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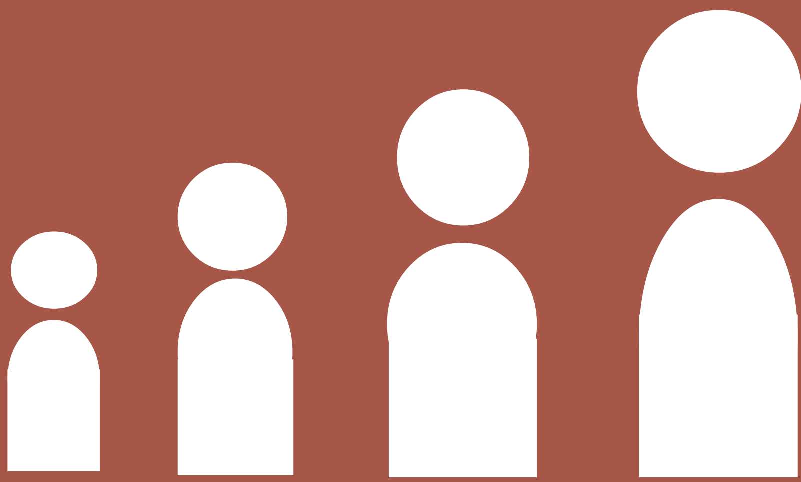
Banking events Update



Those who win, are those, who think they can

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BANKING POLICY

Export and Import of Indian Currency

As per extant regulation, a person may take or send out of India to *Nepal or Bhutan* and bring into India from Nepal or Bhutan, currency notes of Government of India and Reserve Bank of India for any amount in denominations up to Rs.100. Further, an individual may carry to Nepal or Bhutan, currency notes of Reserve Bank of India denominations above Rs.100, i.e. currency notes of Rs.500 and/or Rs.1000 denominations, subject to a limit of Rs.25,000.

On 20.03.19, RBI decided that an individual travelling from India to Nepal or Bhutan may carry RBI currency notes in Mahatma Gandhi (New) Series of denominations Rs.200 and/or Rs.500 subject to a total limit of Rs.25,000. Instructions regarding currency notes of Government of India and RBI for any amount in denominations up to Rs.100/- shall continue as hitherto.

Deferral of Implementation of Indian Accounting Standards (Ind AS)

On 05.04.18, the implementation of Ind AS was deferred by one year pending necessary legislative amendments to the Banking Regulation Act, 1949 and level of preparedness of many banks.

RBI informed on 22.03.19 that the legislative amendments recommended by the Reserve Bank are under consideration of the Government of India. Accordingly, RBI has decided to defer the implementation of Ind AS till further notice.

Applicable Average Base Rate to be charged by NBFC-MFIs for the Quarter Beginning April 01, 2019

On 07.02.14, RBI had informed NBFC-MFIs regarding pricing of credit, stating that RBI will, on the last working day of every quarter, advise the average of the base rates of the 5 largest commercial banks for arriving at the interest rates to be charged by NBFC-MFIs to its borrowers in the ensuing quarter.

On 29.03.19, RBI communicated that the applicable average base rate to be charged by Non-Banking Financial Company – Micro Finance Institutions (NBFC-MFIs) to their borrowers for the quarter beginning April 01, 2019 will be 9.21 per cent.

Establishment of Branch Office (BO) / Liaison Office (LO) / Project Office (PO) or any other place of business in India by foreign entities

The extant Regulations (31.03.16) regarding requirement of prior approval of RBI, for opening of a Branch Office (BO) / Liaison Office (LO) / Project Office (PO) or any other place of business in India, where the principal business of the applicant falls in the Defence, Telecom, Private Security and Information and Broadcasting sector, have been reviewed by RBI.

On 28.03.19, RBI informed AD banks that for opening of a BO/LO/PO or any other place of business in India, where the principal business of the applicant falls in the Defence, Telecom, Private Security and Information and Broadcasting sector, no prior approval of RBI shall be required, if Government approval or license/permission by the concerned Ministry/ Regulator has been granted. Further, in the case of proposal for opening a PO relating to defence sector, no separate reference or approval of Government of India shall be required if the said non-resident applicant has been awarded a contract by/entered into an agreement with the Ministry of Defence or Service Headquarters or Defence Public Sector Undertakings. It is clarified that the term "permission" used in the Notification does not include general permission, if any, available under Foreign Direct Investment in the automatic route, in respect of the above four sectors.

Compilation of R-Returns: Reporting under FETERS

To facilitate compilation of estimates of bilateral trade in services, RBI decided (20.03.19) to incorporate an additional field for capturing the country code of ultimate exporter/importer in the BoP file-format under FETERS. For export of services, banks may use the transaction information available with them to report country-code of the ultimate exporting country. Further Form-A2 has also been revised for capturing the required country information for import of services.

The revised format is for reporting of R-Returns on fortnightly basis (15th and end-month) for forex transactions performed w.e.f. April 01, 2019. AD Banks should make the required changes in their work-flows and information systems to capture the required additional data accordingly to comply with the guidelines.

Investment by Foreign Portfolio Investors (FPI) in Government Securities Medium Term Framework

Revision of investment Limits for 2019-20

1. FPI investment limit in Central Government securities (G-secs), State Development Loans (SDLs) and corporate bonds shall be 6%, 2%, and 9% of outstanding stocks of securities, respectively, in FY 2019-20.

2. The allocation of increase in G-sec limit over the two sub-categories – 'General' and 'Long-term' – has been set at 50:50 for the year 2019-20. The entire increase in limits for SDLs has been added to 'General' sub-category of SDLs.

3. The coupon reinvestment arrangement for G-secs extended to SDLs.

Accordingly, the revised limits for the various categories, after rounding off, would be as under :

Revised Limits for FPI Investment in Debt - 2019-20 (Rupees billion)

	G-Sec General	G-Sec Long Term	SDL General	SDL Long Term	Corp Bonds	Total Debt
Current Limit	2,233	923	381	71	2,891	6,499
New Limit : HY Apr-Sep, 2019	2,347	1,037	497	71	3,031	6,983
New Limit : HY Oct 19-Mar 2020	2,461	1,151	612	71	3,170	7,465

Non-resident Participation in Rupee Interest Rate Derivatives Markets (Reserve Bank) Directions, 2019

RBI issued the Directions on 27.03.19. These Directions shall be applicable to Rupee interest rate derivative transactions in India, undertaken on recognized stock exchanges, electronic trading platforms (ETP) and Over-the-Counter (OTC) markets to the extent stated herein.

A non-resident can undertake transactions in the Rupee interest rate derivatives markets to hedge an exposure to Rupee interest rate risk and for purposes other than hedging.

Transactions for the purpose of hedging interest rate risk: A non-resident may undertake these derivatives in India to hedge interest rate risk using any permitted interest rate derivative product transacted on recognized stock exchanges, ETPs or OTC markets.

Transactions for purposes *other than* hedging interest rate risk

i. Non-individual Non-residents may undertake Overnight Indexed Swaps (OIS) transactions :

(a) These transactions may be undertaken directly with a market-maker in India, or by way of a 'back-to-back' arrangement through a foreign branch/ parent/group entity (foreign counterpart) of the market-maker.

(b) A market-maker shall enter into a 'back-to-back' arrangement.

1) The Price Value of a Basis Point (PVBP) of all outstanding OIS positions undertaken by all non-residents shall not exceed the amount of INR 3.50 billion (PVBP cap).

2) The PVBP of all outstanding OIS positions for any non-resident (including related entities) shall not exceed 10% of the PVBP cap.

3) Clearing Corporation of India Ltd. (CCIL) shall publish the methodology for calculation of the PVBP and monitor as well as publish utilization of the PVBP limit on a daily basis.

Foreign Portfolio Investors (FPIs), collectively, may also transact in interest rate futures (IRF) up to a limit of net long position of INR 50 billion.

Remittance/Payments : All payments of a non-resident may be routed through a Rupee account of the non-resident or, where the non-resident doesn't have a Rupee account in India, through a vostro account maintained with an AD bank in India. The market-maker shall maintain complete details of such transactions.

KYC for the non-resident: Market-maker shall ensure that non-resident clients are from an FATF compliant country. Market-makers shall also ensure that non-resident clients comply with the KYC requirements. ●

NEW ECB FRAMEWORK

RBI circulated the new External Commercial Borrowing (ECB) policy on 16.01.2019. The salient features are as under:

There are 2 routes to raise ECB- (a) Automatic Route (cases examined by AD-1) and (b) Approval Route (referred by banks and examined by RBI).

1. There are 2 tracks i.e. Foreign Currency (FC) denominated and Indian Rupee (INR) denominated.

FC Denominated ECB (any freely convertible FC) : Loans including bank loans; floating/ fixed rate notes/ bonds/ debentures (other than fully and compulsorily convertible instruments); Trade credits beyond 3 years; Financial Lease, *FCCBs and FCEBs*.

INR Denominated ECB : All the above except FCCB. and FCEBs.

Eligible borrowers : All entities eligible to receive FDI and a) Port Trusts; b) Units in SEZ; c) SIDBI; d) EXIM Bank; e) Registered entities engaged in micro-finance activities.

Recognised lenders : Lenders from FATF compliant or International Organization of Securities Commission (IOSCO) compliant country.

Minimum Average Maturity Period (MAMP): 3 years. Manufacturing sector companies may raise ECBs with MAMP of 1 year up to USD 50 million per financial year.

For, ECB from foreign equity holder and utilised for working capital purposes, general corporate purposes or repayment of INR loans, MAMP will be 5 years.

{Foreign Equity Holder means (a) minimum 25% direct equity holding or (b) minimum indirect equity holding of 51%, or (c) group company with common overseas parent}

The call and put option exercisable on completion of minimum average maturity.

All-in-cost ceiling per annum : Benchmark rate plus 450 bps spread.

Other costs : Prepayment charge/ Penal interest, max 2% over and above the contracted rate.

End-uses (Negative list) : ECB proceeds cannot be utilized for a) Real estate activities b) Investment in capital market c) Equity investment d) Working capital purposes except from foreign equity holder e) General corporate purposes except from foreign equity holder f) Repayment of Rupee loans except from foreign equity holder g) On-lending to entities for these activities.

FC Hedging provision: Infrastructure space companies are required to mandatorily hedge 70% of ECB with MAM of less than 5 years.

Change of FC – is allowed from one freely convertible FC to any other freely convertible FC and to INR. (INR to FC is not allowed)

Limit and leverage: All eligible borrowers can raise ECB up to USD 750 million per financial year under auto route. In FC denominated ECB from direct foreign equity holder, ECB liability-equity ratio cannot exceed 7:1. This ratio is applicable if outstanding amount is above USD 5 million.

ECB for Oil Marketing Companies (OMC): Public Sector OMCs can raise ECB up to USD 10 billion, for working capital purposes with MAM of 3 years under the automatic route without mandatory hedging and individual limit requirements.

ECB for Startups: Central Govt. recognised Startup entity can raise ECB up to USD 3 million for MAM of 3 years.

ECB for restructuring: An entity under restructuring scheme/ corporate insolvency resolution process can raise ECB.

Issuance of Guarantee, investment in FCCB/FCEBs by Indian banks and FIs for ECB: Not permitted.

Parking of ECB proceeds abroad : For FC expenditure can be parked pending utilization in quality assets.

Parking of ECB proceeds in India: For Rupee expenditure FC should be repatriated immediately. Borrowers can park in term deposits with AD I banks for a maximum period of 12 months cumulatively.

Reporting Requirements: Borrowings are subject to following reporting requirements:

1. Loan Registration Number (LRN): Any draw-down should happen after obtaining the LRN from RBI.

2. Changes in terms and conditions: Changes in parameters within ECB norms should be reported to RBI within 7 days.

3.Monthly reporting of actual transactions : Borrowers are to report actual ECB transactions on monthly basis within 7 working days.

4. Late Fee for delay in reporting: For delay up to 30 days – Rs.5000, up to 3 years – Rs.50000 per year, beyond 3 years – Rs.1 lac per year.

Refinancing of existing ECB: AD- I bank may allow refinancing of existing ECB by raising fresh ECB.

Security for raising ECB: AD I banks can allow creation/ cancellation of charge in favour of overseas lender / security trustee, to secure the ECB.

Summary edited by : Arundeep Toor - Source RBI Website.

Sec138 of Negotiable Instrument Act: M/s. Sicagen India Ltd. Vs. Mahindra Vadineni & Ors.

The appellant-complainant (payee) had business dealings with respondents (drawer). In business dealings, drawer issued 3 cheques. When presented for collection, these were dishonoured for "insufficient funds".

The payee issued first notice to the drawer on 31.08.2009 demanding the payment. The cheques were again presented and returned due to "insufficient funds". The payee issued another notice on 25.01.2010 to the drawer.

The payee filed the complaint u/s 138 of NI Act based on the *second* statutory notice dated 25.01.2010.

The drawer sought quashing of complaint from High Court u/s 482 Cr.P.C. on the ground that the complaint was not filed based on the first notice. It was filed based on the second statutory notice, which is not maintainable.

High Court quashed the complaint holding that complaint filed on same cause of action is not maintainable.

Supreme Court observed a 3-Judge Bench in 2013 *(MSR Leathers vs. S. Palaniappan and Another)* had held that there is nothing in the provisions of Sec 138 which forbids holder of a Cheque to make successive presentation of cheque and lodge criminal complaint based on the 2nd or successive dishonour of the cheque on its presentation.

Supreme Court had emphasized that the object underlying Sec 138 is to give creditability to negotiable instruments and discourage people from dishonouring commitments.

The provision was intended to punish persons who issued cheques for discharging their liabilities but failed to honour. In New India Sugar Mills Ltd. v. CST (1963), Supreme Court had observed that the expressions used should ordinarily be understood in a sense in which they best harmonise with the object of the statue, and which effectuate the object of the legislature.

Applying this interpretation for Sec 138, Supreme Court held that a prosecution based on a second or successive default in payment of the cheque amount should not be impermissible simply because no prosecution based on the 1st default followed by statutory notice and a failure to pay, had not been launched. In the present case the cheques were presented twice and notices were issued on 31.08.2009 and 25.01.2010. Applying the rule of MSR Leathers (supra) the complaint filed based on 2nd statutory notice is not barred. High Court, in Supreme Court view, ought not to have quashed the complaint.

Supreme Court set aside High Court judgment and restored the case back Metropolitan Magistrate at Saidapet to proceed with the matter in accordance with law. *(judgement dated 08.01.2019)*

Banning of Unregulated Deposit Schemes Ordinance, 2019

The Ordinance was issued by the President of India on 21.02.2019 as per Article 123 of Contitution of India.

Objective: The Ordinance provides for a comprehensive mechanism to ban Unregulated Deposit Schemes (UDS) and to protect the interest of the depositors and for matters connected therewith.

Unregulated Deposit Scheme: As per Sec 2 (17), UDS means a scheme or an arrangement under which deposits are accepted or solicited by an deposit taker by way of business and which is not regulated as deposit scheme as specified in First Schedule of the Ordinance.

The regulated schemes are regulated by IRDA, State Governments, National Housing Bank, Pension fund regulatory and development authority (PFRDA), Employees Provident Fund Organisation (EPFO), Central Registrar Multi-state Co-operative Societies, Ministry of Corporate Affairs (MCA).

The Ordinance covers UDSs which are unregulated and which are accepted by any deposit taker by way of business such as illicit deposit / ponzi schemes / unregulated chit funds, that hurt small investors.

The Ordinance exempts Individuals, Firm, companies & LLP etc. from taking any loan and deposit in their course of business which are "Deposits for Business" and not "Business of Accepting Deposits".

Offence and punishment under the Ordinance

Offence Imprisonment Fine (in Rs.)

Solicit deposits under UDS:

1 year – 5 years Rs.2 lakhs to 10 lakhs

Accept deposits under UDS

2 years – 7 years Rs.3 lakhs to 10 lakhs

Fraud in repayment of deposits under UDS

3 years – 10 years (5 lakhs to 200% of aggregate funds collected)

Fraud in repayment of regulated deposits:

Up to 7 years (5 lakhs to 25 crore or 3 times the amount of profit made out of such fraud).

Failure to render service promised against regulated deposits: Up to 7 years (5 lakhs to 25 crores or 3 times the amount of profit made out of such fraud)

Wrongful inducements in relation to UDS

1 year – 5 years (up to 10 lakhs)

Repeated offenders :5 years–10 years (10 lakhs – 50 cr)

Failure to file intimation by deposit taker about its business, or to furnish statements, information or particulars to competent authority: Up to 5 lakhs

Monetary Policy Statement FY 2019-20

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting (04.04.2019) decided to reduce the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points to 6% from 6.25% with immediate effect.

Consequently, the reverse repo rate under the LAF stands adjusted to 5.75%, and the marginal standing facility (MSF) rate and the Bank Rate to 6.25%.

The MPC also decided to maintain the neutral monetary policy stance.

The path of CPI inflation is revised downwards to 2.4% in Q4:2018-19, 2.9-3.0% in H1:2019-20 and 3.5-3.8% in H2:2019-20, with risks broadly balanced.

GDP growth for 2019-20 is projected at 7.2% – in the range of 6.8-7.1% in H1:2019-20 and 7.3-7.4% in H2.

Developmental & Regulatory Policies Statement

1. Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards

Presently, the assets allowed as Level 1 High Quality Liquid Assets (HQLAs) for the purpose of computing the LCR of banks, inter alia, include (a) Govt. securities in excess of the min SLR requirement, and (b) within the mandatory SLR requirement, Govt. securities to the extent allowed by RBI under (i) Marginal Standing Facility (MSF) [presently 2% of the bank's NDTL] and (ii) Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) [presently 13% of the bank's NDTL].

With a view to move further towards harmonisation of the effective liquidity requirements of banks with the LCR, RBI decided to permit banks to reckon an additional 2% of Govt. securities within the mandatory SLR requirement, as FALLCR for the purpose of computing LCR, in a phased manner, as under:

Effective Date	1*	2*
April 4, 2019	13.50	15.50
August 1, 2019	14.00	16.00
December 1, 2020	14.50	16.50
April 1, 2020	15.00	17.00

*1 - FALLCR(per cent of NDTL)

*2 - Total HQLA carve out from SLR(per cent of NDTL)

2. Committee on the Development of Housing Finance Securitisation Market **:** RBI decided to constitute a Committee to assess the state of housing finance securitisation markets in India. The Report of the Committee will be due by the end of August, 2019.

3. Task Force on the Development of Secondary Market for Corporate Loans: RBI will set up a Task Force to study the relevant aspects including best international practices and propose measures for developing a thriving secondary market for corporate loans. The Report of the Task Force will be due by end of August, 2019.

4. Issue of Instructions on an External Benchmark

RBI decided to hold further consultations with stakeholders and work out an effective mechanism for transmission of rates.

5. Countercyclical Capital Buffer: RBI decided that it is not necessary to activate CCCB at this point in time.

6. Permitting G-sec trading through International Central Securities Depositories (ICSDs): RBI proposed to commence the process of implementation of international settlement of Government securities by ICSDs to open up a new channel for non-residents to undertake Government securities transactions.

7. Licensing of Non-Banking Financial Companies (NBFCs) as Authorised Dealer Category II : RBI decided that non-deposit taking systemically important NBFCs-NDSI in the category of Investment & Credit Companies (ICCs) will be made eligible to apply for grant of Authorised Dealer Category II licence.

8. Framework for Harmonizing Turn Around Time for the Resolution of Customer Complaints and Compensation: To have prompt and efficient customer service in all the electronic payment systems, it is necessary to harmonise the Turn Around Time (TAT) of resolution of customer complaints and chargebacks, and to have a compensation framework in place for the benefit of customers. RBI proposes to put in place a framework on TAT for resolution of customer complaints and compensation framework across all authorised payment systems by the end of June 2019.

10. Convergence of Priority Sector Lending (PSL) guidelines for housing loans between Scheduled Commercial Banks (SCBs) and Regional Rural Banks (RRBs) & Small Finance Banks (SFBs): RBI decided to extend regulations related to SCBs to the Regional Rural Banks and Small Finance Banks to bring these banks at a level-playing field with other scheduled commercial banks.

11. Extension of NBFC Ombudsman Scheme to cover Non-Deposit taking Non-Banking Financial Companies (NBFCs): The operation of the Scheme has been extended to those non-deposit taking NBFCs having customer interface and asset size of Rs.100 crores (Rs.1 billion) and above.

Compilation : Sapandeep Toor (Source G20 website).

Practical Problems based on Banking Ombudsman Decisions

1. The complainant alleged that his system was hacked and an amount of Rs.2 lakhs was transferred from his a/c to another a/c in another bank. The amount was withdrawn through the latter bank's ATM. The party was not traceable on the address mentioned in documents. BO observed that the bank had not introduced One Time Password (OTP) for addition of third party and transfer of amount. There was no cooling period for 3rd party addition. SMS alert for addition of 3rd party was sent after money was transferred. For other bank, BO observed that bank had given a platinum card with Rs.2 lakh withdrawal limit per day for a new customer who had no relationship earlier and whose income was Rs.50,000/- to Rs.2 lakh per month as per application. The customer was given a product unsuitable to his profile. As per bank's policy last 3 months' land line bills were required as proof of residence. Bank accepted mobile bill of same month as proof of residence. BO directed both the banks to share the disputed amount and refund it to the complainant.

2. The complainant received a telephone call demanding OTP which he had just received by SMS although. He had not conducted any net banking transaction at that point of time. He reportedly did not disclose the information. But, immediately thereafter, he received an SMS for debit of Rs.1,28,000/- from account. Bank claimed that the complainant might have responded to the call and passed on confidential information. Bank did not submit proof in support. Bank further informed that the fund had been transferred to a/c of a different bank from which they had claimed the amount. It was observed by BO that the transaction took place without any cooling period, as required under extant RBI instruction. The complainant noticed the SMS in his mobile phone when transfer of funds from his account had already been effected. On receipt of the complaint, the bank had blocked the complainant's debit card on the same day. However, the bank had informed the other bank to recover the amount almost after 24 hours. During this time, the beneficiary had withdrawn entire amount. Further, as revealed from correspondence with the beneficiary's bank, one more fraudulent transfer of Rs.61,000/- to the same account had taken place at that time. It was evident that a/c was opened with the ulterior motive of fraud and beneficiary's bank had failed to follow KCC due diligence. BO observed that owing to the above deficiencies on the part of the both the banks, the perpetration of the fraud was possible and, therefore, the complainant's bank should refund the entire amount with applicable FD to the complainant against a simple indemnity and half of this amount should, thereafter, be shared by the beneficiary's bank.

3. An amount of Rs.20,000/- was debited from current account of the complainant through net banking in 10 transactions of Rs.2,000/- each for Vodafone re-charge, without his knowledge. The bank informed that the transactions done by him were fully secured with two sets of passwords (login password and transaction password) and the complainant had compromised the confidential credentials unintentionally or intentionally. It was ascertained that OTP was not furnished to the complainant. The bank was advised to clarify the additional factor of authentication put in place by them for the 'card not present' transactions in the absence of OTP to which the bank replied that the customer had rejected the OTP facility during the initial stage of e-banking facility activation. BO directed the bank to pay the disputed amount to the complainant in view of the extant instructions which specify that additional factor of authentication for all 'card not present' transactions is mandatory and in case of issues arising out of transactions effected without the additional factor of authentication, the issuer bank is to reimburse the loss to the complainant without demur. ●

Repo and Reverse Repo Transactions

Repurchase Options (or Repo) also known as a *ready forward transaction*, is a money market instrument which combines elements of two transactions viz., *lending-borrowing and sale-purchase*. It is a tool to raise funds by selling a security held on a spot basis and repurchasing the same on a forward basis.

As per Sec 45U of RBI Act 1934 as amended wef 09.01.2007 :

Repo means an instrument for **borrowing funds** by **selling securities** with an agreement to repurchase the securities on a mutually agreed future date at an agreed price which includes interest for the funds borrowed;

Reverse repo means an instrument for **lending funds** by **purchasing securities** with an agreement to resell the securities on a mutually agreed future date at an agreed price which includes interest for the funds lent.

The securities transacted can be government securities or corporate securities.

Structure of Repo and Reverse Repo

The Repo transaction has two legs. In the first leg seller sells securities & receives cash and the purchaser buys securities & parts with cash.

In the second leg, securities are repurchased by the original holder who makes payment (of amount originally received + return on the money for the repo period).

These transactions are reported on the electronic platform called the Negotiated Dealing System (NDS). The Clearing Corportation of India (CCIL) provides an anonymous online repo dealing system in India.

In a repo transaction, the ownership of securities passes to buyer for the repo period. Legally the coupon interest accrued for the period has to be passed on to the buyer. The price of reverse repo is structured based on the funds flow of interest and tax elements of funds exchanged.

When *repo rate is higher than current yield*, repurchase price is adjusted *upward* resulting in capital loss and vice versa. If the repo and coupon are equal, the repurchase price is equal to the sale price of security.

Risk - Since repos are supported by repurchase contract, it is less risky as borrower himself shall buy back.

Types of Repos: The repos can be classified on the basis of maturity and structuring.

Classification based on maturity

a) Overnight repo : It is a repo with a single-day maturity. Indian Repo market is predominantly an overnight repo market.

b) Term Repo : Repo having a fixed maturity of >1 day. In Oct 2013, RBI introduced Term Repo under the Liquidity Adjustment Facility (LAF) for 14 days and 7 days tenors for banks to help develop inter-bank money market. Term repo auctions are conducted onE-KUBER platform through electronic bidding. 14 day term repo of tenor is conducted every reporting Friday and 7 day term repo is conducted on every non-reporting Friday. In 2014, Urjit Patel Committee had recommended for introduction of 28-day, 56-day and 84-day variable rate auctioned term repos

c) Open maturity Repo: Repo where both parties can terminate repo each day. There is no fixed maturity period and the interest rate changes from day to day. The lender provides money for an indefinite period with the provision that the agreement can be terminated any day.

d) Flexible repo : The lender commits funds which can be withdrawn by the borrower as per his requirements over an agreed period.

Repo based on structuring

Buy-sell repo transaction: The lender takes possession of the collateral as sale is outright followed by buyback simultaneously for settlement on a later date. The buyer retains coupon due on security. The forward price set in advance is different from the spot price on adjusting the difference between repo interest and coupon earned on the security. Indian markets follow this type of repos.

Classic repo (or US Style repo): Start and end prices of the securities are the same but a separate payment of interest is made. The securities are just collateral for the loan. The coupon income accrues to the seller.

Hold in custody repo: The counterparties agree that the securities sold are held in custody by the seller for the buyer until maturity of the repo which eliminates the settlement requirements.

Bond lending/borrowing transaction: The seller lends bonds in return for a fee depending on size, loan term, underlying instrument and credit rating of counterparty.

Tripartite repo: A common custodian agency arranges for custody, clearing and settlement and provide for Delivery Vs. Payment (DVP) system and take care of the counter-party risk

Repo Market in India: There are broadly 2 segments:

a) RBI operated for LAF at Repo and Reverse rates

b) Market participants operated by banks and institutions at market determined rates in corporate debt securities (with min credit rating of AA) or govt. securities.

Compilation : Manjot Kaur Toor (RBI website).

- **CENTRE APPROVES INTTEREST SUBVENTION SCHEME FOR FARMERS:** RBI has said that the Government has approved implementation of the interest subvention scheme (ISS) with modifications for the years 2018-19 and 2019-20. Under the scheme, banks will provide farmers short term crop loans up to Rs.3 Lakh at 7% and those repaying promptly will get loans at 4%. To ensure hassle-free benefits to farmers under ISS, banks are advised to make Aadhar linkage mandatory to avail of short term crop loans in 2018-19 and 2019-20. For farmers affected by natural calamities, an interest subvention of 2% per annum will be made available to banks for the first year on the restructured loan amount. Such restructured loans will attract a normal rate of interest from the second year onwards.
- **GOVT. POLICY TO MERGE STATE-OWNED BANKS TO CONTINUE:** Union Finance Minister said that the Government will continue to follow a policy of amalgamating public sector banks to create a few but giant state-owned lenders which are globally competitive. They have taken a number of steps to make banks financially sound and healthy. BCG-IBA Report has been released on “EASE Reforms” for public sector banks. EASE (Enhanced Access & Service Excellence) Reforms Index measures the performance of PSBs on 140 objective metrics across six themes, including customer responsiveness, credit off-take and digitisation. Based on the parameters PNB has been ranked First followed by BOB and SBI.
- **SOFTWARE POLICY MOOTS NEW REGISTRY FOR COMPANIES:** The National Policy on Software Products has proposed setting up a Registry for such companies that will be integrated with the Government’s e-marketplace (GeM). The Policy has proposed creating an Indian Software Product Registry through Industry ownership. This will be a common pool, creating a trusted trade environment. The registry will be integrated with the GeM and will also provide necessary handholding for marketing. The policy has also proposed a single-window platform for facilitation of the Indian software product industry. This will help fast- track legal and regulatory issues over import and export, as well as setting up and winding up enterprises.
- **SEBI TIGHTENED NORMS FOR LIQUID MFs:** SEBI has tightened the valuation methodology for liquid Mutual Funds (MFs) and did away with the open offer exemption given to those seeking to acquire assets undergoing insolvency resolution. To make sure liquid schemes reflect the underlying portfolio risks, SEBI has said all debt papers with maturity of 30 days or more to be marked to market. Earlier, fund houses did not have to do so for securities that had less than 60 day maturity. SEBI has also restricted open offer exemptions to only scheduled commercial banks and financial institutions in debt restructuring cases. The exemptions will not be available for acquisitions of shares by persons other than lenders in case of allotment by target company or purchase from lenders.
- **SUPREME COURT RULING ON PROVIDENT FUND:** The Supreme Court has ruled that that all allowances (except HRA) should be considered when calculating the Provident Fund contribution by both employers and employees. As per PF Act, both employer and employee have to mandatorily contribute 12% of the monthly pay towards provident fund, if the monthly pay do not exceed Rs.15, 000. PF contribution in cases where monthly pay is more than Rs.15, 000 is only voluntary.
- **IBBI FOR GROUND RULES FOR RESOLUTION PROFESSIONALS:** The Insolvency and Bankruptcy Board of India (IBBI) has suggested the ground rules for the Insolvency Resolution Professionals (IRPs) and the Committee of Creditors (COC) so that stakeholders have a complete and clear understanding of their roles and responsibilities in a Corporate Insolvency Resolution Process (CIRP). The Supreme Court has already clarified that an IRP is not required to provide his/her opinion on

a resolution plan and has to bring such a resolution plan before the COC. Since the charter is only indicative and not mandatory, the Board appears to give primacy to the Code if there are differences between the two.

- **IDBI GETS GOVT. NOD FOR EXIM TRANSACTIONS WITH IRAN:** Iran is India's Third-Largest Oil Supplier after Iraq and Saudi Arbia. US President had in May last year withdrawn from the 2015 nuclear accord with Iran, re-imposing economic sanctions against the Persian Gulf Nation. IDBI Bank has been identified to route the payments. UCO bank had in the previous round of sanctions handled rupee payments. India used to pay in Euros using European Banking Channel. But this channel is also blocked from November last year. Now IDBI Bank has received Government nod to handle import and export transactions with Iran, a move which would help in promoting two-way trade amid US sanctions on the Persian Gulf Nation.
- **NHB FOR REGULATORY FRAMEWORK REVIEW:** Housing Finance Regulator National Housing Bank (NHB) plans to roll out a set of measures for housing finance companies (HFCs) to better equip them to handle liquidity and solvency risks. Currently, India has about 95 registered HFCs of which 18 are allowed to access public deposits. NHB proposes that the Capital Adequacy requirement of HFCs is to be increased from 12% to 15% by March 2022. NHB also proposes to progressively reduce the limit on the overall borrowings of HFCs from the current permissible level of 16 times of Net Owned Funds (NOF) to 12 times by March 31, 20122. Moreover, the ceiling on public deposits for an applicable HFC is proposed to be capped at three times its NOF.
- **BANKS TO APPOINT AGENCIES TO MONITOR LARGE-VALUE ACCOUNTS:** In a bid to prevent frauds in large-value accounts, banks are planning to engage the services of Specialised Monitoring Agencies to closely track their activities. Banks, under the aegis of IBA have set up a committee of senior bankers to shortlist and empanel the agencies (For an initial period of three years) for accounts where the total exposure is Rs.500 Crore and above. Once the agencies are empanelled, the Lead Bank in Consortium will select one lender and give the assignment to it of monitoring an account.
- **PM LAUNCHES PENSION PLAN FOR UNORGANISED SECTOR:** Prime Minister has launched the Pension Scheme "Pradhan Mantri- Shram Yogi Maandhan Yojana" for worker under the un-organised Sector. Under the scheme, the eligible workers between 18 and 40 years of age will have to get registered at a CSC and contribute anything between Rs.55 and Rs.200 per month. The Government will also contribute a matching amount to this pension fund. The scheme would enable the beneficiary to receive a minimum pension of Rs.3000 per month after they attain 60 years. After the beneficiary's death his/her spouse will get 50% of family pension for life.
- **GOVT. NOTIFIES RELIEF TO STARTUPS ON ANGEL TAX:** The Government has notified the new tax regime for StartUps. The new regime will be effective form February 19, 2019 to shield them from Angel Tax. As per the notification, entities can be recognised as start-ups for 10 years as against seven years earlier, if their turnover does not exceed Rs.100 Crore in any of the financial years as against Rs.25 Crore earlier. The Department for Promotion of Industry and Internal Trade (DPIIT) has also raised the aggregate consideration threshold to Rs.25 Crore from Rs.10 Crore earlier.
- **CENTRE APPROVES PROJECTS FOR REVIVAL OF POWER SECTOR:** Hydro Power has been devoid of investment for a decade. Now the Centre has approved projects and schemes totalling Rs.31, 000 Crore to boost investment in the languishing power sector. In this segment, any projects above 25MW in capacity would now come under the category of renewable energy. This would entail a hydro power purchase obligation on states and get it priority status. With this, India would achieve one of the targets it has committed to under the global climate change treaty for reducing of emissions-sourcing 40% of its total energy consumption from renewable sources.
- **RBI ALLOWS WLAOs TO SOURCE CASH:** Non-bank entities that set up, own and operate ATMs are christened "White Label ATM Operators" (WLAOs) and such ATMs are called "White Label ATMs" (WLAs). Now in a bid to enhance the viability of WLAs, RBI has allowed WLAOs to buy wholesale cash from the RBI and currency chests, source cash from any scheduled bank and display advertisements pertaining to non-financial products/ services within the WLA premises, among others. RBI further said that the banks can issue co-branded ATM Cards in partnership with the authorised WLAOs and may extend the benefit of "On-Us" transactions (where

the customer or cardholder and ATM are of the same bank) to their WLAs as well.

- **SUPREME COURT RULING ON SHARE CAPITAL:** The Supreme Court has ruled that the Corporates should justify the source of fund received as share capital to the Income Tax Officer and that receiving them through the bank channel is not enough to prove its genuineness.
- **SBI PLANS TO LINK SB DEPOSITS AND CC/OD ACCOUNTS WITH REPO RATE:** In a significant move, SBI said that it will link savings bank deposits with balances of Rs.1 Lakh and all cash credit (CC) accounts and overdrafts (OD) accounts with limits of Rs.1 Lakh to the Repo Rate with effect from May1. This move comes in the backdrop of the RBI directing banks to link all new floating rate personal or retail loans (Housing, auto) and floating rate loans to micro and small enterprises to one of the four external benchmarks: - Policy Repo Rate/ 91 Treasury Bill/ 182 Treasury Bill/ a benchmark market rate produced by Financial Benchmarks India Pvt. Ltd.-from April 1.Repo rate is the interest rate at which the RBI provides liquidity to banks to help them overcome short term liquidity mismatches.
- **SUPREME COURT RULING ON STAFF DIRECTOR IN BANK:** (Case- Federation of Bank of India Staff Unions against Bombay High Court Ruling) The Supreme Court has ruled that an employee of a nationalised bank can be chosen as a director in the Board of Directors if he/she has rendered five years' continued service in that bank and will not superannuate while holding the office of the director.
- **EPFO FOR EPF TRANSFER AUTOMATION:** The Employees Provident Fund Organisation (EPFO) has said that the subscribers of the retirement fund would not require filing Employee Provident Fund (EPF) transfer claims on changing jobs from the next fiscal as the process would be made automated. At present, the subscribers are required to file transfer of EPF claims on changing jobs despite having universal account number. The EPFO gets about eight Lakh EPF transfer claims every year. The EPFO is testing the automation of EPF transfer on changing jobs on pilot basis. The automation facility will be launched any time next year.
- **NITI AaYOG TO START EXPORT INDEX FOR STATES:** NITI Aayog in collaboration with the Commerce Ministry is planning to start the Export Index that will rank states on their readiness for exports. The export index will rank states on half a dozen key parameters including their export policies, ease of doing business, infrastructure development to facilitate exports, access to finance for exports and export output, which will assess the export market and product of exports in each state. There will be 30-40 sub-parameters under the six main heads, based on international trade parameters but tweaked to Indian scenario.
- **SEBI TIGHTENS LISTED COS. WITH DIRECTORS AGED OVER75:** SEBI has said that from April 1, 2019 the listed companies may no longer be able to continue having directors aged 75 years and above unless they pass a special resolution and seek shareholder permission and even record reason for such an act. There is no law which says that companies can not have board members aged 75 years or above. Only, SEBI has mandated that a special resolution needs to be passed and shareholder permission sought. The SEBI's rule is to ensure that people do not continue on company boards perpetually without seeking permission .
- **CABINET APPROVES FOR GLOBAL TRADEMARK SYSTEM:** The Union Cabinet has approved the proposal for India's accession to the NICE, Vienna and Locarno Agreements that would harmonise the classification systems for examination of trademark and design applications, in line with the systems followed globally. The Nice agreement deals with the international classification of goods and services for the purposes of registration of marks. The Vienna

agreement deals with the international classification of the figurative elements of marks and the Locarno agreement deals with the international classification for industrial designs. The accession is expected to instil confidence in foreign investors in relation to protection of IPs in India.

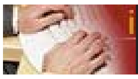
- **GST ISSUE ON PSLC TRADING BY BANKS:** Trading of priority sector lending certificates (PSLC) on the government's e-Kuber portal by banks will attract IGST. However, if the bank has already paid central and state GST for the transaction, then it will not have to pay IGST. Last year, CBIC had clarified that there is no exemption to trading in PSLC under GST. An 18% GST is charged on PSLC which has been considered as goods, on a reverse charge basis and would be paid by the buyer bank.
- **RBI ALLOWS IMPORTERS TO RAISE TRADE CREDIT:** RBI's amended Trade Credit Policy has allowed the importers to raise trade credits (TC) of up to $150 million or equivalent per import transaction under the automatic route. For others, trade credits can be raised up to $50 million or equivalent per import transaction. The period of TC, reckoned from the date of shipment will be up to three years for import of capital goods. For non-capital goods, this period will be up to one year or the operating cycle whichever is less.
- **MCA ISSUES GUIDELINES ON CONDUCT OF BUSINESS:** The Ministry of Corporate Affairs (MCA) has issued the national guidelines on Responsible Business Conduct, urging businesses to actualise the principles in letter and spirit. For this purpose, the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business 2011 have also been revised. There have been various national and international developments in the past decade that have nudged businesses to be sustainable and more responsible, the top most being the United Nations Guiding Principles on Businesses and Human Rights (UNGPs).
- **RBI TO HOLD MEETINGS WITH BANK AUDITORS QUARTELY:** In a first-of-its kind and far reaching move, RBI is set to hold formal meetings with the banks' auditors on a quarterly basis effective from April 1, 2019. Currently, RBI holds an annual meeting with auditors and as and when needed, but there is no structured format for such interactions through the year. The new format will help RBI to get a real time sense from auditors on what is going on in banks. It will also aid RBI's central office to give a heads up to its on-site inspectors, and spruce up the inspection mechanism, including risk-based supervision and the off-site surveillance system. It will be departure from the current practice of engaging with auditors once they have signed off on the annual accounts of banks and the long –form audit report.
- **RBI INTRODUCED SWAP FACILITY:** RBI has introduced a $5 billion Swap facility for the banks to facilitate permanent liquidity support. The three-year swap will take place through an auction on March 26. The purpose is to introduce one more liquidity management tool apart from the tried and tested open market operations (OMO) under which the RBI buys and sells bonds from the secondary market. In the auction, RBI will accept the spot dollars for a small fee (forward premium) and will commit to provide the dollars three years down in line. In doing so, RBI is taking risk that even if dollar-rupee rates weaken significantly, it will have to provide the dollars.
- **SUPREME COURT RULING ON DISSOLVED FIRM:** (Case of Gopal Shri Scrips Ltd.) Supreme Court has ruled in this case that a claim of Income Tax will not become infrutuous even if a company's name has been struck off by the Registrar of companies.
- **SUPREME COURT RULING ON RECOVERY FROM EMPLOYEE TO EMPLOYER:** (Case- Dilip Mani vs. M/S Siel Ltd.) The employee challenged the termination before the Industrial Tribunal in UP The tribunal ordered his reinstatement with back wages in 1998. During the litigation the employer had paid dues according to the order of the tribunal. The Firm appealed to the High Court arguing that the employee had not completed one year of employment. High Court ordered that the order of the tribunal was wrong. The employee appealed to the Supreme Court. The apex Court ruled that though the tribunal order was wrong, the employer had no right now to recover the amount already paid to the "Delinquent workman".
- **IRDAI FOR WITHDRAWAL OF "AEP" CALUSE IN POLICY:** The Insurance Regulator has directed all the insurers to withdraw the Automatic Extension Period (AEP) clause which is offered as an add-on with annual policy covers by general insurers. This clause violates the rules of All India Fire Tariff. General insurance products are normally one year products. So, the policy holders have to renew their covers every year and the rates keep changing every year.

GENERAL AWARENESS

- India's growth which slowed to six quarter low of 6.6% in third quarter of 2018-19- **GDP.**
- Bank which has been ranked "First" among Public Sector Lenders in the implementation of "Reform Agenda"- **PNB followed by BOB and SBI**.
- State for which the Centre has approved the proposal to amend the constitution through which all Indian Laws will be applicable to it and its residents will get the benefits of Reservation Policies- **J&K.**
- To recommend measures to ensure "Stability of External value of Rupee" , RBI has constituted a Task Force to be headed by-**Usha Thorat, Former RBI Dy. Governor.**
- Hasmukh Adhia, Former Finance Secretary has been appointed as- **Chairman of Bank of Baroda.**
- Bank which is to provide Infra Loan of Rs.6500 Crore for Mumbai Metro- Asian Development Bank.
- Entities which have been allowed by SEBI to enter the Commodities Derivatives Market to align it with practices in developed markets around the World- **Mutual Funds and Portfolio Managers.**
- Project under which Six Cities (Rajkot, Ranchi, Indore, Chennai, Agartala and Lucknow) have been selected across the country- **Innovative and Affordable Housing Project.**
- G Satheesh, Aerospace Scientist and the Chief of DRDO has been conferred with- **Missile Systems Award 2019**.
- City which has overtaken Maharashtra as India's Top FDI Destination- **(NCR) National Capital Region covering Delhi, parts of UP and Haryana)**.
- The Platform within three months of its launch has become the "Largest Online Lending Platform" in the country- **PSB Loans in 59 Minutes.com.**
- Bank which has got the "Enhanced Access and Service Excellence (EASE) Award from Arun Jaitly, Union Finance Minister- **Bank of Maharashtra**.
- Corporation with which LIC Housing Finance has tied up to offer enhanced loan eligibility finance to Home Buyers- **India Mortgaging Guarantee Corporation**.
- Seven of the World's 10 "Most Polluted Cities" are in India and the Indian City which is on the Top is- **Gurugram.**
- Four Banks which have been penalised by RBI with total fine of Rs.11 Crore for non-compliance of directions on SWIFT Messaging Software- **Karnataka Bank, UBI, IOB and Vyasa Bank.**
- RBI has penalised Bank of Baroda (Rs.4 Crore), Bank of Maharashtra (Rs.2 Crore) ICICI Bank and Yes Bank (Rs.1 Crore each) for Non-compliance of – **SWIFT-related Operational Controls**.
- City which has been adjudged India's Cleanest City for the third straight year- **Indore followed by Ambikapur in Chhattisgarh and Mysore.**
- Exemption Limit which has been doubled on Gratuity from Rs.10 Lakhs to Rs.20 Lakhs- **IT Exemption.**
- Entities which using Aadhar services to pay Rs.20 for each customer verification and 50 paisa for authentication of each transaction carried out by them-

Business Organisations.

- Tribunal which has slapped a penalty of Rs.500 Crore on German Auto Major Volkswagen for damaging the environment through the use of a "Cheat Device" in its diesel cars in India- **Green Tribunal**.
- Former RBI Governor who has been chosen for the "Yashwanyrao Chavan National Award 2018" for his contribution to economic development- **Raghuram Rajan.**
- RBI has penalised 36 Banks with a fine of Rs.71 Crore for**- Not upgrading their Systems under SWIFT Platform.**
- Central Board which has gone "Paperless on Entry/Shipping Bills"**- Central Board of Indirect Taxes Customs (CBIC)**
- Banks which are among the weakest rated state-run banks, Rating Agency Moody's has upgraded their ratings from Ba3 to Ba2 in view of their improved solvency- **CBI and IOB.**
- President Ram Nath Kobind conferred "Padma Shree Award" to Chess Player- **Harika Dronavalli.**
- While India is set to become 10th Largest Holder (607 Tonnes) in Gold Globally, the country which has topped "Gold Holder List" (8133.5 Tonnes)**- USA.**
- Bank which raised Rs.660.80 Crore under Employee Share Purchase Scheme**- Bank of India.**
- Bank which has launched Crèche- Child Daycare Facility within the premises of its Corporate Office in Mumbai to create conducive working environment to working women and parents- **Bank of Baroda.**
- Committee which has warned that Crypto assets pose risks to Global Banks- **BASEL Committee.**
- India's Most Generous Billionaire who is among Five World's Top Philanthropists including Bill Gates, Gorge Soros and Warren Buffett- **Azim Premji, WIPRO Chairman.**
- Bank which has become the Third Listed Entity to achieve a Market Cap of Rs.6 Lakh Crore after Reliance Industries and TCS-**HDFC Bank.**
- Bank which has been categorised as a Private Sector Bank for Regulatory Purposes with effect from January 21, 2019 by RBI- **IDBI Bank.**
- Geeta Dharmarajan, Founder President, Katha and Ved Arya, Founder Srijan have been conferred Business Standard Corporate Social Responsibility Awards 2019 and named as- **Social Entrepreneur of the Year.**
- Naz Foundation (India) Trust of Anjali Gopalan, Founder has been conferred BS Corporate Social Responsibility Awards 2019 and named as- **Social Enterprise of the Year.**
- Medal which Bipin Rawat, Chief of Army Staff has received from the President Ramnath Kobind for his distinguished services- **Param Vishisht Sewa Medal.**
- Regulator which has granted recognition of the clearing corporation of Metropolitan Stock Exchange of India (MSEI) for routing trades from the UK to India's Stock Exchanges**- Bank of England.**
- Bank which has launched Yono App to do away with the need for plastic cards in payments and withdrawals and allow cashless withdrawal- **SBI**
- Anti-corruption Watchdog in which Retired Supreme Court Judge Pinaki Chandra Ghose has been appointed as**- India's First Lokpal.**
- Under the Economic Times Innovation Awards list, Reliance Jio has been awarded as- **Most Innovative Large Company**.
- Among World's 10 "Cheapest Cities to live in" Rankings, three cities in India are- **Bengaluru, Chennai and New Delhi.**
- SpiceJet has joined Global Airlines' Grouping LATA as a member and becomes- **First Indian Low-cost Carrier.**
- Ratio in which India holds the dubious distinction among the World's Major Economies – **Worst NPA Ratio**.
- Muthoot Capital Services in the Automobile Financing has been presented – **India's Best Company of the year Award 2018.**
- Country which has topped the Global Happiness Ranking Chart**- Finland.**
- Bill Gates joins Jeff Bezos as only the 2nd Member of- **$100-Billion Club in the World**.
- Ex-US President who is now the Longest Living US President who has celebrated his 94th birthday- **Jimmy Carter.**
- Yoga as new subject will be introduced from the upcoming academic session by**- CBSE.**
- According to the List compiled by World Economic Forum (WEF) India has moved up two places to 76th Ranking in- **Energy Transition Index.**
- e-Waste Recycling Hub has been opened in Dubai–**World's Largest Hub.**
- By launching the Anti-satellite Missile, India has become 4th Nation after US, Russia and China and joined the Elite Space Club with- **Mission Shakti.**
- First Transgender who has been appointed by the Election Commission of India as one of the Goodwill Ambassador of the Election Commission in Maharashtra- **Shreegauri Sawant.**



MOCK-TEST PAPER

Questions on latest RBI Policy

ECB based questions

01 The following routes are available for borrowers under External Commercial Borrowing?

a normal route and approval route

b approval route and automatic route

c automatic and special route

d normal route and special route

02 Which of the following cannot be form of ECB for INR denominated ECB?

a bank loans

b fixed and floating rate notes

c bonds and debentures

d FCCBs and FCEBs

03 Normally under ECB, the minimum average maturity period cannot be less than?

a 1 year

b 3 years

c 5 years

d 7 years

04 Manufacturing sector companies may raise ECBs with MAMP of 1 year for ECB up to ____ million or its equivalent per financial year.

a USD 10 million

b USD 20 million

c USD 50 million

d USD 100 million

05 All-in-cost ceiling for ECB is prescribed by RBI at:

a LIBOR + 4.50%

b Bank rate + 4.50%

c Benchmark + 4.5%

d MCLR + 4.5%

06 Prepayment charge/ penal interest for default or breach of covenants under ECB should not be more than ____ over and above the contracted rate of interest on the outstanding principal amount and will be outside the all-in-cost ceiling.

a 0.5%

b 1%

c 1.5%

d 2%

07 Infrastructure space companies are required to mandatorily hedge ____ of their ECB exposure in case average maturity of ECB is less than 5 years.

a 100%

b 70%

c 50%

d 40%

08 Under the ECB framework, all eligible borrowers can raise ECB up to ___ million or equivalent per financial year under auto route.

a USD 300 million

b USD 500 million

c USD 750 million

d USD 3 million

09 Under the ECB framework, govt. recognized startup borrowers can raise ECB up to ____ million or equivalent per financial year under auto route.

a USD 3 million

b USD 5 million

c USD 7.50 million

d USD 10 million

10 To secure borrowing under ECB, which of the following type of security can be allowed by banks?

a letter of undertaking or letter of comfort

b bank guarantee

c charge on immovable or immovable property or financial securities

d all the above

11 To raise funds under automatic route of ECB, which of the following is required?

a loan application from a bank

b loan registration number from RBI

c approval of SEBI

d none of the above

12 Public Sector Oil Marketing Companies (OMCs) can raise ECB for working capital purposes with minimum average maturity period of 3 years under the automatic route without mandatory hedging and individual limit requirements up to ____ or equivalent.

a USD 300 million

b USD 500 million

c USD 750 million

d USD 10000 million

Insolvency and Bankruptcy Code 2016 (IBC-2016)

13 Under Insolvency and Bankruptcy Code 2016 (IBC-2016), insolvency is failure of a company or LLP to pay due amount of ____ or above

a 1 lac

b 10 lac

c 20 lac

d 100 lac

14 Under Insolvency and Bankruptcy Code 2016 (IBC-2016), insolvency is failure of individuals or partnership to pay due amount of ____ or above.

a Rs.1 lac

b Rs.50000

c Rs.10000

d Rs.1000

15 Insolvency and Bankruptcy Code 2016 (IBC-2016), for corporates, the involvency process can be initiated at:

a High Court

b Debt Recovery Tribunal

c National Company Law Tribunal

d Court of Chief Judicial Magistrate

16 Who can initiate the process of insolvency under Insolvency and Bankruptcy Code 2016 (IBC-2016)?

a financial creditors

b corporate debtor

c shareholders or employees

d any of the above

17 Which of the following is not part of pillars of Insolvency and Bankruptcy Code 2016 (IBC-2016)?

a Insolvency and Bankruptcy Board of India

b Information Utitilies

c High Courts

d Insolvency Resolution Professionals

18 Under Insolvency and Bankruptcy Code 2016 (IBC-2016), who prepares the insolvency resolution plan?

a National Company Law Tribunal

b financial creditors

c corporate debtors

d insolvency resolution professionals

19 Under Insolvency and Bankruptcy Code 2016 (IBC-2016), an insolvency resolution plan is required to be approved by ___ of creditors by vote (voting rights)

a 50%

b 66%

c 75%

d 80%

20 Under Insolvency and Bankruptcy Code 2016 (IBC-2016), National Company Law Tribunal can decide admission of a case with a period of ___:

a 14 days

b 90 days

c 180 days

d 270 days

21 Under Insolvency and Bankruptcy Code 2016 (IBC-2016), insolvency resolution professional is required to place the resolution plan before creditors within :

a 14 days

b 90 days

c 180 days

d 270 days

22 Under Insolvency and Bankruptcy Code 2016 (IBC-2016), if a resolution plan is not approved by financial creditor within stipulated period, time period can be extended by National Company Law Tribunal by:

a 14 days

b 90 days

c 180 days

d 270 days

23 Under Insolvency and Bankruptcy Code 2016 (IBC-2016), a corporate debtor may be put into liquidation if (which one is correct, out of the following):

a a 66% majority of the creditor's committee decides to liquidate the corporate debtor;

b creditor's committee does not approve a resolution plan within 180 days (or within the extended 90 days);

c debtor contravenes the agreed resolution plan and an affected person makes an application to the NCLT to liquidate the corporate debtor.

d all the above

KCC

24 Kissan Credit Card can be issued to:

a owner cultivator farmers and tenant farmers

b SHG or JLG of farmers

c Animal husbandry farmers and fisheries

d all the above

25 Kissan Credit Card limit is sanctioned for a period of 5 years. 1st year limit is sanctioned as:

a product cost + 30%

b (area under cultivation x production cost) + 30%

c (area under cultivation x scale of finance) + 30%

d (area under cultivation x production cost) + 20%

26 Kissan Credit Card limit for 3rd is sanctioned by adding __ being escalation cost:

a 10% + 1st year limit

b 10% + 2nd year limit

c 20% + 1st year limit

d 20% + 2nd year limit

27 The long term loan limit under KCC should be sanctioned taking into account the investment such as land development, minor irrigation, farm equipment etc. for a period up to :

a 1 year

b 2 years

c 3 years

d 5 years

28 Under KCC scheme, the marginal farmer can be sanctioned a flexible limit of:

a Rs.10000 to Rs.50000

b Rs.10000 to Rs.100000

c Rs.20000 to Rs.50000

d Rs.20000 to Rs.100000

29 For KCC, which of the following statement is not correctly stated?

a validity period can be determined by bank

b periodic review period can be determined by bank

c rate of interest can be determined by bank

d none of the above

30 What is the normal repayment period of long term loan under KCC ?

a 1 year

b 2 years

c 3 years

d 5 years

31 The margin requirement is not applicable on KCC for an amount up to?

a Rs.2 lac

b Rs.1.60 lac

c Rs.1 lac

d Rs.50000

32 The collateral security requirement is waived on KCC for an amount up to?

a Rs.2 lac

b Rs.1.60 lac

c Rs.1 lac

d Rs.50000

33 In KCC, if there is recovery tie-up, banks can consider waiver of collateral security for a loan up to Rs.

a Rs.10 lac

b Rs.5 lac

c Rs.3 lac

d Rs.2 lac

34 Cost of cultivation for wheat is Rs.15000 per acre. What shall be KCC limit for 2nd year?

a Rs.15000

b Rs.16500

c Rs.19500

d Rs.21450

Lead Bank Scheme

35 Which of the following is not part of Lead Bank Scheme fora?

a Block level bankers' committee

b Distt. Consultative committee

c State Level bankers' committee

d National Level Banks committee

36 Meetings of Block Level Bankers' Committee (BLBC) are held on ___ basis, under Lead Bank Scheme?

a monthly

b quarterly

c half yearly

d yearly

37 Who is chairs the quarterly meeting of Distt. Consultative Committee under Lead Bank Scheme?

a Regional Director - RBI

b General Manager-NABADRD

c Distt. Collector

d Regional Manager of SLBC Convenor Bank

38 The Lead Distt. Manager under Lead Bank Scheme is required to convene ___ public meeting at various locations in the district.

a monthly

b quarterly

c half yearly

d yearly

39 The Distt. Level Review Committee (DLRC) meeting should be held ___ under Lead Bank Scheme?

a monthly

b quarterly

c half yearly

d yearly

40 State Level Bankers' Committee

is chaired by?

a Regional Director - RBI

b General Manager-NABADRD

c State Finance Minister

d CMD or ED of SLBC Convenor Bank

41 State Level Bankers' Committee meetings are held on ___ basis?

a monthly

b quarterly

c half yearly

d yearly

42 All District Credit Plans under Lead Bank Scheme are required to launched by ____ every year, after these are aggregated in State level plans?

a 1st January

b 1st April

c 31st May

d 31st July

43 Under Lead Bank Scheme, there are various reporting statements. The format of which of these does match?

a Annual Credit Plan (ACP) : LBS-MIS-1

b ACP achievement vis-à-vis ACP target : LBS-MIS-II

c Disbursement and outstanding : LBS-MIS-III

d all

44 Under Lead Bank Scheme, bank branches in Rural and Semi-urban places are required to achieve a credit deposit ratio of ___, separately on all India basis.

a 33%

b 40%

c 50%

d 60%

45 No Due Certificate from the individual borrowers (including SHGs & JLGs) in rural and semi-urban areas for all types of loans including loans under Government Sponsored Schemes, irrespective of the amount involved is not to be taken one amount of loan is up to:

a Rs.1 lac

b Rs.2 lac

c Rs.3 lac

d not to be taken irrespective of amount of loan

46 The preparation of potential linked plan for next year, is to be completed under Lead Bank Scheme by:

a January

b April

c August

d October

PM Awas Yojna for MIG

47 To be eligible to avail loan and capital subsidy under PM Awas Yojna for MIG-1, what is the annual household income ceiling?

a Rs.6 lac

b Rs.9 lac

c Rs.12 lac

d Rs.18 lac

48 To be eligible to avail loan and capital subsidy under PM Awas Yojna for MIG-2, what is the annual household income ceiling?

a Rs.6 lac

b Rs.9 lac

c Rs.12 lac

d Rs.18 lac

49 Rate of interest subsidy under PM Awas Yojna for MIG housing is ___ per annum:

a 4% for MIG-1 and MIG-2

b 3% for MIG-1 and MIG-2

c 4% for MIG-1 and 3% for MIG-2

d 3% for MIG-1 and 4% for MIG-2

50 Eligible loan amount for interest subsidy under MIG under PM Awas Yojna is:

a Rs.6 lac for MIG-1 and Rs.9 lac for MIG-2

b Rs.8 lac for MIG-1 and Rs.10 lac for MIG-2

c Rs.9 lac for MIG-1 and Rs.12 lac for MIG-2

d Rs.10 lac for MIG-1 and Rs.15 lac for MIG-2

51 Dwelling unit carpet area to be eligible for interest subsidy under MIG under PM Awas Yojna is:

a 90 sq meters for MIG-1 and 130 sq meters for MIG-2

b 110 sq meters for MIG-1 and 150 sq meters for MIG-2

c 130 sq meters for MIG-1 and 180 sq meters for MIG-2

d 160 sq meters for MIG-1 and 200 sq meters for MIG-2

Answers

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

Central Sector Interest Subsidy Scheme (CSIS) 2009

On 10.05.18, Government of lndia, Ministry of Human Resource Development Department of Higher Education issued notification on revised guidelines on CSIS-2009 applicable from 01.04.2018. A summary of provisions of the scheme is provided as under.

Eligible Loans : The eligibility conditions include:

1. Loans under IBA Model Education Loan Scheme.

2. Loans to Economically Weaker Sections, i.e. students whose annual gross parental income is *up to Rs.4.5 lakhs*.

3. Students enrolled in professional/ technical courses only from NAAC accredited lnstitutions or professional/ technical programmes accredited by NBA or lnstitutions of National lmportance or Central Funded Technical lnstitutions(CFTls).

Those lnstitutions, which do not come under NAAC or NBA, would require approval of the respective regulatory body viz, Medical Council of lndia for Medical courses, NursingCouncil of India for Nursing courses, Bar Council of lndia for Law etc..

Subsidy is admissible *only once*, either for under graduate or post graduate or integrated course.

lnterest Subsidy shall not be available to those students who discontinue their course midstream, or who are expelled from the lnstitution on disciplinary or academic grounds. However, the interest subsidy would be available only if discontinuation is due to medical grounds for which necessary documentation to the satisfaction of the Head of educational institution needs to be provided.

lncome proof is required from authorised Public authority of the StateGovernment.

The scheme is independent of any other schemes which may cater to EWS.

Eligible interest for subsidy:

The interest rates charged on the educational loan shall be as per the MCLR/ Base Rate of the individual banks and as per the provisions for interest rates under the IBA Model Educational Loan Scheme.

The interest payable on the Educational Loan for the moratorium period i.e., Course Period plus one year will be borne by the Government of lndia.

After the period of moratorium, the interest on the outstanding loan amount shall be paid by the student, in accordance with the provisions of the existing Model Educational Loan Scheme of Banks and as may be amended from time to time.

Competent Authority

Govt. has issued an Advisory to State Governments requesting them to designate appropriate authority competent to issue income certificates, based on economic index and not social background, for the purpose of this scheme.

Awards/Certificates

There would be tag/marker on the degree of the student indicating his repayment liabilities. Electronic Tags will enable employers to identify loanees.

Nodal Bank

The Scheme shall continue to be implemented through Canara Bank.

Applicable Academic Year

The Scheme shall be applicable from the academic year 2018-19, starting 1st April, 2018. The Banks shall implement the Scheme based on the notification of the certification authority by State Governments communicated through District Level ConsultativeCommittees (DLCCs).

Interest subsidy on loans by other organizations:

lnterest on Education Loan provided under educational loan schemes of following 4 corporations for loans for pursuing professionalcourses after Xll class, shall also be subsidized for the period of moratorium as per the terms and conditions of this Scheme:

1. The National Safai Karamcharis Finance and Development Corporation (NSKFDC),

2. National Backward Classes Finance and Development Corporation (NBCFDC),

3. National Scheduled Castes Finance andDevelopment Corporation (NSCFDC), and the

4. National Handicapped Finance and Development Corporation (NHFDC)

Monitoring

An lnterest Subsidy & Credit Guarantee dashboard would be set up by the Nodal Bank for the Scheme with realtime data from banks on geographical/ socio-economic/ gender/ institution accreditation grade of the institution/ category/ course-wise distribution of loan applications, sanctions, subsidy released and adjusted, loanrepayments, NPAs, etc.

Disbursement of lnterest Subsidy claims

The disbursement of interest subsidy claims to the Banks shall be on half yearly or yearly basis.

Declaration for Commencement of Business by Companies

The provision of commencement of business has been introduced in Section 10A of the Companies Act, 2013 read with Rule 23A of the Companies (Incorporation) Rules, 2014. As a result every Company incorporated after 02.11.2018 and having share capital, is required to file a declaration in Form-20A.

Which company is covered: Every company which is having share capital and has been incorporated after 02.11.2018.

What type of restrictions is applicable before filing Form-20A: The company cannot commence business and cannot exercise borrowing powers.

What is the time limit for filing: 180 days from the incorporation of Company.

What information is to be provided in Form 20A:

• The Company shall file a declaration by a Director that every subscriber to the memorandum has paid the value of the shares agreed to be taken by him on the date of making of such declaration. It has to file proof of payment of subscription money, which makes it mandatory to open a bank account.

• The fee to file Form 20-A ranges from Rs.200 to Rs.600 as per size of nominal capital. If declaration is filed after 180 days, additional fee of 2 to 12 times is payable as per period of delay.

• Details of registration in case the Company requires any specific approval before commencing any business from regulators like NBFC, IRDA, SEBI and others.

Penalty for non-compliance:

• The Company shall be liable to a penalty of Rs.50000.

• Every officer who is in default, shall be liable to a penalty of Rs.1000 for each day during which such default continues with a maximum of Rs.100000.

• The Registrar of Companies may initiate action for the removal of the name of the company from the register of companies i.e. mandatorily striking off the Company under Section 248 of the Companies Act, 2013.

Certification

• The Form should be signed by any of the Director of the Company.

• It should be certified by practicing Company Secretary, Cost Accountant and Chartered Accountant.

Terms related to Derivatives

Hedging is the activity of undertaking a derivative transaction to reduce an identifiable and measurable risk. For the purpose of these directions, the relevant risk is Rupee interest rate risk.

An **interest rate swap** is a financial contract between two parties exchanging or swapping a stream of interest payments for a 'notional principal' amount on regular occasions during a specified period.

Overnight Indexed Swap (OIS) is an interest rate swap based on the Overnight Mumbai Interbank Outright Rate (MIBOR) benchmark published by Financial Benchmarks India Pvt. Ltd (FBIL)

DATA COLUMN

Business of Banks

(Rs.in cr)	Mar31'18	Mar15'19
Aggregate deposits	10805150	12226240
Cash in hand/RBI	570490	628020
Investments	3043660	3393260
Bank Credit:	7881890	9553710
-Food	53930	52670
-Non-Food	7827960	9501040
Cash-Deposit Ratio	5.27	5.15
Investment-Deposit	28.14	27.74
Credit-Deposit	72.95	78.15

Money Stock

(Rs.in cr)	Mar31'18	Mar15'19
M3 (Out of which)	13962590	15085930
(a) Currency with public	1759710	2063840
(b) Demand deposits-Banks	1483710	1404620
(c) Time Deposits - Banks	10695260	11589710
(d) Other deposits with RBI	23910	27760

Sources of Money Supply

(a) Net Bank credit to Govt	4001400	4521140
(b) Bank credit to Comrcl sector	9213720	10154310
(c) Net Forex assets of Banks	2922300	2939450

Important Banking Indicators

Statutory Liquidity Ratio	19.00%	(13.04.2019)
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	05.75%	(04.04.2019)
Repo Rate	06.00%	(04.04.2019)
MSF Rate	06.25%	(04.04.2019)
Bank Rate	06.25%	(04.04.2019)

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-Mar18	end-Mar19
Dollar-spot TT (Rs.)	64.89	69.22
BSE - Sensex (points)	32947	38862
NSE - Nifty(S&P CNX)	10218	11666
Foreign reserves (Million $)	422533	411905
Gold /Oz in USD)	1343	1292

INDIAN ECONOMY-IMPORTANT PARAMETERS

RBI's growth estimate for FY 2019-20	: 7.2%
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 - YoY	: 10.4%
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- Feb19:Export $ 298.5bn$ Imports	: 464.0 bn
Per capita Income 2017-18 (Rs.)	: 111782
Indian economy's ranking in PPP terms	: 3rd
Indian economy's ranking in world in value	: 6th

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