Banking Update

Foreign Trade Policy Special Issue

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Those who win, are those, who think they can

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Interest Subvention for Crop Loans

RBI in its circular dated 13.08.15, informed that Central Government approved the implementation of the Interest Subvention Scheme for the year 2015-16 for short term crop loans with the following stipulations:

i) Interest subvention @ 2% pa will be available to Public Sector Banks and Private Sector Scheduled Commercial Banks (in respect of loans given by their rural and semi-urban branches) on their own funds used for short-term crop loans up to Rs. 3 lac per farmer provided the banks make available, short term credit at the ground level at 7% pa to the farmers. The subvention will be calculated on the loan amount from the date of disbursement/drawal to date of actual repayment of the loan or up to the due date of the loan fixed by the banks whichever is earlier, subject to a maximum period of one year.

ii) Additional interest subvention @ 3% pa will be available to the farmers repaying the loan promptly from the date of disbursement of the crop loan up to the actual date of repayment or up to the due date fixed by the bank for repayment of crop loan, whichever is earlier, subject to a maximum period of one year from the date of disbursement. This implies that the farmers paying promptly would get short term crop loans @4% pa during the year 2015-16. It is not available for farmers who repay after one year.

iii) To discourage distress sale and to encourage to store the produce in warehouses against warehouse receipts, the benefit of subvention is available to small and marginal farmers having Kisan Credit Card for a further period of up to 6 months post-harvest on the same rate as available to crop loan against negotiable warehouse receipt for keeping produce in warehouses.

iv) To provide relief to farmers affected by natural calamities, the interest subvention of 2% will continue to be available to banks for the first year on the restructured amount. Such restructured loans may attract normal rate of interest from the second year onwards as per RBI policy.

Subvention Claim: Claims are to be submitted to RBI as under:

i) In respect of 2% interest subvention, banks are to submit their claims on a half-yearly basis as at Sept 30, 2015 and March 31, 2016, of which, the latter needs to be accompanied by the Statutory Auditor’s certificate certifying the claims for subvention for the entire year ended March 31, 2016 as true and correct. Any remaining claim pertaining to the disbursements made during the year 2015-16 and not included in the claim for March 31, 2016, may be consolidated separately and marked as an ‘Additional Claim’ duly audited by the Statutory Auditors certifying the correctness.

ii) For 3% additional subvention, banks may submit their one-time consolidated claims pertaining to the disbursements made during the entire year 2015-16 latest by April, 30, 2017, duly audited by the Statutory Auditors certifying the correctness.

Deposits of Army Group Insurance Directorate, Naval Group Insurance Fund and Air Force Group Insurance Society

In terms of extant guidelines (11.09.87), Public Sector Banks can pay additional interest of 1.28% p.a. over and above the normal rate of interest permissible in terms of directives on interest rates on deposits issued by RBI, only on the term deposits for 2 years and above of Army Group Insurance Directorate (AGID), Naval Group Insurance Fund (NGIF) and Air Force Group Insurance Society (AFGIS), provided such deposits are not in any way linked with payment of insurance premia by the bank.

RBI decided (06.08.15) to withdraw the prescription of offering additional interest of 1.28% pa on these deposits. Accordingly, interest rates on such deposits should be at par with other deposits of similar maturity and amount.

Relief Measures in areas affected by Natural Calamities

Based on Govt. of India notification dated 08.04.15, RBI decided (21.08.15) to allow State Level Bankers’ Committees/District Level Consultative Committees/banks to take a view on rescheduling of loans if the crop loss is 33% or more. Banks may allow a max period of repayment of up to 2 years (including the moratorium of 1 year) if the loss is between 33% and 50%. If the crop loss is 50% or more, the restructured period for repayment may be extended to a maximum of 5 years (including the moratorium period of one year).

Exposure Norms limit for the Standalone Primary Dealers (SPDs)

RBI decided (06.08.15) to increase exposure ceiling limits in respect of single borrower / counterparty from 25% to 50% of latest audited Net Owned Funds (NOF) and in respect of group borrower from 40% to 65% of latest audited NOF only for investments in AAA rated corporate bonds.

The existing norm of exposure ceilings for single borrower / counterparty and group borrower of 25% and 40% respectively will continue to apply in respect of other investments in the corporate bonds.

Suspension of Guarantee Approvals under Credit Guarantee Scheme

CGTMSE decided (28.04.15) that no guarantees (includes fresh, renewals and enhancements) will be issued to member lending institutions (MLIs) which have marked cumulative NPAs (in terms of amount) of 10% or more vis-à-vis the cumulative amount of guarantees issued by the Trust to it. If this NPA level crosses the 12% mark, the claims of such MLIs will be settled after giving notice and after thorough scrutiny of each claim.

Composite Guarantee Fee at differential rates by CGTMSE

As per extant policy of CGTMSE, the composite guarantee fee is being paid upfront, by MLIs as under:

- a) Women, Micro Enterprises and units in North East Region (including Sikkim): Up to Rs. 5 lac @ 0.75% p.a. and above Rs. 5 lac @ 0.85% p.a. of sanctioned amount.
- b) Others: 1% p.a. of sanctioned amount.

For loans above Rs. 5 lac, CGTMSE decided (17.04.15) to charge differential rates of fee on the basis of NPA levels reported by MLIs, for guarantees approved by the Trust on or after October 01, 2015 as under:

1. NPA level
2. Guarantee Fee
   1. Above 20% SR + 100 bps
   2. 15% - 20% SR + 50 bps
   3. 12% - 15% SR + 25 bps
   4. 12% and below SR
   5. Below 6% SR - 25 bps @ SR = Standard Rate (Existing ASF/AGF prescribed rate).

The existing norm for non-payment of fee by MLI within given period of 30 days will continue to apply.

Exposure Norms limit for the Standalone Primary Dealers (SPDs)

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The existing norm of exposure ceilings for single borrower / counterparty and group borrower of 25% and 40% respectively will continue to apply in respect of other investments in the corporate bonds.

Modifications in the Interest Rate Cap under Credit Guarantee Scheme (CGS) of CGTMSE

As per Circular dated Dec 17, 2013 any credit facility sanctioned by MLIs under CGS, to eligible Borrowers with interest rate more than 4% over its Base Rate (BR) was made ineligible for coverage under CGS.
principal banker. With a view to enabling customer choice and operational freedom, the premises of institutions where they are the principal bankers, or obtain a NOC from the

3. Opening of Extension Counters: Presently banks can open Extension Counters in the branches at their discretion.

the new location for part shifting would have to be within 1 km of the existing location.

2. Part-shifting of Branches: It can be done without seeking prior approval of RBI. The banking activity, i.e., deposit or loan business cannot be maintained at both places, and the branch. Further, while considering shifting/merger/closure of branches, banks should ensure that they continue to fulfill the role entrusted to these branches under the Government sponsored programmes and DBT Schemes.

iv) It may further be ensured that branches are shifted/within the same or to a lesser population category, i.e., semi urban branches to semi urban or rural centres and rural branches to other rural centres.

v) In all such cases, the license, if any was issued, of the merged/closed/shifted branch would require approval of the DCC/DLRC. Banks may ensure that the centre should not centre. The design of the reporting platform enables the customer to login into the eBiz portal, download the reporting form (FCTRS), complete and then upload the same onto the portal using their digitally signed certificates. ADs banks are required to download the completed forms, verify the contents from the available documents and if necessary, call for additional information from the customer and then upload the same for RBI to process and allot the Unique Identification Number (UIN).

Govt. Business by Agency Banks - Payment of Agency Commission
RBI clarified (13.08.15) that the following activities do not come under the purview of agency bank business and are not eligible for payment of agency commission.

a. Furnishing of bank guarantees/security deposits, etc through private sector banks by government contractors/suppliers, which constitute banking transactions undertaken by banks for their customers.

b. Banking business of autonomous/statutory bodies.

c. Payments of a capital nature such as capital contributions/subsidies/grants made by governments to cover losses incurred by autonomous/statutory bodies.

d. Prefunded schemes which may be implemented by a Central Govt. Ministry/Department in consultation with CGA and a State Govt. Department through any bank without reference to RBI.

Relaxations in Branch Authorisation Policy
RBI revised (06.08.15) the instructions regarding merger, closure, shifting, part shifting, opening of extension counters and reporting requirements as under:

1. Merger/Closure/ Shifting of branches
   i) Banks may shift, merge or close all branches except rural branches and sole semi-urban branches at their discretion.

   ii) Shifting, merger, or closure of any rural branch as well as a sole semi urban branch would require approval of the DCC/DLRC. Banks may ensure that the centre should not be left unbanked.

   iii) Customers should be informed well in time before actual shifting/merger/closure of the branch. Further, while considering shifting/merger/closure of branches, banks should ensure that they continue to fulfill the role entrusted to these branches under the Government sponsored programmes and DBT Schemes.

   iv) It may further be ensured that branches are shifted/within the same or to a lesser population category, i.e., semi urban branches to semi urban or rural centres and rural branches to other rural centres.

   v) In all such cases, the license, if any was issued, of the merged/closed/shifted branch may be surrendered to RBI.

2. Part-shifting of Branches: It can be done without seeking prior approval of RBI. The banking activity, i.e., deposit or loan business cannot be maintained at both places, and the new location for part shifting would have to be within 1 km of the existing location. They may also spin off certain activities such as Government business into separate branches at their discretion.

3. Opening of Extension Counters: Presently banks can open Extension Counters in the premises of institutions where they are the principal bankers, or obtain a NOC from the principal banker. With a view to enabling customer choice and operational freedom, the requirement of being the principal banker for opening of EC is not required.
**Foreign Trade Policy 2015-20**

The Foreign Trade Policy (FTP), 2015-20, is notified by Central Govt., in exercise of powers conferred under Section 5 of the Foreign Trade (Development & Regulation) Act, 1992 (No. 22 of 1992).

**Duration of FTP :** 2015-20 FTP, incorporating provisions relating to export and import of goods and services, came into force w.e.f. 01.04.2015 and shall remain in force up to 31st March, 2020, unless otherwise specified. All exports and imports made up to the date of notification shall, accordingly, be governed by the relevant FTP.

Director General of Foreign Trade (DGFT) can, by means of a Public Notice, notify Hand Book of Procedures, including Appendices and Aayat Niryat Forms or amendment thereto, if any, laying down the procedure to be followed by an exporter or importer or by any Licensing/Regional Authority or by any other authority for purposes of implementing provisions of FT (D&R) Act, the Rules and the Orders made there under and provisions of FTP.

**IMPORTER EXPORTER CODE (IEC)**

No export or import can be made by any person without obtaining an IEC number unless specifically exempted. Further, only one IEC is permitted against one Permanent Account Number (PAN). If any PAN card holder has more than one IEC, the extra IECs is disabled.

**IEC :** An IEC is a 10-digit number allotted to a person that is mandatory for undertaking any export/import activities. The facility for IEC in electronic form or e-IEC has also been operationalised.

(a) Application for obtaining IEC can be filed manually and submitting the form in the office of Regional Authority (RA) of DGFT. An application for e-IEC may be filed online in ANF 2A, in accordance with Handbook of Procedure on payment of application fee of Rs. 500/-, to be paid online through net banking or credit/debit card.

(b) When an e-IEC is approved by the competent authority, the applicant is informed through e-mail that a computer generated e-IEC is available on the DGFT website. By clicking on “Application Status” after having filled and submitted the requisite details in “Online IEC Application” webpage, applicant can view and print his e-IEC.

(c) In case the applicant has digital signature, the application can also be submitted online and no physical application or document is required. In case the applicant does not possess digital signature, a print out of the application filed online duly signed by the applicant has to be submitted to the concerned jurisdictional RA, in person or by post.

**Exports from India Schemes**

There are two schemes for exports of Merchandise and Services respectively:

(i) Merchandise Exports from India Scheme (MEIS).

(ii) Service Exports from India Scheme (SEIS).

**Nature of Rewards under MEIS / SEIS: Duty Credit Scrips (DCS) are granted as rewards under MEIS and SEIS. DCS and goods imported / domestically procured against them are freely transferable. DCS can be used for :**

(i) Payment of Customs Duties for import of inputs or goods.

(ii) Payment of excise duties on domestic procurement of inputs or goods, including capital goods.

(iii) Payment of service tax on procurement of services.

(iv) Payment of Customs Duty and fee.

**Entitlement under MEIS**

Exports of notified goods/products with ITC[HS] code, to notified markets, shall be rewarded under MEIS. The basis of calculation of reward would be the FOB value of exports in free forex, or on FOB value of exports as given in the Shipping Bills in free forex, whichever is less, unless otherwise specified.

**Exports not eligible for Duty Credit Scrip entitlement:**

(i) EOUs / EHTPs / BTPs / STPs availing direct tax exemption.

(ii) Supplies made from DTA units to SEZ units

(iii) Export of imported goods covered under 2.46 of FTP;

(iv) Exports through trans-shipment, meaning thereby exports that are originating in third country but trans-shipped through India;

(v) Deemed Exports;

(vi) SEZ/EOU/EHTP/BTP/FTWZ products exported through DTA;

(vii) Items restricted or prohibited for export under Schedule-2 of Export Policy in ITC (HS), unless notified in Appendix 3B.

(viii) Service Export.

(ix) Red sanders and beach sand.

(x) Export products which are subject to Minimum export price or export duty.

(xi) Diamond Gold, Silver, Platinum, other precious metal in any form including plain and studded jewellery and other precious and semi-precious stones.

(xii) Ores and concentrates of all types and in all formations.

(xiii) Cereals of all types.

(xiv) Sugar of all types and all forms.

(xv) Crude / petroleum oil and crude / primary and base products of all types and all formulations.

(xvi) Export of milk and milk products.

(xvii) Export of Meat and Meat Products.

(xviii) Products wherein precious metal/diamond are used or Articles which are studded with precious stones.

(xix) Exports made by units in FTWZ.

Compilation : Arundeep Toor (Sydney - Australia) (Source RBI Website).
Deemed Exports

As per Foreign Trade Policy 2015-20, the Deemed Exports refer to those transactions in which goods supplied do not leave country, and payment for such supplies is received either in Indian rupees or in free foreign exchange. The objective of Deemed Exports is to provide a level-playing field to domestic manufacturers in certain specified cases.

**Conditions**: Supplies are required to be made directly to the entities listed below. Third party supplies are not eligible. Sub-contractors can make supplies to main contractors, who would make payment to subcontractors.

**List of supply of goods treated as Deemed Exports**

**Categories of Supply**: Supply of goods under following categories (a) to (d) by a manufacturer and under categories (e) to (h) by main / sub-contractors are regarded as “Deemed Exports”:

**A. Supply by manufacturer**:
- (a) Supply of goods against Advance Authorisation / Advance Authorisation for annual requirement / DFIA;
- (b) Supply of goods to EOU / STP / EHTP / BTP;
- (c) Supply of capital goods against EPCG Authorisation;
- (d) Supply of marine freight containers by 100% EOU (Domestic freight containers-manufacturers) provided said containers are exported out of India within 6 months or such further period as permitted by customs;

**B. Supply by main / sub-contractor(s)**:
- (e) (i) Supply of goods to projects financed by multilateral or bilateral Agencies / Funds as notified by Department of Economic Affairs (DEA), MoF, where legal agreements provide for tender evaluation without including customs duty.
- (ii) Supply and installation of goods and equipment (single responsibility of turnkey contracts) to projects financed by multilateral or bilateral Agencies/Funds as notified by Department of Economic Affairs (DEA), MoF, for which bids have been invited and evaluated on the basis of Delivered Duty Paid (DDP) prices for goods manufactured abroad.
- (iii) Supplies covered in this paragraph shall be under International Competitive Bidding (ICB) as per procedures of those Agencies / Funds.
- (f) (i) Supply of goods to any project or for any purpose where the Ministry of Finance, permits import of such goods at zero customs duty.
- (ii) Supply of goods required for setting up of a mega power project conforming to the threshold generation capacity.
- (g) Supply of goods to United Nations or International Organisations for their official use or supplied to the projects financed by them approved by Government of India.
- (h) Supply of goods to nuclear power projects provided:
  - (i) Such goods are required for setting up of any Nuclear Power Project.
  - (ii) The project should have a capacity of 440 MW or more.
- (iii) A certificate to the effect is required to be issued by an officer not below the rank of Joint Secretary to Government of India, in Department of Atomic Energy.
- (iv) Tender is invited through National competitive bidding or through ICB.

**Benefits for Deemed Exports**: Deemed exports shall be eligible for any / all of following benefits in respect of manufacture and supply of goods, qualifying as deemed exports, subject to terms and conditions:
- (a) Advance Authorisation / Advance Authorisation for annual requirement / DFIA.
- (b) Deemed Export Drawback.
- (c) Refund of terminal excise duty, if exemption is not available.

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**Niryat Bandhu - Handholding Scheme for new Exporters / Importers**

As per provisions of Foreign Trade Policy 2015-20, DGFT is implementing the Niryat Bandhu Scheme for mentoring new and potential exporter on the intricacies of foreign trade through counselling, training and outreach programmes. Considering the strategic significance of small and medium scale enterprises in the manufacturing sector and in employment generation, ‘MSME clusters’ have been identified, based on the export potential of the product and the density of industries in the cluster, for focussed interventions to boost exports.

Outreach activities shall be organized in a structured way with the help of Export Promotion Councils as ‘industry partners’ and other willing ‘knowledge partners’ in academia and research community to achieve the objective of Niryat Bandhu Scheme.

Further, in order to ensure optimum utilization of resources, efforts would be made to associate all the stakeholders, including Customs, ECGC, Banks and concerned Ministries.

**Towns of Export Excellence (TEE)**

A number of towns have emerged as dynamic industrial clusters contributing handsomely to India’s exports. It is necessary to grant recognition to these industrial clusters with a view to maximize their potential and enable them to move up the value chain and also to tap new markets.

Selected towns producing goods of Rs. 750 cr or more may be notified as TEE, based on potential for growth in exports. For TEE in Handloom, Handicraft, Agriculture and Fisheries sector, threshold limit would be Rs.150 cr. The following facilities will be provided to such TEEs:
- (i) Recognized associations of units will be provided financial assistance under MAI scheme, on priority basis, for export promotion projects for marketing, capacity building and technological services.
- (ii) Common Service Providers in these areas shall be entitled for EPCG scheme.

**Mandatory documents for export/import of goods from/into India**

(a) Mandatory documents for export of goods:
1. Bill of Lading/Airway Bill
2. Commercial Invoice cum Packing List
3. Shipping Bill/Bill of Export

(b) Mandatory documents for import of goods:
1. Bill of Lading/Airway Bill
2. Commercial Invoice cum Packing List
3. Bill of Entry
EOU, EHTP, STP, BTP

Units undertaking to export their entire production of goods and services (except permissible sales in Domestic Tariff Area-DTA), may be set up under Export Oriented Unit (EOU) Scheme, Electronics Hardware Technology Park (EHTP) Scheme, Software Technology Park (STP) Scheme or Bio-Technology Park (BTP) Scheme for manufacture of goods, rendering of services, development of software, agriculture including bio-technology. Trading units are not covered under these schemes.

Export and Import of Goods

(a) An EOU / EHTP / STP / BTP unit may export all kinds of goods and services except items prohibited in ITC (HS).
(b) Procurement and supply of export promotion material up to a maximum value limit of 1.5% of FOB value of previous years exports shall also be allowed.
(c) An EOU / EHTP / STP / BTP unit may import and / or procure, from DTA or bonded warehouses in DTA / international exhibition held in India, without payment of duty, all types of goods, including capital goods, required for its activities, provided they are not prohibited items of import in the ITC (HS).
(d) Gems and jewellery EOUs obtaining gold / silver / platinum from nominated agencies, either on loan basis or outright purchase basis shall export gold / silver / platinum within 90 days from date of release.
(e) Procurement and export of spares / components, upto 5% of FOB value of exports, may be allowed to same consignee / buyer of the export article.

Net Foreign Exchange Earnings : These unit shall be positive net forex earners. NFEF shall be calculated cumulatively in blocks of 5 years, starting from commencement of production. Where a unit is unable to achieve NFE due to prohibition / restriction imposed on export of any product mentioned in LoP, the 5 year block period for calculation of NFE earnings may be suitably extended by Board of Approval (BoA). Further, where a unit is unable to achieve NFE due to adverse market condition, 5 year block period for calculation of NFE earnings may be extended by BOA for a period of upto one year, on a case to case basis.

Letter of Permission / Letter of Intent and Legal Undertaking : (a) On approval, a Letter of Permission (LoP) / Letter of Intent (LoI) shall be issued by DC / designated officer to the unit. LoP / LoI shall have an initial validity of 2 years to enable the Unit to construct the plant & install the machinery and by this time the unit should have commenced production. Once unit commences production, LoP / LoI issued shall be valid for a period of 5 years for its activities. This period may be extended further by DC for a period of 5 years at a time.

Investment Criteria : Only projects having a minimum investment of Rs. 1 Crore in plant & machinery shall be considered for establishment as EOUs. This shall not apply to existing units, units in Handicrafts / Agriculture / Floriculture / Aquaculture / Animal Husbandry / Information Technology, Services, Brass Hardware and Handmade jewellery sectors. BOA may allow establishment of EOUs with a lower investment criteria.

Export Promotion Capital Goods Scheme

Objective : To facilitate import of capital goods to produce quality goods/services to enhance India's export competitiveness.

Provisions of the scheme:
(a) Scheme allows import of capital goods for pre-production, production and post-production, at Zero customs duty. The Authorisation holder may also procure Capital Goods from indigenous sources. Capital goods shall include capital goods as defined in foreign trade policy;
(ii) Computer software systems;
(iii) Spares, moulds, dies, jigs, fixtures, tools & refractories and spare refractories;
and (iv) catalysts for initial charge + one subsequent charge.
(b) Import of capital goods for Project imports notified by CBEC
Second hand capital goods are not permitted.

Validity of Authorisation for import : 18 months from date of issue of Authorisation. Revalidation is not permitted.

Coverage (a) Manufacturer exporters with or without supporting manufacturer(s), merchant exporters tied to supporting manufacturer(s) and service providers.
(b) Service providers designated / certified as a Common Service Provider.

Actual User Condition : Import shall be subject to Actual User condition till export obligation is completed.

Export Obligation (EO) : Import shall be subject to EO equivalent to 6 times of duty saved on capital goods, to be fulfilled in 6 years from date of issue of Authorisation.

Conditions for fulfilment of EO:
a) EO shall be fulfilled through export of goods manufactured by him or his supporting manufacturer / services rendered by him, for which authorisation is granted.
(b) EO shall be, over and above, the average level of exports achieved in the preceding 3 licensing years for the same and similar products within the overall EO period including extended period. Such average would be the arithmetic mean of export performance in the preceding 3 licensing years for same and similar products.
(c) In case of indigenous sourcing of Capital Goods, specific EO shall be 25% less.

Calculation of Export Obligation: In case of direct imports, EO shall be with reference to actual duty saved amount. In case of domestic sourcing, EO shall be reckoned with reference to notional Customs duties saved on FOR value.

Incentive for early EO fulfilment: To accelerate exports, in cases where Authorisation holder has fulfilled 75% or more of specific export obligation and 100% of Average Export Obligation till date, if any, in half or less than half the original export obligation period specified, remaining export obligation shall be condoned and the Authorisation redeemed by RA concerned.

Reduced EO for Green Technology Products: For such exporters, specific EO shall be 75%. There shall be no change in average EO imposed. For units located in Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Jammu & Kashmir the specific EO shall be 25% of the EO.
Practical Problems based on Banking Ombudsman Decisions

1) In a complaint regarding fraudulent withdrawal through net banking, it was reported that the complainant was unable to access his a/c as it gave an error message (invalid user ID /password). When he visited the branch, he learnt that there was an unauthorised transfer of an aggregate sum of Rs. 315000 to various accounts in branches of the same bank in different cities and the same had reportedly been withdrawn from those accounts. The complainant requested for refund of the amount. In their response, the bank alleged that the complainant might have compromised his internet password. On a scrutiny of records, it was observed that the KYC norms were not strictly adhered to by the bank. It was observed that large amounts were withdrawn on the same day on which the amounts were transferred from the account of the complainant. As such, there was a clear intention to defraud the complainant. There was laxity in controls introduced by the bank with regard to Internet Banking as well as violation of KYC norms in opening many of the above accounts, which enabled the perpetration of the fraud. The bank had recovered Rs. 30,247 and credited back to complainant’s account. BO directed the bank to credit the residual amount of Rs. 2,84,753 with value date.

2) A housing loan was sanctioned with the interest rate at 2% below PLR of the bank which was 12% p.a. Subsequently, the bank rescheduled the loan with interest at 11.50% as against the original rate of interest of 10% (2% below PLR). The bank declined complainant’s request to reduce the rate of interest to PLR minus 2% as agreed to. The bank stated that the loan was sanctioned with floating rate of interest @10% (2% below PLR) which was 12% at that time. Then, the customer requested that his loan to be converted to other scheme with floating rate of interest @10.25%. The loan was rephased at the request of the complainant and interest charged was 1.5% below PLR since then.

The bank was advised to produce proof of request for change of loan to other scheme and also whether the revised terms were communicated to the complainant when change was made. The bank could not produce a proof except an unfiled, undated arrangement letter signed by the complainant. Revised terms and conditions were also not communicated to the complainant. The bank submitted a letter indicating changes in home loan rates. The statement revealed that the bank was not only changing PLR but also margins, thereby effecting change in rate of interest on loan unilaterally and against the terms of sanction. Since the loan agreement specifically stated that the rate of interest would be PLR minus 2% and the interest charged by the bank was higher than the bank’s PLR minus 2%, the bank was directed to rework the entire home loan @PLR minus 2% and refund the excess interest charged to the complainant.

3) Though the complainant could not get Rs. 1500, he tried to withdraw from ATM of another bank, his account was debited. He did not get any response from the bank. During the conciliation meeting, the bank informed that they had raised a charge-back with acquiring bank. The bank also informed that the amount of Rs. 1,500 was credited to the account of the complainant after a delay of almost a year. The acquiring bank advised that they had paid the amount of Rs. 1,500 to the acquirer bank on the same day it received the Charge Back as the transaction status was unsuccessful.

It was observed that the grievance redressal machinery of acquirer bank was weak in as much as despite the failure of the transaction being confirmed in time by acquiring bank, it failed to reverse the transaction for a year. Moreover, the bank had not responded to the BO in time. The bank was therefore directed to pay: (i) compensation to the complainant @ Rs. 100 per day after 12 working days after the date of complaint till the date of crediting the amount to the customer’s account in terms of extant RBI instructions, (ii) interest to the complainant @ Bank Rate + 2% from the due date of payment of the penalty amount to the date of actual payment and (iii) Rs. 3,000/- for expenses relating to follow-up of the complaint and for not bothering to respond to the BO.

4) The complainant took a loan against National Saving Certificates worth Rs. 48,000 from the bank. He paid back the loan with the due interest but the bank did not return the pledged NSCs. He took up the case with the bank but when the documents were not returned for about two months without any reason, the complainant approached BO in April 2011. The bank submitted that the said NSCs were not available and the bank had contacted the Post Office and initiated the process of issuing duplicate certificates. The case was closely monitored by BO. In June 2011, the bank submitted that duplicate certificates were yet to be issued. To resolve the complaint, the bank credited the maturity value of the NSCs Rs. 56,035 along with interest for delay (Rs. 8,965.50/-) to the complainant’s account.
One Person Company (OPC)

OPC introduced by Companies Act, 2013 is a new form of business. OPC is a hybrid of sole-proprietor and company form of business, that enables sole-proprietors to enter into a corporate framework.

Features of OPC:
1) Only a natural person, who is an Indian citizen and resident in India is eligible to incorporate OPC. He will hold entire shareholding of the company. A person can be a shareholder in only one OPC at any given time i.e. he cannot have two different OPcs in his name.
2) The Shareholder is to nominate another person who shall become the shareholders in case of death/incapacity of the original shareholder. Such nominee is to give consent for being appointed as the nominee for the sole shareholder. Only a natural person, who is an Indian citizen and resident in India can be a nominee. If the nominee becomes the member of an OPC or is already a member of another OPC, he has to decide within 6 months with which OPC he shall continue. The nominee can be change any time.
3) OPC must have min one Director (Sole Shareholder can be the Sole Director). The maximum number of directors can be 15.
4) OPC is exempted from complying with certain requirements, as normally applicable to other private limited Companies, such as:
   a) No requirement to hold annual. Only the resolution shall be communicated by the member of the company and entered in the minutes book and signed and dated by the member and such date shall be deemed to be the date of meeting.
   b) For one-director OPC, for the purposes of holding board meetings, it shall be sufficient compliance if all resolutions required to be passed by such a company at a board meeting are entered in a minute book – signed and dated by the member and such date shall be deemed to have the date of the board meeting for all the purposes under Companies Act, 2013.
   c) Cash Flow in the annual financial statements is not required.
   d) Annual returns can be signed by the Director himself.

Restrictions:
1. One person cannot incorporate more than one OPC or become nominee in more than one OPC.
2. Minor cannot become member or nominee.
3. OPC cannot be incorporated or converted into a company under Section 8 of the Act. (Company not for Profit).
4. OPC cannot carry on non-banking Financial Investment activities including investment in securities of any body corporate.
5. An OPC can convert voluntarily into any kind of company after 2 years have expired from the date of incorporation. But where the paid up share capital is increased beyond Rs.50 Lakhs or average annual turnover during the relevant period exceeds Rs.2 Crores, the OPC has to file forms with the ROC for conversion in to a Private or Public Company, within a period of 6 months on breaching the above threshold limits.
6. The words “One Person Company” is required to be mentioned in brackets below the name of such company, wherever its name is printed, affixed or engraved.

Steps for incorporation of an OMC:
1. Obtaining a Director Identification Number (DIN) as well as a digital signature certificate.
2. Making application for the name of the company.
3. Obtaining consent of the nominee in the prescribed forms.
4. Filing the consent along with the final incorporation forms with the Memorandum and Articles and other required documents.
5. Obtaining the final incorporation certificate from the register of companies to commence business under the name.

Export of Gem and Jewellery

Exporters of gems and Jewellery can import / procure duty free input for manufacture of export product.

Eligible Export items:
(i) Gold jewellery (excluding legal tender coins), containing gold of 8 carats and above;
(ii) Silver jewellery (excluding legal tender coins) containing more than 50% silver by weight;
(iii) Platinum jewellery (excluding legal tender coins) containing more than 50% platinum by weight.

Schemes: The schemes are as follows:
(i) Advance Procurement/ Replenishment of Precious Metals from Nominated Agencies
   (i) Exporter of gold / silver / platinum jewellery and articles thereof including mountings and findings may obtain gold / silver / platinum as an input for export product from Nominated Agency, in advance or as replenishment after export.
   (ii) The export are subject to wastage norms/minimum value addition as prescribed in Handbook of Procedures.
   (ii) Replenishment Authorisation for Gems
   (i) Exporter may obtain Replenishment Authorisation from Regional Authority against export, which is transferable.
   (ii) In case of plain or studded gold / silver / platinum jewellery and articles, value of such Authorisation shall be determined with reference to realisation in excess of prescribed minimum value addition.

(iii) Replenishment Authorisation for Consumables
Replenishment authorization for duty free import of consumables equal to 1% to 3% of FOB value of exports of preceding year, is available on production of Chartered Accountant Certificate indicating export performance.

(iv) Advance Authorisation for Precious Metals.
   (a) Advance Authorisation shall be granted on pre-import basis with “Actual User” condition for duty free import of:
      (i) Gold of fineness not less than 0.995 and mountings, sockets, frames and findings of 8 carats and above;
      (ii) Silver of fineness not less than 0.995 and mountings, sockets, frames and findings containing more than 50% silver by weight;
      (iii) Platinum of fineness not less than 0.900 and mountings, sockets, frames and findings containing more than 50% platinum by weight.
   (b) Advance Authorization carries an export obligation. Value Addition: It would be calculated as under:

   Value addition = (A - B) / B x 100, where
   A = FOB value of export realised for supply received.
   B = Value of inputs (including domestically procured) such as gold / silver / platinum content in export product plus admissible wastage along with value of other items. If gold is obtained on loan basis, value shall include interest paid in free forex to foreign supplier.

Wastage Norms: Wastage or manufacturing loss for gold / silver / platinum jewellery shall be admissible.

Duty Free Import Authorisation scheme shall not be available for Gems and Jewellery sector.
• **TASK FORCE ON POVERTY ELIMINATION**: A high-powered Task-force on poverty elimination constituted under Vice-Chairman of NITI Aayog, Arvind Panagariya is expected to recommend use of poverty line to compare poverty over time and better understand allocation of resources to the poor. It could also suggest better targeting of house-hold subsidies to eliminate poverty faster. The poverty calculation could be left in the hands of either NITI Aayog or the National Statistical Commission.

• **SUPREME COURT RULING ON BOUNCED CHEQUE** (Case-Mainuddin Abdul Sattar vs. Vijay Dalvi) Supreme Court has stated that in case of bounced cheques, it is not necessary to complain specifically against the company if the managing director is the sole proprietor. It is enough if the MD alone is made the accused under the Negotiable Instruments Act.

• **GOVT. ALLOWS UNAUDITED ACCOUNTS WITH ROC**: The Government has allowed filing of unaudited accounts of foreign subsidiaries with the Registrar of Companies. This dispensation will be allowed in case of a foreign subsidiary which is not required to get its financial statements audited as per legal requirements prevalent in the country of its incorporation, and which does not get its financial statements audited. It has also been clarified that unaudited accounts will need to be translated in English if the original accounts are not in English.

• **CBDT RAISES COST INFLATION INDEX**: The Central board of Direct Taxes (CBDT) has specified a value for the cost inflation index for 2015-16. Last year the index was “1024” and this year it is “1081”. This would mean that there has been a 5.57% rise in the cost inflation index for 2015-16. A cost inflation index helps reduce the inflationary gains, thereby reducing the long-term capital gains tax payout for a tax payer. In 2014-15, the cost inflation index grew 9.05%. This index is useful for income tax assesses in the computation of tax on long-term capital gains (for indexation purposes).

• **GOVT. MAJOR TURNAROUND ON FDI**: In a major turnaround, the Government, so far opposing to foreign investments in multi brand retail, has decided to allow FPI up to 49% or up to the sectoral cap (whichever is lower) through the automatic route. Foreign Portfolio Investment (FPI) includes foreign institutional investments (FII), sub accounts and qualified foreign investments (QFI). However, foreign retailers will not be able to have direct management control of an Indian venture. FPI does not provide investors with the option of management participation.

• **PM TO LAUNCH NEW BRAND OF HANDLOOM PRODUCTS**: A new “India Handloom” brand will be launched by the Prime Minister in Chennai to promote handloom products. The government has decided to declare August 7—the day of launch of the handloom brand – as National Handloom Day. The handloom “India Handloom” brand will be launched by the Prime Minister in Chennai to promote handloom products. The government has decided to declare August 7—the day of launch of the handloom brand – as National Handloom Day. The handloom weavers who want to adopt the new brand will have to give an application to the Textile Commissioner following which officials will hold field visits. Once officials are satisfied with the quality of products being produced by weavers, they would be allowed to use the brand. The “India Handloom” brand will give quality assurance to buyers and they can buy with confidence. Products of registered weavers will also be available online.

• **EPFO TO INVEST IN EQUITIES**: Central Provident Fund Commissioner KK Jalan has said that the Employees, provident Fund Organisation (EPFO) will invest a part of the retirement fund corpus in the capital market from August 6 through Exchange-Traded Funds (ETF). Labour Ministry’s new investment pattern for the EPFO allowed it to invest a minimum of 5% and up to 15% of its funds in equity or equity-related schemes. EPFO proposes capping premature PF withdrawal at 75% of the total deposit with 25% to be paid at the age of 58. At present, subscribers can withdraw the entire amount prematurely by showing themselves to be “not employed anywhere” for two months.

• **NIIF TO WORK LIKE A SOVEREIGN WEALTH FUND**: The proposed Rs.20, 000 Crore National Investment and Infrastructure Fund (NIIF) is likely to be set up as a trust in which the government will contribute 49% at most, with the rest of the funds coming in from long term investors, pension funds etc. There could also be an intermediate company looking at day-to-day operations. The NIIF, which may take the role of Sovereign Wealth Fund, is being set up primarily to address the gap in equity financing of large gestation, commercial viable infrastructure projects in the country. According to the State Finance Minister, it will be “operational” by the end of this calendar year.

• **SEBI EASES DELISTING NORMS**: Making delisting norms easier, SEBI said that the promoters either will have to ensure that at least 25% of minority shareholders participate in such a process or can demonstrate that the entire 100% investors have been approached. SEBI’s efforts show that a good percentage of minority shareholders participate in the delisting process. In case the acquirer or the merchant banker sends the letter of offer to all the shareholders and provide a detailed account regarding the status of delivery of offer letter, the same would be considered deemed compliance under the provisions of the Delisting Regulations.

• **PSBs TO GET Rs.70, 000 CRORE IN FOUR YEARS**: The Government will infuse Rs.70, 000 Crore into public sector banks (PSBs) by 2018-19. While Rs.25, 000 Crore each will be given during 2015-16 and 2016-17 respectively, Rs.10000 Crore each will be given during 2017-18 and 2018-19 respectively. Through capital infusion, the government hopes to revive investment in large projects that are stuck due to various issues. The government has also changed its criteria of allocating money to state-owned lenders on the basis of efficiency, at least for this financial year. Since the budget had estimated only Rs.7940
SEBI for Steps to Control Algo Trading:

SEBI has made it mandatory for mutual fund companies to disclose details of their investor awareness programmes. This comes after SEBI found out that some fund houses were not giving necessary information to investors.

RBI Cautioned Banks on Fudging NPA Figures:

RBI has cautioned the banks that it will penalize the banks for fudging NPA figures and review debts under the 5/25 plan so that banks do not misuse the avenue for hiding stressed assets. The scheme allows lenders to give borrowers 25 years to review existing loans with a review every five years. RBI Governor said that the banks are being reprimanded for not coming clean on bad loans. He further said that they also supervise banks and go through their portfolios to see whether they have declared all the NPAs, they should. They examine divergences and bank management is hauled up if there are divergences.

GSP Benefits Renewed by US for Indian Exporters:

After a long period for over one and a half years, US finally extended the “Generalised System of Preferences” (GSP) benefits for Indian exporters retrospectively from August 2013 that will enable duty-free entry of 3500 product lines. The USGSP, which expired in July 2013, has been extended with retrospective effect from August 2013 till December 2017. The GSP is a Scheme whereby a wide range of products originating in certain developing countries are given preferential access to the American Market. Preferential treatment is given in the form of reduced or zero rates of customs duties.

Govt. Launched Web Portals to Monitor SAGY:

The Government has launched two web portals – “Panchayat Darpan” and “Samanvay” to monitor progress and implementation of the Sansad Adarsh Gram Yojana (SAGY) which was launched last October. Panchayat Darpan identifies 35 indicators through which the impact of SAGY intervention will be monitored, acting as a mirror of the development activities in the model villages envisaged by the programme. Samanvay will act as a database for mapped and compiled information on various gram panchayat activities through schemes undertaken by the central and state governments. As per the SAGY, MPs from both houses of parliament will develop three adarsh gram panchayats by March 2019 with one model village by 2016.

SEBI for Mandatory Clauses on Mutual Funds:

SEBI has made it mandatory for mutual fund companies to disclose details of their investor awareness programmes. This comes after SEBI found out that some fund houses were not giving necessary information to investors.

SEBI for Steps to Control Algo Trading:

SEBI tries at multiple options to regulate Algorithmic, or high frequency, trading in the stock market. This includes installing a two-queue system which allows trades by brokers with a co-location advantage (proximity to an exchange server) and another without. Such a structure allows orders to go into the system for trading one after another. The other option is to have a lock-in-period for algorithmic trades. Both options are meant to reduce trading speed.

Finance Ministry has notified the rules for information reporting under the Foreign Account Tax Compliance Act (FATCA). The new rules are significant as these also provide reporting timeline for OECD’s Common Reporting Standard (CRS) which India signed on 3 June 3 this year. CRS sets out a standard basis for automatic tax information exchange between member countries (OECD and G20) through respective bilateral tax treaties. India is among the few countries that have adopted a common approach for implementation of FATCA and CRS. Most advanced countries have first adopted FATCA and now are adopting CRS. The exchange of information on an automatic basis is likely to begin by end of September 2015.

Govt. to Launch Suraksha Bandhan Scheme:

The Government is going to launch a scheme “Suraksha Bandhan” in the forthcoming Raksha Bandhan festival. The drive will be supported through the jeevan Suraksha Gift Cheques, which will be available for purchase for Rs.351 in bank branches by persons wishing to gift them to facilitate one year payment premium for Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) by the recipient. The recipient of the gift cheques will deposit the instrument in his/her bank account for a realizable value of Rs.342 (Rs.12 + Rs.330) to cover one year subscription to PMJJBY and PMSBY. The balance Rs.9 from the purchase price will be retained by the issuing bank as a service charge.

Supreme Court Ruling on Debtw Tribunal:

The Supreme Court has ruled in this case that the Debt recovery Appellate tribunal under the SARFAESI Act has the power to condone delay in filing petitions. The debt recovery law provided for only 45 days as limitation while SARFAESI provided for only 30 days. But the law are complementary and the debt recovery mechanism is part of the SARFAESI scheme.

Supreme Court Version on “Related” Companies:

The Supreme Court has stated that if two companies have to be declared “Related Persons” for excise purposes, there should be mutuality of interest in the business of each other. If there is only “One-way traffic” the two companies are not related. The revenue authorities must prove mutuality of interest or two-way traffic.

Govt. for Amendment in Minimum Wages Act:

The government has recently increased the national floor level minimum wage to Rs.160 per day from Rs.137 with effect from July. This translates into a monthly salary of Rs.4800 for an unskilled worker but the Govt. instructions are only advisory and not mandatory for states to follow. As a result, wages are very low in some states leading to unrest among workers. As such, the government wants to amend the Minimum Wages Act 1948 for having uniform policy which would help ensure that workers stick to a job and not switch over in lieu of different wages.

SEBI Notifies “Fast-track” Route for Share Sale:

SEBI has notified new norms to boost fund raising from the market which will provide all listed companies, a “fast-track” route for share sale. According to the new norms, firms in which public shareholders own stocks worth Rs.1000 Crore will now be able to access this route through a follow-on public offer (FPO). The listed companies can tap this route even without complying to the minimum average market value limit, provided they meet other conditions. Further, they would not be required to file any draft offer document for its FPO or rights issue.

Supreme Court Okays Aadhar With Conditions:

The Supreme Court passed an interim order which clarified that the government shall not share any personal information received on Aadhar with any person or authority. It shall give wide publicity through electronic and other media that
SEBI NOTIFIES START-UP LISTING NORMS:

• GOVT. EASES NORMS FOR SOFT LOAN SCHEME: The Centre decided to launch a series of farmer friendly interventions to deal with the challenges of deficient monsoon. The Govt. has eased the norms for a soft loan scheme worth Rs.6000 Crore for the sugar mills. It has been mandated that banks pass on the financial assistance directly to the cane growers after obtaining the list from the mills. The Govt. had earlier mandated that soft loans will be provided to only those units which have cleared at least 50% of their outstanding arrears by June 30. The Government has provided one year moratorium on this loan and will bear the interest subvention cost to the extent of Rs.600 Crore for the said period.

• NPCI TO ROLL OUT CREDIT CARDS UNDER RuPAY PLATFORM: Transaction Powerhouse National Payments Corporation of India (NPCI) plans entry into the credit card segment by allowing banks to issue them. Banks are already issuing debit cards under the RuPay Platform and about 190 million cards have been issued till date. RuPay is an Indian domestic card scheme conceived and launched by the NPCI. It facilitates electronic payments at all Visa in India.

• IRB INFRA FORMS INVESTMENT TRUST TO FLOAT PROJECTS: Infrastructure Company IRB infrastructure developers announced that it is forming an infrastructure investment trust (InvIT), under which it will float various infrastructure projects for which it has created special purpose vehicle (SPVs). This Trust will raise funds on behalf of the SPVs. This will enable the company to increase the borrowing limit from Rs.20,000 Crore to Rs.36,000 Crore. SEBI last year approved norms for InvITs. This would be the first company to increase the borrowing limit from Rs.20,000 Crore to Rs.36,000 Crore. SEBI last year approved norms for InvITs. This would be the first company to raise funds through InvITs, subject to shareholder approval. According to SEBI norms, a sponsor of InvITs has to hold 25% stake in the company for a period of three years.

• RBI PAYS DIVIDEND, HIGHEST EVER IN ITS HISTORY: RBI paid a nearly Rs.66,000 Crore to the Government, the highest ever in its 80-year history, and 22% more than it paid last year. On a point-to-point basis, RBI’s dividend payment to the Government is more than four times in as many years. This payment can help ease the government’s finances, help meet its fiscal deficit targets, provide liquidity to the system and also make available funds for the government’s capital expenditure.

• GOVT. ANNOUNCED STRATEGY TO REVAMP PS BANKS: The Government announced a comprehensive seven-pronged strategy to revamp public sector banks so that the selection of their chiefs could be transparent, bad debts reduced and their performance improved. Seven-point strategy called “Indradhanush” includes streamlining the appointments, setting up of Banks Board Bureau (BBB), capitalization, Distressing PSBs, Empowerment, Framework of Accountability and Governance reforms. Further to help the managements of public sector banks the Government is also considering Employee Stock Ownership Plan (ESOP).

• SEBI NOTIFIES START-UP LISTING NORMS: SEBI has notified a new set of listing norms for Start-up Units, including e-commerce ventures, on a separate platform of domestic exchanges. The new norms provide significant relaxations in disclosure requirements. SEBI has relaxed its delisting, take-over and AIF regulations. The extensive changes in regulations would allow such entities to get listed on the separate Institutional Trading Platform of the stock exchanges. It is aimed to encourage the Indian start-ups and entrepreneurs to remain within the country rather than moving abroad for funds.

• CORPORATION BANK ROLLS OUT E-PLEDGE FINANCE SCHEME: Corporation Bank has signed an agreement with NCDEX e-Markets (Ne-Mi) and three warehouse service providers for pledge finance through electronic mode. This facility will enable farmers and traders to use their goods or produce stored in the warehouses of approved warehouse service providers (WSPs) through e-pledge. This is a process by any registered member, after depositing commodities in an Ne-Mi-accredited warehouse, can apply online to the bank to get finance against the electronic holding. The empanelled WSPs act as collateral manager responsible for the commodity’s safety, insurance, deposit and delivery.

• GOVT. FOR SETTING UP BANK BOARD BUREAU: As a first step towards setting up a bank holding company, the government has announced the setting up of a Bank Board Bureau that will be operational from April 1, 2016. The Bureau will replace the Appointment Board of Banks. The Bureau will engage with the boards of various banks to formulate appropriate strategies for their growth development. It is an interim arrangement towards setting up a Bank Holding Company. Government holding in PSBs will be transferred into this. Subsequently, the company will raise money to provide additional capital to banks. The Bureau will take over the supervisory activities.

• SUPREME COURT RULING ON OFFICIAL LIQUI DATOR: The Supreme Court has ruled that the official liquidator of a wound up company can not exercise any power to adjudicate and determine the claims of statutory corporations when the company judge has permitted them to stand outside the liquidation proceedings. The corporations are secured creditors and they can Aadhar is not mandatory. The production of the unique identity shall not be a condition to get any benefit provided by the government. None shall be denied social welfare benefits such as food and fuel from the public distribution system for not having the card. These interim orders shall prevail till a constitution bench decides the petitions alleging that the unique identity scheme violates the right to privacy.
pursue their claims under Section 29 of the State Financial Corporations Act on a priority basis.

- **SBI LAUNCHED ITS MOBILE WALLET “SBI BUDDY”:** State Bank of India launched its mobile wallet “SBI Buddy” in collaboration with Accenture and MasterCard. Customers of SBI as other banks can download the mobile wallet application from Google pay Store and use it. It will also allow users among others to send money to registered and new users, send reminders to set due dates, transfer additional cash into accounts of their choice free of cost, recharge and pay bills instantly. The mobile wallet app is available in 13 languages.

- **ICICI BANK LAUNCHED FULLY AUTOMATED LOCKER FACILITY:** ICICI Bank launched its new digital initiative “Smart Vault” which is India's first Automated Locker facility with high-end robotic technology. This initiative has marked a milestone in Indian Banking Industry because India has now joined a group of countries that have access to the unique vault which uses state-of-art robotic technology. In this digital initiative, robotic technology is used to access the lockers from the safe vault. Customers get to conveniently access their lockers at any time of their preference, in the comfort of a secure lounge.

- **PRIVATE BANKS OUTPACE PUBLIC SECTOR BANKS:** For the first time, in the quarterly performance charts, private sector banks outdone PSU counterparts in terms of net profit, even though private banks command only 20% market share in terms of deposits and advances against 70% of public sector banks. According to the data for June 2015, net profit for 15 listed private banks rose 11% to Rs.9701 Crore while that of 26 PSU Banks dipped 20% to Rs.9682 Crore. Provisions for bad loans were four times higher for public sector banks at Rs.19,084 Crore against Rs.4189 Crore for private sector banks.

- **RBI GIVES LICENCE FOR 11 PAYMENTS BANKS:** RBI gives licence for 11 payments banks: RBI granted Payment Bank licences to 11 firms. They can accept demand deposits and hold a balance of up to Rs.1 Lakh per individual. They can set up branches, ATMs, correspondents, issue debit cards and offer internet banking. They can accept remittances to be sent to multiple banks or receive remittances from them. They can distribute mutual fund products, insurance products and pension products. They can undertake utility bill payments. However they can not accept NRI deposits and issue credit cards. They can not set up subsidiaries to undertake NBFC activities. They will not lend to customers and will have to deploy their fund solely in government papers and bank deposits.

- **GOVT. ALLOWED SPECI AL CONCESSIONS TO BI HARI NEW UNITS:** The Finance ministry has notified 21 districts in Bihar as “Backward Areas”. The Government has announced special concessions to the manufacturing enterprises set up in such notified areas between April 1, 2015 and March 31, 2020. The units will be entitled to claim additional depreciation of 35%. This will be over and above the usual 15% allowed under the Income Tax Act for plant and machinery. Further a manufacturing company will be eligible for 30% (Instead of 15%) investment allowance if the investment in new plant and machinery during April 1, 2015 to March 31, 2017 exceeds Rs.25 Crore.

- **GOVT. ALLOWED FLEXIBLE B I L I T Y IN ATAL PENSI ON YO J A N A:** The Government has allowed the flexibility in the norms under the Atal Pension Yojana. Now a subscriber can contribute on a quarterly and half yearly basis apart from the current monthly provision. The government has also provided some relaxations in premature withdrawals. Now the account will not be de-activated and closed till the account balance with self-contribution minus the government co-contribution becomes zero due to deduction of account maintenance charges and fees. Also the penalty on delayed payment has been simplified to Rs.1 for contribution of Rs.100 or part thereof for each delayed monthly payment, instead of different slabs earlier.

- **FI MINI I ISSUES NORMS OF APPOINTMENT OF BANKS’ MD&CEO:** The Finance Ministry has issued the guidelines for selection of MDs and CEOs of remaining Public Sector Banks. As per guidelines, existing EDs of nationalized banks, deputy MDs of IDBI Bank and MDs of Associate Banks of SBI who have risen from the Associate bank Services, with one year of service as ED/DMD/MD and who have two years remaining service are eligible for consideration as MD and CEO. The selection will be made by the Appointment Board according to the existing methodology of interaction of the candidates with three panels of the Board. The candidates will be rated out of 100 marks with 50 marks to be awarded for Annual performance Appraisal Reports of 5 years and 50 marks assigned for performance.

- **SHAH PANEL RECOMMENDS RELIEF TO FPI S OVER MAT:** The government constituted AP Shah Committee has recommended that foreign portfolio investors (FPI) be granted relief on minimum alternate tax (MAT) even for transactions before April 1, 2015. The government is considering the panel’s recommendations. The Finance Act, 2015 prescribed exempting MAT on FIIs or FPIs from April 1, 2015. However the controversy began when tax authorities issued notices to about 100 FPIs with a demand to pay MAT on “Untaxed gains” made by them in the Indian markets over the past years.

- **BANDHAN BANK STARTS FUNCTIONING:** It started its functioning on 23rd, 14 years after Chandra Shekher Ghosh started Bandhan Micro Finance Institution (MFI) with three staff members. Bandhan will be the fourth bank to be headquartered in the city and also the first private bank to be based in Kolkata. This is also the first bank to come up here after independence. UCO Bank was the last bank to be started here 72 years ago. Bandhan Bank has started with 501 branches in 22 states, 50 ATMs, 1.43 Crore accounts and a loan book of Rs.10,000 Crore brought forward from its MFI. The depositors include 75 Lakh MFI customer base, almost entirely women.

- **GOVT. TO LAUNCH SMART CITY PROJECT:** The Union Govt. is to launch the Smart City Project on September 1. It has asked the states and urban bodies to set up Special Purpose Vehicle (SPV) to develop the respective cities into smart cities. In the first phase, the Govt. will take up 20 cities. The 100 cities that have been enlisted would have to compete to get a slot in the first list. Each of the SPVs would be headed by a CEO and would work on the public-private partnership model. To make it to the first list of 20 cities, the cities must compete on different parameters such as sanitation, credit-worthiness and accountability.

- **RATING AGENCY MOODY’S CAUTIONS INDIA:** Currently, Moody’s has a Ba3 rating on India with positive outlook. Since 2004, it has kept the rating at Ba3, the Lowest Investment Grade, a notch above “Junk” status. In its latest report on the economy Moody’s has cautioned India that the ratings outlook is likely to return to “Stable” if there is a reversal of the policy reform process, if the banking system metrics continue to weaken or if there is a decline in foreign exchange reserves coverage of external debt and imports.
New operating System Windows 10 has
- Digital Wallet called Citi MasterPass for both
- The country which leads the Global
- RS Sharma, IT Secretary has been
- The Scheme, which the Govt. to launch with
- The amount, which the Centre has
- The First City to have On-line police
- The name of historical town Rajahmundary
- The Board whose internet-based diary
- The temple of India which is the Richest
- RS.1000 Crore.
- The company which has secured a
- The sole convict of 1993 Mumbai blasts
- India's "Missile Man" who laid to rest in
- SBI has been fined with $1 million for
- The government has decided to
- The Corporation which has got SEBI's
- The currency notes which the Govt. plans
- The list of 10 richest Indians compiled
- The sector where the banks planning
- The government has launched a
- The Largest Foreign Portfolio Investor
- Banking Rationals and Problems (Hindi) N S Toor
- Problems / Rationals and Situation Analysis (2015) N S Toor &
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- The Board whose internet-based diary
- The city of India which has been

The undertakings, for whom, the Government may set up Holding Company- Loss-making PSUs.
- First, out of 6 IIMs to be set up, as promised by PM, has been inaugurated in-Nagpur.
- The Bank in which Nilesh Shivji Vikamsey has been appointed as Part-time Chairman-Federal Bank.
- The Corporation which has got SEBI's approval to enter Mutual Fund Business- Dewan Housing Finance.
- The amount, which the Centre has sanctioned for Indo-Bangla Rail Link- Rs.1000 Crore.
- The First City to have On-line police verification process for passports-Bengaluru.
- The name of historical town Rajahmundary changed to-Rajamahendravaram.
- The place where, while delivering lecture, the former President APJ Abdul Kalam expired-IIM Shillong.
- The Bank, which has signed $200-m loan with Asian Development Bank to improve farm efficiency-Axis Bank.
- The Scheme, which the Govt. to launch with mandatory crop insurance-Bhartiya Krishi Bima Yojana.
- RS Sharma, IT Secretary has been appointed as Chairman of-TRAI.
- The country which leads the Global Consumer Confidence Index-India (131) followed by Philippines (121).
- Digital Wallet called Citi MasterPass for both debit and credit cards has been launched by-Citi Bank and MasterCard.
- New operating System Windows 10 has been launched on 29th by-Microsoft.
- The prestigious award, which have been won by Sanjiv Chaturvedi and Anshu Gupta for 2015-Ramon Magsaysay Award.
- The currency notes which the Govt. plans to print 15 Crore annually-Rs.1 Denomination.
- Rating Agency which has cautioned the

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DIARY OF EVENTS

The commission which is to suggest steps to reduce subsidies on food, fertilizer and oil, is headed by Bimal Jalan.

The county which ranks 10th in terms of carbon dioxide emissions per person-India.

The country which is among the top three polluting countries in the world-India.

A committee which was set up by RBI to study Urban Cooperative Banks, is headed by R Gandhi, Deputy Governor.

The strategy which the Government announced to revamp the public sector banks-Indradhanush.

The country whose lawmakers approved a rescue package of $86 billion to avoid default in payment to ECB-Greece.

The bank which has lunched India’s First Mobile App for opening a bank account- Federal Bank.

The bank which has been awarded “HR Excellence Award”-Bank of Baroda.

The bank which launched India’s First automated locker facility with high end robotic technology-ICICI Bank.

The two regulators whose merger is set to be formalized on September 28-SEBI-FMC.

The Portal which will start organizing virtual job fairs to bring job seekers and providers across the country-National Career Counseling Portal.

The Institution for which bank holidays for second and fourth Saturday of every month declared by Govt.-Banks.

A web-based portal which the Govt. launched for students seeking education loan-Vidya Lakshmi.

The place which will get the world’s Highest CNG Pump-Rohtang, India.

The month which marked the Hottest Month in history since modern record-keeping began in 1880-July, 2015.

The place where Bandhan Bank will be the 4th bank to be headquartered and first private bank to be based-Kolkata.

After independence the first bank to come up in Kolkata-Bandhan Bank.

The Coin which is to be launched on October 2 with Ashoka Chakra Emblem-India Gold Coin.

The state which will house World’s largest 750 (MW) Solar Power Station in Rewa District-Madhya Pradesh.

Second Largest producer of Onions after China-India.

The state which launched official Twitter handle of Adarsh Gram Yojana-Panchayat Darpan and Samanvay.

The project for which the govt. has approved Rs. 16,680 Crore for construction of about 1000 km expressways-NH Upgradation Project.

The bank which has launched its digital loan facility and issued the first online loan-Federal Bank.

The state where she-bus service exclusively for women has been started-Kerala.

The state where National Green Tribunal banned “Tree-cutting” in the eco-sensitive zone-Taj Mahal.

The state which marks 70 years of Nagasaki Bomb Attack-Japan.

The Regulator which extends licence deadline to February 4, 2016-Food Safety Regulator FSSAI.

The person who tops the world’s tech billionaires list-Microsoft’s Bill Gates ($79.6 billion)

Two web portals which have been launched by Govt. to monitor Sansad Bhasha Mission-Kerala’s Ottappalam, (BSC).

The state which launched official Twitter handle of National Career Counseling Portal- India.

The state which will house World’s largest 750 (MW) Solar Power Station in Rewa District- Madhya Pradesh.

The Coin which is to be launched on October 2 with Ashoka Chakra Emblem-India Gold Coin.

The garage which has signed MOU to build a large CNG station in Rewa District- Madhya Pradesh.

The state which launched official Twitter handle of National Career Counseling Portal- India.
Questions on latest RBI Policy

01 As per RBI guidelines, State Level Bankers’ Committees/District Level Consultative Committees/banks can consider rescheduling of short term crop loans if the crop loss is _____ or more.
   a 25%
   b 33%
   c 40%
   d 50%

02 While rescheduling the short term crop loan in case of crop loss, the banks may allow a maximum period of repayment of up to _____ years (including the moratorium period of 1 year) if the loss is between 33% and 50%.
   a one year
   b two years
   c three years
   d five years

03 While rescheduling the short term crop loan in case of crop loss, the banks may allow a maximum period of repayment of up to _____ years (including the moratorium period of 1 year) if the loss is above 50%.
   a one year
   b two years
   c three years
   d five years

04 The online portal which focuses on improving the business environment in the country by enabling fast and efficient access to Government-to-Business (G2B) services is called:
   a e-Governance
   b e-Information
   c e-Biz
   d e-Communication

05 Interest subvention of _____ is available from Govt. of India, to the Public Sector Banks (PSBs) and the Private Sector Scheduled Commercial Banks (in respect of loans given by their rural and semi-urban branches) on their own funds used for short-term crop loans during the FY 2015-16:
   a 1%
   b 2%
   c 3%
   d 4%

06 Interest subvention is available from Govt. of India, to the Public Sector Banks (PSBs) and the Private Sector Scheduled Commercial Banks (in respect of loans given by their rural and semi-urban branches) on their own funds used for short-term crop loans up to _____ per farmer, during the FY 2015-16:
   a Rs.1 lac
   b Rs.2 lac
   c Rs.3 lac
   d Rs.5 lac

07 Additional interest subvention @ _____ is available to the farmers repaying the loan promptly from the date of disbursement of the crop loan up to the actual date of repayment or up to the due date fixed by the bank for repayment of crop loan, whichever is earlier, subject to a maximum period of one year from the date of disbursement, during the FY 2015-16:
   a 1%
   b 2%
   c 3%
   d 4%

08 Effective rate of interest for the farmers who pay their crop loans promptly will be ___ after taking into account, the normal interest subvention and additional interest subvention:
   a 1%
   b 2%
   c 3%
   d 4%

09 Claim for normal subsidy and additional subsidy for prompt payment of short term crop loans are to be lodged by banks with RBI on:
   a half-yearly basis for normal subvention and yearly for additional subvention
   b yearly basis for normal subvention and half-yearly for additional subvention
   c half-yearly basis for both
   d yearly basis for both

10 Public Sector Banks can pay additional interest of _____ per annum over and above the normal rate of interest permissible in terms of directives on interest rates on fresh deposits on the term deposits for two years and above of Army Group Insurance Directorate (AGID), Naval Group Insurance Fund (NGIF) and Air-Force Group Insurance Society (AFGIS), provided such deposits are not in any way linked with payment of insurance premia by the bank.
   a 1%
   b 1.28%
   c 1.5%
   d 65%

11 To facilitate greater level of participation in corporate bonds by Standalone Primary Dealers RBI exposure ceiling limits in respect of single borrower / counterparty has been increased by RBI to ___ per cent of latest audited Net Owned Funds for investments in AAA rated corporate bonds.
   a 30%
   b 40%
   c 50%
   d 65%

12 To facilitate greater level of participation in corporate bonds by Standalone Primary Dealers RBI exposure ceiling limits in respect of group borrower has been increased by RBI to ___ per cent of latest audited Net Owned Funds for investments in AAA rated corporate bonds.
   a 30%
   b 40%
   c 50%
   d 65%

13 In the context of factoring business which can be conducted by commercial banks, the term ‘assignee’ represents:
   a the person who pays the receivables
   b the person who is owner of the receivables
   c the person who is liable to the person who is owner of the receivables
   d none of the above

14 In the context of factoring business which can be conducted by commercial banks, the term ‘assignor’ represents:
   a the factor in whose favour the receivables are transferred
   b the person who is owner of the receivables
   c the person who is liable to the person who is owner of the receivables
   d none of the above

15 For the purpose of classification of assets and provisioning, the transactions under factoring activity of the banks shall be treated as:
   a investments in corporate securities
   b investment in govt. securities

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c other assets
do loans and advances

**16** Receivables acquired under factoring are to be reported by banks in Schedule __ of the Balance Sheet of the banks:
a other assets Schedule 11
b investments Schedule 8
c bills purchased and discounted Schedule 9
d loans and advances Schedule 10

In order to ensure that the bank offering factoring services has enough margin to cover any deficiencies in the payment of the related invoice, it is to be ensured that the pre-payment amount offered by banks for the receivables acquired under factoring should not exceed __ of the invoice value:
a 80% b 75% c 70% d 65%

A loan up to Rs.50 lac, is eligible for guarantee cover of Credit Guarantee Fund Trust for MSE where the rate of interest charged by the member lending institution is up to:
a base rate + 1% b base rate + 2% c base rate + 3% d base rate + 4%

A loan up to Rs.50 lac, is eligible for guarantee cover of Credit Guarantee Fund Trust for MSE where the rate of interest charged by the member lending institution is up to:
a base rate + 1% b base rate + 2% c base rate + 3% d base rate + 4%

**Recalled Questions**

**20** Which of the following objectives are achieved by the calculation of debt service coverage ratio?
a it indicates the capacity of the firm to meet its current liabilities
b it indicates the level of profits it can achieve
c it indicates the break even level required to be achieved by the firm
d it indicates the capacity of the firm to service its long term obligation

**21** What is true with regard to the listing status of a Global Depository Receipt:
a it is listed like American Depository Receipt
b it is listed on a stock exchange in US only
c it is listed on stock exchanges outside US
d it is listed on stock exchanges in India
e it can be listed anywhere on the Globe to make it globally operative

**22** Under ALM, which of the following net cumulative negative mismatches ceiling as % age of cumulative cash outflows does not match:
a next day bucket – 5% b 2-7 days – 10% c 8-14 days – 15% d 15-29 days – 25%

**23** Which of the following is not a common source of computer virus:
a floppy disk b compact disk c internet d emails e local area network

**24** For which among the following documents, acceptance of the drawee of the instrument is required:
a demand promissory note b usance promissory note c demand bill of exchange d usance bill of exchange e all the above

**25** The term ‘pass through certificate’ is used in the context of which of the following:
a forfaiting of export bills b factoring of domestic receivables c securitisation of receivables d dematerialisation of securities e venture capital transactions

**26** The free reserves in the balance sheet of a bank, for the purpose of capital adequacy ratio, form part of which of the following:
a Tier I b Tier II c Tier III d Risk weighted assets e Risk free assets

**27** Popular Bank has a choice to provide finance to one out of the following four companies, which are equally good on merit. Which of these should get preference over others:
a debt equity ratio (DER) 3:1 and break-even point (BEP) 75% of capacity utilisation b DER 2.5:1 and BEP 80% c DER 2.5:1 and BEP 65% d DER 2:1 and BEP 55% e DER 2:1 and BEP 50%

**28** The term UCPDC is used in the context of which of the following:
a only letter of credit issued by banks b only bank guarantees issued on behalf of the customer c only off-balance sheet exposure undertaken by the bank d both for letter of credit and bank guarantees issued by the bank.

**29** What is the minimum & maximum period for which deposit can be accepted under the scheme Foreign Currency Non-Resident?
a 6 months and 12 months b 6 months and 36 months c 12 months and 24 months d 12 months and 60 months e 24 months and 36 months

**30** Your branch receives a garnishee order in the name of Mr. Narang. You find that the branch is having following accounts in which Mr. Narang is associated. Which of these would be subject to application of the order:
a fixed deposit receipt relating to another bank in safe custody b a locker in his name jointly with his wife c unavailed limit in a current account having overdraft d a saving bank account in the name of his minor daughter under his guardianship e none of the above

**31** In a letter of credit, which of the following is primarily liable:
a the confirming bank b the reimbursing bank c the issuing bank d the issuing bank and advising bank

**32** Which of the following document is utilized in CDR system for providing legal basis during the period, the proposal is under restructuring, between borrower & lender:
a inter-creditor agreement b joint deed of hypothecation c consortium agreement d debtor-creditor agreement e none of the above

**33** Debt-service coverage ratio of a firm is 3.5, which indicates that:
a the firm will be comfortable in paying in current liabilities without any difficulty b the firm will be comfortable in paying its long term and current liabilities without any difficulty c the firm may find it difficult to repay its long term liabilities d the firm will find it difficult to repay its current liabilities e c and d above

**34** Banking Codes and Standards Board of India, has been constituted as a:
a joint stock company b trust c society
35 Purchase transactions by banks in the context of foreign exchange mean:
a) converting dollars into rupees
b) converting a foreign currency into rupees
c) converting rupees into any foreign currency
d) converting rupees into pounds

36 Which of the following agreement is prepared in CDR system for providing legal basis amongst the lenders, during the period, the proposal is under restructuring:
a) joint deed of hypothecation
b) inter-creditor agreement
c) consortium agreement
d) debtor-creditor agreement

37 The current ratio of a firm is 1.5:1 and its tangible net worth Rs.5 lac. If the total liabilities of the firm are Rs.30 lac and the debt equity ratio at 3:1, what will be amount of current liabilities:
a) Rs.5 lac
b) Rs.10 lac
c) Rs.15 lac
d) Rs.20 lac
e) none of the above

38 In the context of computers, the term DOS represents:
a) an utility software
b) an application software
c) input hardware
d) output device
e) a system operating software

39 Which among the following committees is associated with the concept of Capital Adequacy Ratio?
a) Malegam Committee
b) SS Tarapore Committee
c) Basel Committee
d) Sodhani Committee
e) Rangarajan Committee

40 A term loan of Rs.2 lac is advanced to Mr. X by Model Bank which is guaranteed by Mr. Z. What is the valid consideration for the loan advanced by the bank?
a) the commission which must have been paid by the bank to the guarantor for having given the guarantee
b) the fee which the guarantor must have received from the borrower
c) the consideration which the bank received in the form of interest
d) the consideration which the borrower has received in the form of loan

41 On which of the following types of liabilities, the Cash Reserve Ratio is applicable:
a) Liabilities to the banking system in India under clause (d) of the explanation to Section 42(1) of the RBI Act, 1934.
b) Credit balances in ACU (US$) Accounts.
c) Demand and Time Liabilities in respect of their Offshore Banking Units (OBUs).
d) Liabilities arising out of CBLO transactions.

42 Which among the following is not correct in connection with the institution of Lok Adalat:
a) its awards are deemed to be decrees of the civil courts
b) its awards are final and binding on all the parties
c) appeal can be made against the awards by deposit of 75% of the amount of award
d) normal Lok Adalat can entertain cases involving a sum up to Rs.20 lac
e) For cases involving sums above Rs.10 lac, DRT Lok Adalat has the pecuniary jurisdiction

43 Which among the following is appropriate description of the term ‘Administrator’ while dealing with the balances in deceased customer’s account?
a) person appointed by the court on the basis of the will left by the deceased
b) person appointed by the deceased to look after his estate after his death
c) nominee whose authority is confirmed by the court

44 As per revised criteria in the Foreign Trade Policy 2009-14, the Dollar Diamond Account can be opened for exporters having:
a) track record of 2 years and average annual turnover of Rs.3 cr.
b) track record of 3 years and average annual turnover of Rs.3 cr.
c) track record of 2 years and average annual turnover of Rs.5 cr.
d) track record of 3 years and average annual turnover of Rs.5 cr.

45 While a banking company can undertake trading in securities but it cannot trade in goods, under the provision of which of the following:
a) RBI Act 1934
b) Banking Regulation Act 1949
c) Indian Contract Act 1872
d) Companies Act 1956
e) All the above

46 By following which of the following methods, the limitation period of a document about to become time barred, could be extended?
a) obtaining an acknowledgement of debt from the borrower including their agents, if authorised for that purpose
b) by part payment of the debt by the borrower or duly constituted attorney
c) by obtaining fresh set of documents
b) by filing the suit in a competent court
e) a to c above

47 Among which of the following categories a letter of credit would be categorised where the stipulated conditions cannot be amended unless the beneficiary, the confirming bank and the opening bank agree?
a) Restricted letter of credit
b) Without recourse letter of credit
c) Revocable letter of credit

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Answers
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52 Universal Bank is approached by one of their existing customer to retire an import bill received by the bank for collection from a foreign seller, the due date of which is falling shortly. Which of the following rates the bank will apply to this transaction?

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Address: ____________________________________________
_________________________________________ Pin ________
Email Id________________________________________ Mobile:________
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Factoring Services by Banks

RBI has advised (30.07.15) that banks may carry out the business of factoring departmentally, without obtaining the prior approval of RBI, subject to the following conditions.

1. Adherence to the provisions of Factoring Regulation Act, 2011: The business of factoring should be undertaken in compliance with the statutory provisions under the Factoring Regulation Act, 2011.

2. Board Approved Policy: Banks may formulate a comprehensive factoring services policy with the approval of their Boards. The policy may specifically address issues pertaining to the various risks associated with this activity and put in place suitable risk mitigation measures.

3. Types of Factoring: Factoring services may be provided either with recourse or without recourse or on limited recourse basis.

4. Risk Management: Proper and adequate control and reporting mechanisms should be put in place before such business in undertaken.
   a) In order to ensure that the bank offering factoring services has enough margin to cover any deficiencies in the payment of the related invoice, it should be ensured that the pre-payment amount offered by banks for the receivables acquired under factoring should not exceed 80% of the invoice value.
   b) Banks should carry out a thorough credit appraisal of the debtors before entering into any factoring arrangement or prior to establishing lines of credit with the export factor.
   c) Factoring services should be extended in respect of invoices which represent genuine trade transactions.
   d) Since under without recourse factoring transactions, the factor is underwriting the credit risk on the debtor, there should be a clearly laid down board-approved limit for all such underwriting commitments.

5. Classification - Prudential Norms: Factoring would be treated on par with loans and advances and accordingly extant prudential norms on loans and advances would be applicable to this activity. It is further clarified that a receivable acquired under factoring which is not paid within 90 days of the due date should be treated as non-performing asset (NPA) irrespective of date of acquiring of the receivable by the factor or whether the factoring was carried out on with recourse basis or non-recourse basis. The entity on which the exposure was booked should be shown as NPA and provisioning made accordingly.

6. Exposure Norms-Single and Group Borrower Limits: The facilities extended by way of factoring services would be covered within the overall exposure ceiling. The exposure shall be reckoned as under:
   a) In case of factoring on with-recourse basis, the exposure would be reckoned on the assignor.
   b) For without-recourse factoring, the exposure would be reckoned on the debtor, irrespective of credit risk cover/protection provided, except in cases of international factoring where the entire credit risk has been assumed by the import factor.

7. Interest and Fees: Interest charged on the amounts granted as pre-payments will be subject to the guidelines on interest rates on advances. Any fee charged for various services rendered under factoring activities will be subject to the guidelines on reasonableness of bank charges.

8. Accounting Treatment and Disclosure Norms: Receivables acquired under factoring should be treated as part of advances. Accordingly, these may be reported under the head ‘Bills Purchased and Discounted’ in Schedule 9 of bank Balance Sheet. A separate disclosure may be made in the ‘Notes’ forming part of the Accounts (Schedule 19 of the Balance Sheet) with regard to factoring exposures.

9. Exchange of Information: For the purpose of exchange of information, the assignor will be deemed to be the borrower. Banks and factors should share information about common borrowers. The format in which such information is to be provided may be decided by the banks or Indian Banks’ Association. The borrower’s bank may also obtain from the borrower, periodical certificates regarding factored receivables, to avoid double financing. Factors must ensure to intimate the limits sanctioned to the borrower to the concerned banks and details of debts factored taking responsibility to avoid double financing. This could be cross checked with the certificate obtained by banks from borrowers. Other sources, say, information available with CERSAI on receivables assigned may also be considered.

10. Submission of Credit Information to CICs: If a receivable is overdue, information regarding the non-payment of dues by the person on whom exposure was booked should be furnished to the Credit Information Companies (authorized by RBI) as per guidelines under Credit Information Companies (Regulation) Act, 2005.

11. Engagement of Recovery Agents: Engagement of recovery agents as part of the collection services rendered under factoring should be as per existing the guidelines dated 24.04.08.

Establishment of subsidiary or joint ventures: Setting up of factor subsidiaries or investments by banks in factoring companies will be subject to extant guidelines on investments by banks in subsidiaries and other companies. Further, investment of a bank in the shares of factoring companies inclusive of its subsidiary carrying on factoring business shall not, in the aggregate, exceed 10% of the paid up capital and reserves of the bank. Subsidiaries and JVs of banks, including the existing ones would be regulated as NBFC-Factors.

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<tr>
<td>One Star House</td>
<td>US$ 3 million</td>
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<tr>
<td>Two Star House</td>
<td>US$ 25 million</td>
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<tr>
<td>Three Star House</td>
<td>US$ 100 million</td>
</tr>
<tr>
<td>Four Star House</td>
<td>US$ 500 million</td>
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<tr>
<td>Five Star House</td>
<td>US$ 2000 million</td>
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Double Weightage: For One Star Export House Status, double weightage for calculation of export performance is available for grant of status to:

(i) Micro, Small & Medium Enterprises (MSME).
(ii) Manufacturing units having ISO/BIS.
(iii) Units in North Eastern States / Sikkim and J & K.
(iv) Units located in Agri Export Zones.

Other conditions for grant of status:

(a) Export performance is not permitted to be transferred. Hence, calculation of export performance based on disclaimer shall not be allowed.
(b) Exports made on re-export basis shall not be counted.

Privileges of Status Holders:

(a) Authorisation and Customs Clearances for imports and exports are granted on self-declaration basis;
(b) Input-Output norms may be fixed on priority within 60 days by the Norms Committee;
(c) Exemption from refunding Bank Guarantee for FTA schemes and from compulsory negotiation of documents through banks.
(d) Two star and above Export houses can establish Export Warehouses as per department of Revenue guidelines.
(e) Three Star and above Export House can get benefit of Accredited Clients Programme as per guidelines of CBEC.

(f) They are entitled to preferential treatment and priority in handling of consignments by the concerned agencies.
(g) Manufacturers who are also status holders (Three Star/Four Star/Five Star) will be enabled to self-certify their manufactured goods as originating from India with a view to qualify for preferential treatment under different preferential trading agreements, Free Trade Agreements, Comprehensive Economic Cooperation Agreements and Comprehensive Economic Partnership Agreements.
(h) Manufacturer exporters who are also Status Holders shall be eligible to self-certify their goods as originating from India.

(i) They can export freely exportable items on free of cost basis for export promotion with an annual limit of Rs 10 lakh or 2% of average annual export realization during preceding 3 licensing years whichever is higher.
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