Priority Sector Loans - NBFC-MFI

As per RBI NBFC Non-Systemically important Non-Deposit taking Company Directions 2016, eligibility criteria for classification under ‘Qualifying Assets’ for NBFC-MFIs, has been prescribed.

Taking into consideration the important role played by MFIs in delivering credit to those in the bottom of the economic pyramid and to enable them play their assigned role in a growing economy, RBI decided (on 08.11.19) to increase the household income limits for borrowers of NBFC-MFIs from the current level of Rs.1,00,000 for rural areas and Rs.1,60,000 for urban/semi urban areas to Rs.1,25,000 and Rs.2,00,000 respectively.

Further, the limit on total indebtedness of the borrower has been increased from Rs.1,00,000 to Rs.1,25,000. In light of the revision to the limit on total indebtedness, the limits on disbursement of loans have been raised from Rs.60,000 for the first cycle and Rs.1,00,000 for the subsequent cycles to Rs.75,000 and Rs.1,25,000 respectively.

Re-export of unsold rough diamonds from Special Notified Zone of Customs without Export Declaration Form (EDF) formality

RBI decided (on 22.11.19) to modify the provisions of A.P. (Dir Series) Circular dated 02.07.15, as under:

For the lot/ lots cleared at the center/s which are duly notified under Customs Act, 1962 / specified by the Central Board of Indirect Taxes & Customs, Department of Revenue, Ministry of Finance, Government of India for the above purpose, Bill of Entry shall be filed by the buyer. AD bank may permit such import payments after being satisfied with the bona-fides of the transaction. Further, AD bank shall also maintain a record of such transactions.

Withdrawal of exemptions granted to Housing Finance Institutions

Housing Finance Institutions as defined under Clause (d) of Section 2 of the National Housing Bank Act, 1987 are currently exempt from the provisions of Chapter III-B of Reserve Bank of India Act, 1934. On a review, RBI decided (on 11.11.19) to withdraw these exemptions and make the provisions of Chapter II-B except Section 45-IA of Reserve Bank of India Act, 1934, applicable to them.

Technical Specifications for all participants of the Account Aggregator (AA) ecosystem

The Non-Banking Financial Company - Account Aggregator (NBFC-AA) consolidates financial information of a customer held with different financial entities, spread across financial sector regulators adopting different IT systems and interfaces. In order to ensure that such movement of data is secured, duly authorised, smooth and seamless, RBI decided (on 08.11.19) to put in place a set of core technical specifications for the participants of the AA ecosystem.

Reserve Bank Information Technology Private Limited (ReBIT), has framed these specifications and published the same on its website (www.rebit.org.in).

All regulated entities of the Bank, acting either as NBFC-AA or Financial Information Providers (FIP) or Financial Information Users (FIU) are expected to adopt the technical specifications published by ReBIT, as updated from time to time.

It shall be the responsibility of the NBFC-AA to ensure that its IT systems have all features necessary to carry out its functions strictly in conformity with the NBFC-AA Master Directions, as updated from time to time.

Liquidation of Aditya Birla Idea Payments Bank Limited

RBI advised on 18.11.19 that on a voluntarily winding up application by Aditya Birla Idea Payments Bank Limited, the Hon’ble Bombay High Court has passed an order on September 18, 2019 and has appointed Shri Vijaykumar V. Iyer, Senior Director of Deloitte Touche Tohmatsu India LLP as the Liquidator of Aditya Birla Idea Payments Bank Limited.

Special Non-Resident Rupee Account - SNRR account

RBI modified certain provisions of SNRR account scheme on 13.11.19.

Who can open: Any person resident outside India, having a business interest in India, may open SNRR account with an AD for the purpose of putting through bona fide transactions in rupees, not involving any violation of the provisions of the FEMA, rules and regulations made thereunder. The business interest, apart from generic business interest, shall include the following INR transactions:

i. Investments made in India in accordance with FEMA Rules dated October 17, 2019;
ii. Import of goods and services in accordance with Section 5 of FEMA;
iii. Export of goods and services in accordance with Section 7 of FEMA;
iv. Trade credit transactions and lending under External Commercial Borrowings (ECB)
framework in accordance with FEMA (Borrowing and Lending) Regulations, 2018; and

v. Business related transactions outside International Financial Service Centre (IFSC) by IFSC units at GIFT city like administrative expenses in INR outside IFSC, INR amount from sale of scrap, government incentives in INR, etc.

The account will be maintained with bank in India (outside IFSC).

The restriction of 7 years for the account shall not be applicable to accounts opened for the purposes stated above.

2. The SNRR account shall carry the nomenclature of the specific business for which it is in operation. Indian bank may, at its discretion, maintain separate SNRR Account for each category of transactions or a single SNRR Account for a person resident outside India engaged in multiple categories of transactions provided it is able to identify/ segregate and account them category-wise.

3. The operations in the account shall not result in the account holder making available foreign exchange to any person resident in India against reimbursement in rupees or in any other manner.

4. The account shall not bear any interest.

5. Debits and credits in shall be specific/ incidental to the business proposed to be done by the account holder.

6. ADs shall ensure that the balances are commensurate with the business operations of the account holder.

7. All the operations in the account should be in accordance with the provisions of FEMA rules and regulations.

8. The tenure of the account shall be concurrent to the tenure of the contract / period of operation / the business of the account holder and in no case shall exceed 7 years. Approval of RBI shall be obtained in cases requiring renewal:

9. The balances in the account shall be eligible for repatriation.

10. Transfers from any NRO account to the SNRR account are prohibited.

11. All transactions in the SNRR account will be subject to payment of applicable taxes in India.

12. SNRR account may be designated as resident rupee account on the account holder becoming a resident.

13. The amount due/ payable to non-resident nominee from a/c of a deceased account holder, shall be credited to NRO/ NRE account of the nominee with an AD / authorised bank in India or by remittance through normal banking channels.

14. The transactions in the accounts shall be reported to RBI in accordance with directions issued from time to time.

15. Opening of SNRR accounts by Pakistan and Bangladesh nationals and entities incorporated in Pakistan and Bangladesh requires prior approval of RBI.
These Directions, applicable to Public Sector Banks, came into effect on 02.08.2019.

Authority for appointment of Elected Directors:
Banks are to constitute a Nomination and Remuneration Committee consisting of a minimum of 3 non-executive directors from amongst the Board of Directors, out of which not less than one-half shall be independent directors and should include at least one member from Risk Management Committee of the Board, for undertaking a process of due diligence to determine the ‘fit and proper’ status of the persons to be elected as directors.

The Government of India nominee director shall not be part of the Committee.

The Board should also nominate one among them as Chairman of the Committee. The quorum required is three, including the Chairman.

Manner and procedure
The banks shall obtain necessary information, and a declaration & undertaking, from the persons who file their nominations for election.

Criteria
The Committee shall determine the ‘fit and proper’ status of the proposed candidates based on the broad criteria mentioned hereunder:

(i) Age – The candidate’s age should be between 35 to 67 years as on the cut-off date fixed for submission of nominations for election.

(ii) Educational qualification – The candidate should at least be a graduate.

(iii) Experience and field of expertise – The candidate shall have special knowledge or practical experience in respect of one or more of the matters as per SBI Act / Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980.

(iv) Disqualifications:
   i. The candidate should not be a member of the Board of any bank or RBI or FI) or an Insurance Company or a NOFHC holding any other bank.
   ii. A person connected with hire purchase, financing, money lending, investment, leasing and other para banking activities shall not be considered for appointment as elected director on the board of a PSB.
   iii. No person may be elected/ re-elected on the Board of a bank if he/she has served as director in the past on the board of any bank/FI/RBI/Insurance Company under any category for six years, whether continuously or intermittently.
   iv. The candidate should not be engaging in the business of stock broking.
   v. The candidate should not be holding the position of a Member of Parliament or State Legislature or Municipal Corporation or Municipality or other local bodies.

(v) Tenure – An elected director shall hold office for 3 years and shall be eligible for re-election, provided that no such director shall hold office for a period exceeding six years, whether served continuously or intermittently.

(vi) Professional Restrictions –
   (a) The candidate should neither have any business connection (including legal services, advisory services etc.) with the concerned bank.
   (b) The candidate should not be having any professional relationship with a bank or any NOFHC holding any other bank.

(vii) Track record and integrity - The candidate should not be under adverse notice of any regulatory or supervisory authority/agency, or law enforcement agency and should not be a defaulter of any lending institution.

Banks shall also:

(1) Ensure compliance to Section 20 of the Banking Regulation Act, 1949.

(2) In addition, bank shall not allot any professional work to a person who was an elected director of that bank, for a period of two years after demitting office as such director.

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**FEDAI Rules 2019**

**Transfer of funds between VOSTRO Accounts with two banks (w.e.f. 1st April 2013)**

i. The bank carrying out interbank Vostro transfer by RTGS to send Form A3 separately.

ii. Time limit is 5 working days for receipt of form A3 at beneficiary bank’s end. Delay beyond 5 days would attract penalty on the remitting bank.

iii. In case, beneficiary bank does not get form A3 within 5 working days, they must lodge a claim with the remitting bank within 15 days, from the date of transfer of funds.

iv. Remitting bank would pay to beneficiary bank, penalty of Rs. 1000 per day for period beyond 5 days from date of transfer of funds, till form A3 reaches the beneficiary bank.

v. If beneficiary bank lodges the claim after 15 days from the date of transfer of funds, the claim amount will be capped at Rs. 10,000.
Foreign Exchange Dealers' Association of India (FEDAI), revised the rules which became effective from 01 April 2019. Salient features are:

**General Guidelines**
- The member banks can determine their own charges for forex transactions.
- Banks to display their card rates and threshold amount for card rates for FCs on website and / or their B Category branches.

1. **Hours of business**

Trading hours: Exchange trading hours for INR/FCY transactions in Inter-bank forex market in India are from 9.00 a.m. to 5.00 p.m. (customer transactions up to 4.30 p.m.).

For forex business, Saturday will not be treated as a working day.

**Known holiday** is one which is known at least 3 working days before the date.

Suddenly declared holiday is a holiday that is not a known holiday.

**Example:** Days 1, 2, 3 and 4 are all working days. If day 4 is declared as a holiday on or after day 1, it will be a suddenly declared holiday. If day 4 is declared as a holiday prior to day 1, it would be a known holiday.

2. **Post shipment Credit in Rupees**

**Crystallisation:** ADs to crystalize FC liability at TT selling rate, into INR liability, for non-payment of bills of exchange on the due date. Interest for overdue period shall be recovered on the date of crystallisation and then till date of recovery of the crystallized amount.

**Normal Transit Period (NTP):** Concepts of normal transit period and notional due date are linked to interest rate on export bills and to arrive at due date of the bill/export credit.

NTP comprises of the average period normally involved from the date of negotiation/purchase/discount till the receipt of bill proceeds.

NTP is not to be confused with the time taken for the arrival of the goods at the destination.

**NTP for different transactions:**

- **Fixed Due Date** – For export usance bills, where actual due date is known, NTP is not applicable.
- **Bill drawn on DP/At Sight Basis and not under Letter of Credit (LC)**
  - (i) Bills in Foreign Currencies – 25 days
  - (ii) Bills in Rupees not under Letter of Credit – 20 days

3. **Application of exchange rate**

**Crystallisation of Import Bill under LC:** Unpaid FC import bills drawn under LC shall be crystallised as per stipulated policy of the bank.

4. **Outward Remittance**

It shall be at TT selling rate on that date or at Fx contract rate.

**Compensation for delayed payment:** ADs shall pay or send intimation, to beneficiary in two working days from the date of receipt of credit advice / NOSTRO statement.

For delay, bank shall pay to beneficiary, interest @ 2 % over savings bank interest rate.

If beneficiary does not respond within five working days from receipt of credit intimation, the bank shall initiate action to crystallize the remittance.

**Interest for delayed delivery**

For late delivery of any currency (including INR) in Fx contract, interest for the number of days of delay shall be payable by the seller-bank. The interest for the overdue period shall be payable at the rate of 2% over the benchmark rate of the currency concerned.

**Time Limit for claim for delay:** The claim for the delay in receipt of funds by the buyer bank should be made within 15 working days from the due date of the contract. The seller bank in such a case shall be liable to pay interest for the full period of delay.

If the claim is not made within 15 working days, the interest will be payable by the selling bank for the maximum period of 60 days only.

**Time Limit for settlement of claim:**

The selling bank has to settle the claim (with interest for overdue period, as above) within 15 working days from the date of receipt of claim.

If a claim is not settled within 15 working days, the seller bank will be required to pay interest for the entire overdue period. The cap of 60 days for interest payment will not apply in such cases.

**Settlement Date Change:**

When Maturity Date of a Fx contract falls on a month end and the said day is declared as a holiday subsequently, the settlement should be preponed to preceding working day, if the said day is “known holiday”.

b) In all other cases, if the maturity date is declared as a holiday subsequently, the settlement date should be postponed to the next working day.
Practical Problems based on Banking Ombudsman Decisions

1. The complainant alleged that her sister did not receive scholarship of Rs.30,000/- granted by Govt. which had been remitted by the issuing bank. On enquiry, the bank informed that the funds could not be credited to beneficiary’s account as it was frozen for non-compliance with KYC norms and the amount was returned. BO observed that the bank was deficient for not adhering to RBI guidelines which stipulate that banks can impose partial freeze on non-KYC compliant accounts in a phased manner. The bank was advised to pay Rs.30,000/- to the complainant.

2. The complainant had transferred a sum of Rs.0.2 million to an account towards advance for franchisee license. On taking up with the bank, he was informed that the amount was credited to the account number given by the complainant belonging to an individual. On perusal of complaint, BO observed that the complainant was lured by a fake advertisement and it seemed to be a case of fraud done by a third party. KYC documents of beneficiary account holder indicated certain discrepancies. As such beneficiary bank was advised to mark lien in beneficiary’s account and refund disputed amount to complainant. The bank reversed funds available in beneficiary’s account and marked lien for the balance amount until availability of funds in the said account. The complainant again requested to revisit the case as similar instances of fraudulent transfers had come to his notice. Based on additional information, a meeting was held with beneficiary bank and it was observed that beneficiary’s a/c was opened only to pool proceeds of such fraudulent transfers. BO therefore advised bank to compensate the complainant with the balance amount owing to deficiency in compliance with RBI’s KYC norms.

3. The complainant alleged that he had approached the bank to withdraw money from his mother’s pension a/c as she was bed ridden and had difficulty in speaking but bank refused. Upon enquiry, bank informed that complainant’s mother was above 90 years of age, bed ridden and unconscious for last 3 years. As the complainant was not an authorized signatory or a legal heir, the bank could not allow withdrawal. It further informed that payment could be made to the legal heirs, provided following documents are submitted : (i) a consent letter verified by two outside parties and branch manager-in-charge from all legal heirs authorising any one of them to withdraw the balance in SB account and (ii) a medical certificate from doctor who has been treating complainant’s mother certifying her inability to execute documents. The bank, on receipt of same transferred amount of Rs.16,500 to complainant’s a/c.

4. The complainant, a pensioner on receipt of revised pension order dated Oct 28, 2016 requested the bank to release the pension arrears with effect from January 1, 2006. He alleged that the bank had not credited the arrears and the papers were pending with Central Pension Processing Centre (CPPC) of bank for last one year. The bank submitted that the pensioner had received the arrears on August 31, 2016 as per 7th Central Pay Commission. Upon enquiry regarding the PPO dated October 28, 2016 the bank informed that the same pertained to 6th Central Pay Commission and the arrears had not been paid as its CPPC had not received the revised order from Central Pension Accounting Office (CPAO). The bank on advice of the BO took up with CPAO and credited the arrears on November 27, 2017. BO further advised the bank to pay interest for the delayed period as per extant instructions.
• **GOVT. TO ALLOW LLPs AND NRIs TO OWN SHIPS:** The Shipping Ministry is planning to allow Limited Liability Partnership (LLPs) and Non-Resident Indians (NRIs) to own and register ships under the Indian Flag under the revamped Merchant Shipping Act. Currently, ships are allowed to be registered under the Indian Flag only when they are fully owned by Indian Entities. The move is designed to make ship registration in India attractive to more participants. It will also help in the privatisation of Sipping Corporation, if a foreign entity buys the state-owned carrier.

• **SEBI TIGHTENS NORMS FOR LISTED BANKS ON BAD LOAN REPORTING:** SEBI has tightened the norms for Listed Banks in reporting of bad loans. SEBI directed that the listed banks will have to disclose any divergence in bad loan provisioning within 24 hours of receiving the RBI’s risk assessment report, rather than waiting to publish the details in their annual financial statements. The instructions will come into force with immediate effect. SEBI has issued a format in which such disclosures need to be made. The disclosures are required if a bank’s additional provisioning for NPAs assessed by RBI exceeds 10% of the reported profit before provisions and contingencies and if the additional gross NPAs identified by the RBI exceed 15% of the published incremental gross NPAs.

• **WCG TO GOVT. FOR LAUNCHING BULLION BANKING:** The World Gold Council (WCG) has urged the Government to introduce Bullion Banking in India, which is the World’s Second-Largest Consumer of the precious metal- in a phased manner for building an organised and transparent local gold market. Bullion Banking is a division within a universal bank which offers specialised services to participants in the bullion market. These services centre on dealing in physical bullion or bullion based contracts and are offered by banks in most large bullion markets. Introduction of bullion banking forms an important part of the country’s Gold Policy which the Government has been planning to introduce now.

• **RBI SETS UP TWO NEW DEPTs FOR BETTER SUPERVISION:** Currently, the supervision of financial sector entities is undertaken through three separate departments. Similarly, the regulatory functions related to financial sector entities are carried out through three separate departments. Now RBI, under attack for not being able to prevent scams in the banking sector, has reorganised its supervisory and regulatory functions into two departments to deal more effectively with potential systemic risks. Accordingly, RBI decided to integrate the supervision functions into a unified department of Supervision and Regulatory functions into a unified Department of Regulation with effect from November 1, 2019.

• **GOVT. PANEL MULLS REPAYMENT PERIOD FOR AGR DUES:** The Government Panel considering relief for the telecom sector is looking at a repayment period of as much as 20 years for Adjusted Gross Revenue (AGR) dues—with possibly an initial moratorium – based on the Net Present Value (NPV) method to ease the burden on heavily indebted companies. It will also consider a reduction in the total incidence of taxation to help the troubled sector and separately reach out to the regulator to consider some floor on tariffs to help with viability.

• **NEW SET OF RULES ON WAGES PROPOSED BY THE GOVT.:** The Union Government has proposed a set of rules which was adopted while setting the minimum wages for its own officials in 2016 by the Seventh Pay Commission. The rules are part of the Code on Wages Act 2019 passed by Parliament and notified in August this year which proposed to give minimum wages to all workers across the country instead of only a set of industries. For the first time, 25% of minimum wage component will include expenses of a worker’s family on education of children and medical needs. The states will be free to adopt the rules framed by the Centre.
for other set of industries. The minimum wage rates will now
be fixed by a committee. The Government will also set a national
floor for a minimum wages.

- **RBI REVISES COMPENSATION GUIDELINES FOR PVT. BANK CEOs:** RBI has told private sector banks and foreign banks operating in India that the compensation of whole-time directors, Chief Executive Officers (CEOs) and material risk takers should include deferral arrangement in the variable pay. The deferred compensation should subject to malus/clawback arrangements in the event of subdued or negative financial performance of the bank. This direction is part of the regulator’s effort to reduce incentives towards excessive risk taking that may arise from the structure of compensation schemes. A malus arrangement permits the bank to prevent vesting of all or part of the amount of a deferred remuneration. A clawback on the other hand is a contractual agreement between the employee and the bank in which the employee agrees to return previously paid or vested remuneration to the bank under certain circumstances.

- **RBI OPENS FIRST COHORT FOR RETAIL PAYMENTS:** RBI has announced the opening of the first cohort under the regulatory sandbox with retail payments as the theme. The adoption of “retail payments” as the theme is expected to spur innovation in digital payments space and help in offering payment services to the unserved and underserved segment of the population. Digital modes of payments can cut down some of the cost associated with a cash economy while giving customers a “friction-free” experience. Eligible entities can apply between November 15 and December 15 this year.

- **SEBI ISSUES NORMS FOR RATING PANELS:** SEBI has issued the norms for Rating Panels. The MD and CEO of credit rating agencies shall not be members of their rating committee. Rating committees of credit rating agencies (CRAs) shall report to a credit rating officer. As regards for composition of Board of Directors of CRA, one-third of the board shall comprise independent directors if it is chaired by a non-executive director. In case the board is chaired by an executive director, half of the board shall comprise independent directors. The Chief Rating Officer is to directly report to the ratings sub-committee of the board of CRA.

- **SEBI TIGHTENS PROCESS FOR SHARE DEMATERIALISATION:** SEBI has asked the listed companies to compile and submit data about share holders holding shares in physical form to depositories by December 31 as part of strengthening the due diligence process. Transfer of securities held in physical form has been barred from April 1, 2019. After receiving data from the companies, depositories have to put in place systems to validate any dematerialisation request received after December 31.

- **GOVT. TO DECIDE NEW BASE YEAR FOR GDP:** The Ministry of Statistics and Programme Implementation will decide on a new Base Year for the GDP series. When new series with 2011-12 base year was being worked out the Ministry thought of revising it to 2009-10. But then the economists decided that 2009-10 was not a good year globally and domestically and finalised for 2011-12 as the Base Year for new series of GDP. The Ministry is working to bring in a new series of national accounts which would result in change in the existing Base Year of 2011-12. The Government is also considering 2017-18 as the new Base Year but no decision has been taken because some more data is required for taking the decision.

- **CBIC TO START ALL COMMUNICATIONS THROUGH “DIN”:** Central Board of Indirect Taxes and Customs (CBIC) will start all communications from November 8 to Taxpayers which will have a computer generated “Document Identification Number” (DIN). CBIC is the Apex Policy Making Body for indirect taxes in the Central Government. It has implemented this mechanism after its counterpart CBDT implemented it from October this year. Though DIN is mandatory requirement, still in exceptional circumstances communications may be issued without an auto generated DIN. However this exception is to be made only after recording the reasons in writing.

- **WORKING GROUP SUBMITS REPORT TO RBI ON CIC:** In a bid to bring in better regulation of Core Investment Companies (CIC), the Working Group set up by RBI has submitted its report. The Group has identified six main issues, including excessive leverage and corporate governance and has suggested restricting the number of layers in such firms in a group to two. As such any CIC within a group shall not make investment through more than a total of two layers of CICs including itself. For complying with this recommendation, RBI may give about two year’s time to the
existing groups having CICs at multiple levels.

- **FINMIN NOTIFIES NEW RULES FOR NON-DEBT INSTRUMENTS:** Four years after the foreign exchange management act was amended to switch control on equity flows to the Government from RBI, the Finance Ministry has notified a new framework for investments via non-debt instruments. This switch over implies that the finance ministry will now be the notifying authority for any change for FDI Policy instead of RBI. The latest set of rules, notified on October 17 have provided in detail permitted sectors for foreign investment, countries allowed and also various entities and instruments covered. The Finance Ministry will consult the RBI on any changes to the rules in future.

- **GOVT. FOR USE OF “GeM” ONLINE BY PRIVATE PLAYERS:** The Centre is considering opening up the Government e-Marketplace (GeM) for private entities apart from Government contractors. However, the private players can use it only for bulk buying. It is also working on an online seller and buyer rating mechanism which will allow sellers to get working capital loans where the cost of capital is linked to the performance and rating of sellers. This will allow buying make “critical” procurements from sellers with good ratings.

- **IRDAI-PROPOSED HIKE IN LIMITS FOR CLAIMS:** IRDAI’s proposed hike in the limits for self-assessment of damages will benefit customers who may now be able to report higher value damages on their own without having to wait for days for a surveyor. For filing of motor insurance claims, it has proposed that policyholders can report claims up to Rs.75,000 against the current ceiling of Rs.50,000. For claims other than motor insurance, IRDAI has proposed a threshold of Rs.1,50,000 against the current ceiling of Rs.1 Lakh. Surveyors are required for managing complex claims and simpler or low-ticket size claims should be left to the insurance companies to handle directly with their customers.

- **RBI MANDATES BANKS NOT TO CHARGE FOR NEFT SYSTEM:** RBI, in its second bi-monthly policy, this June, had announced that it has decided to do away with charges levied on transactions processed in the RTGS and NEFT systems in order to provide an impetus to digital funds movement. It had not given a timeline at the time but said that banks would be required to pass on these benefits to their customers. Now RBI has mandated banks not to charge savings bank account customers for online transactions done via the National Electronic Fund Transfer (NEFT) system. This will come into effect from January 2020.

- **RBI PLANS PCA FRAMEWORK FOR NBFCs:** At present, RBI uses Prompt Corrective Action (PCA) framework as an early warning tool to maintain the financial health of commercial banks. RBI plans PCA Framework and a different supervisory system for NBFCs by 2022.

- **SUPREME COURT RULING ON BOUNCED CHEQUE:** In this case the Supreme Court has said that once a cheque is issued, it is presumed that it was for consideration and the holder of the cheque received it in the discharge of existing debt. It is a statutory presumption under the Negotiable Instruments Act.

- **MODEL CODE OF CONDUCT FOR JEWELLERS:** Jewellery Industry in the country is planning to introduce a model code of conduct to bring back trust and confidence of consumers, lenders and policy makers. The model code of conduct is set to bring in uniformity in gold and jewellery sales in India and also control default by individual jewellers.

- **CENTRE EXTENDS MORATORIUM FOR SUGAR MILLS:** The Centre had announced the loan package in two trenches –first in June 2018 and the other in March 2019 of Rs.10,540 Crore. The objective was to help millers clear cane arrears and divert surplus sugar for ethanol manufacturing. A soft loan is one that is given at a subsidised interest rate.
When the soft loan scheme was launched to augment ethanol production in the country, the one-year moratorium period was provided. This has now been extended to 1.5 years in the interest of sugar mills and farmers.

- **SEBI TIGHTENS DISCLOSURE NORMS FOR MUNICIPAL DEBT**: SEBI has come out with a detailed disclosure framework for entities seeking listing of municipal debt securities issued on private placement basis. Under the new disclosure framework, SEBI said that it has widened the definition of issuers, revised timelines for submission of annual and half-yearly financial results and issued structure payment mechanism through escrow accounts, among others.

- **FINMIN EASED NORMS FOR Aadhar Card**: The Finance Ministry has now amended the Prevention of Money Laundering Act (PMLA) rules, allowing the flexibility for people who use Aadhar for KYC and want to give their current address which is different from the address mentioned in Aadhar records. This will be allowed if the individual concerned provides a self-declaration for the current address. There had been lot of demand from various sectors of the economy for this flexibility. It will particularly help migrant workers who have the address of their native place in Aadhar but may want a bank account with their current address where they are living for work.

- **SEBI INTRODUCES TOOL TO MAP UCC WITH DEMAT ACCOUNT**: SEBI has put in place a mechanism for stock exchanges and depositories to map the Unique Client Code (UCC) with the Demat account of a client. Stock Exchanges and depositories shall map the existing UCCs with the Demat account of the clients latest by December 31, 2019. UCC allotted by the Trading member (TM) to the client shall be mapped with the Demat account of the client. A client may through multiple TMs in which case each such UCC shall be mapped with one or more Demat accounts. SEBI has asked the bourses to share the UCC data having PAN, Segment, TM/CM (Clearing Member) code and the allotted UCC with the depositories.

- **GOVT. ISSUES RULES ON PERSONAL GUARANTEE UNDER IBC**: The Centre has taken the next step in insolvency reforms by bringing personal guarantors to corporate debtors within the fold of the Insolvency and Bankruptcy Code (IBC) from December 1, 2019. The ministry of Corporate Affairs (MCA) has come up with a set of rules extending the scope of the IBC to personal guarantors of corporate debtors. The new regime will be prospective and invoked when there is a default. Further the Law of Limitation will apply. So far, the resolution of corporate guarantors was available under the IBC. Now resolution of personal guarantors will be available.

- **SEBI MANDATES INDIA INC TO DISCLOSE EVERY LOAN DEFAULT**: SEBI has made it mandatory for all listed companies to make public disclosures on loan defaults. The move will help stakeholders stay better informed on the financial health of a company. The move comes two years after SEBI had abruptly withdrawn circular directing companies to disclose all defaults within 24 hours of missing the due date, after concerns were raised by banks, companies and stakeholders. SEBI has said any default of payments of interest or principal on loans taken from financial institutions including banks, will have to be disclosed if it continues beyond 30 days.

- **RBI SUPRESEDES DHFL BOARD**: As governance and default concerns mounted, RBI superseded the board of directors of financially-stressed Dewan Housing Finance Corporation Ltd. (DHFL) and appointed an administrator. DHFL is now headed to the NCLT. This is the first time that the RBI is using power granted to it in the Union Budget for FY 19 to dismiss the management of a finance company. This will also be the first time that the recent amendment to the insolvency law allowing a finance company to face insolvency proceedings will be used.

- **RBI REVEALS LIST OF WILFUL DEFAULTERS**: Four years after the Supreme Court directed the RBI to disclose a list of India’s wilful defaulters, RBI has now released a list of 30 major wilful defaulters. While the RBI has been reluctant to release this data, individual banks and lenders have always generated information on wilful defaulters in the form of suits filed for recovery of their dues.

- **SUPREME COURT RULING ON NCLT POWER**: (Case- Municipal Corporation of Greater Mumbai VS Abhilash Lal) Supreme Court has ruled in this case that though section 238 of the Insolvency and Bankruptcy Code states that the code will override other laws, when properties of public authorities are involved, the National Company Law Tribunal (NCLT) can not ignore their objections and create fresh interest on them.
Digital Platform on which Political Advertising will be stopped Globally by- Twitter.

Bank which has got nod from SEBI to act as 1st Commodity Derivatives Custodian- Deutsche Bank.

First Index which is to be released by the Govt. in January 2020 to rank States and Union Territories on Preparedness to Promote Exports.

Payment system which surpassed a 100 Million Users three and a half years after its launch- United Payments Interface (UPI)

Scheme under which the workers in the unorganized sector have crossed 1.9 Crore Subscriber Mark- Atal Pension Yojana.

Trade Deal in which India will not join as it would adversely affect national interest- Regional Comprehensive Economic Partnership (RCEP) Deal.

Bank which raised the withdrawal limit of the depositors in Bank-Scam Case by Rs.10000 to Rs.50000 in total- PMC Bank.

Bank with which MSTC has signed an agreement to develop a dedicated e-auction platform directly linked with IBA's Portal for sale of NPA Assets through SARFAESI- Allahabad Bank.

Rating Agency which has raised India’s Fiscal Deficit forecast to 3.6% of the GDP for this year from 3.4% due to weak revenue and sweeping corporate tax rates cut- FITCH.

For drafting the National Water Policy the Govt. has constituted a committee which is to be headed by- Mihir Shah, Former Member of Planning Commission.

Insurance Company which has been barred from selling new policies as it has not maintained the required Solvency Margin – Reliance Health Insurance Company Ltd.

Rating Agency which has downgraded India’s Outlook from “Stable” to “Negative” as the Government has been ineffective in addressing economic weaknesses- Moody’s

India Inc’s Borrowings which surged to 53% in H1 to $25 Billion which is an all-time high borrowings for the half-yearly period- External Commercial Borrowings.

Index which stood at 103.1 in the second quarter of 2019, failing 15.3% quarter-on-quarter – NCAER’s Business Confidence Index.

App which being jointly developed by NPCI and Network for Electronic Transfers of Singapore, for the First Time will go International- BHIM-UPI QR

Forecast which has been cut by SBI Group to 5% from 6.1% for financial year 2020- India’s GDP Forecast

Growth which has been pegged by the Economists at 4.2-4.7% for July-September 2019- India’s GDP Growth.

Court which has ruled that the Office of the Chief Justice of India is a Public Authority and falls within the ambit of the Right to Information Act- Supreme Court.

Court which has struck down Finance Act Rules on Tribunals and said that appointments to tribunals will be on the basis of

OUR USEFUL BOOKS FOR BANKERS

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To order these books, please call 0172-2665623 (10 am to 6 pm) on any working day. OR Call Skylark Publications, New Delhi (Ph 011 23361966)
existing laws- Supreme Court.
- Divya Karani, Chief executive officer at Dentsu X India has been awarded at The Mumbrella Asia awards 2019 as- Agency Leader of the year.
- Spending which has fallen after 4 decades- Consumer Spending.
- Chief Guest on Republic day 2020 will be – Brazilian President Jair Bolsonaro.
- Court which has ruled that the preferential right given to NRIs to evict tenants from their properties is not arbitrary or does not violate the right to equality- Supreme Court.
- India has been ranked Second after US- Govt. Requests for Facebook User Data.
- Supreme Court quashes NCLAT order and paved way for Arcelor to acquire- Essar Steel.
- Survey which has been scrapped by Govt. over Data Quality- Consumer Expenditure Survey.
- Govt. notified that firms with net worth of Rs.250 Crore and more are eligible for- Auto-Fuel Retailing.
- To safeguard the interests of workers in the formal sector, Govt. plans for- One Nation-One Pay Day.
- As per SBI’s Search Report, lower interest rates may see flight of bank deposits to- Equity Markets.
- Court which has ruled that SEBI has powers to debar the Auditors- Supreme Court.
- President has administered the oath of office to Justice Sharad Arvind Bobde as- 47th Chief Justice of India.
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- Scheme under which Common Service Centres can now enroll the Farmers who are eligible for- PM-Kisan Scheme.
- India-born Microsoft’s CEO Satya Nadella has occupied the Top Spot in- Fortune’s Business Person of the Year 2019 List.
- State which is to give 10GM Gold to Brides belonging to Poor Households- Assam.
- Equity Broker who has been banned by SEBI for making default of around Rs.2000 Crore to the Clients- Karvy Stock Broking.
- City which has emerged as India’s Highest Ranked City at 83rd Position in the World’s 113 cities in the New Prosperity Index-Bengaluru.
- India’s City which has become the World’s 20th “Most Expensive Retail Location”- Delhi’s Khan Market.
- Highest Adjudicating Body which will become Dysfunctional from December 11 for resolving- Global Trade Disputes at WTO.
- Report which says that only 60% Households use LPG for Cooking- National Statistical Office report.
- Companies whose over 92000 Employees have opted for VRS- BSNL & MTNL.
- India’s First Corporate Bond Exchange Traded Fund which will get cabinet approval for it’s launch- Bharat Bond ETF.
- Framework which will be revised by RBI for SAARC States- Currency Swap Arrangement.
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Questions on RBI Policy

01 Special non-resident rupee (SNRR) account can be opened by AD banks in the name of:
   a. all non-residents
   b. all persons of Indian origin
   c. all non-residents who are conducting business in India
   d. all exchange earners in India

02 SNRR account can be opened for (1) investments made in India (2) import of goods and services (3) export of goods and services (4) trade transactions and lending under ECB (5) business transactions.
   a. 1 to 5 all
   b. 1, 4 and 5 only
   c. 4 and 5 only
   d. 5 only

03 Generally, SNRR account can be continued max for a period of:
   a. 3 years
   b. 5 years
   c. 7 years
   d. no time limit

04 What is the type of account which can be opened as SNRR?
   a. at discretion of the account holder
   b. at discretion of the bank
   c. only current account
   d. current account or term deposit account

05 What is the no. of SNRR accounts, which can be opened by eligible person:
   a. 3 accounts
   b. 5 accounts
   c. separate account for each category of transactions
   d. any of the above

06 The amount due/payable to non-resident nominee from the account of a deceased account holder, shall be credited to _____ account of the nominee with an authorised dealer/authorised bank in India or by remittance through normal banking channels.
   a. NRO account only
   b. NRE or FCNR account only
   c. NRE account only
   d. NRE or NRO account only

07 SNRR account in the name of entities of which of the following countries can be opened with RBI approval only (1) Sri Lanka (2) Bangladesh (3) Pakistan (4) Maldives
   a. 1 to 4 all
   b. 1 to 3 only
   c. 2 to 4 only
   d. 2 and 3 only

08 Under RBI directions on Fit and Proper Criteria for appointment of elected bank directors for public sector banks, what the age criteria:
   a. min 25 years and max 65 years
   b. min 35 years and max 67 years
   c. min 20 years and max 70 years
   d. min 18 years max 70 years

09 Under RBI directions on Fit and Proper Criteria for appointment of elected bank directors for public sector banks, an elected director shall hold office for ___ years and shall be eligible for re-election?
   a. 3 years
   b. 4 years
   c. 5 years
   d. 6 years

10 Under RBI directions on Fit and Proper Criteria for appointment of elected bank directors for public sector banks, an elected director can hold office including for re-election max for:
   a. 3 years
   b. 4 years
   c. 5 years
   d. 6 years

11 Under RBI directions on Fit and Proper Criteria for appointment of elected bank directors for public sector banks, which of the following is eligible to be elected as director (1) a member on Board of RBI or Insurance Company (2) stock broker (3) Chartered Accountant (4) person in the business of para banking activities
   a. 1 to 4 all
   b. only 1
   c. only 3
   d. only 4

12 In case of loan to NBFC-micro finance institution, for on-lending, for the purpose of a loan to be included in qualifying asset, the annual family income of a household can be:
   a. Rs.1 lac in rural areas and Rs.2 lac in other areas
   b. Rs.1.25 lac in rural areas and Rs.2 lac in other areas
   c. Rs.1.60 lac in rural areas and Rs.2.2 lac in other areas
   d. Rs.1.75 lac in rural areas and Rs.3 lac in other areas

Recalled Questions

13 The term ‘supplementary capital’ or ‘gone concern capital’ in the context of Basel 3 represents which of the following:
   a. Tier I capital funds
<table>
<thead>
<tr>
<th>Question Number</th>
<th>Question</th>
<th>Options</th>
<th>Correct Answer</th>
</tr>
</thead>
</table>
| 14              | Which among the following can not issue a commercial paper?                                       | a Companies  
     b Financial Institutions  
     c Primary dealers  
     d Commercial banks  
     e Limited Liability Partnership                                                                 | b, c, d, e |
| 15              | What is the maximum amount for which a commercial paper can be issued?                            | a Rs.5 lac  
     b Rs.25 lac  
     c Rs.10 lac  
     d Rs.15 lac  
     e No ceiling                                                                                      | a |
| 16              | In the account of Raja, your saving bank account holder, a cheque in which, the amount in words indicated as Rupees five lac and in figures as Rs.5000 is presented for payment. How would you make the payment of amount?:  
     a the amount in words shall be paid  
     b the amount in figures shall be paid  
     c In words or figures whichever less shall be paid  
     d It is safe to return the cheque                                                                 | a |
| 17              | A cheque issued by a director of a Limited Company is presented for payment after death of the director which the bank pays. The company observed that the deceased director had issued cheque to benefit himself. It raises the claim on the plea that bank cannot pay such cheque after death of the director:  
     a Bank cannot pay the cheque as the drawer expired  
     b Bank can pay the cheque as the company is still a legally competent person to contract and the director signed as agent of the company  
     c Bank should contact the Co. because loss will be of the company in case of dispute  
     d b and c  
     e 18 Credit card business can be conducted by banks only if their net worth is at least Rs.____:  
     a Rs.100 cr  
     b Rs.200 cr  
     c Rs.300 cr  
     d Rs.500 cr                                                                                       | a, b, c |
| 19              | Interest rate on NRE-Rupee Accounts can be:  
     a at discretion of banks but not more than domestic interest rates  
     b LIBOR/SWAP rate + 1.00%  
     c LIBOR/SWAP rate + 0.75%  
     d LIBOR/SWAP rate + 0.50%  
     e 20 eTDs return for Sept is to be filed:  
     a by 7th Oct  
     b by 15th Oct  
     c by 31st Oct  
     d by 15th Nov                                                                                      | a, b, c |
| 20              | Renewal of a term deposit can be considered by banks from date of maturity in case the request is received after maturity but the overdue period should not exceed:  
     a 7 days  
     b 10 days  
     c 14 days  
     d 30 days                                                                                           | a, b, c |
| 21              | As per RBI guidelines, the banks should impose ‘partial freezing’ on KYC non-compliant accounts in a phased manner. Partial freezing after the first 6 months period, includes:  
     a transactions at the discretion of the bank  
     b only credits to be permitted  
     c only debits to be permitted  
     d no debit and no credit to be permitted                                                             | a, c, d |
| 22              | The current assets are 36 and net working capital is 12, what is the current ratio?               | a 1.17:1  
     b 1.25:1  
     c 1.33:1  
     d 1.50:1                                                                                           | a, c |
| 23              | Which of the following instruments represents a share in Indian company in India and traded in America/Europe?  
     a GDR/ADR  
     b IDR/ADR  
     c GDR/IDR                                                                                           | a, b, c |
29 As per Income–tax (22nd Amendment) Rules, 2015 (Rule 114B), w.e.f. 1.1.2016, quoting of permanent account number (PAN) is mandatory for depositing cash _____ with a bank, on any one day:
a above Rs.10000
b above Rs.20000
c above Rs.25000
d above Rs.50000

30 Which of the following return related to non-resident deposit accounts, is to be submitted to RBI from March 31, 2015 onwards to:
a Stat-5
b Stat-8
c NRD-CSR
d none the above

31 Operating profits in bank’s profit and loss account refer to:
a net profits
b profits before contingencies
c profits before provisions and contingencies
d profits after provisions and contingencies

32 One of the female staff members of workman staff had a miscarriage and has applied for a 6-month maternity leave. What would be done?
a No leave permissible for miscarriage. Hence request would be rejected.
b Leave would be sanctioned after verification of the fact.
c Sanction the leave after getting it approved from Head Office
d Allow 6 weeks’ leave and for the balance period, ordinary leave account would be debited

33 The garnishee order is not applicable to:
a Amount lying in foreign accounts of the judgement debtor
b Articles of judgement debtor lying in the safe custody
c contents of the locker
d a to c only
e a and b only

34 For a dishonoured cheque, the punishment provided under Section 138 of the Negotiable Instruments Act to the drawer is in respect of the following:
a the cheque has been delivered as a gift by the drawer
b the cheque has been issued but the signatures do not tally
c the cheque has been presented with in the period stipulated by the drawer in the cheque
d the cheque has been dishonoured due to insufficiency of balance
e c and d above

35 Awards of Ombudsman that are not implemented by the bank for are required to be placed by a bank before ___ for examining the reasons for non-implementation and initiating necessary remedial action:
a three months, CMD
b three months, Customer Service Committee of Board
c 2 months, Customer Service Committee of Board
d 6 months, Board of Directors

36 Hari had a saving bank account and a cheque issued by him is presented in clearing. Meanwhile a garnishee order is received. If the cheque is to be returned, what should be the reason:
a exceeds arrangement as garnishee order received
b exceeds arrangement
c garnishee order received, refer to drawer
d payment cannot be allowed.
e a or b

37 A has a current account with the bank and expires. The claim is settled in favour of his heirs after six months. The legal heirs also claim interest. What would you do:
a Pay interest at SB interest rate
b Will not pay any interest, as the balance was in current account.
c Pay FD rate for the relevant period interest rate
da or c whichever lower

38 The clearing house managing banks extending clearing related overdraft to member banks can charge rate of interest on such overdraft which is related to which of the following?
a bank rate
b BPLR of the bank concerned
c Base of the bank concerned
d LAF Repo Rate

39 As per extant guidelines, which among the following can sign the notice for possession under SARFAESI Act 2002, on behalf of the bank?
a Any official of the bank
b Any officer of the bank
c Any manager of the bank
d Any Law Officer of the bank
e An officer in Scale IV or above or approved by the Board of the Bank

40 As per RBI guidelines, the banks should impose ‘partial freezing’ on KYC non-compliant accounts in a phased manner. Partial freezing during the first 6 months period, includes:
a transactions at the discretion of the bank
b only credits to be permitted
c only debits to be permitted
d no debit and no credit to be permitted

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**Answers**

|   | 01 | 02 | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 | 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 |
| a | d | e | a | c | 0 | d | d | b | a | 10 | d | 11 | c | 12 | b | 13 | b | 14 | d | 15 | e | 16 | a | 17 | b | 18 | a | 19 | a | 20 | c | 21 | c | 22 | d | 23 | a | 24 | c | 25 | c | 26 | c | 27 | d | 28 | a | 29 | d | 30 | c | 31 | c | 32 | d | 33 | d | 34 | d | 35 | b | 36 | c | 37 | a | 38 | d | 39 | e | 40 | b |
The ordinance was promulgated on 20.09.19 to make amendments to the Income Tax Act, 1961 and Finance (No.2) Act 2019. Major highlights are as under:

A: Reduction of effective tax rates (ETR) for domestic companies

1. Companies with sales max Rs.400 in tax year 2017-18 or new manufacturing companies set up between 1.3.16 to 30.9.19:
   a) Income < Rs.1 cr: Existing ETR 26%. Revised ETR 25.17%.
   b) Income > Rs.1 cr < Rs.10 cr: Existing 27.82%. New 25.17%
   c) Income > Rs.10 cr: Existing 29.12% and revised 25.17%

2. New companies that set up manufacturing facilities from Oct 2019 and commence production before by March 2023
   a) Income < Rs.1 cr: Existing ETR 26%. Revised ETR 17.16%.
   b) Income > Rs.1 cr < Rs.10 cr: Existing 27.82%. New 17.16%
   c) Income > Rs.10 cr: Existing 29.12% and revised 17.16%

3. Other domestic companies
   a) Income < Rs.1 cr: Existing ETR 31.2%. Revised ETR 25.17%.
   b) Income > Rs.1 cr < Rs.10 cr: Existing 33.38%. New 25.17%
   c) Income > Rs.10 cr: Existing 34.94% and revised 25.17%

Conditions:
   • Domestic companies will not avail tax exemption or incentives.
   • Companies exercising such option will not pay MAT.

New Companies: Should fulfill the following conditions:
   • Not formed by splitting up/reconstruction of a business already in existence.
   • Not use any plant or machinery previously used in India in value exceeding 20% of total value of plant or machinery or any building previously used as hotel/convention centre.

B: Reduction of MAT Rates: The rate of MAT for other companies (including domestic companies continuing to avail any tax incentives) has been reduced from 8.5% to 15% (before application of surcharge (including domestic companies continuing to avail any tax incentives))

C: Withdrawal of enhanced surcharge on capital gains

The Finance Act, 2019 had increased surcharge for an individual, HUF, AOP, BOI and artificial juridical person to 25% (for total income between Rs.2 cr to Rs.5 cr) and 37% (for > Rs.5 cr) from the earlier rate of 15%. On 23.08.19 a partial roll back of the enhanced surcharge was announced on these on capital gains income arising on transfer of listed equity shares, units of equity-oriented fund and business trust, which are liable to Securities Transaction Tax; and Foreign Portfolio Investors on capital gains income arising on transfer of above referred capital assets as also on derivatives (which are deemed to be capital assets in their hands).

D: Transitional relaxation on tax on buy-backs by listed companies:

The Ordinance relaxes the applicability for buy-backs by listed companies where public announcement of buyback has been made before 5 July 2019. Thus, the buy-back tax will apply in case of listed companies where public announcement of buy-back is made on or after 5 July 2019.