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# Banking events Update

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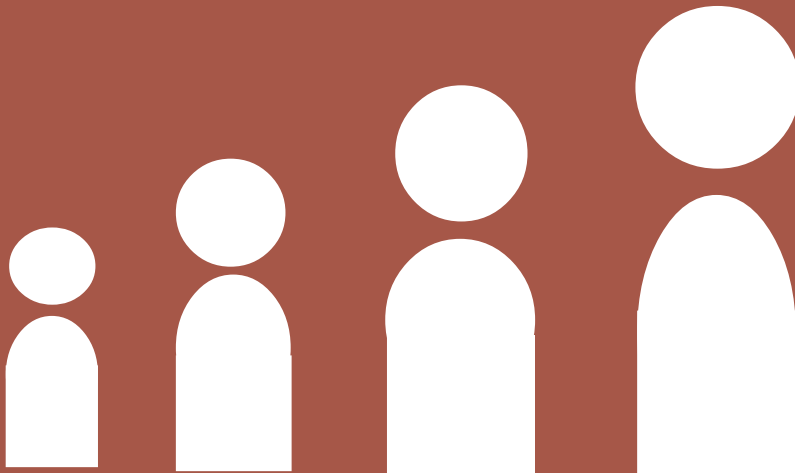
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Those who win, are those, who think they can

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

[www.bankingindiaupdate.com](http://www.bankingindiaupdate.com)

Executive Editor - S. Chand Singh

Editor in Chief - Sh. N S Toor

**BANKING  
POLICY****Increase in RTGS operating hours**

Presently, for customer transactions, RTGS is available for from 8:00 am to 6:00 pm and for inter-bank transactions from 8:00 am to 7:45 pm. To increase the availability of the RTGS system, RBI decided (21.08.19) extended operating hours of RTGS and commence operations from 7:00 am.

RTGS time window w.e.f **Aug 26, 2019** will be as under:

Sr. No.	Event	Time
1.	Open for Business	07:00 hours
2.	Customer transactions (Initial Cut-off)	18:00 hours
3.	Inter-bank transactions (Final Cut-off)	19:45 hours
4.	IDL Reversal	19:45 - 20:00 hours
5.	End of Day	20:00 hours

**Priority Sector loan by banks to NBFCs for On-Lending**

To boost credit to the needy segment of borrowers, RBI decided (13.08.19) that bank credit to registered NBFCs (other than MFIs) for on-lending will be eligible for classification as priority sector under respective categories subject to the following conditions:

**1. Agriculture:** On-lending for 'Term lending' component under Agriculture up to Rs.10 lakh per borrower.

**2. Micro & Small enterprises:** On-lending by NBFC up to Rs. 20 lakh per borrower.

**3. Housing:** Enhancement of existing limits for on-lending from Rs.10 lakh per borrower to Rs.20 lakh per borrower.

Under these guidelines, banks can classify only the *fresh loans* sanctioned by NBFCs out of bank borrowings, on or after the 13.08.19. Loans given by HFCs under existing on-lending rules will continue to be classified under priority sector by banks.

**Overall cap :** Bank credit to NBFCs for On-Lending will be allowed upto a limit of 5% of individual bank's total priority sector lending on an ongoing basis.

These direction will be valid upto March 31, 2020 and reviewed thereafter. Loans disbursed under this model will continue to be classified under Priority Sector till the date of repayment/maturity.

**Levy of Foreclosure Charges /Pre-payment Penalty on Floating Rate Term Loans**

As per RBI circular dated 07.05.14, banks are not permitted to charge foreclosure charges / pre-payment penalties on home loans / all floating rate term loans sanctioned to individual borrowers.

On 02.08.19, RBI clarified that banks shall not charge foreclosure charges/ pre-payment penalties on any floating rate term loan sanctioned, for purposes other than business, to individual borrowers with or without co-obligant(s).

**Direct Benefit Transfer (DBT) Scheme – Implementation**

Further to RBI directions dated 09.07.13, on use of Aadhaar to facilitate delivery of social welfare benefits by direct credit to the bank accounts of beneficiaries, banks have been advised by RBI (13.08.19) to ensure that opening of bank accounts and seeding

of Aadhaar numbers with existing or new accounts of eligible beneficiaries opened for the purpose of DBT under social welfare schemes, is in conformity with the provisions listed in KYC Master directions dated 29.05.19 and provisions of Prevention of Money Laundering (PML) Rules.

**Usage of ATMs – Free ATM transactions – Clarifications**

It came to notice of RBI that transactions that have failed due to technical reasons, non-availability of currency in ATMs, etc., are also included in number of free ATM transactions.

On 14.08.19, RBI clarified that transactions which fail on account of technical reasons like hardware, software, communication issues; non-availability of currency notes in the ATM; and other declines ascribable directly / wholly to the bank / service provider; invalid PIN / validations; etc., shall not be counted as valid ATM transactions for the customer. Consequently, no charges therefor shall be levied.

Further, the non-cash withdrawal transactions (such as balance enquiry, cheque book request, payment of taxes, funds transfer, etc.), which constitute 'on-us' transactions (i.e., when a card is used at an ATM of the bank which has issued the card) shall also not be part of the number of free ATM transactions.

**Interest Subvention Scheme for Kisan Credit Card (KCC) to Fisheries and Animal Husbandry farmers**

Government of India issued (RBI-26.08.19) the operational guidelines of the Interest Subvention Scheme for Kisan Credit Card facility to fisheries and animal husbandry farmers for a period of two years i.e. **2018-19 and 2019-20** with the following stipulations:

1. Eligibility : Short-term loans upto Rs. 2 lakh to farmers involved in activities related to Animal Husbandry and Fisheries

2. Rate of interest charged by bank : 7% per annum during the years 2018-19 and 2019-20

3. Rate of interest subvention : 2% per annum to lending institutions viz. Public Sector Banks (PSBs) and Private Sector Commercial Banks (for loans given by their rural and semi-urban branches only) on use of their own resources.

4. Calculation : Interest subvention will be calculated on the loan amount from the date of its disbursement / drawal upto the date of actual repayment of the loan by the farmer or up to the due date of the loan fixed by the banks, whichever is earlier, subject to a maximum period of one year.

5. Overall cap : For farmers possessing KCC for raising crops and involved in activities related to animal husbandry and/or fisheries, the KCC for animal husbandry/fisheries shall be within the overall limit of Rs.3 lakh.

6. Additional subvention : 3% p.a to farmers repaying both loans (short term crop loan and working capital loan for animal husbandry/fisheries activities) in time i.e. from the date of disbursement of the working capital loan upto the actual date of repayment by farmers or upto the due date fixed by the banks for repayment of loan, whichever is earlier, subject to a maximum period of one year from the date of disbursement.

7. Effective rate of interest : Farmers repaying promptly would get short term loans @ 4% per annum during the years 2018-19 and 2019-20.

8. The limit for crop loan component will take priority for interest subvention and prompt repayment incentive benefits and the residual amount will be considered towards animal husbandry and / or fisheries.

9. Banks are to make Aadhar linkage mandatory for availing short-term loans for Animal Husbandry and Fisheries in 2018-19 and 2019-20.

10. The Interest Subvention Scheme is being put on DBT mode on 'In Kind/services' basis and all short term loans processed from 2018-19 are required to be brought on ISS portal / DBT platform. Banks are to capture and submit the category wise data of beneficiaries under the scheme and report the same on ISS portal individual farmer wise once it is launched by the Ministry of Agriculture and Farmers Welfare to settle the claims arising from 2018-19 onwards. RBI also advised as under:

- i) For 2% interest subvention, banks are to submit their claims on a half-yearly basis as on September 30 and March 31 for the years 2018-2019 and 2019-2020, of which, the latter needs to be accompanied by a Statutory Auditor's certificate certifying the claims for subvention for the financial year ended on March 31 of corresponding year as true & correct.
- ii) For 3% prompt repayment incentive, banks may submit their one-time consolidated claims for disbursements made during 2018-19 and 2019-20, accompanied by Statutory Auditor's certificate certifying the claim as true and correct.
- iii) Claims in respect of 2% interest subvention and 3% prompt repayment incentive may be submitted within a quarter from the close of the half year/year.

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## Bi-monthly Monetary Policy Review by RBI

The bi-monthly review was undertaken on 07.08.19.

RBI reduced the Repo rate by 35 basis points from 5.75% to 5.40%. Accordingly, the reverse repo rate was reduced to 5.15% and MSF rate and bank rate was reduced to 5.65%.

Salient features include :

### 1. Introduction of stripping/reconstitution facility for State Development Loans (SDLs)

As a debt manager to the States in terms of Section 21A of RBI Act 1934, the Reserve Bank decided to introduce the stripping/reconstitution facility for SDLs. This measure will be implemented in consultation with the respective State governments.

### 2. Round-the-Clock Availability of National Electronic Funds Transfer System

Currently, the National Electronic Funds Transfer (NEFT) payment system is available for customers from 8.00 am to 7.00 pm on all working days of the week (except 2nd and 4th Saturdays of the month). Reserve Bank will make available the NEFT system on a 24x7 basis from December 2019.

### 3. Expansion of Biller Categories for Bharat Bill Payment System

The Bharat Bill Payment System (BBPS), an interoperable platform for repetitive bill payments, currently covers five segments viz., (i) direct-to-home (DTH); (ii) electricity; (iii) gas; (iv) telecom; and (v) water bills. RBI decided to permit all categories of billers (except prepaid recharges) who provide for recurring bill payments to participate in BBPS on a voluntary basis.

### 4. 'On-tap' Authorisation for Retail Payment Systems

In order to benefit from diversification of risk as also to encourage innovation and competition, RBI decided to offer 'on tap' authorisation to entities desirous to function/operate/provide platforms for

1. Bharat Bill Payment Operating Unit (BBPOU);
2. Trade Receivables Discounting System (TReDS); and
3. White Label ATMs (WLAs).

Instructions to this effect will be issued by the end of September 2019.

### 5. Creation of a Central Payments Fraud Information Registry

At present, there is a mechanism in place for banks to report all banking frauds to the Central Fraud Monitoring Cell of the Reserve Bank. With the digital payment

ecosystem making substantial progress in terms of growth of payment infrastructure as well as volume and value of digital payment transactions, fraud risk monitoring and management by the stakeholders have assumed importance. It has always been the endeavour of the Reserve Bank to improve the confidence of customers in the payment systems. The Payment System Vision 2021 also envisages a framework for collecting data on frauds in the payment systems. In order to carry forward these efforts and ensure quick and systemic responses, it is proposed to facilitate the creation of a Central Payment Fraud Registry that will track these frauds. Payment system participants will be provided access to this registry for near-real time fraud monitoring. The aggregated fraud data will be published to educate customers on emerging risks. A detailed framework in this regard will be put in place by the end of October 2019.

### 6. Reduction in risk weight for consumer credit except credit card receivables

Under the standardised approach for Credit Risk Management, consumer credit, including personal loans and credit card receivables attract a higher risk weight of 125 per cent or higher, if warranted by the external rating of the counterparty. On a review, it has been decided to reduce the risk weight for consumer credit, including personal loans, but excluding credit card receivables, to 100%.

### 7. Measures to enhance credit flow to NBFC Sector:

During the last one year, the Reserve Bank has taken several measures to facilitate credit flow to the well managed NBFCs/HFCs. The steps taken by the Reserve Bank are as follows:

1. On September 23, 2018, the Reserve Bank issued a press release stating that along with SEBI, it was closely monitoring the situation and will take measures, as necessary.
2. The FALLCR (i.e. securities that can be reckoned, both for SLR and LCR), was increased on two occasions (September 27, 2018 and April 4, 2019) by two per cent each, thereby enabling banks to raise additional liquidity by selling their excess SLR securities.
3. A special FALLCR of 0.5 per cent exclusively for lending to NBFCs was introduced in October 2018.
4. The risk weights for banks' exposure to NBFCs were harmonised with those of other corporates.
5. The prudential limit on exposure of banks to NBFCs was also aligned with that of other sectors, thereby increasing it from 10 per cent of the banks' capital to 15



per cent.

6. The minimum holding period for assets to be securitised or assigned was reduced from one year to six months, thereby enabling the NBFCs and HFCs to raise funds by securitising their originations without having to wait for a longer period.

7. The durable liquidity in the system was increased through a series of OMOs and Forex SWAPs.

8. On July 5 2019, the FALLCR scheduled to increase by 0.50 per cent of NDTL each on August 1 and December 1, 2019 was allowed to be frontloaded by banks for computing LCR to the extent of incremental outstanding credit to NBFCs and Housing Finance Companies (HFCs) over and above the amount of credit to NBFCs/HFCs outstanding in their books as on July 5, 2019. Further, on the same day, pursuant to the announcement in the Union Budget of a partial credit enhancement to Public Sector Banks for acquiring highly rated pooled assets of financially sound NBFCs/HFCs, the Reserve Bank, through a press release, conveyed its readiness to provide required liquidity backstop to the banks against their excess G-sec holdings in order to enable them to implement the budget announcement.

RBI decided to take following further measures to enhance credit flow to the NBFC sector:

*(a) Harmonisation of single counterparty exposure limit for banks' exposure to single NBFCs with general single counterparty exposure limit*

Under the revised guidelines on large exposure framework (LEF) that came into effect from April 1, 2019, a bank's exposure to a single NBFC is restricted to 15 per cent of its Tier I capital, while for entities in the other sectors the exposure limit is, 20 percent of Tier I capital of the bank, which can be extended to 25 per cent by banks' Boards under exceptional circumstances. As a step towards harmonisation of the counterparty exposure limit to single NBFC with that of the general limit, it has been decided to raise a bank's exposure limit to a single NBFC to 20% of Tier-I capital of the bank.

*(b) Credit to the Priority Sector – Permitting banks to on-lend through NBFCs*

RBI decided to allow, subject to certain conditions, bank lending to registered NBFCs (other than MFIs) for on-lending to Agriculture (investment credit) up to Rs.10.0 lakhs; Micro and Small Enterprises up to Rs.20.0 lakh and housing up to Rs.20.0 lakh per borrower (up from Rs.10.0 lakh at present) to be classified as priority sector lending.

## E-mandate on Cards for Recurring Transactions

On 21.08.19, RBI decided to permit processing of e-mandate on cards for recurring transactions (merchant payments) with additional factor of authentication (AFA) during e-mandate registration, modification & revocation and for first transaction, and automatic subsequent successive transactions, subject to following conditions.

- 1) The arrangement shall be only for recurring transactions (RT) and not for a 'once-only' payment.
- 2) A cardholder shall undertake a one-time registration process, with AFA validation by the issuer.
- 3) A cardholder can provide the e-mandate for either a pre-specified fixed or variable value of RT.
- 4) While processing the first transaction in e-mandate based RT series, AFA validation shall be performed.
- 5) Subsequent RTs shall be performed only for those cards which have been successfully registered and for which the first transaction was successfully authenticated and authorised. These subsequent transactions may be performed *without* AFA.
- 6) The issuer shall send a pre-transaction notification to the cardholder, at least 24 hours in advance through SMS, email, etc. as per cardholder option.
- 7) Such notification shall inform the cardholder about the merchant name, transaction amount, date / time of debit, reference number of transaction/ e-mandate, reason for debit, i.e., e-mandate by the cardholder.
- 8) On receipt of pre-transaction notification, the cardholder can opt-out of transaction or e-mandate.
- 9) The issuer shall send post-transaction alert / notification to the cardholder.
- 10) The limit for these transactions *without* AFA will be Rs.2,000 per transaction for all merchants. Beyond this, cap shall be subject to AFA as hitherto.
- 11) The issuer shall provide the cardholder an online facility to withdraw any e-mandate any time.
- 12) An appropriate redress system shall be put in place by the issuer to facilitate the cardholder to lodge grievance/s. Card networks shall also put in place dispute resolution mechanism for resolving these disputes with clear Turn Around Time (TAT).
- 15) The card networks shall make suitable arrangements to separately identify chargebacks / dispute requests in respect of e-mandate based recurring transactions.
- 16) RBI instructions on limiting liability of customers in unauthorised transactions shall be applicable for such transactions as well.

### Practical Problems based on Banking Ombudsman Decisions

1) The complainant stated that an unauthorized RTGS transfer of Rs.850,000 was done from his account using a cheque which was neither issued nor signed by him. Further, no SMS alert was received by him. Further an amount of Rs.639,000 was reversed by bank but remaining Rs.211,000 was not credited. On enquiry, the bank informed that a request was received by the bank for change of the complainant's mobile number but it was later observed that the signatures on the application as well as on the cheque were different from those in the bank records. The above and the fact that the bank had credited Rs.639,000 to the complainant's account established that the bank had agreed to complainant's claim of a fraudulent transaction in his account and as such BO advised the bank to pay balance amount to the complainant.

2) Complainant had disputed the supervision charges levied in cash credit account by the bank. Upon enquiry, the bank, submitted that the charges were levied after income leakage was identified in the revenue audit of the branch and the same were as per its internal circular. On specifically seeking information regarding prior information to the customer about the revised charges, the bank could not produce any documentary evidence indicating that the complainant was informed about these charges prior to levying the same. Further, there was no mention of these charges in the sanction letter too. BO therefore advised the bank to refund the charges along with interest.

3) The complainant stated that her son had availed an education loan for Rs.0.3 million of which around Rs.0.2 million had been repaid. She alleged that bank had surrendered life insurance policy for Rs.74,000 pledged against loan even though the policy was yet to mature for Rs.0.2 million. As such the loan could not be repaid in full and it was being demanded by bank. She further alleged that no intimation was given to her by the bank before surrender. The bank submitted that the complainant's loan was under default and the bank, under its right to set off, had surrendered the policy and adjusted surrendered value towards the outstanding loan. It however could not provide any evidence of informing the customer before surrendering of the policy. BO advised the bank to credit the complainant's loan account with Rs.0.13 million, i.e. the balance amount of the sum assured for the said policy.

4) The complainant who had availed a home loan at floating rate subsequently decided to convert to a fixed rate loan. A supplementary agreement was signed between bank and the complainant and a conversion fee was charged. The complainant alleged that even after the loan had been repaid the bank did not hand over a 'no dues certificate' and original property documents because some loan installments were still outstanding. He claimed that he had paid an excess amount of Rs.60,957 and sought refund. Upon enquiry, the bank submitted that the re-negotiated rate in the supplementary agreement was also a floating rate which was subject to changes and thus there was outstanding in the loan account of the complainant. The bank failed to provide any documentary evidence for its averment. Also, it could not provide any communication confirming that the complainant was advised that the rate of interest agreed to was floating rate and not a fixed rate. The complainant however provided an evidence of having paid the conversion fee. BO therefore advised the bank to recalculate interest by treating the loan account as a fixed rate loan and refund excess amount recovered from the complainant.

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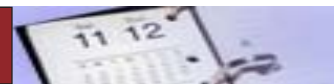
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- **GOVT. UNVEILED MEGA MERGER PLAN OF PSBs:** The Government has unveiled a plan to merge 10 public sector banks into 4 reducing the number of state-owned banks from 18 to 12 in a bid to create “Next Generation” financial institutions with stronger balance sheets and bigger risk appetite. Union Finance Minister said that the OBC and United Bank of India would be merged with Punjab National Bank which will be the 2<sup>nd</sup> Largest Bank in the country after SBI. Further, Syndicate Bank will be merged with Canara Bank. Andhra Bank and Corporation Bank would be merged with Union Bank of India. Allahabad Bank will be merged with the Indian Bank. The timeline of completing the proposed mergers would be decided in consultation with the banks’ boards, preferably 31.03.2020.
- **FM ANNOUNCES REFORMS OF BANKS BOARDS:** Union Finance Minister announced a host of measures aimed at making PSBs more efficient. These included allowing banks’ boards to appraise performance appraisal of the senior management –from the level of General Manager to Managing Director. Under the current practice, General Managers are appraised by the ED and the ED is appraised by the MD. But there is no formal appraisal process of the MD. The Government now proposes that the Board can appraise the MD directly. The Government also gave the freedom to banks to appoint Chief General Manager (CGM) if required. The concept of CGM is present in SBI.
- **SBI ROLLS OUT POLICY ON WILFUL DEFAULTERS:** SBI has put together a comprehensive policy on wilful defaulters which envisages setting up 3 Wilful Default Identification Committees (WDICs). Each of these committees will be headed by a Deputy Managing Director. There will be quarterly reviews by branches for identification, declaration of wilful defaulters and taking action against them. The bank will declare borrowers with outstanding of Rs.25 Lakh and above as wilful defaulters in terms of the RBI guidelines. If the committee identifies a borrower, promoter/director and the firm as wilful defaulter, the order will be sent to the review committee. The order will become final only after it is reviewed/ confirmed by the review committee. Once declared a wilful defaulter, a borrower/ guarantor will remain in that category till the closure of the loan, irrespective of the outstanding in the account.
- **RBI NO OBJECTION TO BANKS FOR SETTING SEPARATE CAPS FOR POWER AND RENEWABLE:** The priority sector

## Financial Events

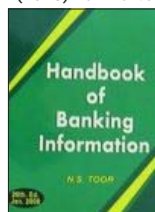


lending limits for renewable energy were said to be stunting the growth of the sector as banks were clubbing the power and renewable sectors under one umbrella. This dried up the capital availability for renewable companies. Now RBI has said that it has no objection to banks setting separate limits for renewable energy. The move to ask banks and financial institutions to categorise renewable energy as a separate sector different from the power sector is being done so that funds would flow more to renewable energy projects.

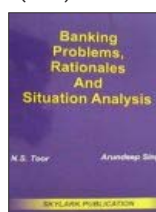
- **NHB INFUSES LIQUIDITY IN HFCs:** The National Housing Bank (NHB) is making available from August 2, a liquidity infusion facility of Rs.10000 Crore for Housing Finance Companies (HFCs) as additional liquidity for individual housing loans, for affording housing. This facility will be over and above the two existing refinance schemes of the NHB. Further, the Government has approved the modalities for one time partial credit guarantee to public sector banks for purchase of high rated pooled assets of financially sound NBFCs. Accordingly, for the purchase of high rated pooled assets of financially sound NBFCs –which will amount to Rs.1 Lakh Crore during the current financial year, the government will provide a onetime 6 months’ partial credit guarantee to public sector banks for the first loss of up to 10%.
- **RBI TIGHTENS NORM FOR APPOINTING DIRECTORS OF PSU BANKS:** As per the RBI (Fit and Proper

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Criteria for Elected Directors on Boards of PSBs) Directions 2019, all banks-SBI and nationalised banks are required to constitute a Nomination and Remuneration Committee consisting of a minimum of three non-executive directors from among the board of directors. As per the directions, the candidate who wants to become an elected director should at least be a graduate. He/she should be between 35-67 years old as on the cut off date fixed for submission of nominations for election. The candidate should have special knowledge or practical experience in areas useful for banks.

- **RBI'S DIRECTIONS TO BANKS ON BSBD:** RBI has said that the banks should not impose any limit on number and value of deposits that can be made in a month on Basic Savings Bank Deposit (BSBD) account. These accounts are designed primarily for the poor section of the society which would offer certain minimum facilities, free of charges. Bank should not charge for deposit of cash at bank branch as well as ATMs, should not ask for receipt or credit of money through any electronic channel. The account holders should be allowed minimum of four withdrawals in a month including ATM withdrawals and should be issued ATM Card or ATM-cum-Debit Card free of charge. The BSBD Account shall be considered a normal banking service available to all.
- **GOVT. SEEKS SC HELPTO REDUCE DELAYS IN NCLT:** The Government has sought the Supreme Court's approval to frame rules for making judges of the National Company Law Tribunal (NCLT) accountable in ensuring corporate insolvency cases are disposed of in time. The Government has made it mandatory for all corporate insolvency procedures, including litigation to be wrapped up in 330 days. The government is concerned about the cost that the delay in the resolution process is causing.
- **GOVT. NOTIFICATION ON NATIONAL POPULATION REGISTER:** According to a recent notification issued by the Registrar General and Census Commissioner of India, the task of National Population Register will be carried out across the entire country except Assam. The Central Government has decided to prepare and update the population register and field work for house to house enumeration throughout the country except Assam for collection of information relating to all persons who are usually residing within the jurisdiction of local registrar shall be undertaken between April 1, 2020 to September 30, 2020.
- **SEBI TO TIGHTEN NORMS IN LOAN DEFAULTS:** In view of concerns over banks citing "Client Confidentiality" to resist sharing of information on delayed loan repayments and possible defaults by their borrowers, SEBI is planning to tighten its norms to make it mandatory for companies to provide these details to credit rating agencies. There have been occasions when some entities have sought to take the benefit of certain regulatory

gaps as banks are regulated by RBI while rating agencies and listed companies come under SEBI's jurisdiction. The problem becomes more acute in the case of unlisted companies. To fill this regulatory gap, SEBI is now proposing to amend its regulations for credit rating agencies to ensure that any listed or unlisted entity, before getting rated, gives an explicitly consent to obtain from lenders and other entities full details about their existing and future borrowings as also their repayments and delay or default of any nature and provide the same to the rating agencies.

- **AMENDED COMPANY LAW'S STRINGENT MEASURES ON CSR:** Under the Company's Act, 2013, a company has to spend 2% of its average net profit of the preceding three years on Corporate Social Responsibility (CSR) if it had in any of those years net worth of Rs.500 Crore or more, revenue of Rs.1000 Crore or more or net profit of Rs.5 Crore or more. Now under the amended Company Law, companies violating CSR norms will attract fines ranging from Rs.50, 000 to Rs.25 Lakh with officers concerned liable for imprisonment up to three years.
- **IIP METHODOLOGY REVIEW IN THE WORKS:** The Government will review the methodology of estimating its factory output – Index of Industrial Production (IIP) and identifying gaps amid concerns over the credibility of such data in recent past. The IIP provides a single representative figure to measure the general level of industrial activity in the economy on a monthly basis. The Ministry for Statistics and Programme Implementation (MOSPI) has set up a working group to revise the indicator's base to 2017-18 from 2011-12 and monitor if global practices are followed in its estimation. The group will revise the base and relook the methodology.
- **SEBI ENHANCES GUIDELINES FOR SHARE PLEDGING:** SEBI has asked the promoters of all listed companies to disclose the reasons for pledging of shares if their quantum is 50% or more of their total holding in the company. SEBI has also asked



for similar disclosures if the total shares pledged by promoters exceed 20% of the company's equity capital. In order to bring greater transparency regarding reasons for encumbrance, particularly when significant shareholding by promoter along with "Persons Acting in Concert" (PAC) is encumbered, it has been decided to prescribe additional disclosure requirements.

- **IT APPEALS MONETARY LIMIT HIKED:** In order to reduce the litigations, CBDT has hiked the monetary limit for filing appeal. This will ensure better litigation management and save resources. Monetary limit for filing appeal before income tax appellate tribunal would be Rs.50 Lakh as against Rs.20 lakh. Further monetary limit for filing appeal in the High Court and Supreme Court have been revised to Rs.1 Crore and Rs. 2 Crore respectively. Earlier, these limits were Rs.50 Lakh and Rs.1 Crore.
- **FINMIN PLANS 16-POINT "KPI" TO PUSH PSBs:** To address the continuing decline in the share of public sector banks, the Finance Ministry plans to kick-start an elaborate exercise whereby it will closely monitor their achievements on 16 key performance indicators (KPI) at the branch, state and national level. The banks will then be benchmarked against the 18 PSBs average. If found lagging, specific action will be taken after consultation at various levels to crank up their performance. The 16 KPIs that the Ministry will be tracking include credit for infrastructure, farm sector, MSMEs, Stand-up India Scheme etc. Through a consultation process at various levels, the Finance Ministry will assess the KPIs to understand whether the PSBs have performed well in terms of catering to their customers and helping the country grow.
- **CENTRE TO PERMIT 100% FDI IN CONTRACT MANUFACTURING:** According to the existing foreign investment policy, 100% foreign direct investment (FDI) is permitted in the manufacturing sector under the automatic route. A manufacturer is also allowed to sell products manufactured in India through wholesale and retail channels, including through e-commerce, without government's approval. The current policy does not mention about contract manufacturing and it is not clearly defined in the policy. Big technology companies across the world are going for this. Hence the Government has allowed 100% FDI in contract manufacturing with a view to attract overseas investments.
- **NATIONAL CONSUMER COMMISSION RULING ON BOUNCED CHEQUE:** The customer Chitrodaya Babuji had received the cheque from another person and he deposited it in the

bank. But the cheque was bounced. So he demanded the cheque from Bank of Baroda along-with the returning memo. However the cheque was lost in the bank. The customer could not initiate the proceedings against the person under Negotiable Instruments Act. On appeal the National Consumer Commission directed the bank to pay a sum of Rs.3.6 Lakh to the customer because it is the responsibility of the bank to compensate the loss.

- **CBDT GIVES EXEMPTIONS TO START-UPS ON ANGEL TAX:** CBDT has given an exemption to start-ups from angel tax even on earlier assessment orders subject to certain riders. Now the CBDT has raised the threshold for availing angel tax. Consideration of shares issued or proposed by start-ups has been hiked to Rs.25 Crore from Rs.10 Crore. Also, consideration received by eligible start-ups for shares issued or proposed to be issued to a listed company having a net worth of Rs.100 Crore or turnover of at least Rs.250 Crore has been exempted. The definition of start ups was also widened to include an entity up to 10 years from its date of incorporation instead of the existing period of seven years.
- **RBI PRESCRIBES "FIT AND PROPER CRITERIA" ON REGULATORY SANDBOX:** RBI has prescribed "fit and Proper" criteria for selection of participants for entry into the Regulatory Sandbox for live-testing of new products in a controlled/test regulatory environment. It should either be a company incorporated and registered in India or banks licenced to

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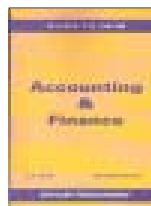
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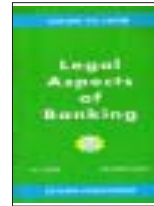
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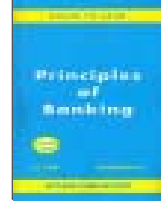
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operate in India; the entity should have a min net worth of Rs.25 Lakh as per its latest balance sheet and promoter / director of the entity should be fit and proper. The applicant should demonstrate that the products /services are technologically ready for deployment in the broader market.

- **RBI TO RE-START EXPORT CREDIT REFINANCE FACILITY:** The Export Credit Refinance (ECR) facility was given on the basis of banks' eligible outstanding rupee export credit, both at the pre-shipment and post-shipment stages. It was stopped in February 2015. The impact of the removal of the ECR facility is evident from the fact that the period immediately after its withdrawal was accompanied by a rise in the maximum rate of rupee export credit by public sector banks, though the repo rate continued to decline during this period. According to the EXIM Bank, a possible solution to the high cost of export credit is to lower the funding cost via refinance, which addresses both cost and liquidity. Interest rates could be rationalised by the reinstatement of the RBI's export credit refinance facility. Hence, RBI may restart the ECR facility to moderate the interest rate on rupee export credit and reverse the faltering trend in exports.
- **SRINIWAS PANEL FOR "GREEN CHANNEL" FOR FASTSER M&A APPROVALS:** The Competition Law Review Committee has recommended a "Green Channel" for faster regulatory approvals for mergers and acquisitions that may have no major implications on competition. The Panel was chaired by Injeti Srinivas, Secretary of Ministry of Corporate Affairs. It has suggested setting up of the Competition Commission of India offices at the Regional level for non-adjudicatory functions such as research and advocacy. It also recommended that a dedicated bench be introduced in the National Company Law Appellate Tribunal for hearing appeals under the Competition Act.
- **CENTRE RAISES CAP ON SHARES ISSUED WITH DVRs:** The Centre has sweetened the deal for start-ups and other firms with regard to the issuance of shares with differential voting rights (DVRs). The cap of DVR shares has been revised upwards to 74% of the total voting power from the existing 26%. Another key change is removal of an earlier requirement of distributable profits for 3 years for a company to be eligible to issue

shares with differential voting rights. The two changes are expected to give a boost to the start up ecosystem.

- **RBI MAKES CHANGES IN GOLD MONETISATION SCHEME:** In an amendment to the scheme, RBI said that while all deposits have to be made at collection & purity testing centres (CTPCs), banks may accept gold at designated branches, especially from the larger depositors. Banks may also identify at least one branch in a state/union territory where they have presence to accept the deposits under the scheme. Banks may at their discretion also allow the depositors to deposit their gold directly with the refiners that have facilities to carry out final assaying and to issue the deposit receipts of the standard gold of 99% fineness. Until now, potential depositors had to submit gold to a CTPC and then to a collection centre –both named by the Government.
- **GOVT. FOR DEBT WAIVER FOR SMALL DISTRESSED BORROWERS:** The Government plans to give debt waiver for "Small Distressed Borrowers" under the Insolvency Law Framework. The proposed waiver would be offered as part of "Fresh Start" provisions under the Insolvency Bankruptcy Code (IBC). As per the IBC, there are various thresholds for "Fresh Start" including that the gross annual income of the debtor does not exceed Rs.60, 000. The aggregate value of the debtor's assets should not be more than Rs.20, 000 and that the aggregate value of the qualifying debts does not exceed Rs.35000. Among others, such a person should not be having an old dwelling unit, irrespective of whether it is encumbered or not.
- **SEBI TO HAVE FRAMEWORK FOR CRAs:** SEBI is likely to come up with a framework for Credit Rating Agencies (CRAs) to enable them to seek information from lenders or other institutions about loan repayment or possible default by a debtor. SEBI plans to amend the regulations on CRAs by adding a clause in the agreement between an issuer and a rater to provide an explicit consent from the issuer to obtain information related to loans, repayment, delay etc. from banks or other lending institutions. At present, banks do not share with CRAs details of a company's existing and future borrowings.
- **SUPREME COURT RULING ON "GROUP OF COMPANIES":** (Case-MTNL VS. Canara Bank) Supreme Court has ruled in the case that a non-signatory to a contract may be bound by an arbitration agreement where the parent or holding company or a member of the group of companies is a signatory to the arbitration agreement. It is specially so when the non-signatory entity in the group has been engaged in the negotiation or performance of the commercial contract.

## GENERAL AWARENESS

- Direct Tax Panel which is now to submit its report by 16<sup>th</sup> August 2019 was headed by- **Akhilesh Ranjan, Member of CBDT.**
- India has become the “7<sup>th</sup> Largest Economy” Globally while the country which is on the Top is- **USA followed by China.**
- Sector in which the growth has collapsed to 0.2% in June- a “50-month Low” from 4.3% in May- **Core Sector.**
- Bank which has increased its Authorised capital by Rs.5000 Crore from Rs.10000 Crore to Rs.15, 000 Crore- **Indian Overseas Bank.**
- Ranking list in which Bengaluru has been placed at 81<sup>st</sup> ranking being India’s Best City for Students while London has topped the list- **Best Student Cities Ranking 2019.**
- Political Party in India which is having more assets (Rs.1483.35 Crore FY2018) as compared to other political parties is- **Bhartiya Janata Party.**
- A Manned Submersible Vehicle which will be launched by India and which will empower the Nation in the field of deep ocean research- **Samudrayaan.**
- Renowned Telecom Service Provider which for the First Time in its 14 year history has come in “Red” and posted Rs.2866 Crore loss for June quarter- **Bharti Airtel.**
- Purchasing Manager’s Index (PMI) which rose to 52.5 in July against 52.1 in June- **Manufacturing Sector.**
- Foreign Bank which has got RBI’s permission to offer regular banking services in the country- **Bank of China.**
- Launched by NPCI in August 2016, Platform which emerged as a Major Mobile-only Digital Payments Platform and crossed 82 Crore transactions in July against 24 Crore only in July 2018- **UPI Transactions.**
- City for which the Chief Minister has announced “Free Usage of Electricity” consuming up to 200 units- **Delhi.**
- Award which NDTV India’s Senior Executive Editor Ravish Kumar has won for harnessing journalism to give voice to the voiceless- **Magsaysay Award.**
- Area in which the expenditure by Indian Companies has declined to its Lowest level in at least five years- **Research and Development (R&D)**
- Bank which is First Indian Bank connected to China’s National Advance Payment System- **SBI.**
- Global Rating Agency which kept YES Bank’s ratings under review for a downgrade in view of Rs.10, 000 Crore of loans under Watch List and downgrade of investment in bonds- **Moody’s Rating Agency.**
- 11 Banks which have been penalised with fine of Rs.8.50 Crore by RBI for- **Non-compliance of Frauds classification and reporting.**
- Schemes which are presently working under different Ministries are to be merged- **Skill Development Schemes.**
- Regulator from which a Reward of up to Rs.1 Crore will be given to any Informant who gives any inside information on insider trading in the Stock Market- **SEBI.**
- Projection which has been revised downwards by RBI to 6.9% from 7% for 2019-20-

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**GDP Growth Projection.**

- India has emerged the World's Largest Scrap Importer toppling- **South Korea.**
- Tribunal which upholds Rs.2 Crore penalty on Media Group NDTV for disclosure lapses- **Securities Appellate Tribunal.**
- Scheme under which 5595 Electric Buses (E-Buses) have been approved by the Centre for inter and intra-city transportation in 64 cities in the Country- **FAME India Scheme Phase-II.**
- Regulation violation of which will not attract "Jail Term" as specified in the Companies Act as per assurance given by the Finance Minister- **Corporate Social Responsibility (CSR) Obligation.**
- Pranab Mukharjee has become 5<sup>th</sup> President of India to get honour from the President Ram Nath Kovind- **Bharat Ratna Award.**
- Index which declined to 95.7 in July 2019 against 97.3 in May- **Consumer Confidence Index.**
- Bank which commenced banking operations in March 2018 has received the status of a Scheduled Bank- **Jana Small Finance Bank.**
- Court which has upheld the amendments to the Insolvency and Bankruptcy Code, giving the status of financial creditors to homebuyers- **Supreme Court.**
- Bank which has launched StartUps banking programme to become a preferred banking partner to connect with at least 1000 startups over the next two years- **Bank of Baroda.**
- New labour Code will scrap- **Wage Board for Journalists.**
- Museum which has been launched in Leicester in UK – **World's First Anglo-Sikh Virtual Museum.**
- Transactions which have crossed the mile-stone of over 200 million during July this year- **Aadhar-enabled Payment System Transactions.**
- Bengaluru based Biker Aishwarya Pissay made history by becoming the First Indian to win the World Title in Motorsports – **FIM World Cup.**
- Japan's JTEKT Corporation and its Indian subsidiary have been penalised with a fine of Rs.17 Crore for Cartelisation by- **Competition Commission of India.**
- Survey which has been launched by the Centre- **Rural Sanitation Survey.**
- State which abolishes the provision of "Guard of Honour" to the Chief Minister, Ministers and other officers holding constitutional posts- **Odisha.**
- Scheme which is to go live from September 1- **"Sabka Viswas" Tax Dispute Resolution Scheme.**
- According to the CBDT, all IT Communications from October 1, 2019 shall bear- **Computer-Generated Document Identification Number.**
- India's exposure rose by nearly \$6 billion to \$162.7 billion at the end of June , Highest Level in at least one year to- **US Government Securities.**
- A Government-appointed Task Force to overhaul the Six-decade old Income Tax Act has submitted its Report which was headed by- **Akhilesh Ranjan.**
- India has replaced China as- **Largest Overseas Manufacturing Operation for Hyundai Motor Company.**
- Cards which will be launched in UAE and Bahrain during PM Modi's visit on 23-25 August to strengthen India's relationship in Digital Payments- **Rupay Cards.**
- BCCI Title Sponsorship Rights for 5 more years has been retained by- **Paytm.**
- India's Deposit Insurance Cover is- **Lowest Globally.**
- Bank formed by BRICS Countries four years ago which got its First Rating "AAA" from Japan Credit Rating Agency- **New Development Bank.**
- Bank which has banned Chinese companies in Asia, involved in infrastructure projects due to alleged gross financial malpractices- **World Bank.**
- New Advisory Board for Banking Frauds has been reconstituted by CVC whose Chairman is- **TM Bhasin, former CMD of Indian Bank & Vigilance Commissioner.**
- Rating Agency which has lowered India's Growth Forecast to 6.2% for 2019 and 6.7% for 2020- **Moody's.**
- State which retains the Top Spot in Water Management in the Country- **Gujarat.**
- PV Sindhu has become First Indian to win in Basel, Switzerland- **World Badminton Championship Gold-**
- Bengaluru's Central Business District has unseated Connaught Palace and Bandra Kurla Complex to become the- **Costliest Prime Office Space in the Country.**
- Paying honour to Late Arun Jaitly, name of Feroz Shah Kotla Stadium will be changed to - **Arun Jaitly Stadium.**
- Bank which has been placed on Credit Watch with Negative implications by S&P Rating Agency- **IDBI Bank.**
- Bank which has been downgraded as the outlook is negative- **YES Bank.**





## MOCK-TEST PAPER

### Questions on RBI Policy

- 01** As per RBI directions, the operating hours of RTGS wef 26.08.19 for *customer transactions* are:
- 7 am to 4.30 pm
  - 7 am to 6.00 pm
  - 8 am to 6.00 pm
  - 8 am to 7.45 pm
- 02** As per RBI directions, the operating hours of RTGS wef 26.08.19 for *interbank transactions* are:
- 7 am to 4.30 pm
  - 7 am to 6.00 pm
  - 8 am to 6.00 pm
  - 7 am to 7.45 pm
- 03** As per RBI directions, bank loans for on-lending to NBFC for term lending to agriculture up to Rs.\_\_\_\_, per borrower, shall be classified as priority sector loans:
- Rs.5 lac
  - Rs.10 lac
  - Rs.15 lac
  - Rs.20 lac
- 04** As per RBI directions, bank loans for on-lending to NBFC for lending lending to Micro and Small enterprises up to Rs.\_\_\_\_, per borrower, shall be classified as priority sector loans:
- Rs.5 lac
  - Rs.10 lac
  - Rs.15 lac
  - Rs.20 lac
- 05** As per RBI directions, bank loans for on-lending to housing finance companies for lending for housing to individuals up to Rs.\_\_\_\_, per borrower, shall be classified as priority sector loans:
- Rs.5 lac
  - Rs.10 lac
  - Rs.15 lac
  - Rs.20 lac
- 06** As per RBI directions, bank loans for on-lending to NBFCs can be allowed under an overall cap, which is \_\_\_\_ of individual bank's total priority sector loans?
- 2%
  - 3%
  - 5%
  - 10%
- 07** As per RBI directions, which of the following transactions will be included in the no. of valid transactions allowed by banks free of charge, under ATM access policy of RBI?
- currency notes not available in ATM
  - transaction failed for technical reasons
  - invalid PIN
  - none of the above
- 08** Under interest subvention scheme for fisheries and animal husbandry farmers available for 2018-19 and 2019-20, what is the eligible loan amount?
- Rs.1 lac
  - Rs.2 lac
  - Rs.3 lac
  - Rs.5 lac
- 09** Under interest subvention scheme for fisheries and animal husbandry farmers available for 2018-19 and 2019-20, if a farmer is availing crop loan also, what is the total eligible loan amount on aggregated basis?
- Rs.1 lac
  - Rs.2 lac
  - Rs.3 lac
  - Rs.3 lac + Rs.2 lac = Rs.5 lac
- 10** Under interest subvention scheme for fisheries and animal husbandry farmers available for 2018-19 and 2019-20, what is the rate of subvention?
- 1%
  - 2%
  - 3%
  - 4%
- 11** Under interest subvention scheme for fisheries and animal husbandry farmers available for 2018-19 and 2019-20, what is the rate of additional subvention for prompt payment of loan?
- 1%
  - 2%
  - 3%
  - 4%
- 12** Under interest subvention scheme for fisheries and animal husbandry farmers available for 2018-19 and 2019-20, what is the rate of interest, which banks can charge to the borrower?
- 3%
  - 4%
  - 7%
  - at bank discretion
- 13** As per RBI bi-monthly monetary policy review in August 2019, what change has been made in risk weight on consumer credit under Regulatory Capital guidelines?
- reduced from 125% to 100%
  - reduced from 125% to 75%
  - reduced from 100% to 75%
  - reduced from 100% to 50%
- 14** Under Large exposure

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framework applicable from 1.4.19, a bank's exposure to a single NBFC is restricted to \_\_\_ of bank's Tier-1 capital.

- a 10%
- b 15%
- c 20%
- d 25%

**15** On 21.08.19, RBI permitted processing of e-mandate on cards for recurring transactions (merchant payment) without additional factor of authentication (AFA), for an amount of single transaction up to Rs. \_\_\_

- a Rs.5000
- b Rs.3000
- c Rs.2000
- d Rs.1000

**16** As per Dr. Bimal Jalan Committee recommendations accepted by RBI, RBI's economic capital has 2 components?

- a Tier-1 and Tier-2 capital
- b Highly liquid and less liquid
- c realized equity and revaluation balances
- d paid up equity and reserves

**17** As per Dr. Bimal Jalan Committee recommendations the range of realized equity to cover credit and operational risk should be between:

- a 5% to 5.5%
- b 5.5% to 6%
- c 5.5% to 6.5%
- d 6% to 6.5%

**18** As per Dr. Bimal Jalan Committee recommendations the range of *economic capital* of RBI should be between :

- a 20% to 24.5%
- b 20% to 23.5%
- c 20% to 22.5%
- d 20% to 21.5%

### Recalled Questions

**19** A bearer cheque of Rs.500 is presented for payment in the saving bank account of Mr. Tarsem Chander who maintains substantial balance. The cheque bears two endorsements one by its payee 'Balbir Singh' reading 'Balveer Singh' and other by the first endorsee Mr. Shiva Parshad, reading 'Shiv Prasad'.

- a the cheque will be paid as the amount is very small
- b the cheque will be paid as endorsements on a bearer instrument are not to be recognised by the paying bank
- c the cheque will be returned, as it bears irregular endorsement and bank will not get protection for irregular endorsements.
- d the cheque will be paid to be presenter but indemnity will be obtained.

**20** \_\_\_ is a device, that takes the image of specimen signature card and converts it into a digital form which is stored on the hard disk of the computer system.

- a modem
- b scanner
- c router
- d digital signature

**21** \_\_\_ is a mechanism under which there are multiple debit entries and single credit:

- a NEFT
- b RTGS
- c ECS-Debit
- d ECS-Credit

**22** A farmer has approached for a loan against pledge of crop-produce so that he could sell the produce at a remunerative price, at an appropriate time.

- a No loan can be sanctioned as it is covered by selective credit control

b loan up to Rs.1 lac can be allowed for a period of 6 months

c loan up to Rs.50 lac can be allowed for a period of 12 months

d loan up to Rs.20 lac can be allowed for a period of 12 months

**23** A bill is presented on May 15, 2017 and accepted on 16.05.2017. Its due date of payment will be ... if it has to be paid within 2 months of the presentment:

- a July 15, 2017
- b July 19, 2017
- c July 16, 2017
- d July 12, 2017

**24** An exporter wants to open an EEFC account to deposit the exchange earnings. The account can be opened as a :

- a saving bank account
- b current account
- c term deposit account
- d any of the accounts but without payment of interest

**25** Which of the following statement regarding PMEGP subsidy is correct:

- a it is to be kept as an interest free term deposit for 3 years
- b it will be kept as term deposit for 3 years, with appropriate interest rate
- c it will be kept in subsidy reserve fund with a lock in period according to total repayment period
- d it will be kept in subsidy reserve fund with a lock in period of 3 years

**26** Which of the following is part of the priority sector advance of a bank:

- a Only investment made in securitized assets representing eligible priority sector advances
- b Only outright purchase of priority sector advances from

- another bank if not disposed off within 6 months from date of purchase.
- c only investment made in inter-bank participation certificates representing priority sector advances and held for at least 180 days
- d a and b only
- e a, b and c all
- 27** An assignee is a person who:
- a Is appointed by court for administration of a will
- b Has been appointed by the court to look after property of the insolvent person
- c appointed by the will of the deceased person
- d person appointed by legal heirs as their attorney
- 28** Which of the following statement regarding liability of the drawer in a usance bill of exchange is correct: (1) before acceptance he is primarily liable (2) after acceptance by the drawee, he has no liability (3) after acceptance by drawee, he has secondary liability while drawee has primary liability (4) drawer not liable at all in case of bill of exchange, only the drawee is liable.
- a 1 and 2
- b 1 and 3
- c 2 and 3
- d 2 and 4
- 29** Any participating bank or institution may, by giving a notice of \_\_\_\_\_, withdraw from the NEFT System.
- a 10 days
- b 20 days
- c one month
- d two months
- 30** A contract that provides for performance of or discharge of the liability of the principal debtor in case of his default, is classified as:
- a contract of indemnity
- b contract of agency
- c contract of guarantee
- d contract of assignment
- e contract of mutual agency
- 31** In case of collection of local cheques, banks are required to permit usage of the shadow credit afforded to the customers' account immediately after closure of relative return clearing and in any case, withdrawal shall be allowed on \_\_\_\_\_ subject to usual safeguards.
- a next day
- b same day or next day
- c same day or within an hour of the commencement of business on the next working day.
- d same day or immediately on the commencement of business on the next working day.
- 32** Minimum no. of directors in a public limited company is:
- a 4
- b 3
- c 7
- d 10
- 33** On the nomination form for deposit account, the signatures of the account holder are to be attested by:
- a one witness
- b two witness
- c no. of witnesses at bank discretion
- d no witness required
- 34** As per balance sheet of a partnership firm the current ratio works out to be 2:1 and the net working capital at Rs.50000. What will be amount of current liabilities ?
- a Rs.1 lac
- b Rs.50000
- c Rs.2 lac
- d Rs. zero
- 35** In a balance sheet of a firm, the debt equity ratio is 2:1. The amount of long term sources is Rs.12 lac. What is the amount of tangible net worth of the firm:
- a Rs.12 lac
- b Rs.8 lac
- c Rs.4 lac
- d Rs.2 lac
- 36** A business firm has earned a profit of Rs.5 lac after providing for depreciation of Rs.3 lac and interest of Rs.2 lac on long term loans. If the annual amount of repayment of term loan and other long term liabilities is Rs.3 lac, what is the debt service coverage ratio:
- a 1.5                      b 1.75
- c 2                              d 2.5
- e 3
- 37** The balance sheet of a proprietorship firm has total of Rs. 32 lac. Its long term sources are Rs. 20 lac. If the current ratio of the firm is 1.5:1, what the amount of long term uses of the firm:
- a Rs.18 lac      b Rs.16 lac
- c Rs.14 lac      d Rs.12 lac
- e Rs.10 lac
- 38** What is the normal extent of exposure ceiling as percentage of capital fund, in respect of a single borrower:
- a 30%                      b 25%
- c 20%                      d 15%
- e 10%

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

## Bimal Jalan Committee Recommendations

The Expert Committee to Review Extant Economic Capital Framework of RBI submitted its report on 23.08.19. *Salient recommendations* are:

**(i) RBI's economic capital:** The Committee identified 2 components of economic capital (realized equity and revaluation balances). *Realized equity* could be used to meet all risks/losses as it is built up from retained earnings. The *revaluation balances* (RB) could be reckoned only as risk buffers against market risks. These represented unrealized valuation gains and are not distributable. A shortfall in RB could be met through increased risk provisioning from net income but the reverse (i.e., use of surplus in RB over market risk provisioning requirements for covering shortfall in provisions for other risks) is not permitted. The presentation of liabilities side of RBI balance sheet to reflect this distinction has also been proposed.

**(ii) Risk provisioning for market risk:** It recommended adoption of Expected Shortfall (ES) methodology under stressed conditions (in place of the extant Stressed-Value at Risk) for measuring market risk. It recommended adoption of a target of ES 99.5% confidence level with, a downward risk tolerance limit (RTL) of 97.5%.

**(iii) Size of Realized Equity:** The Committee recognized that realized equity is required to cover credit risk and operational risk. This risk provisioning (called Contingent Risk Buffer - CRB) is made from retained earnings. It may be maintained within a range of 6.5 % to 5.5 % of the RBI's balance sheet (5.5 to 4.5 % for monetary and financial stability risks and 1% for credit and operational risks). Any shortfall in revaluation balances vis-à-vis the market risk RTL would add to the requirement for realized equity. It also recommended the development of methodologies for assessing the concentration risk of the forex portfolio as well as jointly assessing the RBI's market-credit risk.

**(iv) Surplus Distribution Policy:** It recommended a surplus distribution policy which targets the level of realized equity to be maintained by the RBI, within the overall level of its economic capital vis-à-vis the earlier policy which targeted total economic capital level alone. Only if realized equity is above its requirement, entire net income be transferable to Govt. If it is below the lower bound of requirement, risk provisioning will be made to the extent necessary and only the residual net income (if any) transferred to Govt. Within range of 6.5 to 5.5% , Central Board of RBI can decide on level of risk provisioning.

### Implementation of the recommendations by RBI

RBI finalized accounts for 2018-19 using this revised framework.

**(i) Realized Equity:** Available realized equity stood at 6.8% of balance sheet and requirement was 6.5 to 5.5%. There was excess of risk provisioning of Rs.52,637 cr at the lower bound. RBI decided to maintain the level at 5.5% and transferred excess risk provisions of Rs.52,637 crore to Central Govt.

**(ii) Economic capital levels:** The revised framework technically allows RBI's economic capital levels as on June 30, 2019 to lie within the range of 24.5 to 20% of balance sheet. Economic capital stood at 23.3%. As financial resilience was within the range, entire net income of Rs.1,23,414 crore for the year 2018-19 will be transferred to Central Govt.

## DATA COLUMN

### Business of Banks

(Rs.in cr)	Mar31'18	Aug16-19
Aggregate deposits	10805150	12680200
Cash in hand/RBI	570490	614030
Investments	3043660	3560160
Bank Credit:	7881890	9682960
-Food	53930	65220
-Non-Food	7827960	9617740
Cash-Deposit Ratio	5.27	4.63
Investment-Deposit	28.14	28.03
Credit-Deposit	72.95	76.91

### Money Stock

(Rs.in cr)	Mar31'19	Aug16-19
M3 (Out of which)	15430870	15599360
(a) Currency with public	2052230	2106340
(b) Demand deposits-Banks	1626310	1430390
(c) Time Deposits - Banks	11720590	12032110
(d) Other deposits with RBI	31740	30520

### Sources of Money Supply

(a) Net Bank credit to Govt	4387790	4850300
(b) Bank credit to Comrcr sectr	10380180	10295080
(c) Net Forex assets of Banks	2977860	3270040

### Important Banking Indicators

Statutory Liquidity Ratio	18.75%	(06.07.2019)
Cash Reserve Ratio	04.00%	(15.02.2013)
Overnight LAF (of NDTL)	0.25%	
14days term Repo(of NDTL)	0.75%	
Reverse Repo Rate	05.15%	(07.08.2019)
Repo Rate	05.40%	(07.08.2019)
MSF Rate	05.65%	(07.08.2019)
Bank Rate	05.65%	(07.08.2019)

### Small Savings Interest Rates

PPF	7.9%	(01.07.2019)
5-year NSC	7.9%	(01.07.2019)
Sukanya Smridhi	8.4%	(01.07.2019)
Senior Citizen Saving	8.6%	(01.07.2019)

### Capital & Money Market Indicators

Parameter	end-Aug18	end-Aug19
Dollar-spot TT (Rs.)	71.99	71.90
BSE - Sensex (points)	38243	37688
NSE - Nifty(S&P CNX)	11537	10866
Foreign reserves (Million \$)	401293	429051
Gold /Oz in USD)	1303	1534

## INDIAN ECONOMY-IMPORTANT PARAMETERS

RBI's growth estimate for FY 2019-20	: 7.2%
GDP@constant mkt prices (cr) 2018-19	: 14077586
GVA@2011-12 basic prices (cr) 2018-19	: 12906936
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	: 10.3%
Exports during 2018-19	: 331.0 bn
Imports during (2018-19)	: 507.06 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 (Mar 2019) US \$	: 543.0 Bn
Tax-GDP ratio (2018-19)	: 12.1%
Apr- Jul19:Export \$ 107.4 bn	Imports : 166.8 bn
Per capita Income 2018-19 (Rs.)	: 126406
Indian economy's ranking in PPP terms	: 3rd
Indian economy's ranking in world in value:	: 7th

## OUR PUBLICATIONS : REFER PAGE 9,11

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