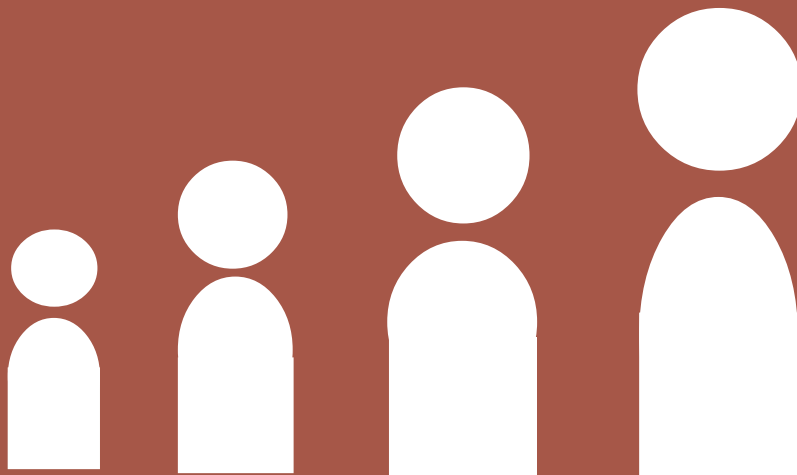


Banking events Update



Those who win, are those, who think they can

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BANKING POLICY

Legal Entity Identifier Code for participation in non-derivative markets

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

Globally, use of LEI has expanded beyond derivative reporting and it is being used in areas relating to banking, securities market, credit rating, market supervision. In India, the LEI system has been implemented in a phased manner for participants (other than individuals) in the over-the-counter markets for rupee interest rate derivatives, foreign currency derivatives and credit derivatives in India and for large corporate borrowers of banks.

- On 29.11.18, RBI proposed to implement the LEI mechanism for all financial market transactions undertaken by non-individuals in interest rate, currency or credit markets regulated.

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

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

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

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

The previous implementation time deadline has been extended on 27.04.19 RBI as under:

Phase-1 : Entities with net worth of above Rs.10000 million by 31.12.2019

Phase-2 : Entities between Rs.2000 million and Rs.10000 million by 31.12.19

Phase-3: Entities with net worth up to Rs.2000 by 31.03.20

Ombudsman Scheme for Non-Banking Financial Companies, 2018

On 23.02.2018, RBI had implemented the Ombudsman Scheme for Non-Banking Financial Companies (NBFCs) as defined in Section 45-I(f) of the Reserve Bank of India Act, 1934 and registered with the RBI under Section 45-IA of the Reserve Bank of India Act, 1934 which are authorised to accept deposits. The Scheme was to be extended to remaining identified categories of NBFCs based on experience gained.

In partial modification of the Notification, RBI directed that the Non-banking Financial Companies, as defined in Section 45-I(f) of the Reserve Bank of India Act, 1934 and registered with the RBI under Section 45-IA of the Reserve Bank of India Act, 1934 which (a) are authorised to accept deposits; (b) are Non-Deposit Taking Non-Banking Financial Companies having customer interface, with assets size of Rupees 100 crore or above, as on the date of the audited balance sheet of the previous financial year, or of any such asset size as the RBI may prescribe, will come within the ambit, and shall comply with the provisions of the Ombudsman Scheme for Non-Banking Financial Companies, 2018. w.e.f. 26.04.2019.

The Non-Banking Financial Company - Infrastructure Finance Company (NBFC-IFC), Core Investment Company (CIC), Infrastructure Debt Fund-Non-Banking Financial Company (IDF-NBFC) and an NBFC under liquidation, **are excluded** from the ambit of the Scheme.

The Scheme will continue to be administered from the offices of the Non-Banking Financial Companies Ombudsman in four metro centers viz. Chennai, Kolkata, Mumbai and New Delhi for handling complaints from the respective zones, so as to cover the entire country.

4. The extension of the Scheme to eligible Non-Deposit Accepting Non-Banking Financial Companies shall come into effect and force from April 26, 2019.

Investment by Foreign Portfolio Investors (FPI) in Debt - Review

Further to RBI circulars dated 07.11.17 and 15.06.18, as a measure to broaden access of

non-resident investors to debt instruments in India, Foreign Portfolio Investors (FPI) have been permitted by RBI on 25.04.19, to invest in municipal bonds.

FPI investment in municipal bonds shall be reckoned within the limits set for FPI investment in State Development Loans (SDLs).

Disclosure on Exposure to Infrastructure Leasing & Financial Services Limited (ILFS) and its group entities

RBI has advised banks to refer to the National Company Law Appellate Tribunal's (NCLAT) order dated February 25, 2019 in respect of I.A No. 620 of 2019 in Company Appeal (AT) No. 346 of 2018, in terms of which "no financial institution will declare the accounts of 'Infrastructure Leasing & Financial Services Limited' or its entities as 'NPA' without prior permission of this Appellate Tribunal".

In this context, banks and AIFIs have been advised by RBI on 24.04.19, to disclose in their notes to accounts, the information in the prescribed proforma.

Licensing as Authorised Dealer- Category II

A large segment of population is increasingly getting connected with forex transactions on individual accounts. In order to increase the accessibility and efficiency of services extended to the members of the public for their day-to-day non-trade current account transactions, RBI decided on 16.04.19, that Systemically Important Non-Deposit taking Investment and Credit Companies shall be eligible for Authorized Dealer- Category II (AD-Cat II) licence, subject to meeting the following conditions:

- i. NBFCs offering such services shall have a 'minimum investment grade rating'.
- ii. NBFCs offering such services shall put in place a board approved policy on (a) managing the risks, including currency risk, if any, and (b) handling customer grievances arising out of such activities. A monitoring mechanism, at least at monthly intervals, shall be put in place for such services.

The eligible NBFCs desirous of undertaking AD-Cat II activities shall approach the Reserve Bank of India, Foreign Exchange Department, Central Office, Mumbai for the AD-Cat II licence.

Rephasing of Short-term Production Credit (Crop Loans) under Relief for Natural Calamity

All short-term loans, except those which are overdue at the time of occurrence of natural calamity, can be restructured. The principal amount of the short-term loan as well as interest due for repayment in the year of occurrence of the natural calamity may be converted into term loan.

The repayment period of the restructured loan may vary depending on the severity of the calamity, the impact on loss of economic assets and distress it caused. A maximum repayment period of up to 2 years (including moratorium period of 1 year) shall be allowed if the loss is between 33% and 50%. If the crop loss is 50% or more, repayment period may be extended upto a maximum of 5 years (including 1 year moratorium period).

In all restructured loan accounts, moratorium period of at least one year shall be considered. Banks may not insist on additional collateral security for such restructured loans. ●

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- (e) mock test papers.

Fee : May differ from bank to bank. May be checked before remittance). Fee to be paid in advance.

How to enrol : To enrol, advise (a) name, (b) address for correspondence (c) Email address, (d) bank name, (e) scale for which appearing, (f) phone / Cell number and (f) details of subjects for the exam (relevant course material, other than internal bank guidelines shall be sent).

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Course Kit : The course kit include:

- (a) subject-wise basic study material,
- (c) objective type practice exercise
- (d) mock test papers.

Fee : Fee differs for different papers. Fee payable in advance, for which details may be obtained by calling 01722665623 .

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

DS Institute of Banking

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Basics of Govt. Securities

What is a Government Security (G-Sec)?

A Government Security (or G-Sec) is a tradeable debt instrument issued by the Central Government or the State Governments. It acknowledges the Government's debt obligation. Such securities can be:

- Short term Cash management bills
- Short term treasury bills, with original maturities of less than one year
- Long term securities (usually called Government bonds or dated securities with original maturity of one year or more).

The Central Government issues both, treasury bills and bonds or dated securities. The State Governments issue only bonds or dated securities, which are called the State Development Loans (SDLs). Practically, the G-Secs carry no risk of default. These are called risk-free gilt-edged instruments.

a. Treasury Bills (T-bills)

Treasury bills or T-bills, are money market instruments issued as short term debt instruments on behalf of Government of India.

- Presently these are issued in three tenors, namely, 91 day, 182 day and 364 day.
- Treasury bills are *zero coupon* securities, on which no interest payment is made.
- They are issued at a discount to face value and redeemed at face value, on maturity.
- Example- A 91 day Treasury bill of Rs.100 (face value) may be issued, at say, Rs. 97.80 (discount of Rs.2.20) It will be redeemed at the face value of Rs.100.
- The return to the investors is the difference between the maturity value or the face value (that is Rs.100) and the price at which it is issued.

b. Cash Management Bills (CMBs)

- CMBs were introduced in 2010, to meet the temporary mismatches in the cash flow of the Govt. of India.
- Such bills have the generic character of T-bills.
- These are issued for maturities less than 91 days.

c. Dated G-Secs

- Dated G-Secs are securities which carry a fixed or floating coupon (interest rate).
- Coupon is paid on the face value, on half-yearly basis.
- Generally, the tenor of dated securities ranges from 5 years to 40 years.

The Public Debt Office (PDO) of the Reserve Bank of India acts as the registry / depository of G-Secs and deals with the issue, interest payment and repayment of

principal at maturity. Most of the dated securities are fixed coupon securities.

d. State Development Loans (SDLs)

State Governments also raise loans from the market which are called SDLs. SDLs are dated securities issued through normal auction, similar to the auctions conducted for dated securities issued by the Central Government. Interest is serviced at half-yearly intervals and the principal is repaid on the maturity date. Like dated securities issued by the Central Government, SDLs issued by the State Governments also qualify for SLR. They are also eligible as collaterals for borrowing through market repo as well as borrowing by eligible entities from the RBI under the Liquidity Adjustment Facility (LAF).

State Governments have also issued special securities under "Ujjwal Discom Assurance Yojna (UDAY) Scheme for Operational and Financial Turnaround of Power Distribution Companies (DISCOMs)" as notified by Ministry of Power on Nov 20, 2015.

WHY SHOULD ONE INVEST IN G-SECS?

Holding of cash in excess of the day-to-day needs (idle funds) does not give any return. Investment in gold has attendant problems in regard to appraising its purity, valuation, safe custody, etc. Investing in G-Secs has the following advantages:

- Besides providing a return in the form of coupons (interest), G-Secs offer the maximum safety as they carry the Sovereign's commitment for payment of interest and repayment of principal.
- They can be held in book entry, i.e., dematerialized/ scripless form, obviating the need for safekeeping.
- G-Secs are available in a wide range of maturities from 91 days to as long as 40 years to suit the duration of varied liability structure of various institutions.
- G-Secs can be sold easily in the secondary market to meet cash requirements.
- G-Secs can also be used as collateral to borrow funds in the repo market.
- Securities such as SDLs and Special Securities (Oil bonds, UDAY bonds etc) provide attractive yields.
- The settlement system for trading in G-Secs, based on Delivery versus Payment (DvP), is a very simple, safe and efficient system of settlement. It ensures transfer of securities by the seller of securities simultaneously with transfer of funds from the buyer of the securities, thereby mitigating the settlement risk.
- G-Sec prices are readily available due to a liquid and active secondary market and a transparent price dissemination mechanism.

Bonds as a G-Sec

A bond is an instrument to borrow money (called debt instrument) through which an investor lends money to a corporate or government for a defined period of time, at a variable or fixed interest rate. Bonds are normally issued by companies, municipalities, States and Sovereign governments to raise money to finance a variety of projects and activities. Owners of bonds are debt holders, or creditors, of the issuer. Bonds have various forms.

a) Fixed Rate Bonds – These are the bonds on which the coupon rate is fixed for the entire life (i.e. till maturity) of the bond. Most Govt. bonds in India are issued as fixed rate bonds.

Example – 8.24%GS2028 was issued on April 22, 2018 for a tenor of 10 years maturing on April 22, 2028. Coupon on this security will be paid half-yearly at 4.12% (half yearly payment for annual coupon of 8.24%) on face value, on October 22 and April 22 of each year.

b) Floating Rate Bonds (FRB) – FRBs are securities which do not have a fixed coupon rate. The coupon is re-set at pre-announced intervals (say, every six months or one year) by adding a spread over a benchmark rate. FRBs were first issued in Sept 1995 in India. For example, a FRB was issued on December 21, 2009 for a tenor of 11 years, thus maturing on December 21, 2020. The base rate on the bond for the coupon payments was fixed at 3.79% being the weighted average rate of implicit yield on 182-day Treasury Bills during the preceding three auctions. In the bond auction, coupon for the first six months was fixed at 4.8557%

c) Zero Coupon Bonds – Zero coupon bonds are bonds with no coupon payments. However, like T- Bills, they are issued at a discount and redeemed at face value. The Govt. of India had issued such securities in the 90s. It has not issued zero coupon bonds after that.

d) Capital Indexed Bonds – These are bonds, the principal of which is linked to an accepted index of inflation with a view to protecting the Principal amount of the investors, from inflation. A 5-year capital indexed bond, was first issued in Dec 1997 which matured in 2002.

e) Inflation Indexed Bonds (IIBs) - IIBs are bonds wherein both coupon flows and Principal amounts are protected against inflation. The inflation index used in IIBs may be Whole Sale Price Index (WPI) or Consumer Price Index (CPI). Globally, IIBs were first issued in 1981 in UK. In India, Government of India through RBI issued IIBs (linked to WPI) in June 2013. Since then,

they were issued on monthly basis (on last Tuesday of each month) till December 2013. Based on the success of these IIBs, Govt. of India in consultation with RBI issued the IIBs (CPI based) exclusively for the retail customers in December 2013.

f) Bonds with Call/ Put Options – Bonds can also be issued with features of optionality wherein the **issuer** can have the option to buy-back (call option) or the **investor** can have the option to sell the bond (put option) to the issuer during the currency of the bond. These bond may have *put* only or *call* only or both options. The first G-Sec with both call and put option viz. 6.72%GS2012 was issued on July 18, 2002 for a maturity of 10 years maturing on July 18, 2012. The optionality on the bond could be exercised after completion of five years tenure from the date of issuance on any coupon date falling thereafter. The Government has the right to buy-back the bond (call option) at par value (equal to the face value) while the investor has the right to sell the bond (put option) to the Govt. at par value on any of the half-yearly coupon dates starting from July 18, 2007.

h. Sovereign Gold Bond (SGB) : SGBs are unique instruments, prices of which are linked to commodity price viz Gold. SGBs are denominated in multiples of gram(s) of gold with a basic unit of 1 gram. The tenor of the SGB is for a period of 8 years with exit option from 5th year to be exercised on the interest payment dates. SGBs are restricted for sale to resident Indian entities including individuals, HUFs, trusts, Universities, charitable institutions. Price of bond at the time of issue is fixed in Indian Rupees on the basis of the previous week's (Monday-Friday) simple average of closing price of gold of 999 purity published by the India Bullion and Jewellers Association Ltd. (IBJA). The redemption price will be in Indian Rupees based on previous week's (Monday-Friday) simple average of closing price of gold of 999 purity published by IBJA. The investors are compensated at a fixed rate annum payable semi-annually on the initial value of investment. SGBs are eligible for SLR, can be used as collateral for loans and are tradeable on stock exchanges.

Fresh loan under Relief for Natural Calamity

Banks can grant fresh crop loan to the affected farmers based on the scale of finance of the crop and the cultivation area as per the extant guidelines.

Banks shall also grant consumption loan up to Rs. 10,000/- to existing borrowers without any collateral. The limit may, however, be enhanced beyond Rs. 10,000/- at the bank's discretion.

Process of Issue of G-Sec

G-Secs are issued through auction process conducted by RBI. Auctions are conducted on the electronic platform called the E-Kuber, the Core Banking Solution (CBS) platform of RBI.

Commercial banks, scheduled UCBs, Primary Dealers, insurance companies and provident funds, which maintain funds account (current account) and securities accounts (Subsidiary General Ledger (SGL) account) with RBI, are members of this electronic platform. All members of E-Kuber can place their bids in the auction through this electronic platform.

All non-E-Kuber members including non-scheduled UCBs can participate in the primary auction through scheduled commercial banks or PDs (called as Primary Members-PMs). For this purpose, the UCBs need to open a securities account with a bank / PD – such an account is called a Gilt Account. A Gilt Account is a dematerialized account maintained with a scheduled commercial bank or PD.

The proprietary transactions in G-Secs undertaken by PMs are settled through SGL account maintained by them with RBI at PDO. The transactions in G-Secs undertaken by Gilt Account Holders (GAHs) through their PMs are settled through Constituent Subsidiary General Ledger (CSGL) account maintained by PMs with RBI at PDO for its constituent (e.g., a non-scheduled UCB).

RBI issues an indicative half-yearly auction calendar containing information about the amount of borrowing, the range of the tenor of securities and the period during which auctions will be held.

Auction for dated securities is conducted on Friday for settlement on T+1 basis (i.e. securities are issued on next working day i.e. Monday).

RBI conducts T-bills auctions usually every Wednesday to issue T-bills. Settlement for the T-bills auctioned is made on T+1 day i.e. on the working day following the trade day.

The **91 day T-bills are auctioned** on every Wednesday.

The **Treasury bills of 182 days and 364 days** tenure are auctioned on alternate Wednesdays. T-bills of 364 days tenure are auctioned on the Wednesday *preceding* the reporting Friday while 182 T-bills are auctioned on the Wednesday *prior* to a non-reporting Friday.

RBI releases a quarterly calendar of T-bill issuances for the upcoming quarter in the last week of the preceding quarter. e.g. calendar for April-June period is notified in

the last week of March. RBI announces the issue details of T-bills through a press release every week

Cash Management Bills (CMBs) are issued at a discount and redeemed at face value on maturity. The tenor, notified amount and date of issue of the CMBs depend upon the temporary cash requirement of the Government. The tenors of CMBs is generally less than 91 days. The settlement of the auction is on T+1 basis.

Separate Trading of Registered Interest and Principal of Securities (STRIPS)

STRIPS are the securities created by way of *separating* the cash flows associated with a regular G-Sec i.e. each semi-annual coupon payment and the final principal payment to be received from the issuer, into separate securities.

They are essentially Zero Coupon Bonds (ZCBs). These are *created out of existing securities* only and unlike other securities, are not issued through auctions. Securities represent future cash flows (periodic interest and principal repayment) of an underlying coupon bearing bond. Being G-Secs, STRIPS are eligible for SLR.

In India, currently dated securities (other than FRBs, IIBs and special securities) having their coupon due on Jan 2 and Jul 2, are eligible for STRIPPING.

For example, when Rs.100 of the 8.24%GS2018 is stripped, each cash flow of coupon (Rs.4.12 each half year) will become a coupon STRIP and the principal payment (Rs.100 at maturity) will become a principal STRIP. These cash flows are traded separately as independent securities in the secondary market.

STRIPS in G-Secs ensure availability of sovereign zero coupon bonds, which facilitate the development of a market determined zero coupon yield curve (ZCYC). STRIPS also provide institutional investors with an additional instrument for their asset liability management (ALM). Further, as STRIPS have zero reinvestment risk, being zero coupon bonds, they can be attractive to retail/non-institutional investors. The process of stripping/reconstitution of G-Secs is carried out at RBI, Public Debt Office (PDO) in the CBS package of RBI i.e. E-Kuber through any of the Primary Dealer at the option of the holder at any time from the date of issuance of a G-Sec till its maturity. Physical securities are not eligible for stripping/reconstitution. Minimum amount of securities that needs to be submitted for stripping/reconstitution is Rs.1 crore (Face Value) and in multiples thereof. They are currently tradable in both OTC market and on NDS-OM.

Practical Problems based on Banking Ombudsman Decisions

1) The complainant had alleged that an amount of Rs.2,35,000 was transferred from his SB-NRO account to a firm's account with another bank on the basis of an e-mail request made by a fraudster. The bank contended that there was no reason to doubt the veracity of the said e-mail request especially when the signature in the scanned copy of the letter was tallying with the specimen signature of the complainant. The bank further stated that they had taken all care and caution while effecting such transfer and there was no deficiency of service on the part of the bank. However, it was observed that as per the instructions of the bank, transfer of funds on e-mail request should not be effected without confirming the same directly with the customer. Since the bank had not confirmed the authenticity of the e-mail request with the customer before effecting the transfer, nor followed its own internal policy guidelines, BO directed bank to pay the loss suffered by the complainant.

2) The complainant received an SMS intimating that two transactions of Rs.548.06 and Rs.87,378.83 were made abroad in his Credit Card. He had immediately lodged a complaint with the bank stating that the card was in his possession at the time of the transaction. He also informed the bank that he had checked his account balance from one ATM outlet near his residence on the same day giving details of the ATM number. The complainant requested bank to refund the disputed amount. He, thereafter, received a letter from the bank along with copies of POS transaction slip which stated that once a signed and authorized charge slip/document is provided by the merchant/acquiring bank, it has no further remedy against the merchant by way of chargeback. The complainant further informed that the signature on the copies of the charge slips of the POS transactions provided to him by the bank, had no similarity with his signature. On taking up the matter, the bank informed BO, that it was an authorized POS transaction where the card was swiped on the merchant's EDC Machine. The charge slip was duly signed. The bank had informed the complainant that they were unable to make good any loss allegedly suffered by him and suggested that he may file complaint with local police or cyber-crime investigation authority.

BO observed that the transaction was a card present POS transaction. The complainant had informed the bank on the same day on which the transaction took place. The complainant's e-mail suggested that at the time of the transaction he was in India and the card was in his possession while the transaction was done in a foreign country as revealed from the copy of the charge slip provided by the bank. The bank had not denied complainant's contention that (i) he was in India at the time of the transactions, (ii) the disputed card was in his possession and (iii) the signatures on charge slips did not tally with that on the disputed card. The complainant cannot be responsible for transactions which appeared to have been made fraudulently in a different country while he was in India and the card was in his possession. Accordingly, the bank was instructed by the BO to refund the disputed amounts to the complainant against simple indemnity.

3) In a complaint about 3 unauthorized ATM withdrawal transactions, documentary evidence produced by the bank proved that the transactions were successful. The complainant confirmed that he had not given the card to anybody. When the CCTV footage was shown to the complainant, he admitted that the person withdrawing the money was known to him and he would himself recover money. He withdrew the complaint filed with the BO. The case highlights tendency of some customers to raise factually incorrect complaints without verifying facts at their own end. In resolution of such complaints, good CCTV coverage proves to be an authentic clincher in case of disputes besides, corroborative evidence of electronic records. ●

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Indian Accounting Standard Rules 2015

Indian Accounting Standard (IND AS) are required to be followed in preparation of Financial Statement and related disclosures.

The Companies (Indian Accounting Standard) Rules, 2015 had notified the Indian Accounting Standard applicable to Companies working in India or those registered in India. It specifies the period from which such accounting standard is applicable and type of Companies to which such accounting Standard are applicable.

The rules specify the applicability of Standards for companies other than Banking Companies, Non-Banking Finance Companies (NBFCs) and Insurance Companies, in phases.

Phase I – From FY 2016-17 for listed companies or companies in the process of listing with net worth of Rs.500 cr and also unlisted companies with net worth of Rs.500 cr and above

Phase II – For Holding, subsidiary, joint venture or associate companies of above companies - From FY 2017-18 for listed companies or companies in the process of listing with net worth of less than Rs.500 cr and also for unlisted companies with net worth of Rs.250 cr and above

Non-Bank Finance Companies

Phase I – From FY 2018-19 for listed companies or companies in the process of listing with net worth of Rs.500 cr and also unlisted companies with net worth of Rs.500 cr and above

Phase II – For Holding, subsidiary, joint venture or associate companies of above companies - From FY 2019-20 for listed companies or companies in the process of listing with net worth (NW) of less than Rs.500 cr and also for unlisted companies with NW of Rs.250 cr and above

Banking Companies:

Initially, Ind AS were to be applicable from April 01, 2018. Reserve Bank of India (RBI) has deferred applicability of Ind AS on commercial banks (except regional rural banks) by one year. Accordingly, Ind AS would be applicable from April 01, 2019 .

Insurance Companies:

Initially, Ind AS were to be applicable from April 01, 2018. Insurance Regulatory and Development Authority of India (IRDAI) deferred implementation of Ind AS in the insurance sector in India for a period of two years on June 28, 2017. Accordingly, Ind AS for Indian

insurance companies would be applicable from April 01, 2020 (instead of April 01, 2018).

Other requirements:

1. Calculation of net worth: For this purpose, the net worth would mean:

Net Worth = Paid-up share Capital + all reserves# out of profit & securities premium account –(accumulated losses + deferred expenditure + miscellaneous expenditure not written off)

#Reserves created out of revaluation of assets and written back depreciation shall not be included in net worth calculation.

2. Companies fulfilling the above criteria for the first time shall apply Indian Accounting Standards (Ind AS) from immediate next accounting year. For example: Companies meeting threshold for the first time on March 31, 2018 shall apply Ind AS for the financial year 2018-19 onwards.

3. Overseas subsidiary, associate, joint venture and other similar entities of an Indian company shall prepare the standalone financial statements as per requirements of specific country.

Voluntary Applicability of Indian Accounting Standards (IND AS)

Where a company is allowed to follow Ind AS voluntarily, it will have to apply it consistently in future.

Consumer Price Indices (CPI)

CPI measure changes over time in general level of retail prices of selected goods and services that households purchase for the purpose of consumption. Such changes affect the real purchasing power of consumers' income and their welfare. CPI measures temporal changes in price of a fixed basket of commodities consumed by households. The year-on-year CPI change is widely used as a measure of inflation, which is gauged by governments and central banks for monitoring price stability, and as deflators in the national accounts to remove price-effect from nominal value to arrive at real value.

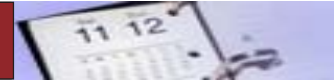
CPI is published on a monthly basis by the Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MoSPI), Government of India and the base year for the latest CPI series is 2012. Monthly CPI data are available since January 2011 for all-India and States/UTs separately for Urban, Rural and Combined (Rural plus Urban areas).

For Urban areas, monthly prices are collected from 1,114 urban markets in 310 towns covering all the States and Union Territories, by the Field Operations Division of the National Sample Survey Office (NSSO) and the specified State/UT Directorates of Economics and Statistics. For Rural areas, prices are collected from 1181 village market by the Department of Posts.

Data presented in the table is for 6 groups and major sub-groups therein for Rural areas, Urban area and Combined (Rural plus Urban areas) group. The weighing diagrams are derived based on the 68th Round of the Consumer Expenditure Survey (CES), 2011-12.

- **BOB FOR CORE STRENGTH OF THREE BANKS FROM APRIL 01:** India's Second Largest Public Sector Bank is set to come into existence following the merger of Vijaya Bank and Dena Bank with Bank of Baroda from April 1, 2019. It plans to build upon the strengths of the three banks, their synergies and scale up operations by deepening relations with a wider customer base. The consolidated bank will have a wider geographical reach with more than 9500 branches, 13400 ATMs, 85000 employees serving 12 Crore customers and a business mix of Rs.15 Lakh Crore.
- **NEW ACCOUNTING STANDARD FOR LEASES START APRIL01:** The new accounting standard for leases (Ind AS 116) which sets out the principles for recognition, presentation and disclosure of leases has been notified by the Corporate Affairs Ministry and the standard has become effective from April 1, 2019. The standard will affect all industries where leases are a predominant component in their businesses and result in more transparency. In the new lease accounting model for leases majority of leases will be recognised on balance sheet by recognising a lease liability with a corresponding "right-of-use asset". The standard will have an impact on 3 components of financial statements- balance sheet, cash flow, profit & loss a/c.
- **RBI TWEAKS NPA DIVERGENCE DISCLOSURE NORMS:** RBI has asked banks to disclose bad loan divergences in their financial statements if the additional provisioning exceeds 10% of profit before provisions and contingencies. RBI said that it has been observed that some banks, on account of low or negative net profit after tax are required to disclose divergences even where the additional provisioning assessed by RBI is small, which is contrary to the regulatory intent that only material divergences should be disclosed.
- **NPCI CUTS UPI USAGE FEES TO PROMOTE WIDER ADOPTION:** The National Payments Corporation of India (NPCI) which runs the Unified Payments Interface (UPI) network has slashed the usage fees for small transactions to expand the system's adoption among banks and payment service providers. For UPI transactions up to Rs.1000 the charge has been cut to 10 Paisa from 25 paisa. The charge for transactions above Rs.1000 has been retained at 50 paisa. Incentive payments that were charged by NPCI at the same rate as normal transactions have been brought under a fixed price regime of 10 paisa to encourage such promotions.

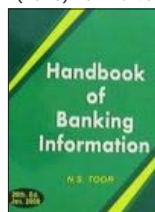
Financial Events



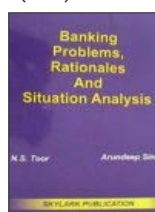
- **SUPREME COURT STRIKES DOWN RBI'S FEB.2018 NPA ORDER:** In a move that will bring significant relief to power and infrastructure companies, the Supreme Court has set aside the RBI's Circular on a revised framework for the resolution of stressed assets. Debt worth Rs.3.8 Lakh Crore across 70 large borrowers came under the Insolvency and Bankruptcy (IBC) Code for resolution after the RBI issued the circular on February 12, 2018. The impugned circular will have to be declared as ultra vires as a whole and be declared to be of no effect in law. Ruling of the Apex Court will give the promoters of stressed assets an opportunity to renegotiate their debt with lenders without going through the insolvency process.
- **RBI RAISES WMA LIMIT FOR APRIL-SEPTEMBER 2019:** RBI has raised the limits for Ways and Means Advances (WMA) for the first half of the financial year 2019-20 (April-2019 to September 2019) to Rs.75, 000 Crore from Rs.60, 000 Crore in the year-ago period. RBI provides WMA to Governments to meet temporary mismatches in their receipts and payments. The interest rate on WMA is the repo rate (Currently 6.25%) and on overdraft it is 2% above the repo rate. RBI may trigger a fresh float of market loans when the Government utilises 75% of WMA limit.
- **GOVT. TO INVOKE SEC 35AA OF BR ACT TO SOFTEN SC VERDICT:** Bruised by the Supreme Court's verdict on RBI's February 12 Circular on resolving bad debt, the government is

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planning to authorise the RBI to refer companies to the IBC on case-by-case basis. The Supreme Court verdict does not curtail the Government's powers to give directions to the RBI to initiate recovery proceedings. Govt. will invoke Section 35AA of the Banking Regulation (BR) Act to soften the Supreme Court verdict on the February 12 circular. Section 35AA empowers the Central Government to authorise the RBI for issuing directions to banking companies to initiate insolvency resolution process.

- **COMMITTEE ON HOUSING FINNANCE SECURITISATION:** RBI has announced that it will set up a committee to assess the state of housing finance securitisation market in the country. The move is aimed at bringing in standardisation of asset securitisation practices to enable better management of credit and liquidity risks. The committee will study the best international practices and lessons learnt from the global financial crises. It will propose measures to further develop these markets in India by identifying critical steps required, such as the definition of conforming mortgages, mortgage documentation standards, digital registry for ease of due diligence and verification by investors and avenues for trading in securitised assets.
- **RBI FOR NEW FRAMEWORK FOR RESOLUTION OF GRIEVANCES:** RBI plans to put in place norms for standardised timelines for resolving customer complaints and compensation framework across all authorised payment systems. The new framework for turnaround time will be put in place by end of June. In order to have prompt and efficient customer service in all electronic payments systems, it is necessary to harmonise the turnaround time of resolution of customer complaints and chargeback and to have a compensation framework in place for the benefit of customers. RBI has also decided to extend the coverage of the ombudsman scheme for handling grievances of customers of NBFCs.
- **LAKSHMI VILAS BANK TO MERGE WITH INDIABULLS:** Chennai-based Lakshmi Vilas Bank (LVB) is set to merge with Indiabulls Housing Finance (IBHF) in a sharp-swap deal. The boards of both entities have approved the merger proposal. This would be the second time that a NBFC has acquired a bank since Capital First acquired IDFC Bank to form IDFC First Bank last year. The amalgamated entity would have a net worth of Rs.19, 472 Crore and loan book of Rs.1.23 trillion as of December 2018. The merged entity's capital adequacy ratio would be 20.6%. For management of combined entity IBHF has proposed that it's MD Gagan Banga and LVB's MD Parthasarthy will serve as joint MDs of the merged entity.
- **UPI-MAJOR PAYMENT OPTION:** The Mobile-only Unified Payments Interface (UPI) is emerging a major payment option marking a seven-fold growth over the previous fiscal. UPI users

moved Rs.8.7 Lakh Crore on this platform through 535.34 Crore transactions in FY 2019 against Rs.1.09 Lakh Crore via 91.35 Crore transactions in FY 2018. The ease of transferring money is the key reason for the growth of the platform. UPI allows users to link multiple accounts via a single App. Among other advantages, it is available round the clock, facilitates small-value transactions and does not require the user to remember the IFSC code or the account number. Also, there is no need to maintain cash in digital wallets as the fund is debited directly from the bank account.


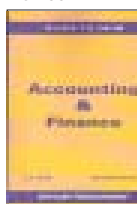

- **CATHOLIC SYRIAN BANK FOR CHNAGE OF NAME:** Catholic Syrian Bank plans to change its name to "CSB Bank Ltd.". There is a misconception by the general public that the bank is being owned by a particular community which is not true. Many customers even within India are averse to conducting any business dealings with the bank for this reason. Foreign customers having good business connections in India also avoid dealings with the bank for the only reason that part of the name either indicates a religious community's interference or represents a foreign country. Now considering the expansion plans envisaged, both within the country and abroad, a name which does not suffer from these issues is needed.
- **RBI GIVES TIME TO LIC FOR REDUCING STAKE IN IDBI BANK:** RBI has given 12 years to LIC to reduce its stake in IDBI Bank, accepting the life insurer's argument that it is a long term investor in the struggling bank which had nearly 30% of its advances as bad loans in December quarter. RBI has stipulated that after 12 years LIC has to reduce its stake by 10% to 40%. IRDA's rules stipulate that LIC can hold only up to 15% in a bank which can go up to 30% in case of board approval. But IRDA allowed LIC to invest up to 51% in IDBI Bnak last year.
- **PFRDA PLANS TO FRAME GUIDELINES ON INVESTMENT NORMS:** Pension regulator PFRDA will

soon frame guidelines to bring clarity on the FDI Policy in the pension sector. Currently, foreign investment regime for pensions is largely linked to the one prevailing in the insurance sector, especially with regard to FDI cap which is pegged at 49%. A pure-play foreign pension player has to look at FDI policy on insurance before firming up investment decisions in the pension sector.

- INSURERS TO PROVIDE CLAIM-TRACKING MECHANISM:** The new directive from the IRDA to provide claim-tracking mechanism on policies will come into effect from July 1, 2019. IRDA has directed the insurers to collect mobile numbers and e-mail IDs of the policy holders both at the point of sale and also on an ongoing basis as part of policy services. Further, to ensure fairness and transparency, all insurers shall notify about the status of the claim at various stages of its processing. Every claim will have a unique reference number which will be communicated to the policy holder who can then track the status. Further, insurers will also be expected to update customers about every stage of the claim processing and requirement for further documents.
- IRDA WITH DRAFT GUIDELINES FOR STAGGERED PAYOUT:** IRDA has come out with draft guidelines on allowing policy holders to receive claim settlement claim in instalments instead of only as a lumpsome payout, as was the case until now. While staggered payout were offered in life insurance, the regulator is now proposing to allow them in personal accident policies and benefit-based health insurance policies offered by General and Health Insurers as well. Once these guidelines are enforced, policy holders will be able to choose lump-sum or instalment option or certain percentage of both.
- GRAMEEN BANK TO FUND AGRI-TOURISM PROJECTS OF FARMERS:** In its efforts to provide additional revenue to farmers and boost agri-tourism under its area of operation, Karnataka Vikas Grameen Bank is planning to finance agri-tourism projects taken up by farmers. The bank operates in nine districts of Karnataka. The agricultural activities and the landscape provide scope for taking up agricultural tourism in these areas. Urban tourists prefer to visit and get an experience of such places.
- BANKS BOARD BUREAU PUSHES FOR REFORMS:** The Banks Board Bureau has reiterated some of the pending demands related to governance in public sector banks to the Central Government, including complete autonomy to their boards to decide on organisation structure. The Nayak Committee had recommended

a three-phased reform in PSBs. The first stage would be formation of a BBB, which will be taken over by a holding company of PSBs in the second phase and then it will be followed up by empowering and strengthening the boards in the third phase. The Bureau has told the Government to improve the operative environment and selection process for filling up the post of directors on PSB Boards to attract the best board talent.

- SEBI DIRECTS FOR RISK MANAGEMENT AT FUND HOUSES:** SEBI has directed the Asset Management Companies (AMCs) to constitute a technology committee to review the cyber security and resilience framework of the MF industry. SEBI has said that the Tech committee should have at least one independent external expert with experience in the area of technology in MF and financial industry. Further, SEBI has also revised guidelines on system audit framework for MFs. It involves audit of fund accounting system for calculation of net asset values, financial accounting reporting system, fund flow process, system processes for meeting regulatory requirements. Fund houses have to conduct systems audit on an annual basis by an independent auditor.
- BANK TECH INSTITUTE SETS UP 5G LAB FOR FINANCIAL SECTOR:** The Institute for Development and Research in Banking Technology (IDRBT) an arm of RBI has launched a 5G Use Cases Lab for the banking and financial sector. 5G technology along with blockchain will be progressively adopted by banks. The use of 5G will change a range of technologies

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and applications including point-of-sale machines in the banking sector which now use 2G. Further the 5G will have various applications in the banking, financial services and insurance sectors. The 5GLab will develop and domesticate 5G use cases and set up a research and development experience platform for banking services.

- **NCLT RULING ON CREDITOR'S PANEL:** In a judgement of far-reaching implication in the Insolvency and Resolution Process, the National Company Law Tribunal's (NCLT) Chennai Branch ruled that a party having a vested interest with a corporate debtor should not be a part of the Committee of Creditors (COC). It further observed that COC's decisions will impact debtor's survival or liquidation and the debt realisation of all the creditors. Therefore the institution of COC needs to be completely independent and free from any kind of influence-either of the promoters or their close relatives who may have stakes.
- **COMPREHENSIVE REVIEW OF LLP FRAMEWORK:** The Government is looking at a comprehensive review of the decade-old Limited Liability Partnership (LLP) framework including steep penalties for non-filing of returns. The review comes following representations about Rs100 per day penalty for delayed filing and difficulties faced in dissolution. The Ministry of Corporate affairs will soon set up a committee to review the structure of LLPs touted as a low compliance hybrid between companies and partnerships. The Ministry is also to ask the committee to consider that LLPs could not undertake manufacturing and stopped anyone carrying out manufacturing activity to register as LLP or convert existing corporate structure to LLP.
- **PFRDA FOR ON-TAP LICENCES FOR PENSION FUND MANAGERS:** The PFRDA is considering issuing On-Tap licences to the Fund Managers against the current practice of coming out with request for proposals every five years. It is also planning to double the minimum capital requirement of pension fund managers from Rs.25 Crore to Rs.50 Crore. Under the on-tap licencing policy, anyone can apply for a licence at any time of the year. Once issued, it is valid forever, unless the terms are violated. Currently, there are eight pension fund managers.
- **IBA RECOMMENDATIONS TO RBI ON STRESSED ASSETS:** IBA has urged the RBI to

make only a small relaxation in the new norms for stressed assets by requiring consent of 90% of lenders for approving a resolution plan instead of 100% mandated in the last year's controversial circular which was quashed by the Supreme Court recently. IBA Chief said that 90% limit is safe as the chances of dissenting lenders moving the project to insolvency court will reduce. The probability of proper resolution is better at 90% limit than at 66%.

- **RBI PROPOSES FRAMEWORK ON FINETECH FIRMS:** RBI has released a draft framework for setting up a Regulatory Sandbox (RS) or live testing of products or services by Finetech firms. The concept was mooted by committee headed by RBI ED calling for a regulatory sandbox to help firms experiment with Finetech solution. RBI has highlighted the risks and limitations attached to the RS by stating that the innovators may lose some flexibility and time in going through the RS process but running the sandbox programme in a time bound manner at each of its stages can mitigate this risk.
- **SEBI'S NEW INSIDER-TRADING NORMS:** Companies and promoters will have to be more cautious in dealing with Unpublished Price-Sensitive Information (UPSI) as SEBI's new "Insider-Trading Norms" will hold them responsible if they hold on to UPSI without any legitimate purpose. The regulator has now extended the requirement for reporting trades and seeking clearance before trading in the company's shares, even to senior employees of material subsidiaries and promoters of listed companies. It has been clarified that if the person who has traded is in possession of an UPSI, his trades will be presumed to be motivated by the UPSI.
- **SUPREME COURT VERSION ON COMPENSATION:** (Case- Ashatai VS. Shriram City Union Finance Ltd.) In this case the person took a loan from the finance company. The loan was secured through an insurance policy issued by a sister company of the finance company. After paying first instalment and insurance premium, the person died. The company demanded further instalments towards the loan. Wife asked the company to recover the loan through the insurance policy. The company refused to do so. So, the woman moved the consumer court. Though she succeeded in the district and state consumer forums but the National Commission rejected the plea. The woman appealed to the Supreme Court which set aside the judgement of the National Consumer Commission and asked the Finance Company to compensate a widow for "unnecessarily dragging her through legal proceedings on account of its deficiency of service".

GENERAL AWARENESS

- As per Business Standard Annual Awards for 2018, Hindustan Unilever has been awarded as- **Company of the Year.**
- According to the BS Annual Awards for 2018, Romesh Sobti, MD&CEO of IndusInd Bank has been awarded as- **Banker of the Year.**
- As per BS Annual Awards for 2018, Adi Godrej, Chairman of Godrej Group has got- **Lifetime Achievement Award.**
- Zuzana Caputova, a Pro-European Union Anti-corruption Lawyer, has been elected as President of Slovakia- **Ist Woman President.**
- Space Organisation which has placed 29 Satellites in three Orbits with one Rocket- **ISRO.**
- India's Largest Payments Bank- **Paytm Payments Bank.**
- Country which has launched World's First National 5G Network- **South Korea.**
- Global Rating Agency which has maintained India's Sovereign Rating at "BBB" which is the Lowest Investment Grade- **FITCH.**
- Country which awarded its "Top Civilian Honour" to Narendra Modi, PM for giving boost to ties- **UAE.**
- Vikram Kirloskar, MD of Kirloskar Systems has been elected as- **President of Confederation of Indian Industry (CII)-**
- David Malpass has been selected as 13th - **President of World Bank.**
- India has emerged as Third Largest Solar PV Market in the World- **Mercom Capital's Latest Report.**
- India retained its position as the World's Top Recipient of Remittances with \$79 billion back home in 2018- **World Bank Report.**
- Bank for which Global Rating Agency Fitch affirmed long-term rating at "BBB-with Stable Outlook" citing Govt. support to it- **EXIM Bank.**
- University in which the Govt. has appointed Najma Akhtar, First-woman in its 4-decade history as Vice-Chancellor - **Jamia Millia Islamia University.**
- Prime Minister Narendra Modi has been honoured with the "Order of St Andrew the Apostle" - **Russia's Highest State Decoration.**
- Institution which is accepted by all the Financial Sector Regulators has crossed a major milestone by registering 10 Crore Customers- **Central KYC Registry.**
- Platform via which the Govt. is targeting Rs.50, 000 Crore worth of transactions to be carried out- **Online Marketplace GeM.**
- India has become Third largest Solar Market after- **China and US.**
- Bank which has launched "NRI-Insta-Online" for NRIs who can open accounts without furnishing physical documents as well as KYC proof- **IDBI Bank.**
- Bank which has got approval from Competition Commission of India for the proposed amalgamation of Gruh Finance- **Bandhan Bank.**
- Asian Development Bank which has committed to provide \$3 billion in Sovereign Loans to India in 2018- **Highest Sovereign Loan since Sovereign operations in 1986.**

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- Ravinder Kumar Passi has been elevated to the post of – **President of Export Promotion Council for Handicrafts.**
- BM Khaitan's McLeod Russel India has lost its Crown to Cameilla Plc, Holding Co. of Goodricke Group as- **World's Largest Private Tea Producer.**
- Britain's Queen Elizabeth celebrated her 93rd Birthday on 21st April- **World's Oldest and Longest Reigning Living Monarch.**
- There is 60% jump to Rs.3 Lakh Crore in 2018-19 from Rs.1.91 Crore in 2017-18- **Direct Benefit Transfer of Subsidies.**
- Court which ruled that the businesses will have to pay interest on entire tax liability including the part to be paid through Input Tax Credit.- **Telengana High Court.**
- Bank whose Authorised Capital has been increased from Rs.3000 Crore to Rs.8000 Crore by RBI- **Allahabad Bank.**
- Report according to which Indians have the Highest Trust in their Financial Institutions despite facing maximum number of e-frauds in the Asia-Pacific Region- **Report by Experian India.**
- Bank which has reduced the number of Loss-incurring Branches to 157 as on March 2019 from 742 recorded in March 2015- **Indian Overseas Bank.**
- Scheme under which the complaints shot up by 25% for non-observance of fair practices code and issues related to ATM and Debit Cards- **Banking Ombudsman Scheme.**
- Bank which has celebrated its 155th Foundation Day on 24th April 2019- **Allahabad Bank.**
- Country which continues to be the Most Preferred "Foreign Study Destination" for Indians- **US.**
- National Payments Corporation of India (NPCI) has got nod from RBI regarding full-fledged implementation of- **Electronic Mandates.**
- Scheme under which the total balance has reached to the extent of Rs.1 Lakh Crore five years after its launch- **Pradhan Mantri Jan Dhan Yojana.**
- CSR Foundation with which PNB Housing Finance has signed Letter of Intent to upgrade the skills of 13000 construction workers on-site and off-site across India- **CREDAI.**
- RBI to issue shortly new "Greenish-Yellow Bank Note" -**Rs.20 Denomination.**
- World's Largest circulated English daily News Paper- **Times of India.**
- Bank which is to issue 12 million shares to its employees under Employees Share Purchase Scheme- **Indian Bank.**
- Bank which has celebrated its 125th Foundation Day on April 12, 2019- **Punjab National Bank.**
- Stock Exchange which has appointed its First Independent Woman Director M.Jayshree Vyas- **BSE, formerly known as Bombay Stock Exchange.**
- Vipin Anand, having charge of LIC's Western Zone, has taken charge as- **MD of LIC of India.**
- Small Finance Bank which raises Rs.248 Crore through Private Placement- **Suryoday Small Finance Bank.**
- India's growth is expected to rebound to 7.2% in 2019 and 7.3% in 2020- **Asian Development Bank.**
- Court which has directed the Election Commission to raise random matching of VVPAT slips to 5 booths- **Supreme Court.**
- India's GDP growth is expected to accelerate moderately to 7.5% in 2019-20- **World Bank Report.**
- Bank which plans to raise funds up to Rs.50, 000 Crore through issuing Perpetual Debt Instruments and long term bonds- **HDFC Bank.**
- India's Growth Forecast for 2019-20 has been reduced by 20 basis points to 7.3% for 2019-20- **IMF Report.**
- State which continues to post the Highest Unemployment Rate at 11.4% in 2017-18 against National Average of 6.1%- **Kerala.**
- Bank which after merger is appointing an Advisory Firm for "Review of Board Evaluation"- **Bank of Baroda.**
- United Nations owes India \$38 million for the peacekeeping operations as of March 2019- **Highest amount to pay to any country.**
- Cash-strapped Country whose Finance Minister has quit the Cabinet before securing a Crucial Multi-Billion Dollar IMF Bailout Package amid high economic crises- **Pakistan.**
- China has named Chen Siqing as new Chief for Industrial & Commercial Bank of China Ltd. – **World's Largest Lender by Assets**
- Scheme under which the target of Rs.3 Lakh Crore could not be achieved and disbursement could be made only to the extent of Rs.2.73 Lakh Crore- **Pradhan Mantri Mudra Yojana.**



MOCK-TEST PAPER

- 01** As per Income-tax (22nd Amendment) Rules, 2015 (Rule 114E), w.e.f. 1.4.2016, banks are to send report to Income Tax Department, through a Statement of Financial Transactions for certain transactions in deposit account on Form No. ___ by ___ each financial year:
- 60, 31st May
 - 60A, 30th April
 - 61, 30th April
 - 61A, 31st May
- 02** What is the amount of limit in respect of priority sector advances in general, where the banks do not charge inspection and service charges?
- Rs.10000
 - Rs.15000
 - Rs.25000
 - Rs.50000
 - Rs. 1 lac
- 03** The current ratio of a firm has continued to be around 1.5:1 for two successive years, but the quick ratio increased from 0.8:1 to 0.98:1. It must be on account of:
- increased %age of stocks in the total current assets
 - increased %age of debtors in the total current assets
 - declined %age of debtors in the total current assets
 - incomplete information
- 04** A firm has been able to obtain a decree from a court of law against a buyer of goods, who was not making payment. The buyer has made payment of 50% of the amount of decree and assured to pay the balance within 3 months to avoid contempt of court situation. Which among the following ratios have been affected due to this?
- Net working capital
 - current ratio
 - quick ratio
 - debtors' velocity ratio
 - all the above
- 05** Bank has given a guarantee in favour of a raw material supplier, on behalf of one of its customers, for purchase of raw material on 30 days' credit basis. Such guarantee is classified as:
- performance guarantee
 - financial guarantee
 - deferred payment guarantee
 - contingent guarantee
- 06** A loan account has been running irregular and can turn out to be a non-performing asset. What kind of risk it is:
- liquidity risk
 - asset-liability risk
 - operational risk
 - interest rate risk
 - credit risk
- 07** In case of crop loans, the period of irregularity for account to become sub-standard is:
- 90 days for all agriculture accounts
 - two or one crop season, for all agriculture accounts
 - two or one crop seasons for agriculture accounts where recovery is based on crop
 - 90 days for all indirect agriculture accounts and two or one crop season for all direct agriculture loans
- 08** A/c of ABC, has become doubtful with balance of Rs.6 lac. The collateral security value is Rs.3 lac and that of principal security Rs.2 lac. Guarantors' worth is Rs.10 lac. Account is in more than 1 year and up to 3 years doubtful category. What will be amount of provision as on March 31, 2017:
- Rs.1.50 lac
 - Rs.1.80 lac
 - Rs.3.00 lac
 - Rs.2.50 lac
- 09** For domestic banks including private banks, which of the following targets is not stated correctly:
- overall target – 40% of ANBC
 - agriculture loans – 18% of ANBC
 - weaker section – 10% of ANBC
 - micro & small enterprises – 10% of ANBC
- 10** _____ risk is the risk of loss arising from adverse public opinion and damage to reputation, is called
- liquidity risk
 - operational risk
 - reputation risk
 - legal risk
- 11** Bank has allowed a loan of Rs.4 lac to a firm, as cash credit which is running regular. The firm also has a term deposit of Rs.5 lac and there is an attachment order on the term deposit:
- the term deposit would be attached
 - the term deposit would be

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- attached after recovering the outstanding balance in the cash credit account
- c the amount of term deposit above Rs.4 lac would be attached
- d the term deposit cannot be attached as long as bank loan outstands
- 12** Attachment order is applicable, where the relationship between the customer and the bank is that of:
- a lessor and lessee
- b trustee and beneficiary
- c debtor and creditor
- d creditor and debtor
- 13** Bank account of which of the following is covered in the low risk category of customers:
- a a public limited company
- b a high net worth individual
- c a salaried employee
- d a non-resident Indian
- 14** Under which section of Banking Regulation Act 1949, a banking company is prohibited to grant a loan or an advance against security of its own shares:
- a 19(2)
- b 20(1)
- c 17(2)
- d 24 (3)
- e 22 (1)
- 15** For acknowledgment of debt, the Central govt. has prescribed the payment of stamp-duty at which of the following rates?
- a Re.0.50
- b Re.1.0
- c Rs.2.0
- d Rs.5.0
- e none of the above
- 16** Exposure ceiling for infrastructure projects in case of single and group are ___ of capital fund
- a 15%, 40%
- b 20%, 45%
- c 20%, 50%
- d 25%, 55%
- 17** Which of the following is not correct in respect of PPF account:
- a scheme is operated by public sector banks and private sector banks
- b minimum amount of deposit per annum is Rs.500
- c maximum amount of deposit per annum is Rs.100000
- d account is opened for 15 years.
- 18** A micro enterprise dealing with your branch has received an export order on FOB terms. In this case
- a the cost of insurance is to be borne by the exporter
- b the cost of freight is to be borne by the exporter
- c the cost of goods and also the insurance and freight is to the account of exporter
- d cost of insurance and freight is to be borne by the importer
- e cost of insurance and freight is to borne by the importer and exporter on equal basis
- 19** On rent payment, TDS is to be deducted when the amount of total payment in a financial year:
- a is Rs.180000 or more
- b is more than Rs.180000
- c is Rs.120000 or more
- d is more than Rs.120000
- 20** What is not true of the following in connection with the payment to DICGC for deposit insurance:
- a it is payable half yearly
- b premium is 10 paise p.a. for Rs.100 of deposit
- c insurance is obtained on mandatory basis
- d deposits of govt. departments are not to be got insured
- e max eligible amount of deposit for insurance is restricted to Rs.1 lac.
- 21** When the no. of directors in public limited company is more than ____, shareholders' approval is required:
- a 8 b 10
- c 12 d 15
- 22** Interest in agriculture advances is to be charged on:
- a monthly basis
- b quarterly basis
- c half-yearly basis
- d yearly basis
- e any of the above as per discretion of the bank
- 23** The quarterly return on Form 26Q, of TDS is to be submitted
- a within 31 days, but for March by May 31
- b within 15 days, but for March by May 31
- c within 30 days, but for March by May 15
- d within 30 days, but for March by May 31
- 24** If the account number, to which an amount is to be credited, has been conveyed incorrectly in an RTGS transaction, who will be responsible:
- a customer, if he has conveyed the incorrect details
- b customer, irrespective of the fact whether he has conveyed the correct details or not, if indemnity has been obtained
- c concerned bank in all circumstances
- d the settlement authority
- 25** An administrator is:

<p>a A person appointed by court, when a person dies without a will.</p> <p>b A person appointed by share holders at the time of winding up a Company</p> <p>c A person appointed at the time of insolvency of a firm</p> <p>d a and b</p>	<p>of each security, or, Rs.500 crore, whichever is higher.</p> <p>b 2% of the total outstanding stock of each security, or, Rs.500 crore, whichever is higher.</p> <p>c 1% of the total outstanding stock of each security, or, Rs.1000 crore, whichever is higher.</p> <p>d 2% of the total outstanding stock of each security, or, Rs.1000 crore, whichever is higher.</p>	<p>drawee Mr. Narayan Dutt who accepts the same. It is endorsed by the payee Mr. Sarwan Lal to Mr. Ramesh Kumar, who is a handicap. Looking into this fact, Mr. Sarwan Lal also writes that in case of dishonour, he may not be given notice and would continue to be liable. Which of the following kinds of endorsement has been made by Mr. Sarwan Lal:</p>
<p>26 In a trust, one of the trustees who is singly authorised to operate the account has been declared insolvent. Your branch receives a cheque drawn by him for payment.</p> <p>a You can return the cheque</p> <p>b You can pay the cheque</p> <p>c You can pay if other trustees confirm it</p> <p>d a and b</p>	<p>30 When a bank grants a loan to a borrower on the basis of hypothecation of the assets, with whom does the possession and ownership remain?</p> <p>a possession with borrower & ownership with bank</p> <p>b possession with bank and ownership with borrower</p> <p>c both with bank</p> <p>d both with borrower</p>	<p>a Conditional endorsement</p> <p>b Facultative endorsement</p> <p>c Sans recourse endorsement</p> <p>d Partial endorsement</p> <p>e Blank endorsement</p> <p>34 What is the minimum capital requirement under Basel 3 as per Bank for International Settlement, prescription:</p>
<p>27 Which of the following qualifies to be the business of financial services as per RBI guidelines under Banking Regulation Act 1949:</p> <p>a business of credit information companies</p> <p>b operations of a depository under Depositories Act</p> <p>c business of a credit rating agency</p> <p>d all the above</p>	<p>31 On the information that the draft has been lost, a duplicate has been issued after taking indemnity bond. The original and duplicate are presented for payment through clearing, by two different banks on the same day. Both the drafts have been branded with the stamp payee's account credited. The bank:</p> <p>a Will pay the duplicate</p> <p>b Will pay the original</p> <p>c Will return both</p> <p>d both will have to be paid</p>	<p>a 6%</p> <p>b 8%</p> <p>c 9%</p> <p>d 10%</p>
<p>28 Which of the following falls in the category of Non-bank financial company: (a) asset finance company (b) investment company (c) loan company (d) infrastructure finance company (e) core investment company (f) infrastructure debt fund NBFC (g) NBFC-micro finance institution:</p> <p>a a to g all</p> <p>b a to e only</p> <p>c a to d only</p> <p>d a, c, d, e and f only</p>	<p>32 According to Banking Companies Nomination Rules 1985, nomination in favour of a non-resident person:</p> <p>a Is allowed with RBI permission</p> <p>b Is not allowed</p> <p>c Is allowed.</p> <p>d a and c</p>	<p>35 In case of currency chest transactions, penal interest charged by RBI is:</p> <p>a 2% over BPLR of the bank</p> <p>b 2% over the prevailing Bank Rate</p> <p>c 3% over the bank rate</p> <p>d 6% flat</p>
<p>29 What is max limit on short sale in respect of liquid securities?</p> <p>a 1% of the total outstanding stock</p>	<p>33 A usance bill of exchange is presented by the payee to its</p>	<p>36 A customer of a current account has deposited two cheques worth Rs.15000 which have been sent in clearing and have been credited, but the time for returning of the clearing has yet not expired. Meanwhile a garnishee order is received in the account:</p> <p>a order will be applicable on the amount of cheques.</p> <p>b order will not be applicable on the amount of cheques</p> <p>c order will be applied after seeking confirmation from paying banker</p>

- d order will become applicable from next day if cheques have not been returned unpaid
- 37** What is the limitation period available to a holder of cheque dishonoured due to insufficiency of funds, to file suit u/s 138 of NI Act?
- a 3 years from date of demand
b 3 years from date of non-payment after expiry of the notice period
c one month from date of refusal by the drawer
d one month from date of cause of action
e 15 days from date of non-payment
- 38** For which among the following instruments, the amount of stamp duty can be different in different States:
- a promissory note
b bill of exchange
c money receipt
d guarantee deed
e all the above
- 39** A fixed deposit receipt is maturing for payment on Sunday. It shall be deemed to be payable with interest on:
- a succeeding day i.e. Monday
b same day
c preceding day i.e. Saturday
d any day after that
e a or d
- 40** The foreign shareholding in a new private universal bank, in the form of FDI, can be ___ of paid up capital:
- a max 74%
b max 51%
c max 26%
d max 24%
- 41** Which of the following case would not require a report to RBI, as a fraud
- a theft, burglary only
b theft, robbery only
c burglary, dacoity and robbery only
d theft, burglary, dacoity and robbery all
- 42** Sale of a govt. security by a bank, which it does not own, to other bank is called:
- a long sale
b short sale
c unauthorized sale
d invalid sale
- 43** What will be the due date of payment for a promissory note dated 1.2.2017 payable one month after its presentment, which is 12.2. 2017:
- a 12.03. 2017
b 15.03. 2017
c 04.03. 2017
d 12.04. 2017
- 44** Corporate Bank is approached by M/s Delhi Enterprises Limited to sanction to them a term loan of Rs.50 lac for road construction machinery along with a cash credit limit of Rs.20 lac as they have received a contract for construction of road. The objective clause in the Memorandum of Association states the objectives of the company as manufacturing and trading in goods and any other activity undertaken by the company. The loan is granted and subsequently turns out to be sub-standard asset. What options are available to the bank to recover this loan?
- a to enforce its securities through a normal court of law
b to take possession of the securities under the Securitisation Act and sell the same
- c to file a suit in DRT having territorial jurisdiction
d any of a to c
e the loan cannot be recovered from the company as it is ultra-vires the company due to non-inclusion of activity of road construction as permissible objective in the Memorandum of Association
- 45** Presently, the star series bank notes are printed in the following denominations:
- a Rs.10, Rs.20, Rs.50, Rs.100, 500
b Rs.10 and Rs.20
c Rs.10, 20, 50 and 100
d Rs.10, 20, 50, 100 and Rs.500
- 46** The difference between the market value of the collateral security and the amount borrowed/lent against that collateral security is called:
- a loan to value ratio
b margin
c gap
d haircut
- 47** In which of the following cases, the population-group wise classification of a particular centre as per RBI, does not match:
- a Rural : population up to 10000
b Semi-urban : 10000 to 99999
c Urban : 100000 to 999999
d Metro : 10 lac and above

Answers

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

7.75% Savings (Taxable) Bonds

It is operated through branches of SBI, Nationalized Banks, 3 Private Sector Banks and SHCIL (called receiving offices – RO).

Procedure on receipt of Applications: RO shall open an a/c 'Bond Ledger Account' (BLA) in the name of subscriber on receipt of application money (cash/ draft/ cheque or any electronic mode). Each account may be allotted a 6-digit code with an alpha prefix denoting the bank and its branch code.

A counter receipt is to be issued, specifying date of issue of 'Certificate of Holding' immediately after opening BLA.

Date of subscription shall be the date of tender of cash or the date of realisation of draft /cheque or date of receipt of payment in electronic mode.

Only one BLA shall be opened for an investor. Investments subsequently made, shall be accounted for in the same BLA.

Tenure : The tenure shall be 7 years.

Remittance to Central Accounts Section, RBI, Nagpur : RO branches shall remit subscription to Link Cell on daily basis for credit to Govt. A/c. For delay beyond 3 days, CAS will recover interest at coupon rate.

Reporting to Public Debt Office (PDO) : Link Cells of RO shall on a monthly basis, submit data in soft and hard copy to PDO. For non-submission within 15 day of next month, a penalty of Rs.500 per day shall be levied.

Nomination: RO shall register the nominations and ensure that nomination has been made by a sole holder or all joint holders other than a minor. Nomination by means of a thumb impression, should be attested by a Magistrate/ Notary public/ Treasury Officer / bank official. Nomination can be cancelled or changed at discretion of holder.

Claims of nominee/s : On death, nominee's claim may be recognized as per Govt. Securities Act 2006 and Govt. Securities Regulations 2007.

(a) If the bond has already matured, repayment would be made after obtaining proper discharge which should be attested by the Magistrate/ their bankers.

(b) If bond has not matured, the name/s of the nominee/s shall be substituted as the Account holder/s and a fresh Certificate of Holding shall be issued without opening a fresh BLA.

Payment of interest: For non-cumulative BLA, interest @ 7.75% shall be credited at HY intervals on 1st Aug and 1st Feb to bank a/c of the holder.

Claim for reimbursement of interest from CAS, RBI, Nagpur: RO branches shall claim reimbursement through their Link Cell by preparing scrolls in quadruplicate and retaining 4th copy at branch. Soft copy of the consolidated claim shall be forwarded by Link office to CAS along with a certificate from Auditors that interest payment figures is 100% checked.

Repayment of Bonds on maturity: Bond holders shall be informed about maturity one month in advance. No interest would accrue after maturity of bond. The banks may not insist upon discharged Certificate of Holding and credit the amount to account of the holder on due date by electronic mode (on previous working day, if maturity date is holiday under NI Act, 1881).

The maturity proceeds of joint holders shall be released in favour of one of the joint holders holding power of attorney from other holders.

Premature encashment: It may be allowed to individual investors of 60 years and above. Penalty shall be 50% of interest due and payable for the last 6 months period of holding.

Reporting: RO shall submit a statement showing the payments and outstanding on monthly basis to Ministry of Finance through Link Office. Further, a monthly report shall be sent to PDO of RBI.

Payment of Brokerage to brokers: RO shall pay brokerage @ 0.5% of amount mobilized and prefer their claims through link office for reimbursement thereof from CAS on a monthly basis.

Loss of Certificate of Holding: A duplicate can be issued without fees.

Claims of Remuneration (Brokerage/commission/ Turnover commission) of ROs:

Monthly claim:

- Brokerage at 0.50 paise per Rs. 100 of subscription amount.
- Commission payable at 1/16th of 1% of subscription amount.

Turnover commission @ 5.50 paise per Rs.100 on interest paid, principal amount repaid shall be claimed on quarterly basis.

Further, remuneration/ reimbursement to be claimed annually from the PDO for (i) Service Charge at Rs. 25 per every new BLA opened and Rs. 20 for every account existing.

Transfer of Accounts: Transfer of BLAs for sale or part transfer is not allowed. The facility of intra-bank and inter-bank branch transfer of the BLAs will be available under exceptional circumstances

Preservation of records : The period for which the records shall be preserved differs from document to document ranging from 3 months to 10 years.

Angel Tax and Angel Investors

The term Angel Tax and Angel Investor has been in news in recent years. In this write-up, the concept has been explained in brief.

- **Angel investors** are wealthy individuals, who inject capital for startups in exchange for ownership equity or convertible debt. They are informal investors called angel funders, seed investors or business angels.
- They are motivated by profit and other considerations and invest funds in entrepreneurial companies instead of institutional venture capitalists.

Definition of Startup: An entity up fulfilling the following criteria is called Startup: a) it is in business upto first 7 years (10 years in case of biotechnology sector) of incorporation (including Pvt. Company or Partnership firm or LLP) b) turnover for any year since incorporation is not exceeding Rs. 25 crores c) Entity is in a prescribed business.

Law related to Angel Tax:

- It Tax was introduced in the Finance Act of 2012 to curb money laundering through the purchase of shares at a high premium.
- Angel tax rate is 30% + applicable cess on the amount that exceeds the *fair market value* of shares issued by unlisted companies, which is treated as income from other sources.

The Section 56(2)(viib) of the Income tax act 1961, states that " when a closely held company issues equity shares and any investor subscribes such shares and pays such consideration per share which is *above the fair value* of such shares, then such excess i.e. (consideration per share less Fair Value per Share) is to be treated as income from other sources of such receiver company, has to pay angel tax on such excess amount.

Fair Market Value : As per Sec 56, fair market value of shares shall be

- value as may be determined in accordance with such method as may be prescribed (Rule 11U and 11UA) or
- as may be substantiated by the company to the satisfaction of the Assessing Officer, based on the value, on the date of issue of shares, of its assets, including intangible assets being goodwill, know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature,

whichever is higher

Reliefs from Angel Tax

As per Govt. notification dated 11th April 2018, exemption is available from Section 56(2)(viib):

- Aggregate amount of paid up share capital and share premium of after the proposed issue of shares does not exceed Rs. 10 crores;
- The investor/ proposed investor, who proposed to subscribe to the issue of shares of the startup has, —
 - Average returned income of Rs. 25 Lakhs or more for the preceding 3 financial years; or
 - Net worth of Rs. 2 crores or more as on the last date of the preceding financial year
 - Startup has obtained a report from a merchant banker specifying the fair market value of shares in accordance with *Rule 11UA of the Income-tax Rules, 1962.*

DATA COLUMN

Business of Banks

(Rs.in cr)	Mar31'18	Apr12'19
Aggregate deposits	10805150	12530980
Cash in hand/RBI	570490	575420
Investments	3043660	3441250
Bank Credit:	7881890	9645060
-Food	53930	35930
-Non-Food	7827960	9609130
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	Apr12'19
M3 (Out of which)	13962590	15430110
(a) Currency with public	1759710	2094320
(b) Demand deposits-Banks	1483710	1483370
(c) Time Deposits - Banks	10695260	11824570
(d) Other deposits with RBI	23910	27840

Sources of Money Supply

(a) Net Bank credit to Govt	4001400	4530120
(b) Bank credit to Comrcl sector	9213720	10250780
(c) Net Forex assets of Banks	2922300	2993800

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-Apr18	end-Apr19
Dollar-spot TT (Rs.)	66.84	69.39
BSE - Sensex (points)	34915	38638
NSE - Nifty(S&P CNX)	10618	11620
Foreign reserves (Million \$)	420366	418515
Gold /Oz in USD)	1313	1286

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 2018-19	: 331.0 bn
Imports during (2016-17)	: 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 (Jun 2018) US \$: 514.4 Bn
Tax-GDP ratio (2014-15)	: 9.93%
Apr- Mar19:Export \$ 331.0bn\$ Imports	: 507.0 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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