due date, either as an issuer or as an investor or as a seller / buyer. Transactions undertaken on recognized stock exchanges are outside the purview of the LEI requirement.

In case of non-derivative forex transactions, while all inter-bank transactions shall be subject to LEI requirement, client transactions shall require LEI code for transactions involving an amount equivalent to or exceeding USD one million or equivalent thereof in other currencies.

Non-resident entities undertaking financial transactions in the relevant markets shall also require LEI code. Such entities that are not legal entities in their country of incorporation (e.g., funds operated by a non-resident parent/management company that are each registered as an FPI) shall use the LEI code of the parent/management company.

Entities responsible for executing transactions, reporting or for depository functions in these markets shall capture the LEI code of the transacting participants in their systems.

Entities can obtain LEI from any of the Local Operating Units (LOUs) accredited by the Global Legal Entity Identifier Foundation (GLEIF). In India LEI code may be obtained from Legal Entity Identifier India Ltd.

Entities undertaking financial transactions shall ensure that their LEI code is considered current under rules of Global LEI System. Lapsed LEI codes shall be deemed invalid for transactions in markets regulated by RBI.

Schedule for Implementation of LEI in the Money market, G-sec market and Forex market

Phase	Net Worth of Entities	Proposed deadline
Phase I	above Rs.10000 million	April 30, 2019
Phase II	between Rs.2000 million and Rs 10000 million	August 31, 2019
Phase III	up to Rs.2000 million	March 31, 2020

Basel-III Net Stable Funding Ratio (NSFR) – Final Guidelines

Vide its circular dated 17.05.18, RBI had circulated the details of final Net Stable Funding Ratio (NSFR) guidelines. However, its implementation was kept pending. RBI decided (29.11.18) that the NSFR guidelines will come into effect from April 1, 2020.

RTGS System - Implementation of Positive Confirmation

Presently, the National Electronic Funds Transfer (NEFT) system provides for sending a positive confirmation to the remitter of the funds regarding completion of the funds transfer, thus giving an assurance to the remitter that the funds have been successfully credited to the beneficiary account. RBI decided on 15.11.18 that banks will provide the same facility to the remitter of funds under the RTGS system as well.

Initially, the positive confirmation feature in RTGS would be available for member banks wherein both remitter and beneficiary banks access RTGS through thick client interface / SFMS member interface. Member banks are expected to communicate the same to their customers. The positive confirmation feature would be subsequently enabled for member banks accessing RTGS through other channels as well.

In this connection, a new message format (camt.059) has been introduced to communicate an acknowledgement to the remitting bank containing the date and time of credit to beneficiary account. This message would flow from the beneficiary bank to the remitter bank through the SFMS. After receiving the positive confirmation from the beneficiary bank, the remitter bank shall initiate an SMS and / or generate an e-mail to the remitter.

Accordingly, all banks are required to put in place systems to ensure straight-through-processing (STP) based confirmation processing. The beneficiary bank shall ensure that such confirmation message is sent as soon as the amount is credited to the beneficiary account in CBS while the confirmation message from the remitting bank shall be necessarily sent on a real time basis and in any case not beyond one hour after receipt of credit message from the beneficiary bank.

The system of sending positive confirmation to the customers is to be operationalised by banks at the earliest but not later than two months from the date of RBI circular dated 15.11.18. ●

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Office:SCO No.32, Sector 33-D,
Chandigarh 160 020

Phone: 0172-2665623, 09988221167
email - banking121@gmail.com

www.bankingindiaupdate.com

Interest Equalization Scheme on Pre-shipment and Post-shipment Export Credit

During 2015, Govt. approved the Interest Equalisation Scheme for Pre and Post Shipment Rupee Export Credit with effect from 1st April, 2015 for 5 years.

The details of the Scheme are as follows:

(a) The rate of interest equalisation @ 3% per annum will be available on Pre Shipment Rupee Export Credit and Post Shipment Rupee Export Credit.

Government of India decided to increase w.e.f. November 02, 2018 Interest Equalisation rate from 3% to 5% in respect of exports by the Micro, Small & Medium Enterprises (MSME) sector manufacturers under the Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit.

(b) The scheme would be applicable w.e.f 01.04.2015 for 5 years.

(c) The scheme is available to all exports under 416 tariff lines [at ITC (HS) code of 4 digit] and exports made by Micro, Small & Medium Enterprises (MSMEs) across all ITC(HS) codes.

(d) Scheme is not available to merchant exporters.

(e) Banks are required to completely pass on the benefit of interest equalisation, as applicable, to the eligible exporters upfront and submit the claims to RBI for reimbursement, duly certified by the external auditor.

(f) Ministry of Commerce and Industry places funds in advance with RBI for a requirement of one month and reimbursement is to be made on a monthly basis through a revolving fund system.

(g) All eligible exports under the scheme would have to meet the criteria of minimum processing for the goods to be called as Originating from India and would be governed by provision of Handbook of Procedures of Foreign Trade Policy 2015-2020.

Operational aspects for banks:

The interest equalisation benefit will be available from the date of disbursement up to the date of repayment or up to the date beyond which the outstanding export credit becomes overdue. However, the interest equalisation will be available to the eligible exporters only during the period the scheme is in force.

The sector-wise consolidated monthly reimbursement claim for interest equalisation should be submitted in original within 15 days from the end of the respective month, with bank's seal and signed by authorised person. The claims should be accompanied by an External Auditor's Certificate (with stamp and membership

number) certifying that the claim for interest equalisation of Rupees..... for the month ended has been verified and found to be strictly in accordance with the provisions of the Government scheme.

The claims may be submitted to RBI.

XBRL Implementation at RBI

As part of the regulatory and supervisory functions bestowed on it, RBI collects data in fixed formats (called 'Returns') from commercial banks, financial institutions, authorised foreign exchange dealers and non-banking financial institutions.

With a view to adopting better technology solutions in reporting, RBI took the eXtensible Business Reporting Language (XBRL) in the year 2008.

Under the XBRL project, a no. of returns and reports have been developed by RBI. These returns pertain to:

- i. Financial accounts of the banks;
- ii. Regulatory monitoring like, Cash Reserve Ratio, Statutory Liquidity Ratio, Unclaimed Deposits, Gap, Positions and Balances (GPB), Capital Adequacy (designed as per Basel II guidelines) etc.
- iii. Supervisory monitoring like Off-Site Monitoring and Surveillance System, Fraud Monitoring System.

While XBRL reporting was introduced initially for Scheduled Commercial Banks, over time it has been extended to Urban Co-operative Banks, Financial Institutions (non-bank), and Primary Dealers.

As part of the Supervisory initiative, a Central Repository of Information on Large Credits (CRILC), has been created by the Reserve Bank. The database has been developed under the XBRL framework and the same is shared with the banks. It has helped in tracking and reviewing exposures/impairment of large borrowers more effectively across banking institutions and initiate timely remedial measures.

Important Gains from Implementing XBRL at RBI:

- i. Provides comprehensive information on each data element with definitions, hierarchy and metadata
- ii. Ensures data consistency (within return) through proper validations
- iii. Enables rationalisation of returns by removing duplicate items

During February 2016, the XBRL International, the global custodian of the eXtensible Business Reporting Language (XBRL) standard awarded the 'XBRL International Award for Excellence' to RBI.

RBI's bi-monthly Monetary Policy Statement

In its bi-monthly review on 05.12.18, RBI notified the following provisions:

1. External Benchmarking of New Floating Rate Loans by Banks

All new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans to Micro and Small Enterprises extended by banks from April 1, 2019 shall be benchmarked to one of the following:

- a) Reserve Bank of India policy repo rate, or
- b) Government of India 91 days Treasury Bill yield produced by the Financial Benchmarks India Private Ltd (FBIL), or
- c) Government of India 182 days Treasury Bill yield produced by the FBIL, or
- d) Any other benchmark market interest rate produced by the FBIL.

2. Aligning Statutory Liquidity Ratio with Liquidity Coverage Ratio

As per the existing roadmap, scheduled commercial banks have to reach the minimum Liquidity Coverage Ratio (LCR) of 100 per cent by January 1, 2019. Presently, Statutory Liquidity Ratio (SLR) is 19.5 per cent of Net Demand and Time Liabilities (NDTL). Further, the assets allowed to be reckoned as Level 1 High Quality Liquid Assets (HQLAs) for the purpose of computing the LCR of banks, inter alia, include (a) Government securities in excess of the minimum SLR requirement; and (b) within the mandatory SLR requirement, Government securities to the extent allowed by RBI under (i) Marginal Standing Facility (MSF) [presently 2 per cent of the bank's NDTL] and (ii) Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) [presently 13 per cent of the bank's NDTL]. In order to align the SLR with the LCR requirement, it is proposed to reduce the SLR by 25 basis points every calendar quarter until the SLR reaches 18 per cent of NDTL. The first reduction of 25 basis points will take effect in the quarter commencing January 2019.

3. Measures to Improve Liquidity Management

Currently, the Cash Reserve Ratio (CRR) balance of banks at the end of the day is being disclosed with a lag of 2-3 days, while the details of the currency in circulation are being released with a lag of one week. In order to enable banks to forecast their liquidity requirements with a greater degree of precision, it has been decided that the Reserve Bank will provide information on daily CRR balance of the banking system

to market participants on the very next day. Accordingly, the daily Money Market Operations press release will contain the CRR figure for the previous day, with effect from December 6, 2018.

4. Ombudsman Scheme for Digital Transactions

With the digital mode for financial transactions gaining traction in the country, there is an emerging need for a dedicated, cost-free and expeditious grievance redressal mechanism for strengthening consumer confidence in this channel. It has therefore been decided to implement an 'Ombudsman Scheme for Digital Transactions' covering services provided by entities falling under Reserve Bank's regulatory jurisdiction. The Scheme will be notified by the end of January 2019.

5. Framework for Limiting Customer Liability in respect of Unauthorised Electronic Payment Transactions involving Prepaid Payment Instruments

The Reserve Bank has issued instructions on limiting customer liability in respect of unauthorised electronic transactions involving banks and credit card issuing non-banking financial companies (NBFCs). As a measure of consumer protection, it has been decided to bring all customers up to the same level with regard to electronic transactions made by them and extend the benefit of limiting customer liability for unauthorised electronic transactions involving Prepaid Payment Instruments (PPIs) issued by other entities not covered by the extant guidelines on the subject. The guidelines will be issued by the end of December 2018.

6. Expert Committee on Micro, Small and Medium Enterprises

Micro, Small and Medium Enterprises (MSMEs) contribute significantly to employment, entrepreneurship and growth in the economy. They remain, by their predominantly informal nature, vulnerable to structural and cyclical shocks, at times with persistent effects. It is important to understand the economic forces and transactions costs affecting the performance of the MSMEs, while often the rehabilitation approach to the MSMEs stress has focused on deploying favourable credit terms and regulatory forbearances. To this end, an Expert Committee will be constituted by the Reserve Bank of India to identify causes and propose long-term solutions for the economic and financial sustainability of the MSME sector. The composition of the Committee and its Terms of Reference will be finalised by the end of December 2018 and the report will be submitted by the end of June 2019.

Group of Twenty (G-20)

The Group of Twenty (G20) is a leading forum of the world's major economies that seeks to develop global policies to address most pressing current challenges.

The G20 is made up of 19 countries and the European Union. The 19 countries are Argentina, Australia, Brazil, Canada, China, Germany, France, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom and the United States.

Spain is a permanent invited guest to G20 meetings. Every year, the country which holds the G20 presidency, can invite other countries to attend, at its own discretion.

Origin

The G20 was born out of a meeting of G7 Finance Ministers and Central Bank Governors in 1999 to address the world's financial challenges in the aftermath of 1997 Asian crisis. Later, the G7 invited leading markets – both developed and emerging – to form a new Ministerial-level Forum, the G20.

Since 2008 (global financial crisis period) the G20 summits have been attended by Heads of State or Government. G20 was instrumental in stabilizing the world economy. Since then, its agenda has expanded to include additional issues affecting financial markets, trade and development.

How does G-20 work?

Every year, when a new country takes on the presidency, it works hand-in-hand with the previous presidency and the following presidency in what is collectively known as the **troika**. This is to ensure the consistency and continuity of the group's agenda.

The presidency of the G20 rotates annually between the group's 19 member countries.

G20 has no headquarters or permanent staff and the country which holds the G20 presidency, hosts the meetings and plays a leading role in setting the agenda and building consensus among members.

What do the G20 members collectively represent?

Collectively, the G20 members make up 85% of the world's economic output, 66% of its population, 75% of international trade and 80% of global investments in research and development.

The work of G20 is generally divided into two tracks:

· The **Finance track** comprises all meetings with G20 finance ministers and central bank governors, and their deputies. They focus on financial and economic

issues, such as monetary, fiscal and exchange rate policies, infrastructure investment, financial regulation, financial inclusion and international taxation.

· The **Sherpa track** focuses on broader issues such as political engagement, anti-corruption, development, trade, energy and climate change, gender equality, among others.

What impact does the G20 have?

The G20 is one of the most important international forums for collaboration on the global economy. Its meetings address the world's most pressing challenges and coordinate appropriate global policy responses. In today's evolving geopolitical context, international collaboration is crucial, making the G20 all the more relevant. The G20 also ensures that developing countries have a greater impact on global affairs.

The prime achievements of the G20 to date include: the quick deployment of emergency funding during the 2008 global financial crisis, reforms for international financial institutions, improving oversight of national financial institutions, bolstering the quality of financial regulatory bodies in markets whose fiscal and monetary policies have led to crisis, and creating a global security network to fight the spread of such crises in the future.

G20 presidency :

One country is chosen by the G20 members to hold the presidency over the group for one year. The presiding country organizes and hosts the meetings, sets the agenda priorities to discuss and invites additional attendees at its discretion. As the G20 has no permanent secretariat, the role of the presiding country is critical to the forum's effectiveness.

In 2018, Argentina hosted the summit on 30 November and 1 December in Buenos Aires to wrap up the G20's work in 2018. Japan in 2019 and Saudi Arabia in 2020 and India will host the summit in 2022, 75th year of Independence.

(Source of information : <https://www.g20.org/en/g20>)

Board of Management in Primary (Urban) Co-operative Banks (UCBs)

Expert Committee on licensing of new Urban Co-operative Banks (2010) had recommended that a Board of Management (BoM) be constituted in every Primary (Urban) Co-operative Bank (UCB), in addition to the Board of Directors (BoD) to strengthening governance in the UCBs. In draft guidelines (25.06.18), RBI proposed to require UCBs to make a provision in their bye laws for setting up a BoM. It is proposed that regulatory approvals such as expansion of area of operation and opening of new branches may be allowed only for UCBs that have made such a provision in their bye laws. RBI shall issue final guidelines by the end of December 2018.

Practical Problems based on Banking Ombudsman Decisions

1) The complainant who was enjoying Cash Credit and Bank Guarantee facility, alleged that the bank had levied charges of Rs.10,53,400 towards processing fees, service tax and Cess for renewal of the facility though he had not requested for renewal. As per sanction letter the facility was valid till Jan 31, 2016. The bank submitted that BG was valid till June 10, 2016 as part of original sanction letter. Hence it extended full facility till June 10, 2016. On Feb 16, 2016, bank had received a letter from another bank for takeover of the facility. On takeover of loan facility by another bank, prepayment charges were debited to complainant's account as per terms of sanction letter.

The relevant documents submitted by both were examined. It was observed that after receipt of letter from taking over bank on Feb 16, 2016, complainant's bank had sent a letter to the complainant requesting for submission of renewal proposal as the facility had already expired.

BO observed that the bank had extended the facility till June 10, 2016 for which no letter was issued but bank had deducted prepayment charges/processing fees along with Service Tax and Cess on takeover of the facility by other bank. Considering these aspects, BO advised the bank to refund the amount along with compensation @ 8%.

2) A retired school teacher drawing a monthly pension of Rs.21,000 visited a bank to invest the gratuity amount in fixed deposits. However, he was misguided and sold an insurance product involving payment of annual premium of Rs.7 lakh. Though he was told that the premium was to be paid initially only once, he received demand notice in the second year and had to pay it with great difficulty by selling personal belongings. When he received the demand notice third time he approached the OBO.

In the conciliation meeting the bank agreed that the complainant was sold a third party product which was not suitable for him and hence it was in violation of commitment given under BCSBI Code. It was agreed upon by both that the amount contributed by complainant be converted to respective fund values as on the date of conversion and placed as fixed deposits @ 8% interest on cumulative basis till maturity of insurance policies. The bank was also directed to ensure that the maturity proceeds of the fixed deposits be credited to the customer's account on the date of maturity of the policies.

3) The complainant who wanted to invest in a fixed deposit of a bank was persuaded to buy an insurance policy with maturity proceeds of Rs.4.50 lakh after payment of annual premium of Rs.25,000 for 10 year. The bank later informed that maturity amount would be Rs.2.92 lakh. The exit route provided that the policy could be surrendered after payment of 3 yearly instalments and surrender value would be Rs.21,826 only. bank maintained that the complainant was explained in detail before selling the policy and a verification call was made to the customer where all details regarding the policy including the closure after three years were explained over telephone. In the conciliation meeting the bank officials admitted that there could have been some misunderstanding on their part in explaining the details of the policy to the complainant. It was agreed upon by the complainant and the officials of the bank that the complainant would surrender the policy document for cancellation and the insurance premium paid by the complainant would be refunded without any interest to the complainant. ●

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Value Free Transfer (VFT) of Govt. Securities

Its circular dated 05.09.11, RBI had stipulated the eligibility criteria and operational guidelines for Subsidiary General Ledger (SGL) / Constituent Subsidiary General Ledger (CSGL)/ accounts(as amended thereafter). Under this, Value Free Transfers (VFT) of Government securities from one SGL/CSGL account to another SGL/CSGL account were allowed by the Reserve Bank.

The SGL/CSGL Guidelines have been revised by RBI on 29.10.2018.

RBI issued separate guidelines on 16.11.18, for VFT to enable more efficient operations in the Government securities market. Value Free Transfers between SGL/CSGL accounts not covered by this circular would require specific approval of the Reserve Bank.

Meaning of VFT: VFT of the government securities shall mean transfer of securities from one SGL/CSGL to another SGL/CSGL account, without consideration. Such transfers could be on account of posting of margins, inter-depository transfers of government securities arising from trades in exchanges between demat account holders of different depositories, gift/inheritance and change of custodians etc. VFT would also be required in the case of distribution of securities to the beneficiary de-mat/gilt accounts on allotment after participation in the non-competitive segment of the primary auction.

Permitted Transactions : The following transactions shall be eligible for VFT of government securities:

- i. Transfers on account of gifts and inheritance, between one CSGL account to another.
- ii. Inter-depository transfers (between CSGL accounts of depositories) arising out of the following:
 - a) own account transfer of securities by investors/brokers holding accounts in more than one depository.
 - b) trades in exchanges between de-mat account holders of different depositories. In such cases, depositories shall put in place suitable mechanisms to ensure, the bonafide nature of these transfers before effecting the VFT. This will entail suitably advising the Depository Participants, to ensure that board approved risk management processes and audit oversight are applied before transactions in Government securities are accepted at their level and to confirm the same to the Depositories;
- iii. Transfer from CSGL accounts of clearing corporations to the CSGL account of the depositories or to other CSGL holders for onward transfer to clients for distribution of securities allotted during primary auction settlement;
- iv. Transfer of securities on account of mergers and

amalgamations;

v. Transfer of securities on account of change of custodians by Foreign Portfolio Investors, subject to approval by SEBI

vi. Own account transfer of securities from SGL/CSGL accounts to CSGL of depositories, where there is no change in beneficiary ownership;

vii. Transfer of Gilt Account Holder's(GAH) securities from one CSGL account to another CSGL account, in case a GAH decides to close his gilt account with one CSGL account holder and open a new gilt account with another CSGL account holder.

viii. Transfer of securities pertaining to margin requirement/collateral posting in the following cases:

1. Transfer of margin/collateral between Clearing Corporation of India Ltd (CCIL) and members of CCIL.
2. Transfer of margin /collateral under the Credit Support Annexes (CSA) and the Global Master Repurchase Agreement (GMRA)

Provided that the margin/collateral should be kept in a separate CSGL account opened with RBI's specific permission for the purpose. All such transactions should have an RBI regulated entity at least on one side of the transaction and should be subjected to concurrent and management audit. Appropriate documentation should be maintained.

3. Posting of Government securities as margin /collateral in all segments of the recognised stock exchanges - VFT of G-Sec will be permitted for margin/margin reversal movements between the Foreign Portfolio Investors (FPIs) and their clearing members with whom they have a Gilt Account, for offering G-Secs as collateral to the recognized stock exchanges in India for their eligible transactions in recognized stock exchanges. The CSGL account holders shall obtain a specific request along with an undertaking from the concerned FPI and their clearing members that the transactions are non-trade and only for margin/collateral purpose. Clearing members would be required to put in place a robust system for clear segregation of their proprietary securities and securities held as margin /collateral on behalf of their FPI clients.

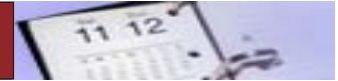
4. Posting of margin /collateral as above for domestic participants in recognized stock exchanges.

5. The eligible entities can initiate VFT through RBI's Core Banking System viz., e-Kuber for the transactions mentioned at i. to viii. above.

Reporting : The details of the VFT effected as above are to be reported by entities effecting the VFT on a weekly basis to RBI.

- **NOD FOR OPENING SOLAR ALLIANCE TO ALL UN MEMBER-NATIONS:** The Union Cabinet gave its approval for moving a resolution in the first Assembly of the International Alliance (ISA) to amend the framework agreement of the alliance to open up membership to all UN Countries. The decision has been taken to put solar energy on the global agenda with the universal appeal for developing and deploying solar energy.
- **CABINET APPROVES ORDINANCE TO AMEND COMPANY ACT:** The Union Cabinet gave its approval for promulgation of an ordinance to bring amendments to the Companies Act 2013. The amendments are largely in line with the recommendations of a Panel headed by Corporate Affairs Secretary Injeti Srinivas. The ordinance will cover provisions to decriminalize several offences, cap independent director's remuneration, bring measures to curb shell companies besides help de-clog the National Law Tribunal. It has also suggested a reduction in the time limit for filing documents related to creation, modification and satisfaction of charges and stringent penal provisions for non-reporting.
- **SEBI TO INTRODUCE UPI AS ALTERNATIVE FOR RETAIL IPO INVESTORS:** SEBI will launch Unified Payments Interface (UPI) as an alternative payment option for retail investors, buying shares in a public issue in a phased manner from January 1 next year which will also cut the listing time for an IPO to three days from six at present. The new mechanism will increase the efficiency of the existing system and curtail the need for manual intervention. Currently, retail investors either invest in IPO through bank ASBA or through broker does the bidding and hands over the application form to the investor's bank. Now SEBI will ensure complete and smooth transition to the UPI Payment Mechanism.
- **GOVT. TO RELAUNCH GOLD MONETISATION SCHEME:** The Government is likely to announce the Gold Monetisation Scheme with some changes therein. The re-launch will identify 40-50 cities where the banks will push the scheme and there will be one designated branch for accepting gold deposits, which will be based on the certificate provided by the collecting centre. SBI is expected to identify at least 10 branches for this. The scheme will offer interest on idle gold. Last time,

Financial Events

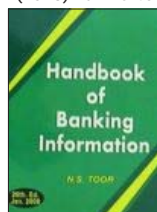


14.4 tonnes of gold was mobilised since its launch on November 5, 2015.

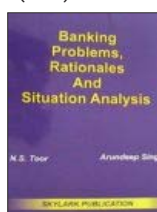
- **SUPREME COURT RULING ON DEBTOR'S RIGHT UNDER SARFAESI:** (Case- Hindon Forge Ltd. VS. State) The issue was whether a borrower can move the DRT even before physical possession of assets is taken by banks/financial institutions in the exercise of their powers under the Act. Supreme Court has ruled that a debtor can approach the DRT under the SARFAESI Act at the stage of possession notice by the secured creditor.
- **SUPREME COURT RULING ON ARBITRATION UNDER CONSORTIUM:** (Case- L&T VS. Mumbai Metro) Supreme has ruled that when there is consortium between an Indian Company and a foreign entity, a claim can be filed only in the name of consortium and not separately.
- **GOVT. INVOKED SECTION 7 OF RBI ACT:** The Government has invoked hitherto unused Section 7 of RBI Act to initiate consultations on around a dozen issues, after RBI failed to act on any of them. The Government had been in discussions with RBI on most of these subjects –largely aimed at easing liquidity and promoting credit off-take to spur growth for a long time but the Government received no response. RBI has not acted on any of these issues and even not taken on its Board.
- **INDIA TO DEVELOP GLOBAL PAY**

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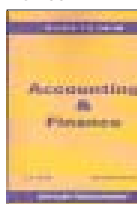


NORMS: The Payment Card Industry Security Standards Council (PCI SSC) has set up a presence in India. The Council, which sets the standards for payment systems security globally, expects that India will be among the top markets for digital payments and that Indian players will continue to development of global standards. PCI SSC, which mandates data security standards, was originally set up by Card Companies in the US in 2016. While the Council does not ensure compliance, it sets out things that need to be done to ensure security.

- **SEBI LAYS DOWN NORMS FOR TRANSFER OF PHYSICAL SHARES:** SEBI has put in place a standard framework for transfer of securities in physical mode, in a bid to address the difficulties faced by investors in transmission of such shares. SEBI has allowed transfer deeds executed prior to December 1, 2015 to be registered with or without the PAN of the transferor after it noticed that many transfer deeds executed prior to that date have not been registered due to non-availability of PAN of the transferor. In case of any mismatch of name in PAN card vis-à-vis name on share certificate or transfer deed, transfer will be registered on submission of any four documents- Passport, Marriage Certificate, Aadhar Card and copy of gazette notification regarding change in name.
- **GOVT. TO START TRADE VIA “NAM”:** The Agriculture Ministry will run a pilot project for Interstate Mandi through the Electronic National Agriculture Market (e-NAM). This will enable a trader with unified licence from one state to bid online for and procure commodities from another state. Currently, seven states are working on the modalities to establish interstate trade. It will enhance the competition among the trade and lead to better prices for farmers.
- **GOVT. WANTS RBI FOR SURPLUS NORMS FRAMEWORK:** The Government, on board Meeting of November 19, wants the RBI to clear its intent for fixing norms for the Surplus Reserves to be maintained by it. The Global norm is to have reserves of 14% of total assets, while at present, the RBI has 27%. There need to be some norms for how much RBI can keep. According to the RBI Annual report, surplus reserves as on June30, 2018 were about Rs.9.63-Lakh Crore.
- **IRDAI FOR UNCLAIMED AMOUNTS OF POLICY HOLDERS:** With over Rs.15, 000 Crore of unclaimed deposits lying idle with insurers, IRDAI is working on a mechanism to return them to policy holders or their beneficiaries. For amounts stuck in pension schemes, the Regulator has asked Life Insurers to repay them as lumpsome payments to policyholders or their beneficiaries. Further IRDAI

have asked life insurance companies to provide a search facility on their website so that the policy holder or their nominees could find out about the unclaimed amount by citing their Aadhar or PAN.

- **SEBI TO TIGHTEN LIQUID MF RULES:** SEBI is considering a proposal to tighten rules for liquid mutual funds to curb volatility in flows following the challenges facing finance companies in the wake of IL&FS. SEBI is planning a lock-in period for investments in liquid funds in which, investors mostly large companies – park idle cash. SEBI may also make it mandatory for liquid funds to mark to market the value of more bonds and allow segregation of debt instruments in mutual fund portfolios that are in trouble.
- **SUPREME COURT VERSION ON CURRENCIES IN ARBITRAL AWARD:** (Case- Vedanta VS. Shenzhen Shandong Nuclear Power Construction Co.) When an arbitral Tribunal passes its award specifying interest rates in different currencies, it should coordinate the choice of currency with the interest rate. This must be kept in mind when the parties do not operate in the same currency. It is necessary to consider the complications caused by different interest rates. Hence Supreme Court observed that a uniform interest rate for Indian rupees and Euros would not be justified.
- **SUPREME COURT RULING ON ARBITRATION CONTRACT:** (Case- Caravel Shipping services VS. Premier Sea foods Exim) Supreme Court has ruled that an arbitration agreement need not be signed, though it must be in writing. In this case the Bill of Lading, which attached printed forms, was not signed by the parties. The courts below agreed with it but on appeal, the Apex Court noted that the bill of lading specified that when accepting it, the merchant agreed to be bound by “all terms, conditions-whether typed, printed or otherwise”.

- SUPREME COURT RULING ON “SHORT ABSENCE”:** (Case- Shriramnarayan Mills VS. Textile Workers Union) Supreme Court has ruled in this case that a clause in the standing orders of an industrial unit which treats absence of a worker even for a half day “Break in service” is illegal. In this case the Union had appealed to the Apex Court and said that such a clause could be misused by the management by arbitrarily imposing punishment. The rule would deprive the employee of his right to gratuity as the Act is applied when there is continued service.
- PAPERLESS PROCESSING OF EXPORTS :** The Revenue Department has decided to extend the facility of uploading digitally signed documents for all types of exports under the Indian Customs EDI System (ICES) with a view to improve ease of doing business and promote paperless processing. The ICES is operational at 134 major customs locations handling nearly 98% of India’s international trade in terms of import and export consignments.
- SEBI TIGHTENS REVIEW NORMS FOR CRAs:** SEBI has tightened the review norms of the Credit Rating Agencies (CRAs). SEBI has asked the Rating Agencies to include a specific section on liquidity, highlighting parameters unutilised credit lines and adequacy of cash flows for servicing maturing debt obligations in the rating reports. This is to help investors understand the liquidity situation of an insurer. While carrying out monitoring repayment schedules, CRAs shall analyse the deterioration in the liquidity conditions of the issuer and also take into account any asset-liability mismatch.
- GOVT. NOTIFIES NFRA RULES:** The Government has notified the National Financial Reporting Authority (NFRA) rules, taking away the CA Institute’s monitoring and disciplinary powers over auditors of listed entities and large unlisted companies besides banks and insurance companies. As per the notified rules, the NFRA will have the power to monitor and enforce compliance with accounting standards and auditing standards, oversee the quality of service and undertake investigation of the auditors of listed entities. Unlisted entities should have with paid up capital of not less than Rs.500 Crore or annual turnover of over Rs.1000 Crore or those having aggregate loans, debentures or deposits of not less than Rs.500 Crore as of March 31 of the preceding financial year.
- SUPREME COURT RULING ON LIMITATION LAW:** (Case- BK educational Services Ltd. VS. Parag Gupta Associates) The NCLAT had ruled in several cases that the Limitation Act is not applicable for initiating CIRP and that a stale claim of dues three years old without explanation normally should not be entertained. Disagreeing with the view the Supreme Court stated that Limitation Act covered them. The Apex Court ruled that the Limitation Act covers applications filed for initiating Corporate Insolvency Resolution Process (CIRP) under IBC from its inception in 2016.
- SUPREME COURT RULING ON EQUAL PAY FOR TEMPORARY STAFF:** (Case- Sabha Shankar VS. Divisional Forest Officer) Supreme Court stated in this case citing an earlier judgment that “any act of paying less wages as compared to others similarly situated constitutes an act of exploitative enslavement, emerging out of a domineering position”. The Apex Court ruled that temporary employees are entitled to wages the minimum of the pay scales which are applicable to the regular employees holding the same post.
- SEBI SEEKS ROC STAMP FOR IPO PROSPECTUS:** In a bid to cut down the time taken for listing of shares via an Initial Public Offering (IPO) SEBI has asked Ministry of Corporate Affairs to make it mandatory for the Registrar of Companies (ROC) to approve or reject the prospectus filed by companies

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within a specific time period. Currently, the ROC is not required to issue an approval or denial when a company files for listing of shares. But it can raise objections at a later stage, which SEBI feels can delay the whole process. SEBI wants to reduce the time taken for in listing of shares from six days to three days after an IPO is concluded.

- **PSBS' LOSSES WIDEN THREE-HALF TIMES:** State-owned banks saw their cumulative losses nearly three-and-a-half times to Rs.14, 716 Crore in July-September quarter of the current fiscal due to mounting bad loans. These 21 public sector banks had posted a net loss of Rs.4284 Crore in September quarter. On a quarterly basis, however their performance was somewhat better as they narrowed down their losses by about Rs.2000 Crore in the last quarter from Rs.16, 615 Crore in April-June quarter 2018. Higher provisioning towards NPA had impacted the balance sheets of PSBs.
- **RBI BOARD DECISIONS ON ECF AND PCA:** After a marathon meeting, RBI Board took the middle ground in a bid to defuse rising tension between the Government and RBI. The Board decided to set up a Committee to review the Economic Capital Framework (ECF). The Committee is to determine the level of reserves the RBI should hold vis-à-vis its assets so that the excess can be transferred to the Government. With regard to banks under Prompt Corrective Action (PCA), which restricts banks' ability to lend and expand operations, the Board decided that the matter would be examined by the Board for Financial Supervision (BFS) of the RBI.
- **RBI BOARD TO EASE CAPITAL PRESSURE ON BANKS:** The RBI Board decided to ease capital pressure on banks by allowing them one more year to meet the Capital Conservation Buffer (CCB). This buffer is aimed at ensuring banks build-up capital during non-stress periods so they can draw down when losses are incurred. The Board decided to extend the transition period to implement the last tranche of 0.625% under the CCB by one year up to March 31, 2020. By March-end 2020, banks can now achieve a CCB of 2.5% of their risk-weighted assets. However, the capital to risk-

weighted assets ratio, which is the amount of capital banks need to hold for making loans and absorbing possible losses has been retained at 9%.

- **ISSUE OF SOVEREIGN RATING AND RBI RATING:** The proposed Committee to be constituted to look into Economic Capital Framework would have to address the issue whether RBI' Rating be Higher than India's Credit Rating. According to the RBI presentation, RBI should have a "Triple-A" rating, while according to Rating Agency S&P, India's Sovereign Rating stands at Lowest Investment Grade. According to RBI, since India has no reserve currency and has to fund its current account deficit, RBI's Balance Sheet should be robust enough to attract the top rating.
- **MCX TO OFFER DELIVERY SETTLEMENT FOR BASE METALS:** India's commodity market is set to reduce its dependence on international exchanges, mainly in the US and Europe, for price discovery. The MCX, a monopoly in trading base metal derivative contracts in India, is gearing up for delivery-based settlement verses the current cash system. This means traders can ask for actual goods than cash for closing the contract. The MCX may initially, move Zinc and Nickel to delivery from April 2019. The Exchange is mulling to propose ports near Mumbai for delivering goods to settle contracts on its platform.
- **CREDIT GUARANTEE NORMS FOR MSE TWEAKED:** The Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) jointly set up by the Government and SIDBI, has tweaked norms to improve credit guarantee process for MSEs from December 1, 2018. The CGTMSE was set up to improve fund flow to MSEs that are often unable to provide adequate collateral for taking loans from banks and other lending institutions. The financial data with regard to the slabs above Rs.10 Lakh has been made mandatory. However, providing data with regard to the slab between Rs.1 Lakh and Rs.10 Lakh is optional.
- **GOVT. MAKES JUTE PACKAGING MANDATORY:** The Cabinet Committee of Economic Affairs (CCEA) has approved a proposal to make jute packaging "Mandatory" for all foodgrains. The CCEA approved that 100% of foodgrains and 20% of sugar shall be packed in diversified jute bags. Earlier, it was compulsory to pack 90% of the foodgrains.

GENERAL AWARENESS

- Former India Captain who has become only the 5th player from India to be named in “ICC Cricket Hall of Fame”- **Rahul Dravid.**
- Company which leads in Royalty Payment to Parent Companies in India- **Maruti.**
- International Agency which is against interference of Governments on Central Banks- **International Monetary Fund.**
- While Daman & Diu and Mizoram have the Least Percentage of Disabled Population, the Highest Percentage belongs to- **Sikkim.**
- Country which unveiled “World’s First Robot News Reader”- **China.**
- N Ram, Veteran Journalist and Chairman of Hindu Group has been chosen by Press Council of India for- **Raja Ram Mohan Roy Award.**
- Citing US Commitment, Anupam Kher resigns as- **FTII Chairperson.**
- Total ATMs installed in the Country by end-August- **2, 28, 422.**
- State which has become the First State to announce denying Input Tax Credit to any GST Assessee found to be bogus or fake- **Haryana.**
- Apple, Microsoft, Amazon, Google and Facebook having Combined Market Capitalisation of \$3.7 trillion is equal to- **Germany’s GDP.**
- Country’s Second Largest Telecom Operator which Tops the Chart in “4G Download Speed”- **Airtel.**
- Regulator which slapped penalty of Rs.1 Crore on Kolkata-based Vibgyor Allied Infrastructure for failing to repay to investors collecting money illegally- **SEBI.**
- RBI imposed monetary penalty of Rs.1 Crore for contravention of direction to stop new accounts on- **FINO Payment Bank.**
- Andhra Pradesh will have its own High Court in State’s Capital Amravati as per- **Supreme Court Notification.**
- National Kaohsiung Centre for Arts has been opened in Taiwan- **World’s Largest Arts Centre.**
- Armstrong Plaque brought to the Moon on Apollo11 Mission sold for- **\$468, 500.**
- India has overtaken US in July-September quarter to become- **Second Largest Smartphone Market.**
- Italy’s Andrea Enria, who had headed the London-based European Banking Authority (EBA) for past seven years has become- **Head of European Central Bank (ECB).**
- Govt. approved to sell shares held by those who had left for Pakistan during partition and the proceed will go to- **Disinvestment Gains.**
- Rail Vikas Nigam Ltd. has been granted exemption from Mandatory Local Sourcing Clause for steel rails to float- **Global Tender.**
- Star Wrestler Bajrang Punia has become – **World No,1 in 65kg Category.**
- Team India Captain who has become World No.1 Batsman in both Tests as well as One Day Internationals- **Virat Kohli.**

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- PM Modi inaugurated Cargo Vessel on Ganga in Varanasi- **India's First Inland cargo Vessel.**
- Virender Singh, 33-year old “Deaf and Mute Wrestler” , an Arjuna Awardee, has been selected by the Govt. for- **This Year's National Award “Best Sports Person with Disability”.**
- Country whose Supreme Court has overturned President's dissolution of Parliament and ordered a halt for Snap Elections on January 5, 2019- **Sri Lanka.**
- Bank which has opened its' First-ever Digital Branch in the country in Bengaluru- **Karnataka Bank.**
- Banks which have been penalised with Rs.3 Crore each for non-compliance of various norms including asset-classification and KYC- **Deutsche Bank and J&K Bank.**
- Global Standards Body which proposed “One-Year Delay to implement its New Accounting Rules” in how Insurers earn money- **International Accounting Standards Board.**
- Rating Agency FITCH has retained India's Credit Rating Unchanged for 12th Year in a row at- **“BBB”-Lowest Investment Grade with Stable Outlook.**
- State which Tops in RERA Registrations in the Country- **Maharashtra.**
- Govt. is planning for Gold Jewellery sold in the country to make- **Hallmarking Mandatory.**
- Nepal's First Robot Waiter who is ready for orders- **Ginger.**
- City which still contributes most of IT Collections in India- **Mumbai.**
- NITI Aayog , to ensure sustainable development of the Himalayan region, constituted “Himalayan State Regional Council” to be headed by- **VK Saraswat, Member NITI Aayog.**
- Award for which ESAF Small Finance Bank, has been chosen as Runner-up on the Theme “Financial Inclusion through Technology- **European Microfinance Award 2018.**
- Bank which is to issue Five Crore Shares up to Rs.250 Crore to its Employees under “Employee Share Purchase Scheme”- **OBC.**
- Company which pips TCS to become Most Valued company in terms of Market capitalisation- **Reliance Industries Ltd.**
- Sanjeev Bajaj of Bajaj Group received – **Business Leader of the ET Year Award.**
- HUL's Sanjeev Mehta has been the Winner of- **Corporate Citizen of ET Award.**
- 76-year old Chairman Adi Godrej of Godrej group received- **Lifetime Achievement ET Award.**
- Reliance Industries Ltd. plans to boost its oil-refining capacity and will be able to produce 30 million tonnes of crude a year at Jamnagar- **World's Largest Oil-refining Complex.**
- London Stock Exchange will move its European Government Bond Trading from London to Italy before- **Britain's Exit from European Union.**
- Delhi's Centre for Science and Environment (CSE) has been awarded for its work in environmental education and protection- **Indira Gandhi Prize for Peace, Disarmament and Development.**
- Elephant Hospital has been established on the Banks of Yamuna River (UP) which is close to “Elephant Conservation and Care Centre”- **India's First Elephant Hospital.**
- 76-year old Amitabh Bachchan is the Most Influential Celebrity in India- **YouGov's influencer Index 2018.**
- Authority which said that “Father's Name not Mandatory in PAN Application Forms”- **CBDT.**
- While India slips two places to 53rd Position, Switzerland has got the Top Position- **Global Talent Ranking.**
- Indian Professor SP Ganguli has been awarded the Mexican Order of Aztec Eagle- **Highest Civilian Honour given to a Foreigner by Mexico.**
- Country's Largest Gold Refiner with which the World Gold Council is to set up Precious Metals Assay and Training Institute in Mumbai- **MMTC-PAMP India.**
- Bank which has celebrated its 113th Founders Day on 19.11.2018- **Canara Bank.**
- Sunil Arora has been appointed by the Government as- **Chief Election Commissioner.**



MOCK-TEST PAPER

Questions on RBI Policy

- 01** As per RBI ECB policy for infrastructure space, what is the min average maturity period?
- 10 years
 - 7 years
 - 5 years
 - 3 years
- 02** As per RBI ECB policy for infrastructure space, there is mandatory 100% hedging when the minimum average maturity period is:
- 3 to 5 years
 - 5 to 7 years
 - 7 to 10 years
 - above 10 years
- 03** For operating in money market, G-Sec market and forex markets, the intermediaries are required to obtain Legal Entity Identifier by _____, if the net worth of entity is above Rs.1000 cr (Rs.10000 million)
- 30.04.19
 - 31.08.19
 - 31.12.19
 - 30.04.10
- 04** For operating in money market, G-Sec market and forex markets, the intermediaries are required to obtain Legal Entity Identifier by _____, if the net worth of entity is between Rs.200 cr to Rs.1000 cr :
- 30.04.19
 - 31.08.19
 - 31.12.19
 - 30.04.10
- 05** For operating in money market, G-Sec market and forex markets,

the intermediaries are required to obtain Legal Entity Identifier by _____, if the net worth of entity is below Rs.200 cr (2000 million)

- 30.04.19
- 31.08.19
- 31.12.19
- 30.04.20

06 Net stable funding ratio guidelines issued by RBI during May 2018, shall come into operation wef:

- 01.01.19
- 01.04.19
- 01.01.20
- 01.04.20

07 A positive confirmation is required to be sent to remitter of funds that amount has been credited in beneficiaries account, in case of?

- ECS and NEFT
- NEFT and RTGS
- NEFT, RTGS and ECS
- all

08 Under Interest Equalization Scheme of Govt. of India, the eligible MSME exporter banks receive interest subvention of _____% so as to pass on the benefit to MSME exporters.

- 2%
- 3%
- 4%
- 5%

09 Transfer of govt. securities from one SGL / CSGl account to another SGL / CSGl account without any consideration is called:

- Value free transfer
- Value free transaction

- Transaction with consideration
- Free transaction

10 Details of value free transfers is to be sent to RBI on:

- half-yearly basis
- quarterly basis
- monthly basis
- weekly basis

Memory Recalled Questions

11 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

12 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

13 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

14 Under which section of Banking

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We strongly believe that the subscribers are the best consultants, we have. Based on their feed back, we keep on redesigning and restructuring this publication. Kindly send your suggestions and views.

- Regulation Act 1949, a banking company is prohibited to grant a loan or an advance against security of its own shares:
- a 19(2) b 20(1)
c 17(2) d 24 (3)
e 22 (1)
- 15** For acknowledgment of debt, the Central govt. has prescribed the payment of stamp-duty at which of the following rates?
- a Re.0.50 b Re.1.0
c Rs.2.0 d Rs.5.0
e none of the above
- 16** Exposure ceiling for infrastructure projects in case of single and group are ___ of capital fund
- a 15%, 40%
b 20%, 45%
c 20%, 50%
d 25%, 55%
- 17** Which of the following is not correct in respect of PPF account:
- a scheme is operated by public sector banks and private sector banks
b minimum amount of deposit per annum is Rs.500
c maximum amount of deposit per annum is Rs.100000
d account is opened for 15 years.
- 18** A micro enterprise dealing with your branch has received an export order on FOB terms. In this case
- a the cost of insurance is to be borne by the exporter
b the cost of freight is to be borne by the exporter
c the cost of goods and also the insurance and freight is to the account of exporter
d cost of insurance and freight is to be borne by the importer
e cost of insurance and freight is to borne by the importer and exporter on equal basis
- 19** On rent payment, TDS is to be deducted when the amount of total payment in a financial year:
- a is Rs.180000 or more
b is more than Rs.180000
c is Rs.120000 or more
d is more than Rs.120000
- 20** What is not true of the following in connection with the payment to DICGC for deposit insurance:
- a it is payable half yearly
b premium is 10 paise p.a. for Rs.100 of deposit
c insurance is obtained on mandatory basis
d deposits of govt. departments are not to be got insured
e max eligible amount of deposit for insurance is restricted to Rs.1 lac.
- 21** When the no. of directors in public limited company is more than _____, shareholders' approval is required:
- a 8 b 10
c 12 d 15
- 22** Interest in agriculture advances is to be charged on:
- a monthly basis
b quarterly basis
c half-yearly basis
d yearly basis
e any of the above as per discretion of the bank
- 23** The quarterly return on Form 26Q, of TDS is to be submitted
- a within 31 days, but for March by May 31
b within 15 days, but for March by May 31
c within 30 days, but for March by May 15
d within 30 days, but for March by May 31
- 24** If the account number, to which an amount is to be credited, has been conveyed incorrectly in an RTGS transaction, who will be responsible:
- a customer, if he has conveyed the incorrect details
b customer, irrespective of the fact whether he has conveyed the correct details or not, if indemnity has been obtained
c concerned bank in all circumstances
d the settlement authority
- 25** An administrator is:
- a A person appointed by court, when a person dies without a will.
b A person appointed by share holders at the time of winding up a Compa-ny
c A person appointed at the time of insolvency of a firm
d a and b
- 26** In a trust, one of the trustees who is singly authorised to operate the account has been declared insolvent. Your branch receives a cheque drawn by him for payment.
- a You can return the cheque
b You can pay the cheque
c You can pay if other trustees confirm it
d a and b
- 27** Which of the following qualifies to be the business of financial services as per RBI guidelines under Banking Regulation Act 1949:
- a business of credit information companies
b operations of a depository under Depositories Act
c business of a credit rating agency
d all the above
- 28** Which of the following falls in the category of Non-bank financial company: (a) asset finance company (b) investment company (c) loan company (d)

infrastructure finance company
(e) core investment company (f)
infrastructure debt fund NBFC
(g) NBFC-micro finance
institution:

- a a to g all
- b a to e only
- c a to d only
- d a, c, d, e and f only

29 A corporate shall be eligible to issue Non-Convertible Debentures if it fulfills the following criteria (which one is not correct):

- a the corporate has a tangible net worth of not less than Rs.4 crore, as per the latest audited balance sheet;
- b the corporate has been sanctioned working capital limit or term loan by bank/s or all-India financial institutions for minimum amount of Rs.5 cr;
- c the borrowing account of the corporate is classified as a Standard Asset by the financing bank/s or institution/s.
- d none of the above

30 When a bank grants a loan to a borrower on the basis of hypothecation of the assets, with whom does the possession and ownership remain?

- a possession with borrower & ownership with bank
- b possession with bank and ownership with borrower

- c both with bank
- d both with borrower

31 On the information that the draft has been lost, a duplicate has been issued after taking indemnity bond. The original and duplicate are presented for payment through clearing, by two different banks on the same day. Both the drafts have been branded with the stamp payee's account credited. The bank:

- a Will pay the duplicate
- b Will pay the original
- c Will return both
- d both will have to be paid

32 According to Banking Companies Nomination Rules 1985, nomination in favour of a non-resident person:

- a Is allowed with RBI permission
- b Is not allowed
- c Is allowed.
- d a and c

33 A usance bill of exchange is presented by the payee to its drawee Mr. Narayan Dutt who accepts the same. It is endorsed by the payee Mr. Sarwan Lal to Mr. Ramesh Kumar, who is a handicap. Looking into this fact, Mr. Sarwan Lal also writes that in case of dishonour, he may not be given notice and would continue to be liable. Which of the following kinds of endorsement has been made by

Mr. Sarwan Lal:

- a Conditional endorsement
- b Facultative endorsement
- c Sans recourse endorsement
- d Partial endorsement
- e Blank endorsement

34 What is the minimum capital requirement under Basel 3 as per Bank for International Settlement, prescription:

- a 6% b 8%
- c 9% d 10%

35 In case of currency chest transactions, penal interest charged by RBI is:

- a 2% over BPLR of the bank
- b 2% over the prevailing Bank Rate
- c 3% over the bank rate
- d 6% flat

36 A customer of a current account has deposited two cheques worth Rs.15000 which have been sent in clearing and have been credited, but the time for returning of the clearing has yet not expired. Meanwhile a garnishee order is received in the account:

- a order will be applicable on the amount of cheques.
- b order will not be applicable on the amount of cheques
- c order will be applied after seeking confirmation from paying banker
- d order will become applicable from next day if cheques have

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- not been returned unpaid
- 37** What is the limitation period available to a holder of cheque dishonoured due to insufficiency of funds, to file suit u/s 138 of NI Act?
- 3 years from date of demand
 - 3 years from date of non-payment after expiry of the notice period
 - one month from date of refusal by the drawer
 - one month from date of cause of action
 - 15 days from date of non-payment
- 38** For which among the following instruments, the amount of stamp duty can be different in different States:
- promissory note
 - bill of exchange
 - money receipt
 - guarantee deed
 - all the above
- 39** A fixed deposit receipt is maturing for payment on Sunday. It shall be deemed to be payable with interest on:
- succeeding day i.e. Monday
 - same day
 - preceding day i.e. Saturday
 - any day after that
 - a or d
- 40** The foreign shareholding in a new private universal bank, in the form of FDI, can be ___ of paid up capital:
- max 74%
 - max 51%
 - max 26%
 - max 24%
- 41** Which of the following case would not require a report to RBI, as a fraud
- theft, burglary only
 - theft, robbery only
 - burglary, dacoity and robbery only
 - theft, burglary, dacoity and

- robbery all
- 42** Housing loan (per family) for purchase or construction of house, can sanctioned in metropolitan centres with population of 10 lac and above for classification as priority sector, where the overall cost of such house is restricted to:
- Rs.30 lac
 - Rs.35 lac
 - Rs.25 lac
 - Rs.20 lac
- 43** What will be the due date of payment for a promissory note dated 1.2.2017 payable one month after its presentment, which is 12.2. 2017:
- 12.03. 2017
 - 15.03. 2017
 - 04.03. 2017
 - 12.04. 2017
- 44** Corporate Bank is approached by M/s Delhi Enterprises Limited to sanction to them a term loan of Rs.50 lac for road construction machinery along with a cash credit limit of Rs.20 lac as they have received a contract for construction of road. The objective clause in the Memorandum of Association states the objectives of the company as manufacturing and trading in goods and any other activity undertaken by the company. The loan is granted and subsequently turns out to be sub-standard asset. What options are available to the bank to recover this loan?
- to enforce its securities through a normal court of law
 - to take possession of the securities under the Securitisation Act and sell the same
 - to file a suit in DRT having territorial jurisdiction
 - any of a to c

- e the loan cannot be recovered from the company as it is ultra-vires the company due to non-inclusion of activity of road construction as permissible objective in the Memorandum of Association
- 45** Presently, the star series bank notes are printed in the following denominations:
- Rs.10, 20, 50, 100, 500
 - Rs.10 and Rs.20
 - Rs.10, 20, 50 and 100
 - Rs.10, 20, 50, 100 and Rs.500
- 46** Housing loan (per family) for purchase or construction of house, can sanctioned in centres other than metropolitan centres (population below 10 lac) for classification as priority sector, where the overall cost of such house is restricted to:
- Rs.35 lac
 - Rs.30 lac
 - Rs.20 lac
 - Rs.25 lac
- 47** In which of the following cases, the population-group wise classification of a particular centre as per RBI, does not match:
- Rural : population up to 10000
 - Semi-urban : 10000 to 99999
 - Urban : 100000 to 999999
 - Metro : 10 lac and above
- 48** A company has been sanctioned a term loan of Rs.60 cr by the bank and its credit rating is A. What is the risk weight for capital adequacy ratio purpose:
- 20%
 - 30%
 - 50%
 - 100%

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

One Person Companies (OPC)

According to section 2 (62) of the Companies Act, 2013, 'One Person Company (OPC)' means a company which has only one person as a member.

No. of Persons Required for formation of OPC: An OPC company can be formed with just 1 Director and 1 member and he/she should be a natural person.

Further, the words "One Person Company" shall be mentioned in brackets below the name of such company, wherever its name is printed, affixed or engraved.

Nominee

The subscriber to Memorandum of Association (MOA) shall nominate a natural person (after obtaining written consent of such natural person). In the event of subscriber's death or incapacity to contract, the nominee shall become the member. The name of such nominee shall be mentioned in MOA.

Such nominee may, withdraw his consent by giving a notice in writing. In that event, the sole member shall nominate another person as nominee, within 15 days and shall send an intimation to the Company, along with the written consent of such other person. The company shall within 30 days, file with the Registrar of Companies (ROC), a notice of such withdrawal of consent and the intimation of the name of another person nominated by the sole member.

Management

- Minimum one director is required.
- First director shall be the person whose name is mentioned in Articles of Association.
- The first director shall hold the office until the holding of general meeting. However, the first director can be re-appointed or another person can appointed on that meeting.
- The OPC may have a maximum number of 15 directors.

Financial Statement s: The Financial statement of OPC includes (1) balance sheet, (2) profit and loss account and (3) statement of changes in equity (cash flow statement requirement is not mandatory).

The OPC has to file the copy of financial statement within 180 days with ROC, from the closure of the financial year.

The annual return shall be signed by the company secretary, or where there is no company secretary, by the director of the company.

Meetings

The provision of holding of Annual General Meeting is not applicable to OPC. OPC has to hold minimum two Board meetings during a calendar year and one meeting in each half. The gap between two meetings should not be more than 90 days.

Where an OPC has only one director, it need not to hold Board Meeting.

Conversion of OPC into Private/Public Company : Conversion is mandatory if (1) Paid-up share capital exceeds Rupees 50,00,000 (2) Average Annual Turnover exceeds Rupees 2,00,00,000.

OPC cannot get itself converted into a public/private company for 2 years, from date of incorporation.

For such conversion, OPC shall alter its MOA/AOA within 6 months and give notice to Registrar within 60 days for such conversion.

Provisions of Companies Act, 2013 which are not applicable to a OPC

: Provisions related to calling of extraordinary general meeting, notice of meeting, statement to be annexed to notice, quorum for meetings, chairman of meetings, proxies, restriction on voting rights, voting by show of hands, voting through electronic means, demand for poll, postal ballot, circulation of members' resolution are not applicable.

Business at board meeting : Where there is only one director on the Board of Director of OPC, any business which is required to be transacted at the meeting of the Board of Directors of a company, it shall be sufficient if, in case of such One Person Company, the resolution by such director is entered in the minutes-book required to be maintained and signed and dated by such director and such date shall be deemed to be the date of the meeting of the Board of Directors for all the purposes under this Act.

Access for Non-Residents to the Interest Rate Derivatives Market

The draft directions propose allowing non-residents to hedge their rupee interest rate risk flexibly using any available IRD instrument. Non-residents will also be permitted to participate in the Overnight Indexed Swap (OIS) market for non-hedging purposes, subject to a macro-prudential limit on exposure of all non-residents in terms of the interest rate risk undertaken (measured as PV01). Draft directions are being issued for public feedback.

Important Global Monetary Authorities and Banking Regulator

In India, Reserve Bank of India discharges the functions of Monetary Authority and also regulates the banking system. Similarly, Central banks across the globe perform different types of roles and responsibilities depending on their mandate. In this write-up, brief of 4 central banks operating in different parts of world, is provided.

BANK OF ENGLAND (Governor - Mark Carney)

It has 5 executive members from bank and up to 9 non-executive members. All members of court (i.e. board) are appointed by the Crown. One of the non-executive members is selected by the chancellor to chair the court. It regulates banks as Prudential Regulatory Authority. The Bank's Court of Directors acts as a unitary board, setting the organisation's strategy and budget and taking key decisions on resourcing and appointments. They are required to meet a minimum 7 times a year. The governor serves on court for 8 years, the deputy governors for 5 years, and the non-executive members for up to 4 years.

FEDERAL RESERVE (Fed Chief - Jerome Powell)

The Board of Governors, located in Washington, D.C., is the governing body. 7 members or governors are nominated by the President of the United States and confirmed in their positions by the US Senate.

Federal Reserve Board is also responsible for banking regulation and supervision in addition to being a monetary authority.

Board of Governors guide the operation of the Federal Reserve System to promote the goals and fulfill the responsibilities given to the Federal Reserve by the Federal Reserve Act. The Board oversees the operations of 12 Reserve Banks and shares with them the responsibility for supervising and regulating certain financial institutions and activities. All members of the board serve on the FOMC, which is the body within the Federal Reserve that sets the monetary policy.

BANK OF JAPAN (Governor- Kuroda)

The policy board is established as the bank's highest decision-making body. There are 9 members including the governor, 2 deputy governors and 6 members of the policy board.

Financial Services Agency of Japan regulates banking while Bank of Japan is the monetary authority. BoJ determines the guideline for currency and monetary control, sets the basic principles for carrying out the bank's operations, and oversees the fulfilment of the duties of the bank's officers, excluding auditors and counsellors.

EUROPEAN CENTRAL BANK -ECB (President - Mario Draghi)

ECB is an official EU institution at the heart of the Eurosystem and the single supervisory mechanism. All members are appointed by the European Council, acting by a qualified majority. The executive board consists of the President, the Vice-president and 4 other members.

ECB is also responsible :

- To implement monetary policy for the euro area.
- To manage the day-to-day business of the ECB with the support of the chief services officer
- To exercise certain powers delegated to it by the governing council. These include some of a regulatory nature.

DATA COLUMN

Business of Banks

(Rs.in cr)	Mar31'18	Nov09'18
Aggregate deposits	10805150	11825770
Cash in hand/RBI	570490	553910
Investments	3043660	3443130
Bank Credit:	7881890	9111500
-Food	53930	60550
-Non-Food	7827960	9050950
Cash-Deposit Ratio	5.27	4.66
Investment-Deposit	28.14	28.81
Credit-Deposit	72.95	77.11

Money Stock

(Rs.in cr)	Mar31'18	Nov09'18
M3 (Out of which)	13962590	14544750
(a) Currency with public	1759710	1938830
(b) Demand deposits-Banks	1483710	1330000
(c) Time Deposits - Banks	10695260	11251190
(d) Other deposits with RBI	23910	23910

Sources of Money Supply

(a) Net Bank credit to Govt	4001400	4379610
(b) Bank credit to Comrcl sector	9213720	9702990
(c) Net Forex assets of Banks	2922300	2980930

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-Nov17	end-Nov18
Dollar-spot TT (Rs.)	64.46	70.91
BSE - Sensex (points)	32832	35312
NSE - Nifty(S&P CNX)	10122	10601
Foreign reserves (Million \$)	400742	392785
Gold /Oz in USD)	1274	1234

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	: 3.2%
Money Supply (M3) expansion	: 13.4%
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 2018) US \$: 514.4 Bn
Tax-GDP ratio (2014-15)	: 9.93%
Apr- Oct 18:Export \$ 191.0bn\$ Imports	: 302.5 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

DATE OF DESPATCH - Dec 7 / 10, 2018