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# Banking events Update

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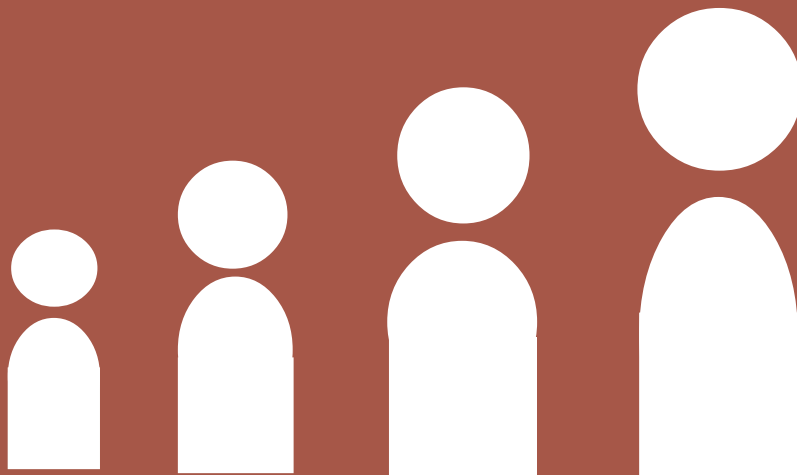
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Those who win, are those, who think they can

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**BANKING  
POLICY****Collateral Free Agricultural Loans**

Keeping in view the overall inflation & rise in agriculture input cost over the years since 2010, RBI decided on 07.02.19, to raise the limit for collateral free agricultural loans from the existing level of Rs.1 lakh to Rs.1.60 lakh.

Accordingly, banks may waive margin requirements for agricultural loans upto Rs.1.60 lakh.

**Review of Instructions on Bulk Deposit**

In terms of extant instructions of RBI, banks have been given discretion to offer differential rate of interest (DRI) on the bulk deposits as per their requirements and Asset-Liability Management (ALM) projections.

In its February 2019 policy review, RBI decided to revise the definition of 'bulk deposits' and provide operational freedom to banks in raising these deposits.

Accordingly on 22.02.19, RBI issued the following changes:

1. Bulk deposit would mean single Rupee term deposits of Rs.2 cr and above for Scheduled commercial Banks (excluding Regional Rural banks) and Small Finance Banks.
2. The banks shall maintain the bulk deposit interest rate card in their Core banking system to facilitate supervisory review.

**Change in policy rates**

In its Monetary Policy dated 07.02.19, RBI made the following changes in policy rates wef 07.02.19:

1. Reduction of the policy Repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points from 6.50 per cent to 6.25 per cent with immediate effect.
2. Reverse Repo rate under the LAF stands adjusted to 6.0 per cent with immediate effect.
3. Marginal Standing Facility (MSF) rate stands adjusted to 6.50 per cent with immediate effect.
4. Bank Rate stands adjusted by 25 basis points from 6.75 per cent to 6.50 per cent. All penal interest rates on shortfall in reserve requirements, which are specifically linked to the Bank Rate, also stand revised.
5. Standing Liquidity Facility provided to Primary Dealers (PDs) (collateralised liquidity support) from the Reserve Bank would be available at the revised repo rate of 6.25 per cent

**Risk Weights for exposures to NBFCs**

At present claims on rated as well as unrated Non-deposit Taking Systemically Important Non-Banking Financial Companies (NBFC-ND-SI), other than Asset Finance Companies (AFCs), Non-Banking Financial Companies – Infrastructure Finance Companies (NBFCs-IFC), and Non-banking Financial Companies – Infrastructure Development Funds (NBFCs-IDF), have to be uniformly risk weighted at 100%.

Exposures to AFCs, NBFCs – IFC, NBFCs – IDF and other NBFCs which are not NBFC-ND-SI, are risk weighted as per the

ratings assigned by the rating agencies accredited by the Reserve Bank of India.

On 22.02.19, RBI decided that exposures to all NBFCs, excluding Core Investment Companies (CICs), will be risk weighted as per the ratings assigned by the rating agencies registered with SEBI and accredited by the Reserve Bank of India, in a manner similar to that of corporates. Exposures to CICs, rated as well as unrated, will continue to be risk-weighted at 100%.

**Investment by Foreign Portfolio Investors (FPI) in Debt**

In terms of AP (DIR Series) Circular No. 31 dated June 15, 2018, no FPI shall have an exposure of more than 20% of its corporate bond portfolio to a single corporate (including exposure to entities related to the corporate).

As per circular dated 15.02.19, in order to encourage a wider spectrum of investors to access the Indian corporate debt market, RBI decided to withdraw this provision with immediate effect.

**ECB facility for Resolution Applicants under Corporate Insolvency Resolution Process**

As per ECB policy dated 16.01.19, ECB proceeds cannot be utilised for repayment of domestic Rupee loans, except when the ECB is availed from a Foreign Equity Holder as defined in the aforesaid framework.

On a review on 07.02.19, RBI, to relax the end-use restrictions for resolution applicants under the Corporate Insolvency Resolution Process (CIRP) decided and allow them to raise ECBs from the recognised lenders, except the branches/ overseas subsidiaries of Indian banks, for repayment of Rupee term loans of the target company under the approval route.

Accordingly the resolution applicants, who are otherwise eligible borrowers, can forward such proposals to raise ECBs, through their AD bank, to RBI, for approval.

**Kisan Credit Card (KCC) Scheme: Working Capital for Animal Husbandry and Fisheries**

Kisan Credit Card (KCC) Scheme (RBI circular dated 04.07.18), has been extended to Animal Husbandry farmers and Fisheries for their working capital requirements, on 04.02.19 by RBI (as per provisions of Budget 2018-19). The

guidelines are given as under:

**Purpose:** To meet short term credit requirements of rearing of animals, birds, fish, shrimp, other aquatic organisms, capture of fish.

**Eligibility:**

1. Fishery : Inland Fisheries and Aquaculture, Fishers, Fish Farmers (individual & groups/ partners/ share croppers/ tenant farmers), Self Help Groups, Joint Liability Groups & women groups and Marine Fisheries.

The beneficiaries must own or lease any of the fisheries related activities such as pond, tank, open water bodies, raceway, hatchery, rearing unit, possess necessary license for fish farming and fishing related activities, and any other State specific fisheries and allied activities.

2. Poultry and small ruminant: Farmers, poultry farmers either individual or joint borrower, Joint Liability Groups or Self Help Groups including tenant farmer of sheep/goats/pigs/poultry/birds/rabbit and having owned/rented/leased sheds.

3 Dairy: Farmers and Dairy farmers either individual or joint borrower, Joint Liability Groups or Self Help Groups including tenant farmers having owned /rented/leased sheds.

#### Scale of Finance

1. The scale of finance will be fixed by the District Level Technical Committee (DLTC) based on local cost worked out on the basis of per acre/per unit/per animal/per bird etc.

2. The working capital components in fisheries, may include recurring cost towards seed, feed, organic and inorganic fertilisers, lime/other soil conditioners, harvesting and marketing charges, fuel/electricity charges, labour, lease rent (if leased water area) etc. For capture fisheries, working capital may include the cost of fuel, ice, labouring charges, mooring/landing charges etc. may form part of the scale of finance.

The working capital components in Animal Husbandry, may include recurring cost towards feeding, veterinary aid, labour, water and electricity supply.

3. The maximum period for assessment of working capital requirement may be based on one production cycle.

#### General Guidelines

1. **Drawing power:** The drawing power will be worked on the basis of the latest valuation of stocks, receivables and/or cash flows as per terms of sanction.

2. **Repayment:** The loan will be in the nature of a revolving cash credit limit. Repayment will be fixed as per the cash flow/income generation pattern of the activity undertaken by the borrower.

3. **Monitoring of end use:** The account/smart card for the loan issued under the scheme is to be maintained/issued separately from the existing KCC loan to monitor the utilization limit. The monitoring of end use of funds will be in line with other loans (KCC on crop loans included) viz., field visits to the site of unit/project to be carried out by the branch officials for checking the progress of the unit. Banks will periodically review the facility and continue/withdraw/scale down the facility based on the performance of the borrower.

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## RBI (Interest on Deposits) Directions 2016

These directions have been updated by RBI from time to time (latest 22.02.19) and apply to every Scheduled Commercial Bank (SCBs) including RRBs, Small Finance Banks and Payment Banks but not to foreign branches of Indian banks.

### Interest Rate framework for Domestic Deposits

SCBs shall pay interest on the terms and conditions specified in these directions:

- (a) The banks to have a comprehensive policy approved by Board or Committee of the Board.
- (b) The rates shall be uniform across all branches and for all customers without any discrimination.
- (c) The banks shall maintain the bulk deposit interest rate card in their Core banking system to facilitate supervisory review.
- (d) All transactions, involving payment of interest on deposits shall be rounded off to the nearest rupee for rupee deposits and to two decimal places for FCNR (B) deposits.
- (e) If a term deposit is maturing on a non-business working day, SCBs shall pay interest at the originally contracted rate on the *original principal* deposit amount for the non-business working day, intervening between the date of the maturity of the specified term of the deposit and the date of payment of the proceeds of the deposit on the succeeding working day.
- (f) In case of reinvestment deposits and recurring deposits, SCBs shall pay interest for the intervening non-business working day on the *maturity value*.

**Current Account** : No interest shall be paid.

However, interest can be paid on balance in current account of a *deceased individual depositor or sole proprietorship* concern from date of death till date of repayment to the claimant/s at interest rate applicable to savings deposit as on the date of payment.

### Saving Deposits

- (a) Interest on domestic rupee savings deposits shall be calculated on a daily product basis as under:
  1. A uniform interest rate shall be set on balance up to Rs.1 lac.
  2. Differential rates of interest (DRI) may be provided for any *end-of-day balance* exceeding Rs.1 lac.

### Term Deposits

- (i) Banks can determine the maturity/tenor at their discretion with a minimum of 7 days.
- (ii) Differential interest rate shall be offered only on bulk deposits. (*Bulk Deposit means single Rupee term deposits*

*of Rs.2 cr and above for SCBs and Small Finance Banks and Rs.15 lac for RRBs).*

- (iii) Banks can offer term deposits without premature withdrawal option for term deposits accepted from individuals (held singly or jointly) for above Rs.15 lac.
- (b) Interest on pre-mature withdrawal shall be paid at the rate applicable to the amount and period for which the deposit remained with the bank (called corresponding maturity) instead of at the contracted rate, provided deposit remained at least for 7 days with the bank.

### Payment of Additional Interest on domestic deposits

- (a) SCBs can allow additional interest of 1% p.a., above the scheduled rate on savings or a term deposits of bank's staff including retired staff member and their exclusive associations and Chairman, Managing Director, Executive Director subject to certain conditions.

The additional interest may be paid after obtaining a declaration from the depositor concerned (including from spouse, where the staff member has expired), that deposit belongs to the depositor.

- (b) SCBs can formulate term deposit schemes specifically for *resident Indian senior citizens*, offering higher and fixed rates of interest as compared to normal deposits of any size.
- (c) Resident Indian retired staffs, who are senior citizens, can be given additional interest rates as admissible to senior citizens + additional interest payable to them as retired members of the banks' staff.

### Interest on overdue domestic deposits

If a Term Deposit matures and proceeds are unpaid, the amount left unclaimed with the bank shall attract rate of interest as applicable to savings deposits.

**Floating rate domestic term deposits** – Such rate to be based on market determined external benchmark.

**Periodicity of payment of Interest on domestic savings deposits:** Interest on savings deposit shall be credited at quarterly or shorter intervals.

**Discretion to pay interest on the minimum credit balance in the composite cash credit account of a farmer** : Interest on the minimum credit balance in the composite cash credit account of a farmer during the period from the 10th to the last day of each calendar month shall be paid.

### Penalty on premature withdrawal of domestic term deposit

The penalty shall be brought to the notice of the depositors at the time of acceptance of deposits. If not, no penalty shall be levied.

In case of splitting of the amount of term deposit, no

penalty for premature withdrawal of the term deposit shall be levied if the period and aggregate amount of the deposit do not undergo any change.

### PROHIBITIONS AND EXEMPTIONS

Prohibitions: *SCBs shall not:*

(a) Pay any remuneration or fees or commission or brokerage or incentives on deposits except commission paid to agents employed to collect door-to-door deposits or to Direct Selling agents/Direct Marketing Agents or to Business facilitators or Business Correspondents.

(b) Offer prize/lottery/free trips etc. or any other initiative having element of chance for mobilizing deposits.

Gifts costing up to Rs. 250 as prescribed by the Indian Banks' Association (IBA) can be given to depositors at the time of accepting deposits.

(d) Issue any advertisement/literature soliciting deposits from public highlighting only the compounded yield on term deposits without indicating the actual rate of simple interest offered by the bank.

(e) Accept interest-free deposit other than in current account or pay compensation indirectly.

(f) Accept deposits from/at the instance of private financiers or unincorporated bodies which provides for either issue of deposit receipt/s favouring client/s of private financiers or giving of an authority by power of attorney, nomination or other-wise, for such clients receiving such deposits on maturity.

(g) Grant advances against term deposits maintained with other banks.

(h) Open a savings deposit account in the name of entities other than individuals, Karta of HUF.

### Exemptions from restrictions:

(a) A deposit received by the bank:

1. from institutions permitted to participate in Call/Notice/Term Money Market as lenders or borrowers.
2. for which it has issued a participation certificate;
3. under the Capital Gains Accounts Scheme, 1988, framed by the Government of India.
4. under the Certificate of Deposit Scheme.

(b) Payment of interest on delayed collection of outstation instruments like cheques, drafts, bills, telegraphic/mail transfers, etc.

### SB account where interest can be paid

- (1) Primary Co-operative Credit Society which is being financed by the bank.
- (2) Khadi and Village Industries Boards.
- (3) Agriculture Produce Market Committees.
- (4) Societies registered under the Societies Registration

Act, 1860 (except societies registered under the State Co-operative Societies Acts and specific state enactment creating Land Mortgage Banks).

(5) Companies licensed by the Central Government and permitted, not to add to their names the words 'Limited' or the words 'Private Limited'.

(6) Institutions other than those mentioned in section 26(h) and whose entire income is exempt from payment of Income-tax under the Income-Tax Act, 1961.

(7) Government departments / bodies / agencies in respect of grants/ subsidies released for implementation of various programmes / Schemes sponsored by Central Government / State Governments subject to production of an authorization from the respective Central / State Government departments to open savings bank account.

(8) Development of Women and Children in Rural Areas (DWCRA).

(9) Self-help Groups (SHGs), registered or unregistered, which are engaged in promoting savings habits among their members.

(10) Farmers' Clubs – Vikas Volunteer Vahini – VVV.

### Storage of Notes and Coins

RBI had constituted a Committee on Currency Movement (CCM) [Chair: Shri D.K. Mohanty, Executive Director] to review the entire gamut of security of treasure in transit. The recommendations of the Committee have been examined and the following, relating to standardisation of storage facilities in Currency Chests (CCs), shall be implemented forthwith: (RBI circular dated 28.02.19)

a. The CCs having large vault space shall consider segregation of storage of coins inside the vault duly segregated by mesh structure / barricades without obstructing clear view and CCTV coverage.

b. Such of the CCs which do not have sufficient storage space inside the vault to segregate storage of coins may continue to store the coins under CCTV coverage, in a manner operationally convenient to them keeping in view the spirit of the circular, so that notes and coin spaces are clearly identifiable.

c. Banks shall devise suitable processes to clearly colour code their bins for identification of denomination details and clear segregation of fresh, re-issuable and soiled notes, which shall be uniformly applied across their Currency Chests. The bins containing notes that are yet to be processed on NSMs shall also be colour coded separately.

Confirmation of implementation across all Currency Chests of your bank should be sent to Issue Department of the Regional Office under whose jurisdiction your Head Office is situated by September 30, 2019.

### Interest Subvention Scheme for MSME 2018

On 21.02.19, RBI informed the banks that Ministry of MSME (MoMSME) decided that a new scheme viz. "Interest Subvention Scheme for Incremental credit to MSMEs 2018" will be implemented over 2018-19 and 2019-20.

The salient features are as under:

**Purpose, Scope and Duration:** The Scheme aims at encouraging both manufacturing and service enterprises to increase productivity and provides incentives to MSMEs for onboarding on GST platform which helps in formalization of economy, while reducing the cost of credit. The Scheme will be in operation for a period of two financial years FY 2019 and FY 2020.

#### Eligibility for Coverage

(i) All MSMEs who meet the following criteria shall be eligible as beneficiaries under the Scheme:

- a. Valid Udyog Aadhar Number [UAN]
- b. Valid GSTN Number

(ii) Incremental term loan or fresh term loan or incremental or fresh working capital extended during the current FY viz. from 2nd November 2018 and next FY would be eligible for coverage.

(iii) The term loan or working capital should have been extended by Scheduled Commercial Banks.

(iv) In order to ensure maximum coverage and outreach, all working capital or term loan would be eligible for coverage to the extent of Rs.100 lakh only during the period of the Scheme.

(v) Wherever both the facilities working capital and term loan are extended to a MSME by an eligible institution, interest subvention would be made available for a maximum financial assistance of Rs.100 lakh.

(vi) MSME exporters availing interest subvention for pre-shipment or post-shipment credit under Department of Commerce will not be eligible for assistance under Interest Subvention Scheme for Incremental credit to MSMEs 2018.

(vii) MSMEs already availing interest subvention under any of the Schemes of the State / Central Govt. will not be eligible under the proposed Scheme.

#### Operational formalities

1. The interest relief will be calculated at two percentage points per annum (2% p.a.), on outstanding balance from time to time from the date of disbursement / drawal or

the date of notification of this scheme, whichever is later, on the incremental or fresh amount of working capital sanctioned or incremental or new term loan disbursed by eligible institutions.

2. The interest rates charged to MSMEs shall conform to Code of Ethics and Fair Practices Code as published by respective institutions (as per extant RBI guidelines) and linked to the respective internal / external rating of the MSME as per applicable interest rate guidelines of the institution.

3. The loan accounts on the date of filing claim should not have been declared as NPA as per extant guidelines in force. No interest subvention shall be admissible for any period during which the account remains NPA.

#### Claim Submission

1. Nodal office of eligible lending institutions should submit their half yearly claims to SIDBI. Information with respect to loans disbursed and interest relief claimed (branch-wise) shall be submitted in soft copy in excel.

2. All claims have to be duly certified by the statutory auditors of the eligible institutions. The certificate shall include statement on verification of individual accounts with regard to amount, incremental / fresh lending, interest charged and amount claimed. Lending institutions shall ensure that total relief claimed as indicated in Annex I, II and III are matched.

4. The Half Yearly claims shall be submitted to the Chief General Manager, Institutional Finance Vertical, SIDBI, Mumbai.

#### Other covenants

1. SIDBI shall act as a Nodal Agency for the purpose of channelizing of interest subvention to the various lending institutions through their Nodal office.

2. All lending institutions shall be responsible for submission of the accurate data and monitoring of the scheme.

3. The interest subvention would be released only on the basis of claim duly certified by the Statutory Auditors of the eligible institutions. SIDBI shall not be liable for any inaccurate submission of data by lending institutions.

4. Interest subvention amount shall be released by SIDBI subject to availability of funds from GOI.

5. MoMSME, GOI will be the final authority for all interest subvention related matters and their decision would be final and binding. Receipt of funds by the eligible institutions would be treated as Utilization Certificate of the Fund.

### Practical Problems based on Banking Ombudsman Decisions

1. A customer had deposited a cheque of Rs.24 lac in his account. The amount was duly transferred to his account and he withdrew Rs.80,000 on the same day. He claimed that he did not do any further transactions in the account. However, on next day somebody apparently in collusion with some employee of the bank credited Rs.1,00,000/- to his account and thereafter, the entire amount of Rs.24,00,000/- was credited back to the account of the drawer of the cheque. The bank did not take any action on his complaint. In its reply to BO the bank stated that there was an internal family dispute between the complainant and his wife, who had issued the said cheque. The bank enclosed a representation from the drawer of the cheque wherein she claimed that the cheque had been fraudulently got signed by the beneficiary/complainant. BO observed that the bank had not offered any comment as to how the disputed transactions in the account had been carried out at the bank's end irrespective of the underlying dispute between the drawer and the drawee. In a meeting with bank officials BO asked bank officials to explain whether the reversal of transaction was in conformity with existing banking law and practices. The bank officials had no valid justification. The bank was advised to immediately refund entire amount along with interest at fixed deposit rate for the delayed period to the complainant.

2. Proprietor of a firm lodged a complaint with the BO office that five cheques issued in the name of his firm were deposited by his supervisor in his savings account by writing his savings account number in the pay-in-slip and the proceeds of these cheques were wrongly credited to his personal savings account. The BO called for original documents and the action taken on the earlier complaint received by the bank from the complainant. After due examination of all the documents including the internal investigation report, it was observed that bank was negligent in collecting and crediting the cheques drawn in the name of the firm to the personal account of the supervisor. As the protection of Section 131 of Negotiable Instrument Act was not available to the bank, an advisory was issued directing the bank to credit the amount of cheques to firm's account.

3. The complainant alleged that there was a fraudulent transfer of funds through combo voucher from his account to an unknown account in other bank. The complainant submitted a copy of reply by the bank in response to his RTI query wherein the bank had categorically stated that transfer voucher was meant for internal use of the bank and transfer of fund was being done on written request of the account holder/authorized person. On taking up the matter, the bank replied that the transfer of funds was made on the basis of combo voucher, which had the signature of depositor which tallied with account opening form held on their record. Bank also stated that the authority letter required as per internal circular was not obtained and an internal investigation had been done and disciplinary action initiated against erring officials of the bank. However, the bank pleaded that since general authority and signature tallied, the bank had the mandate to debit the account.

BO observed that the bank's stand that mere signature on the transfer voucher constituted proper mandate was not acceptable, as the bank had been obtaining separate mandate for transfer of funds. A purported mandate on the combo voucher was not complete in as much as the name of the beneficiary was not proper as also the amount was mentioned only in figures and not in words. BO passed an award against the bank directing to pay the value of disputed transaction with interest at extant savings bank rate from the date of transaction till the date of payment to the complainant. ●

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### Pradhan Mantri Shram Yogi Maan-Dhan (PMSYM)

PMSYM is pension scheme for unorganised workers for old age protection.

#### Eligibility Criteria:

- a) Unorganised workers such as home based workers, street vendors, mid-day meal workers, head loaders, brick kiln workers, cobblers, rag pickers, domestic workers, washer men, rickshaw pullers, landless labourers, own account workers, agricultural workers, construction workers, beedi workers, handloom workers, leather workers, audio- visual workers and similar other occupations
- b) *Family income* : up to Rs 15,000/ per month
- c) *Entry age group* : 18-40 years.
- d) They should not be covered under New Pension Scheme, Employees' State Insurance Corporation scheme or Employees' Provident Fund Organisation (EPFO).

Further, he/she should not be an income tax payer.

#### Features of PM-SYM:

- a) It is a voluntary and contributory pension scheme.
- b) *Minimum Assured Pension*: Rs 3000/- per month after attaining the age of 60 years.
- c) *Family Pension*: During the receipt of pension, if the subscriber dies, only spouse shall be entitled to receive 50% of the pension received by the beneficiary.
- d) If a beneficiary has given regular contribution and died due to any cause (before age of 60 years), his/her spouse will be entitled to join and continue the scheme subsequently by payment of regular contribution or exit the scheme as per provisions of exit and withdrawal.

**Auto-contribution:** Contributions shall be through auto-debit facility from his/ her savings bank account/ Jan-Dhan account.

The subscriber is required to contribute the prescribed contribution amount from the age of joining till the age of 60 years. The amount of contribution shall differ according to age at the time of joining.

*Contribution at age of 18* : Member - Rs.55 + Central Govt. Rs.55. Total = 110

*Contribution at age of 40* : Member - Rs.200 + Central Govt. Rs.200. Total = 400

#### Enrolment Process under PM-SYM:

- a) The subscriber will be required to have a mobile phone, savings bank account and Aadhaar number.
- b) *Enrollment agency*: Common Services Centres.

c) *Facilitation Centres*: All branch offices of LIC, offices of ESIC/EPFO and all Labour offices of Central and State Governments.

#### Exit and Withdrawal:

(i) In case the subscriber exits the scheme within a period of *less than 10 years*, the beneficiary's share of contribution only will be returned with savings bank interest rate.

(ii) If subscriber exits *after a period of 10 years* or more but before superannuation age i.e. 60 years of age, the beneficiary's share of contribution along with accumulated interest as actually earned or at the savings bank interest rate, whichever is higher.

(iii) If a beneficiary has given regular contributions and died due to any cause, his/ her spouse will be entitled to continue the scheme subsequently by payment of regular contribution or exit by receiving the beneficiary's contribution along with accumulated interest as actually earned by fund or at the savings bank interest rate whichever is higher.

(iv) If a beneficiary has given regular contributions and become permanently disabled due to any cause before the superannuation age, i.e. 60 years, and unable to continue to contribute under the scheme, his/ her spouse will be entitled to continue the scheme subsequently by payment of regular contribution or exit the scheme by receiving the beneficiary's contribution with interest as actually earned by fund or at the savings bank interest rate whichever is higher.

(v) After the death of subscriber as well as his/her spouse, the entire corpus will be credited back to the fund.

#### Default of Contributions:

If a subscriber has not paid the contribution continuously he/she will be allowed to regularize his contribution by paying entire outstanding dues, along with penalty charges, if any, decided by the Government.

#### Micro, Small and Medium Enterprises (MSME) sector- Restructuring of Advances

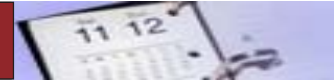
In its circular dated 01.01.19, one of the conditions for restructuring of existing loan of MSMEs without a downgrade in the asset classification is that the borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration.

On 22.02.19, RBI clarified that the eligibility for restructuring without GST-registration, as per circular dated 01.01.19 should be determined on the basis of exemption limit obtaining as on the date of the aforesaid circular, i.e., January 1, 2019.



- **SUPREME COURT RULING ON BOUNCED CHEQUE:** (Case-Sicagen India Ltd. VS. Mahindra) Supreme Court has ruled in the case that if a cheque bounces for want of insufficient funds, the payee can present the cheque again to the bank. If it bounces again, the payee can send another notice as required under the Negotiable Instruments Act. After the first notice, the latter notices would not become invalid. This ruling came when the Madras High Court had taken a contrary view. It had quashed the prosecution of the drawer on the ground that successive notices were not valid and the law provided only for one notice. Supreme Court overruled it, stating that the law did not forbid the holder of the cheque to make successive presentation and institute criminal complaint based on the second or successive dishonour of the cheque on its presentation.
- **GOVT. EMPOWERS PSBs TO SEEK LOCs:** In a bid to prevent big economic offenders like Vijay Mallya and Nirav Modi from fleeing the country, the Government has empowered the Public Sector Banks to request “Lookout Circulars (LOCs) against wilful defaulters and fraudsters. The Home Ministry has also authorised the Serious Fraud Investigation Office (SFIO) to request LOCs if it feels the suspect may escape from India.
- **CENTRE TO IMPLEMENT FDI RULES FOR E-COMMERCE:** The Centre has decided to go ahead with its decision to implement the Foreign Direct Investment (FDI) rules for the e-commerce sector from February 1, 2019 as scheduled, despite objections from large players. The revised FDI rules disallow e-commerce marketplace entities from selling products via firms in which they have an equity interest and also bar them from making deals with sellers to sell exclusively on their platforms. Marketplace entities also can not take any step to influence the selling price of goods and services on their platforms. Since FDI in e-commerce is only allowed in marketplace model and not inventory model, the new rules affect large companies.
- **SUPREME COURT RULING ON BOARD OF BANKRUPT COS:** The Supreme Court, while hearing an appeal filed by Vijay Kumar Jain of Ruchi Soya who challenged the orders of NCLT, has ruled that the erstwhile boards of bankrupt companies may have access to vital documents including proposed resolution plans of the companies they run while participating in the meetings of the lenders. The Apex Court further said that in allowing the directors of the company to participate and review critical

## Financial Events

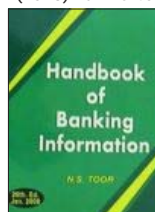


documents, the resolution professional can take an undertaking from them in the form of non-disclosure agreement to maintain confidentiality of the resolution plans.

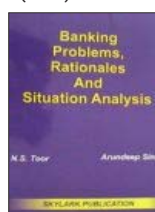
- **Aadhaar OPTIONAL FOR PM-KISSAN SCHEME:** The Centre has made it optional for small and marginal farmers to furnish Aadhar numbers to avail the first instalment of Rs.2000 under the recently launched Rs.75, 000 Crore PM Kisan Scheme. However to get the subsequent instalments, it has been made compulsory to show Aadhar numbers. In the interim budget, Finance Minister announced the income support of Rs.6000 per year to 12 Crore small and marginal farmers with cultivable land up to 2 hectares. For the purpose of calculation of the benefit, the Centre has defined a small/marginal landholder family as one comprising of husband, wife and minor children up to 18 years of age who collectively own cultivable land up to two hectares.
- **RBI PANEL CLEARS INTERIM DIVIDEND TO BE PAID TO GOVT.:** The Audit Committee of RBI has cleared payment of Interim Dividend of Rs.28, 000 Crore to the Government, while sticking to the laid down accounting principles. Now this needs to be cleared by the RBI's Central Board. The Government was seeking up to Rs.40, 000 Crore as interim dividend. As the final payout is to be decided in July, the Audit Committee has opted for the number after being mindful of the policies and the requirements of the RBI.
- **RBI TO CONDUCT FIRST HALF-**

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**YEARY AUDIT:** RBI is getting its first half-yearly balance sheet audited to determine the amount of interim dividend it can give to the Central Government. Though a concurrent audit of its accounts is done on a quarterly basis, this is the first time a board-level statutory audit of RBI is conducted. The audit of RBI accounts for July-December 2018 is underway and the audit committee of its Board of Directors will meet shortly to approve it. This is departure from its practice of conducting an annual audit of accounts based on the profit numbers available for the July-June period, which is the RBI's financial year.

- **SEBI ISSUES NEW RULES TO GOVERN PUBLIC INTEREST DIRECTORS:** SEBI has issued the strict framework for Public Interest Directors (PIDs) serving at the stock exchanges, clearing corporations and depositories. Under the framework, PIDs will be nominated for three years, extendable by another term of three years. However, this will be subject to a performance review. Following the expiry of tenure, such director may be nominated for a further term of three years in another market infrastructure institution (MII) only after a cooling-off period of one year. The tenure of PIDs can be a maximum of three terms of three years each subject to 75 years of age.
- **SEBI ISSUED RULES FOR USAGE OF SECURITY DEPOSITS:** SEBI came out with a new framework for utilisation of financial security deposits available with clearing corporations, warehouse development and regulatory authority in order to rationalise such deposits. At present, on the same goods, security deposits are required to be maintained with both Warehouse Development and Regulatory Authority (WDRA) and clearing corporations, putting additional financial burden on warehouse operators. The new framework will become effective from the 30<sup>th</sup> day of the Circular issued on 11<sup>th</sup>.
- **MSME LOANS SANCTION VIA 59-MINUTE PORTAL:** The Prime Minister had launched 59-minutes sanction Portal in September 2018. The Portal enables in principle approval for loans up to Rs.1 Crore within 59 minutes from SIDBI and five Public Sector Banks. There is now less human interference in the sanctioning process. Also, since the loan documentation is done through the Portal itself, it also creates a liability on the approving authority to give reasons for delays and denials. Borrowers have to submit details such as IT returns, GST Data and bank statements to avail the credit facility through this portal. Lenders have sanctioned around Rs.30, 000 Crore loans through Portal since its launch.
- **GOVT. NEW RULE FOR TRANSFER OF SURPLUS RESRVES TO CENTRE:** The Central Government has decided to frame a new rule that would mandate regulators and other autonomous bodies to transfer surplus funds to the exchequer. The move would make the SEBI and a dozen other regulators

such as IRDAI, PFRDA to shell out a significant portion of their reserves into the consolidated Fund of India. The Centre has been eyeing these resources that would help it reduce fiscal deficit. However Experts say that this move could infringe on the independence of the regulatory bodies.

- **UNION CABINET APPROVES GST DISPUTE RESOLUTION TRIBUNAL:** The Union Cabinet has approved a proposal to set up a National Bench of GST Appellate Tribunal (GSTAT) in Delhi. The Apex appellate Tribunal would deal with disputes between GST taxpayers and tax authorities predominantly arising out of the "Place of supply" issue. Place of supply issue becomes critical, especially in case of supply of services by a company having presence in two or more states, or in the case of imports and exports. Currently, disputes on place of supply, or of any other kind, between tax authorities and taxpayer are handled by the Commissioner Appeals in the respective states. The National Bench will give a platform for second appeal.
- **RBI TO STRENGTHEN PCR FOR 360-DEGREE VIEW OF BORROWERS:** RBI plans to engage with the Government and other regulators to ensure that the Public Credit Registry (PCR) Act is comprehensive so as to bring in data not only from regulated lenders, but also from the section of lenders that do not directly fall under the RBI's regulations. Viral Acharya, Deputy Governor of RBI, elaborated that PCR will strive to cover all regulated entities (Financiers) in phases and in this way, get a 360-degree view of borrowers. It will facilitate linkages with related ancillary information systems outside the banking system including corporate filings, tax systems including GSTN and utility payments.
- **SUPREME COURT UPHOLDS IBC TENETS:** (Case- Bhushan Power and Steel Ltd.) The Supreme Court has upheld all the contentious provisions of the Insolvency and Bankruptcy Code (IBC) and reaffirmed the spirit of law to ban defaulting promoters from bidding for their own assets. Delivering

the judgement on a petition filed by Bhushan Power's Promoter Sanjay Singal on Section 29A-which bans defaulting promoters from bidding for their stressed company –and a group of operational creditors, the Apex Court said that the “Provisions of the Bankruptcy Law is legally valid”. The Court also clarified that the bar on persons related to the defaulting founders would include only those who are connected to the ailing company.

- SUPREME COURT TO CENTRE FOR NCLAT CIRCUIT BENCHES:** The Supreme Court has directed the Centre to set up “Circuit Benches” for the National Company Law Appellate Tribunal (NCLAT) in next six months. Currently, NCLAT functions out of the National Capital. The setting up of circuit benches for NCLAT is expected to ensure additional presence of this tribunal in many cities, provide convenience for appellants, who otherwise had to travel to Delhi and expedite disposal of matters.
- GOVT. FOR CGF SCHEME UNDER NEW NATIONAL POLICY ON ELECTRONICS:** The Government has proposed “Credit Guarantee Fund” Scheme and “Interest Subvention Scheme” to boost electronics manufacturing ecosystem in the country under new National Policy on Electronics. The proposal is to provide credit guarantee on term loans for projects up to Rs.100 Crore per borrowing unit. The cover will vary on a case to case basis depending upon investments. The Government will provide up to 50% guarantee cover of the sanctioned loan amount. Besides this, the Government is formulating Interest Subvention Scheme. Currently, the Industry pays around 11-12% interest on term loans availed in India, which are available at around 5-7% in other countries.
- UNION CABINET APPROVES CAPITAL INFUSION IN EXIM BANK:** Established by the Government in 1982, EXIM Bank is the Apex Financial Institution for financing, facilitating and promoting the country's international trade. Union Cabinet has approved a proposal to issue recapitalisation bond to the tune of Rs.6000 Crore for capital infusion in Exim Bank. This infusion will be done in two tranches. First, the tranche of Rs.4500 Crore will be completed by end-March, while the remaining amount of Rs.1500 Crore will be infused during the next fiscal starting April 1. The Government has also decided to double the Bank's Authorised Capital to Rs.20, 000 Crore.
- CENTRE EASES TAX EXEMPTION NORMS FOR ANGEL INVESTORS:** The Government has eased the procedure for seeking income tax exemption by Start-Ups on investments from angel funds.

It has prescribed a 45 day deadline for a decision on such applications. This comes against various start-up founders claiming they have received notices to pay taxes on angel funds raised by them. Entrepreneurs have raised concerns over these notices. Now the Commerce and Industry Ministry has approved a notification to make allowances for angel investors. According to new procedure, a start-up will have to apply to the DIPP. The application of the recognised start-up shall be moved by the Department to the CBDT with the necessary documents. CBDT has been mandated to grant the exemption approval or decline to grant it within a period of 45 days from the date of receipt of application from the DIPP.

- SEBI GIVES APPROVAL TO MFs FOR SELLING CALL OPTIONS:** SEBI has given approval to the Mutual Funds to sell call options under a covered call strategy. Covered calls are a strategy in which an investor holds a long position in an asset and sells call options on that same asset to generate an income stream. A call option is a contract where the holder has the right but no obligation to buy the underlying asset.
- SEBI LAYS DOWN MECHANISM TO PREVENT INSIDER TRADING:** SEBI has decided to hold company promoters, irrespective of their shareholding status, responsible for violation of insider trading norms if they possess unpublished price-sensitive information (UPSI) regarding the company without any “legitimate purpose”. New rule removes ambiguity around information sharing for a legitimate purpose. Boards of Listed Companies to decide when and with whom information

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can be shared. Boards to approve disclosures only after assessing whether the sharing of information is in the best interest of the company. A structured digital database has to be maintained with details of persons who receive the unpublished price-sensitive information.

- **SINHA PANEL FOR SUITABLE FRAMEWORK ON GROUP INSOLVENCY:** The Insolvency and Bankruptcy Board of India (IBBI) has set up a working group headed by former SEBI Chief UK Sinha to go into the concept of “Group Insolvency” and suggest a suitable framework. The working group has been tasked to submit a report within two months recommending a complete regulatory framework to facilitate insolvency resolution and liquidation of corporate debtors in a group. “Group Insolvency” framework will help prevent corporate groups from uncontrollably falling apart in insolvency and thereby thwarts the chances of their restructuring. This could be achieved through a group venue for corporate group insolvencies and by enabling coordination and co-operation support.
- **NCLAT TO NCLT ON INSOLVENCY ADMISSION:** The National Company Law Appellate Tribunal (NCLAT) has said that the National Company Law Tribunal (NCLT) should not hear any third party other than the applicant who has taken a company to the NCLT and the company which is the corporate debtor itself, at the time of the admission of a case. NCLAT further said that except the applicant (Financial Creditor) and the corporate debtor, there is no requirement of hearing a third party including the intervener at the stage of admission.
- **SUPREME COURT RULING ON NCLT MATTERS:** (Case- Shashi Prakash VS. NEPC Micon) The Supreme Court has emphasised in the case that the jurisdiction of the civil court is completely barred in matters that are now in the dominion of the National Company Law Tribunal.
- **LIC COMPLETES ACQUISITION OF STAKE IN IDBI BANK:** LIC has completed the acquisition of a 51% controlling stake in IDBI Bank., making it the majority shareholder. The deal, conceptualised in June 2018 is envisaged as a win-win situation for the bank and LIC, with an opportunity to create enormous value for shareholders, customers and employees of both

entities through mutual synergies. IDBI Bank will get access to a wide network of over one Lakh employees and 11 Lakh agents of LIC. In addition, LIC employees and agents will get access to preferential and value-added banking services.

- **RBI NOT TO CHANGE FPI PORTFOLIO LIMITS:** RBI is reluctant to relax portfolio-level limits it introduced for foreign portfolio investors (FPIs) last year. In April 2018, the restrictions which were introduced was to cap a FPI’s investment in a single corporate bond to 50% of the bond issue. This restricted their exposure to any single corporate group to not more than 20% of their overall corporate bond portfolio. They were allowed to invest in debt papers with less than three-year maturities, provided the total investment in debt papers maturing within a year did not exceed 20% of the portfolio. The FPIs had felt the restrictions were too onerous and difficult to monitor and wanted these to be done away with altogether. However RBI has declined the request and instead asked the investors to look at the voluntary retention route to invest in debt markets in India.
- **SEBI REGULATES NRI/OCI FUND FLOWS THROUGH FPIs:** SEBI has put in place norms for a single regime of foreign portfolio investments (FPIs) by Non-Resident Indians (NRI) / Overseas Citizens of India (OCI). This is being done to regulate fund flows from NRIs and track the source of money from Indian-origin persons. SEBI said that if single and aggregate NRI/OCI/RI (Resident Indian) holdings in assets under management of FPIs are below 25% and 50% respectively, then such persons will be allowed to be constituents of the FPI. For temporary breach of investment limits, the FPI will need to comply within 90 days and in case of non-compliance, no fresh purchase will be permitted and such FPIs will have to liquidate their existing position in the Indian securities market within 180 days.
- **CSC TO CONDUCT CENSUS, ECONOMIC SURVEY:** The Common Service Centres (CSC) under the Ministry of Electronics and IT will be conducting Census, Economic Survey and Information Dissemination. MOU has been signed in this behalf. About 12 Lakh enumerators will be involved in conducting the surveys. Mobile App has been developed which will identify Panchayats, location and submit the form automatically once the survey is done by the invigilator. These 12 Lakh persons will be part of the three Lakh CSCs across the country. The survey will start from April and this will be first time that an agency like CSC will be utilised and also filling up the details digitally.

## GENERAL AWARENESS

- Conclave in which for the First Time India has been invited and Sushma Swaraj External Affairs Minister to get “Guest of Honour”- **Organisation of Islamic Cooperation.**
- Standardized Test of English Proficiency (STEP), an initiative of “Hindu Group” has won the Award- **Digital Learning Company of the Year 2019.**
- Petter Farrelly’s Biographical Comedy-Drama-”Green Book” received Best Picture Honour at 91<sup>st</sup> Academy Awards- **Oscars-2019 Award.**
- While Amazon Chief Jeff Bezos has topped the Rich list, Mukesh Ambani Chairman of Reliance Industries has been ranked at 10<sup>th</sup> with net worth of Rs.3.83 Lakh Crore- **Hurun Global Rich List 2019.**
- Country’s oil for which the Govt. has exempted Rupee Payments from hefty taxes- **Iran Oil.**
- Scheme under which the Govt. had set the target for achievement of complete household electrification throughout the country by 31<sup>st</sup> Dec.2018 but target has been missed- **Saubhagya Scheme.**
- State which has emerged as the “Best Performer” in the country in developing Startup Ecosystem for budding entrepreneurs – **Gujarat.**
- India’s Flagship Payment Platform in which transactions crossed a value of Rs.1 Trillion- **Unified Payments Interface.**
- Sudhir Bhargava, Senior-most Information Commissioner took oath as- **Chief Information Commissioner of Central Information Commission.**
- Commodity Exchange whose recognition has been withdrawn by SEBI not being able to formulate any credible revival plan for its trading operations- **ACE Derivatives and Commodity Exchange .**
- Act in which amendment has been approved by the Govt. for giving “Statutory Backing to Central and State-level Trade Unions”- **Trade Union Act 1926.**
- Implementation which has been deferred by the Customs Department for the fourth time for deposit and removal of goods from Customs Warehouses- **Mandatory Electronic Sealing.**
- Two Finetech Companies which have received NBFC Licence from RBI to operate as “Peer-to-Peer Lending Platforms”- **Rupee Circle and IndiaMoney Mart.**
- Regulator which brings new rule which requires filing of fresh offer documents in case there is change in issue size of fund-raising- **SEBI.**
- Country which will be overtaken by India to become 5<sup>th</sup> Largest Economy this year- **UK.**
- Govt. to change the concept of affirmative action to include “Economically Backward” among the Forward Casts as a criteria in- **Government and Private Institutions.**
- Private sector lender with which HDFC-led Gruh Finance is set to merge- **Bandhan Bank.**
- NBFC which becomes First to get Partial Credit Enhancement Facility of Rs.400 Crore from SBI- **PTC India Financial Services.**
- Foreign University 400 Students who have been offered fully paid scholarships to study at various

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- universities across the country in India- **Syrian University Students.**
- Bank which is to set up Co. to provide Venture Capital to Agriculture and Rural Enterprises – **NABARD.**
  - Nandan Nilekani has been appointed as Chairman of- **Digital Payments Committee.**
  - Prominent Indian-American Economist Gita Gopinath has become the First Woman to join as- **Chief Economist of International Monetary Fund.**
  - Foreign Bank which has been allowed by the Government to open its Branch at Mumbai- **Iranian Bank.**
  - Appellate Authority which ruled that the Charitable Institutions for advancement of Religion, Spirituality, Yoga will fall under purview of GST and sale of spiritual products will attract GST- **Appellate Authority for Advance Ruling for GST.**
  - Appellate Tribunal which ruled that long-term leases ranging from 60 to 99 years having hefty one-time “Lease Premium” will not attract any TDS- **Income Tax Appellate Tribunal (Mumbai).**
  - Corporation which in a bid to attract more airline bookings through its Portal, offers free insurance of up to Rs.50 Lakh for air passengers- **Indian Railway Catering and Tourism Corporation.**
  - Foreign Central Bank to which RBI has agreed to provide \$40 million under a Swap Arrangement to boost Island Nation’s Reserves- **Central Bank of Sri Lanka.**
  - Tribunal which ruled that “a financial creditor can seek to first initiate the insolvency process against a corporate guarantor of accompany instead of the company itself, in case guarantee fails”- **NCLAT.**
  - Cricketer Virat Kohli has retained the Top Spot for the second consecutive year in- **Celebrity Brand Valuation Rankings .**
  - State which will be the First State to impose “Calamity Cess” up to 1% over and above the GST- **Kerala.**
  - Centre’s Scheme from which West Bengal has pulled out itself- **Ayushman Scheme.**
  - Romesh Sobti, MD&CEO of IndusInd Bank has become - **BS Banker of the Year for 2017-18.**
  - First-ever Award which Prime Minister Narendra Modi has got- **Philip Kotler Presidential Award.**
  - City which has emerged on the Top Ranking Globally in the Country relating to technology and innovation ecosystem – **Bengaluru.**
  - Indian Institute of Science, Bengaluru has secured 14<sup>th</sup> Ranking – **Times’ Emerging Economies University Rankings 2019.**
  - Public Sector Bank which is “First” to launch a “Platform” for Loan Approval within 15 Minutes relating to proposals up to Rs.5 Crore- **Syndicate Bank.**
  - Company which becomes First Indian Corporate to cross Quarterly Net Profit of Rs.10, 000 Crore- **Reliance Industries Ltd.**
  - Bank which raises \$1.25 Billion via Bond Issuance – **SBI.**
  - Rio Olympic Games grappler Vinesh Phogat has created History when she has been nominated for the Prestigious Laureus World Sports Awards and has become -**First Indian Woman.**
  - Non-filers of GST Returns for six consecutive months to be debarred soon from – **Generating e-way Bill.**
  - Country whose GDP Growth may slip to 28-year Low to less than 6.5% in 2018- **China.**
  - Banking Regulator which has banned the use of Indian Currency notes of Rs.2000, Rs.500 and Rs.200 – **Nepal Central Bank.**
  - Court which is devising a mechanism to ensure automatic listing of a fresh case for hearing within four days of the filing- **Supreme Court.**
  - Index in which India has been ranked 80<sup>th</sup>– **Global Talent Competitive Index.**
  - President who was the “Guest of Honour” at the Republic Day Ceremony on 26<sup>th</sup> January- **South Africa’s President Cyril Ramaphosa.**
  - Former President Pranab Mukharjee, BJP Leader Nanaji Deshmukh and Singer Bhupen Hazarika have been conferred – **Country’s Highest Civilian Award “Bharat Ratna”.**
  - Court which holds the Constitutional Validity of the Insolvency and Bankruptcy Code (IBC) in its entirety and upheld the ban on promoters bidding for defaulting companies- **Supreme Court.**
  - Brand which has entered in the List of Top 100 Most Valuable Global Brands in the 2019 Report of Brand Finance Global 500- **Tata Brand.**
  - India has replaced Japan to become- **Second Largest Steel Producer.**
  - The Post Graduate Programme in Management of the Indian School of Business has been ranked 24<sup>th</sup> Worldwide in- **Financial Times Global MBA Rankings 2019.**



## MOCK-TEST PAPER

### Questions on latest RBI Policy

- 01** All transactions, involving payment of interest on rupee deposits shall be rounded off to \_\_\_\_\_
- nearest 25 paise
  - nearest 50 paise
  - nearest Re.1
  - at bank description of bank as per Board approved policy
- 02** All transactions, involving payment of interest on FCNR-B deposits shall be rounded off to \_\_\_\_\_ decimal places :
- one
  - two
  - three
  - five
- 03** A term deposit is maturing on Sunday, a non-business working day. Bank makes payment on Monday, a working day. Interest shall be paid:
- up to Saturday
  - up to Sunday
  - up to Monday
  - at bank discretion
- 04** Generally interest on current account balances cannot be paid. But it can be paid in accounts in the name of:
- insolvent customers
  - insane customers
  - deceased customers
  - all the above
- 05** In case of saving bank account, differential rates of interest may be provided for any end-of-day balance :
- up to Rs.1 lac
  - of Rs.1 lac and above
  - exceeding Rs.1 lac
  - exceeding Rs.1 cr
- 06** Interest on domestic rupee savings deposits shall be calculated on :
- min balance during a month
  - min balance from 10<sup>th</sup> to last day of the month
  - max balance during the month
  - on daily product basis
- 07** The term Bulk Deposit means single Rupee term deposits of :
- Rs.1 lac and above
  - Rs.15 lac and above
  - Rs.1 cr and above
  - Rs.2 cr and above
- 08** Banks can offer term deposits without premature withdrawal option for term deposits accepted from individuals (held singly or jointly) for :
- Rs.15 lac and above
  - above Rs.15 lac
  - Rs.1 cr and above
  - above Rs.2 cr
- 09** In case of term deposits, differential interest rate shall be offered only on :
- bulk deposits
  - deposit of Rs.15 lac and above
  - deposit of Rs.100 lac or above
  - deposits of less than Rs.2 cr
- 10** Interest on savings deposit shall be credited at \_\_\_\_\_ intervals.
- yearly
  - half-yearly
  - quarterly
  - quarterly or shorter
- 11** Banks can pay interest on the minimum credit balance in the composite cash credit (KCC) account of a farmer during the period \_\_\_\_\_ :
- from 1<sup>st</sup> day to last day of each calendar month
  - from 10<sup>th</sup> to last day of each calendar month
  - from 15<sup>th</sup> to last day of each calendar month
  - entire calendar month
- 12** What penalty can be recovered by banks for pre-mature withdrawal of term deposits by customers?
- 0.5%
  - 1%
  - bank discretion if penalty is brought to customer notice before acceptance of deposit
  - no penalty
- 13** Banks can not open saving bank account and pay interest in the name of which of the following?
- KVI Boards
  - No profit no loss companies as per permitted by Central Govt.
  - Agriculture produce marketing committee
  - all types of SHG
- 14** Crop loan upto an amount of Rs.\_\_\_\_ can be allowed without any collateral security as per RBI direction of February 2019:
- Rs.1 lac
  - Rs.1.60 lac
  - Rs.2.20 lac
  - Rs.3 lac
- 15** In its monetary and credit policy review of Feb 2019, RBI reduced the Repo Rate to:
- 6.00%
  - 6.25%
  - 6.50%
  - 6.75%
- 16** In its monetary and credit policy review of Feb 2019, RBI

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- reduced the Reverse Repo Rate to:
- a 6.00%
- b 6.25%
- c 6.50%
- d 6.75%
- 17** In its monetary and credit policy review of Feb 2019, RBI reduced the Marginal Standing Facility Rate to:
- a 6.00%
- b 6.25%
- c 6.50%
- d 6.75%
- 18** In its monetary and credit policy review of Feb 2019, RBI reduced the Bank Rate to:
- a 6.00%
- b 6.25%
- c 6.50%
- d 6.75%
- 19** In its monetary and credit policy review of Feb 2019, RBI decided to fix the risk weight for all exposure to NBFCs to:
- a 100%
- b 75%
- c 50%
- d as per their rating by SEBI approved rating agencies
- 20** KCC facility extended by RBI during Feb 2019, does not cover which of the following activities?
- a fisheries
- b poultry
- c dairy
- d none of the above
- 21** For interest subvention under MSME 2018 scheme, to be eligible, an MSME needs to have, which of the following?
- a Udyog Aadhaar number and GSTN Number
- b Aadhaar number and GSTN Number
- c LEI number and GSTN Number
- d Udyog Aadhaar number and LEI Number
- 22** Under MSME Interest subvention Scheme 2018, incremental TL or WC given to MSME is eligible for an amount up to Rs.:
- a 50 lac
- b 100 lac
- c 200 lac
- d 500 lac
- 23** Under MSME Interest subvention Scheme 2018, subsidy shall be calculated as \_\_\_ of outstanding balance from time to time, on incremental amount of WC or TL from date of notification:
- a 4%
- b 3%
- c 2%
- d 1%
- 24** Under PM Shram Yogi Maan Dhan (PMSYM), an unorganized sector worker with monthly income up to Rs. \_\_\_ is eligible:
- a Rs.5000
- b Rs.10000
- c Rs.15000
- d Rs.20000
- 25** Under PM Shram Yogi Maan Dhan (PMSYM), an unorganized sector worker within age group of \_\_\_ is eligible:
- a 18 to 40      b 18 to 50
- c 18 to 55      d 18 to 60
- 26** Under PM Shram Yogi Maan Dhan (PMSYM), an unorganized sector worker shall be able to get a monthly pension of \_\_\_ on completion of age of 60 years.
- a Rs.1000
- b Rs.2000
- c Rs.3000
- d as per amount of contribution
- 27** As per NI (Amendment) Act 2018, court can direct drawer of a cheque to deposit \_\_\_ % amount of cheque as interim compensation to holder (complainant)
- a 10%
- b 20%
- c 25%
- d 50%
- 28** As per NI (Amendment) Act 2018, court can direct drawer of a cheque to pay amount of compensation, within a period of:
- a 30 days
- b 60 days
- c 60 days and extended period of 30 days
- d 60 days and extended period of 60 days
- 29** As per NI (Amendment) Act 2018, Appellate court can direct drawer of a cheque to deposit \_\_\_ % amount of fine or compensation if he wants to make appeal against decision of the trial court:
- a 10%      b 20%
- c 25%      d 50%
- 30** As per NI (Amendment) Act 2018, court can direct the payee (complainant) to return the compensation within \_\_\_ if drawer is not held guilty:
- a 30 days
- b 60 days
- c 60 days and extended period of 30 days
- d 60 days and extended period of 60 days
- Recalled Questions**
- 31** The process of crystallisation of export bills means, which of the following:
- a return of the export bills due to non-payment by the drawee
- b permission to the drawee for



<p>delivery of goods without making payment</p> <p>c conversion of the foreign currency liability into the home currency liability by selling the FC back to the exporter</p> <p>d initiation of legal action against the exporter for the overdue export bill</p> <p><b>32</b> A doubtful above 1 year but below 3 year loan account has a balance of Rs.8 lac. The principal security is Rs.4 lac, the collateral security Rs.3 lac and net worth of the guarantor is Rs.4 lac. The amount of provision shall be:</p> <p>a Rs.8 lac</p> <p>b Rs.2.40 lac</p> <p>c Rs.3.10 lac</p> <p>d Rs.4.12 lac</p> <p><b>33</b> What is the highest amount of denomination of bank note which RBI can issue, as per provisions of RBI Act:</p> <p>a Rs.100</p> <p>b Rs.500</p> <p>c Rs.2000</p> <p>d Rs.10000</p> <p><b>34</b> Which of the following types of operations modes are permitted under the Senior Citizens Saving Scheme 2004:</p> <p>a generally single account</p> <p>b joint mode with the spouse</p> <p>c joint operation with any one</p> <p>d a and b only</p> <p><b>35</b> Mr. Akash Khanna is having his personal saving account with United Bank's Chandigarh branch. He is also the sole trustee of Khanna Charitable Trust and operates the account of the trust which is also maintained with the bank. In connection with an important personal work he proposes to proceed abroad for 6 months and seeks your guidance for smooth operations</p>	<p>in the accounts:</p> <p>a he can give mandate in favour of some of his friend or relative for operations in the accounts.</p> <p>b he can execute a power of attorney in favour of a known person for operations in both the accounts</p> <p>c he can give mandate or power of attorney for his personal account</p> <p>d he cannot delegate the powers to any one in case of trust account and could leave some cheque leaves properly signed for use in case of trust account</p> <p>e c and d</p> <p><b>36</b> All transactions, involving payment of interest on FCNR (B) deposits shall be rounded off to ____ decimal places:</p> <p>a 4 decimal points</p> <p>b 3 decimal points</p> <p>c 2 decimal points</p> <p>d at bank discretion</p> <p><b>37</b> Frauds of Rs.500 lac and above are to be reported to RBI on FMR-1 and a DO letter to DBS, RBI, within ____:</p> <p>a 2 weeks</p> <p>b 1 week</p> <p>c 3 weeks</p> <p>d immediately</p> <p><b>38</b> What is the maximum time limit for the banks to settle the claims in respect of a deceased depositors and release payments to the survivors/nominees :</p> <p>a 7 days      b 10 days</p> <p>c 15 days      d 30 days</p> <p>e no time limit</p> <p><b>39</b> A partnership firm wants to open a Current Account with your branch, but it is not registered with Registrar of Firms.</p> <p>a Is the registration of a partnership firm essential ?</p> <p>b It is not essential as it is only</p>	<p>optional</p> <p>c It depends on will of creditors of the firm</p> <p>d It depends on will of the bank</p> <p>e c and d</p> <p><b>40</b> A term deposit matured on July 12, being Sunday. It is presented for payment by the customer on Jul 13. The contracted rate of interest is 8.5%. Bank changed the interest rate to 8% from Jul 11. In this connection which of the following option is appropriate?</p> <p>a bank shall pay interest till Jul 12 at 8.5%</p> <p>b bank shall pay interest till Jul 12 at 8.0%</p> <p>c bank shall pay interest till Jul 13 at 8.5%</p> <p>d bank shall pay interest till Jul 13 at 8.0%</p> <p><b>41</b> What is the maximum amount of outward remittance that can be made by an AD for capital account transaction under Liberalised Remittance Scheme of RBI:</p> <p>a not permitted for capital account transaction</p> <p>b USD 75000 in a calendar year</p> <p>c USD 125000 in a financial year</p> <p>d USD 250000 per financial year</p> <p><b>42</b> 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.</p> <p>a 2%</p> <p>b 3%</p> <p>c 4%</p> <p>d 5%</p> <p><b>43</b> Under National Urban Livelihood Mission (NRLM), which of the following statement is correct regarding repayment period and moratorium period</p>
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- a repayment period 3 to 7 years and moratorium as per bank discretion
  - b repayment period 3 to 7 years and moratorium 6 to 18 months
  - c repayment period 5 to 7 years and moratorium 6 to 18 months
  - d repayment period 5 to 7 years and moratorium as per bank discretion
- 44** X opened an account with your branch under the Senior Citizens Saving Scheme 2004 for 3 years. He needs the funds to meet his medical expenses by raising a loan on the basis of security of the deposit. What precautions would be taken by the bank:
- a the loan cannot be sanctioned under the scheme
  - b the loan amount should not be more than 80% of the amount of original deposit
  - c the loan amount will be linked to present maturity value of the deposit
  - d the loan would be allowed after obtaining a written request supported by a estimate from hospital
- 45** When a seller undertakes to make the goods available for export, at his factory, such arrangement is called, as per International Commercial Terms:
- a Ex-works
  - b FOB
  - c CIF
  - d FOR on ship
- 46** A high value customer issued 5 cheques of above Rs.1 cr each from his account, which have been dishonoured, due to insufficiency of funds. Which of the following type of action can be taken by bank?
- a bank can stop the operations
  - b bank can withdraw cheque book facility

- c bank can close the account
  - d bank can take suitable action as deemed appropriate
- 47** International Bank Limited negotiated documents worth Euro 15000 against a without-recourse irrevocable letter of credit issued by a bank in UK. When the documents were sent to the opening bank in UK, these were returned with the reason that the bill of lading and the insurance certificate attached to the documents are fake. Opening bank also refused to make the payment against these documents, which are otherwise as per terms of the letter of credit. What is the position of International Bank Limited?
- a Bank has acted negligently by accepting fake documents due to which it cannot recover the money from opening bank
  - b Bank has the option to recover the money from the seller who has tendered fake documents
  - c Bank can rightly claim the money from opening bank under UCPDC provisions since the bank was to see the regularity of the documents and was not responsible for their being fake
  - d Bank will have to approach international court
  - e a and b above
- 48** A borrower is aggrieved by the decision of DRT under SARFAESI Act and wants to approach DRAT. How much amount (of the amount decided by DRT) he is required to deposit before his appeal is heard and to what extent, this amount can be reduced to:
- a 75%, 25%
  - b 75%, 50%
  - c 50%, 25%
  - d 50%, nil

- e 75%, nil
- 49** Which of the following can be member of joint liability group (JLG) ? (1) landless farmers cultivating land as tenant farmers, oral lessees or share croppers (2) small / marginal farmers (3) other poor individuals:
- a 1 to 3 all
  - b 1 and 2 only
  - c 2 and 3 only
  - d 1 and 3 only
- 50** Under Liberalized Remittance Scheme (LRS) of RBI, the AD banks can allow remittances by a resident individual up to prescribed amount per financial year for permitted capital account transaction. Which of the following are included in the capital account transactions:
- a opening of foreign currency account abroad with a bank
  - b purchase of property abroad
  - c making investments abroad
  - d all the above
- 51** If a counterfeit note is returned by the police, it is to be carefully preserved for a period of \_\_\_\_ from date of receipt from the police authorities:
- a 1 year
  - b 3 years
  - c 5 years
  - d 8 years

Answers				
01 c	02 b	03 c	04 c	05 c
06 d	07 d	08 b	09 a	10 d
11 b	12 c	13 d	14 b	15 b
16 a	17 d	18 d	19 d	20 d
21 a	22 b	23 c	24 c	25 a
26 c	27 b	28 c	29 b	30 c
31 c	32 c	33 d	34 d	35 e
36 c	37 b	38 c	39 b	40 c
41 d	42 d	43 c	44 a	45 a
46 d	47 c	48 c	49 a	50 d
51 b				

## MONEY LAUNDERING PROCESS

Money laundering stands for conversion of illegitimate money / money of crime, into money appearing to be legitimate.

There are three stages involved; placement, layering and integration.

### Placement

This involves movement of cash from its source, which can be easily disguised or misrepresented. This is followed by putting the cash into circulation through financial institutions, casinos, shops, bureau de change and other businesses, both local and abroad.

The placement can be carried out through many processes including:

*1. Currency Smuggling* – This is the physical illegal movement of currency and monetary instruments out of a country. The various methods of transport do not leave a discernible audit trail.

*2. Bank Complicity* – This is when a financial institution, such as bank, is owned or controlled by unscrupulous individuals suspected of conniving with drug dealers and other organised crime groups. This makes the process easy for launderers. The complete liberalisation of the financial sector without adequate checks also provides leeway for laundering.

*3. Currency Exchanges* – In a number of transitional economies the liberalisation of foreign exchange markets provides room for currency movements and as such laundering schemes can benefit from such policies.

*4. Securities Brokers* – Brokers can facilitate the process of money laundering through structuring large deposits of cash in a way that disguises the original source of the funds.

*5. Blending of Funds* – The best place to hide cash is with a lot of other cash. Financial institutions may be vehicles for laundering. The alternative is to use the money from illicit activities to set up front companies. This enables the funds from illicit activities to be obscured in legal transactions.

*6. Asset Purchase* – The purchase of assets with cash is a classic money laundering method. The purpose is to change the form of proceeds from conspicuous bulk cash to some equally valuable but less conspicuous form.

### Layering

This is done to make it more difficult to detect and uncover a laundering activity. It is meant to make the trailing of illegal proceeds difficult for the law enforcement agencies. The known methods are:

*1. Cash converted into Monetary Instruments* – Once the placement is successful within the financial system by way of a bank or financial institution, the proceeds can then be converted into monetary instruments. This involves the use of banker's drafts and money orders.

*2. Sale of material assets bought with cash* – Assets that are bought through illicit funds can be resold locally or abroad and in such a case the assets become more difficult to trace and thus seize.

### Integration

It involves movement of previously laundered money into the economy mainly through the banking system. Such monies appear to be normal business earnings. This is dissimilar to layering, for in the integration process detection and identification of laundered funds is provided through informants. The known methods used are:

*1. Property Dealing* – The sale of property to integrate laundered money back into the economy is a common practice amongst criminals. For instance, many criminal groups use shell companies to buy property; hence proceeds from the sale would be considered legitimate.

*2. Front Companies and False Loans* – Front companies that are incorporated in countries with corporate secrecy laws, in which criminals lend themselves their own laundered proceeds in an apparently legitimate transaction.

*3. Foreign Bank Complicity* – Money laundering using known foreign banks represents a higher order of sophistication and presents a very difficult target for law enforcement. The willing assistance of the foreign banks is frequently protected against law enforcement scrutiny. This is not only through criminals, but also by banking laws and regulations of other sovereign countries.

*False Import/Export Invoices* – The use of false invoices by import/export companies has proven to be a very effective way of integrating illicit proceeds back into the economy. This involves the overvaluation of entry documents to justify the funds later deposited in domestic banks and/or value of funds received from exports.

### Insolvency Resolution (31.12.18)

Corporate Insolvency Resolution Process (CIRPS) admitted -	1484
Closed/appeal/review/settled -	142
Closed by withdrawal u/s 12 IBC	63
Closed by resolution	79
Closed by liquidation	302
Ongoing CIRPs	898
> 270 days	275 (31%)
>180 up to 270 days	166 (18.5%)
>90 to 180 days	202
<90 days	255
From RBI 1 <sup>st</sup> list of 12 accounts only 3 resolutions (Bhushan Steel, Electrosteel Steel and Monnet Ispat)	
48% realization and 52% haircut.	
Max haircut 68%	

## The Negotiable Instruments (Amendment) Act 2018

[2nd August, 2018.]

The following amendments have been made:

**1. Compensation :** After section 143, section 143A, shall be inserted:

(a) Notwithstanding anything contained in the Code of Criminal Procedure, 1973, the Court trying an offence under section 138 *may order the drawer* of the cheque to pay interim compensation to the complainant - (a) in a summary trial or a summons case, where he pleads not guilty to the accusation made in the complaint; and (b) in any other case, *upon framing of charge*.

(b) The interim compensation shall not exceed 20% of the amount of the cheque.

(c) The interim compensation shall be paid within 60 days from the date of the order or within such further period not exceeding 30 days as may be directed by the Court on sufficient cause being shown by the drawer of the cheque.

(d) If the drawer of the cheque is acquitted, the Court shall direct the complainant to repay to the drawer, the amount of interim compensation, with interest at the bank rate, as published by RBI, prevalent at the beginning of the relevant financial year, within 60 days from the date of the order, or within such further period not exceeding 30 days as may be directed by the Court on sufficient cause being shown by the complainant.

(e) The interim compensation payable under this section may be recovered as if it were a fine under section 421 of the Code of Criminal Procedure, 1973.

(f) The amount of fine imposed under section 138 or the amount of compensation awarded under section 357 of the Code of Criminal Procedure, 1973, shall be reduced by the amount paid or recovered as interim compensation under this section.

**2) Appeal -** After section 147, Section 148 shall be inserted.

(1) Notwithstanding anything contained in the Code of Criminal Procedure, 1973, in an *appeal by the drawer* against conviction under section 138, the Appellate Court may order the appellant to deposit such sum which shall be a minimum of 20% of the fine or compensation awarded by the trial Court: The amount payable under this sub-section shall be in *addition to any interim compensation* paid by the appellant under section 143A.

(2) The amount shall be deposited within 60 days from the date of the order, or within such further period not exceeding 30 days as may be directed by the Court on sufficient cause being shown by the appellant.

(3) The Appellate Court may direct the release of the amount deposited by the appellant to the complainant at any time during the pendency of the appeal.

If the appellant is acquitted, the Court shall direct the complainant to repay to the appellant, the amount so released, with interest at the bank rate as published by the Reserve Bank of India, prevalent at the beginning of the relevant financial year, within 60 days from the date of the order, or within such further period not exceeding 30 days as may be directed by the Court on sufficient cause being shown by the complainant.

## DATA COLUMN

### Business of Banks

(Rs.in cr)	Mar31'18	Feb15'19
Aggregate deposits	10805150	12121180
Cash in hand/RBI	570490	559910
Investments	3043660	3354300
Bank Credit:	7881890	9403490
-Food	53930	61740
-Non-Food	7827960	9341750
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	Feb15'19
M3 (Out of which)	13962590	14940100
(a) Currency with public	1759710	2028020
(b) Demand deposits-Banks	1483710	1401270
(c) Time Deposits - Banks	10695260	11484610
(d) Other deposits with RBI	23910	26200

### Sources of Money Supply

(a) Net Bank credit to Govt	4001400	4432850
(b) Bank credit to Comrc sector	9213720	10001880
(c) Net Forex assets of Banks	2922300	2967210

### Important Banking Indicators

Statutory Liquidity Ratio	19.25%	(04.01.2019)
Cash Reserve Ratio	04.00%	(15.02.2013)
Overnight LAF (of NDTL)	0.25%	
14-days term Repo(of NDTL)	0.75%	
Reverse Repo Rate	06.00%	(06.02.2019)
Repo Rate	06.25%	(06.02.2019)
MSF Rate	06.50%	(06.02.2019)
Bank Rate	06.50%	(06.02.2019)

### 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-Feb18	end-Feb19
Dollar-spot TT (Rs.)	65.17	70.91
BSE - Sensex (points)	34037	36064
NSE - Nifty(S&P CNX)	10458	10864
Foreign reserves (Million \$)	420591	399217
Gold /Oz in USD)	1311	1299

## 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 2019-20	: 21007439
Fiscal Deficit Target (2019-20) 3.4% of GDP	: 703999 cr
Revenue Deficit Target (2019-20) 2.2% of GDP	: 470214 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- Jan19:Export \$ 271.8bn\$ Imports	: 427.7 bn
Per capita Income 2017-18 (Rs.)	: 111782
Indian economy's ranking in PPP terms	: 3rd
Indian economy's ranking in world in value:	: 6th

## OUR PUBLICATIONS : REFER PAGE 9,11

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