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HIGHLIGHTS

BANKERS TRAINING INSTITUTE
75, BLOCK BG-I, PASCHIM VIHAR, DELHI 110063
Ph: 011 65476949, 011 25274157
Email: akg.bti@gmail.com
Website: www.bankerstraininginstitute.com

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RBI GUIDELINES: JULY 13

STEPS TAKEN BY RBI TO ADDRESS EXCHANGE RATE VOLATILITY (July 16 & July 23, 2013)

The market perception of likely tapering of US Quantitative Easing has triggered outflows of portfolio investment, particularly from the debt segment. Consequently, the Rupee has depreciated markedly in the last six weeks. Countries with large current account deficits, such as India, have been particularly affected despite their relatively promising economic fundamentals. The exchange rate pressure also evidences that the demand for foreign currency has increased vis-a-vis that of the Rupee in part because of the improving domestic liquidity situation. Against this backdrop, and the need to restore stability to the foreign exchange market, RBI has announced following measures:

Marginal Standing Facility Rates: The Marginal Standing Facility (MSF) rate was recalibrated at 300 basis points above the policy Repo rate under the Liquidity Adjustment Facility (LAF) from July 15, 2013. Consequently, the Marginal Standing Facility (MSF) rate will be 10.25 per cent w.e.f. July 15, 2013.

Bank Rate: The Bank Rate also adjusted to 10.25 per cent with effect from July 15, 2013.

Allocation of funds under the LAF: The overall allocation of funds under the LAF was limited to 1.0 per cent of the Net Demand and Time Liabilities (NDTL) of the banking system, reckoned as Rs.75,000 crore for this purpose. This change in LAF was made applicable from July 17, 2013. Banks were also advised to ensure that sufficient amount of eligible collateral securities are available in their RC account at the time of bid submission to cover their bids.

Later on, RBI decided that instead of capping LAF at Rs 75,000 for the banking system, the total quantum of funds available to a bank under Liquidity Adjustment Facility (LAF) will be capped at 0.50 percent of the individual bank's Net Demand and Time Liabilities (NDTL). The above changes in LAF will come into effect from July 24, 2013. For the purpose of arriving at an individual bank's limit, the NDTL would be the same as being reckoned for the purpose of maintenance of CRR during a reporting fortnight. Presently, an additional LAF repo is conducted on reporting Fridays. Under this arrangement, the cap for the individual bank will apply to the combined allocation of funds in the morning and additional LAF repo.

Change in Daily Minimum Cash Reserve Maintenance Requirement (July 23, 2013)

Currently, banks are allowed to maintain a minimum CRR balances up to 70 per cent of the average daily required reserves for a reporting fortnight on all days of the fortnight. RBI has now decided to increase the requirement of minimum daily CRR balance maintenance to 99 per cent effective from the first day of the fortnight beginning July 27, 2013. This has been done to address exchange market volatility.

Priority Sector Lending Reporting – Definition of "disbursement" (July 24, 2013)

RBI had prescribed reporting system for Priority sector lending vide circular dated 7 January 2013. In the said circular, the Disbursement to be reported in the monthly and yearly reporting formats is defined as under:

(i) Cash credit/over draft account and running accounts of similar nature: Debit summation minus interest and other charges or sanctioned limit, whichever is lower for the particular period under consideration (monthly/quarterly/ half yearly/yearly).

(ii) Term Loans: Debit summation minus interest and other charges for the particular period under consideration (monthly/quarterly/half yearly/yearly).

MIGRATION OF POST-DATED CHEQUES (PDC)/ EQUATED MONTHLY INSTALMENT (EMI) CHEQUES TO ELECTRONIC CLEARING SERVICE (DEBIT)

RBI, vide its circular dated March 18, 2013 had advised all lending banks not to accept any fresh Post Dated Cheques (PDC)/ Equated Monthly Installment (EMI) cheques in locations where the facility of ECS/RECS (Debit) is available and convert existing cheques in such locations into ECS/RECS (Debit) by obtaining fresh mandates. However, some banks still continue to obtain fresh cheques (both CTS-2010 and non CTS-2010 standard) in locations where the facility of ECS/RECS is available. RBI has therefore, advised banks to adhere to the following instructions with immediate effect:

(i) No fresh/additional Post Dated Cheques (PDC)/Equated Monthly Installment (EMI) cheques (either in old format or new CTS-2010 format) shall be accepted in locations where the facility of ECS/RECS (Debit) is available. The existing PDCs/EMI cheques in such locations may be converted into ECS/RECS (Debit) by obtaining fresh ECS (Debit) mandates.

(ii) Section 25 of the Payment and Settlement Systems Act, 2007 accords the same rights and remedies to the payee (beneficiary) against dishonour of electronic funds transfer instructions under insufficiency of funds as are available under Section 138 of the Negotiable Instruments Act, 1881. Considering the protection available, there is no need for banks to take additional cheques, if any, from customers in addition to ECS (Debit) mandates.

(iii) Cheques complying with CTS-2010 standard formats shall alone be obtained in locations, where the facility of ECS/RECS is not available.

The above instructions are issued under section 18 of the Payment and Settlement Systems Act 2007 (Act 51 of 2007).

Credit Information Companies (Regulation) Act,

In terms of Section 15(1) of Credit Information Companies (Regulation) Act 2005, every credit institution has to become a member of at least one Credit Information Company within a period of three months from commencement of the Act or any extended time allowed by the Reserve Bank on application. As RRBs are also credit institutions, they would be required to take membership of at least one credit information company and provide credit data in the format as required by the Credit Information Company (CIC).

KYC NORMS - SIMPLIFYING NORMS FOR PERIODICAL UPDATION OF KYC

Extant Guidelines: Banks should introduce a system of periodical updation of customer identification data (including photograph/s) after the account is opened. The periodicity of such updation should not be less than once in five years in the case of low risk category customers and not less than once in two years in case of high and medium risk categories.

Revised Guidelines: In view of practical difficulties/ constraints expressed by bankers/ customers in obtaining/ submitting fresh KYC documents at frequent intervals as the relative documents submitted earlier specially by low-risk customers have remained unchanged in most of the accounts, RBI has amended the instructions as under:

a) Banks would need to continue to carry out on-going due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the client, his business and risk profile and, wherever necessary, the source of funds.

b) Full KYC exercise will be required to be done at least every two years for high risk individuals and entities.

c) Full KYC exercise will be required to be done at least every ten years for low risk and at least every eight years for medium risk individuals and entities.

d) Positive confirmation (obtaining KYC related updates through e-mail/letter/telephonic conversation/forms/ visits/ interviews etc.), will be required to be completed at least every two years for medium risk and at least every three years for low risk individuals and entities.

e) Fresh photographs will be required to be obtained from minor customer on becoming major.

Realisation and Repatriation of export proceeds

As per RBI circular dated November 20, 2012, the period for realization and repatriation to India, of the amount representing the full value of goods or software exported, was enhanced from six months to twelve months from the date of export up to March 31, 2013. Further, as per Circular dated May 20, 2013, the above stated realization period was brought from twelve months to nine months from the date of export valid till September 30, 2013.

RBI has now clarified that as the realization and repatriation period stipulation as per Circular dated November 20, 2012 was valid till March 31, 2013 only, the time period for realization and repatriation of export proceeds from April 01, 2013 onwards till September 30, 2013, shall be reckoned as nine months from the date of export.

Maintenance of SLR – Marginal Standing Facility

As per RBI guidelines dated April 17, 2012, Scheduled Commercial Banks (SCBs) may borrow overnight up to 2 per cent of their respective Net Demand and Time Liabilities (NDTL) under the Marginal Standing Facility (MSF) Scheme against their excess SLR holdings. Additionally, they can also avail funds on overnight basis below the stipulated SLR up to two per cent of their respective Net Demand and Time Liabilities (NDTL) outstanding at the end of second preceding fortnight. With a view to enabling banks to meet the liquidity requirements of mutual funds under the RBI's Special Repo Window announced on July 17, 2013, RBI has decided to raise the borrowing limit below the stipulated SLR requirement under the MSF from 2 per cent of NDTL to 2.5 per cent of NDTL. The higher MSF limit of 0.5 per cent of NDTL will be available only for the Special Repo Window. This additional limit will be available for a temporary period until further notice.

ECB Policy – Review of all-in-cost ceiling

All-in-cost ceiling shall continue to be 350 basis points over 6 months LIBOR for borrowings of maturity of three years and up to 5 years and 500 basis points over 6 month LIBOR for borrowings of more than five year maturity. This condition will continue to be applicable till Sept 30, 2013.

IMPORT OF GOLD BY NOMINATED BANKS/ AGENCIES/ENTITIES

In the month of May and June 2013, RBI imposed certain restrictions on the import of various forms of gold by nominated banks/nominated agencies/ premier or star trading houses/SEZ units/EoUs which have been permitted to import gold for use in the domestic sector. None of these restrictions was applicable to import of gold for the purpose of exports or to import of gold by units in SEZ exclusively for the purposes of exports.

RBI has now rationalized the import of gold in any form/purity including import of gold coins/dore into the country as per following guidelines:

a) It shall be incumbent on all nominated banks/nominated agencies to ensure that at least one fifth of every lot of import of gold (in any form/purity including import of gold coins/dore) is exclusively made available for the purpose of export. Such imports shall be linked to financing of exporters by the nominated agencies (i.e. average of last three years or any one year whichever is higher). Further, they shall make available gold in any form for domestic use only to entities engaged in jewellery business/bullion dealers supplying gold to jewellers.

b) They will be required to retain 20 per cent of the imported quantity in the customs bonded warehouses.

c) They are permitted to undertake fresh imports of gold only after the exports have taken place to the extent of at least 75 per cent of gold remaining in the customs bonded warehouse.

d) Any import of gold under any type of scheme, shall follow the 20/80 principle set out at (a) and (b) above. The extant instructions, as regards import of gold on consignment basis, LC restrictions etc. stand withdrawn.

e) Head Offices of nominated agencies / International Banking Divisions of banks would be responsible for monitoring operations of the revised scheme taking into account transactions put through different centres.

f) The above instructions will come into force with effect from July 22, 2013.

Entities/units in the SEZ and EoUs, Premier and Star trading houses are permitted to import gold exclusively for the purpose of exports only.

A working example of the operation of the scheme envisaged in terms of the present instructions is given below:

(a) Nominated agency ABC imports say 100 kg of gold in any form/purity.

(b) Out of the above, import of 100 kg, 20 kg gold held in the bonded warehouse can be got released in part or full to be sold to exporters of gold against undertaking to customs authorities as is the practice now.

(c) Any further import of gold by ABC shall be permitted by the customs authorities only to the extent of actual export out of 20 kg of gold held in bonded warehouse. This can happen only after at least 15 kg of gold out of 20 kg is actually exported from the previous lot.

(d) If ABC wants to place order for the second lot of import, only 75 kg of import (including 15 kg for exports) will be permitted which will again follow the procedure outlined above. At this stage, total gold with the bonded warehouse meant for the exporter will be (5 + 15) i.e. 20 kg. Out of this at least 15 kg (i.e. 75% of the above 20 kgs) will have to be actually exported to enable ABC to import again. This procedure will be followed for every lot of import.

(e) If for any reason, ABC is not able to channelize the gold held in bonded warehouse for exports, no further imports can be undertaken by ABC who will also arrange for re export of the gold in the bonded warehouse.

SPECIAL REPO WINDOW FOR LIQUIDITY REQUIREMENT OF MUTUAL FUNDS

Reserve Bank of India will be opening a Special Repo window for a notified amount of Rs. 25,000 crore with a view to enabling banks to meet the liquidity requirement of mutual funds. The special repo window will be in addition to the repo/reverse repo auctions conducted under the Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) available to the scheduled commercial banks (excluding RRBs).

The tenor of the special repo will be three days (excluding the intervening Saturdays and holidays). The rate of interest on amount availed under the special repo will be 10.25 per cent.

The first special repo operation for 3-days will be conducted on July 18, 2013 (Thursday) between 2.30PM and 3.00PM with reversal on July 23, 2013 (Tuesday). The second special repo operation will be conducted on July 23, 2013 with reversal on July 26, 2013 (Friday). Subsequent operations will be conducted accordingly at interval of three days (excluding the intervening Saturdays and holidays). The eligible banks may place their bids electronically on the CBS platform during the time bidding window is kept open. The bidding process, settlement and reversal of special repo would be similar to the existing system being followed in case of LAF-Repo and MSF. The total allocation of funds under the special repo will be limited to Rs.25,000 crore. Accordingly, the allocation to individual banks will be made in proportion to their bids, subject to the overall ceiling. The funds availed under this facility should be used exclusively for meeting the liquidity requirements of mutual funds. Banks availing the additional liquidity support through the special repo window can seek waiver of penal interest for any shortfall in maintenance of SLR up to 0.5 per cent of their NDTL. This waiver will be available to banks in addition to the two per cent waiver allowed under MSF.

Unsolicited Commercial Communications National Customer Preference Register (NCPR)

As per extant RBI guidelines, banks should employ only those DMAs/ DSAs / call centres who are registered as telemarketers with DoT, Govt. of India, as per Telecom Regulatory Authority of India (TRAI) Regulations, 2007 for the purpose of soliciting or promoting any commercial transaction.

2. As per the "Telecom Commercial Communications Customer Preference Regulations, 2010" issued by TRAI, any person involved in sending of commercial communications has to register with TRAI as a telemarketer. It has, however, been brought to our notice that many banks, financial institutions as also their franchisees are engaging telemarketers who are not registered with TRAI, for marketing their services and these unregistered telemarketers use their normal telephone connections for making commercial calls to customers registered in the National Customer Preference Register. This is resulting in a lot of customer grievance.

3. RBI has again advised that banks should engage only those telemarketers who are registered in terms of the guidelines issued by TRAI, from time to time, for all their promotional/ telemarketing activities.

STANDARDIZATION AND ENHANCEMENT OF SECURITY FEATURES IN CHEQUE FORMS MIGRATING TO CTS 2010 STANDARDS

As per extant guidelines, the timeline for withdrawal of residual non-CTS-2010 standard cheques was extended up to July 31, 2013 subject to a review in June 2013. Since there is still a large volume of non-CTS-2010 format cheques being presented in image-based clearing, RBI has decided to put in place the following arrangements for clearing of residual non-CTS-2010 standard cheques:

(a) Separate clearing session will be introduced in the three CTS centers (Mumbai, Chennai and New Delhi) for clearing of such residual non-CTS 2010 instruments (including PDC and EMI cheques) with effect from January 1, 2014. This separate clearing session will initially operate thrice a week (Monday, Wednesday and Friday) up to April 30, 2014. Thereafter, the frequency of such separate sessions will be reduced to twice a week up to October 31, 2014 (Monday and Friday) and further to weekly once (every Monday) from November 1, 2014 onwards. If the identified day for clearing non-CTS-2010 instruments falls on a holiday under the Negotiable Instruments Act, 1881, presentation session on such occasions will be conducted on the previous working day. Operational instructions in this regard will be issued separately by the CTS centers.

(b) Upon the commencement of special session for non-CTS-2010 standard instruments, drawee banks will return the non-CTS-2010 instruments, if any, presented in the regular CTS clearing, under the reason code '37-Present in proper zone'. Such returned instruments will have to be re-presented by the collecting bank in the immediate next special clearing session for non-CTS-2010 instruments.

(c) Banks may educate and notify their customers of the likely delay in realisation of non-CTS-2010 standard instruments in view of proposed arrangement for clearing of such instruments at less frequent intervals. Banks' Cheque Collection Policies (CCPs) may also be modified suitably to reflect this change. They shall also put in place appropriate arrangement for handling customer complaints, if any, arising out of this new arrangement.

(d) Banks can continue to present such non-CTS-2010 instruments in Express Cheque Clearing System (ECCS) centres and MICR CPCs till such time the CPCs are in operation.

(e) During the transition period (i.e. up to December 31, 2013), the existing clearing arrangements will continue and all cheque issuing banks are advised to make efforts to withdraw the non-CTS-2010 Standard Cheques in circulation.

(f) The volume of instruments processed in the three CTS Centers in all clearing sessions will be monitored with respect to the non-CTS-2010 instruments presented by banks. RBI may consider levying penalty on drawee banks (and presenting banks where necessary) which violate the instructions issued under the Payment and Settlement Systems Act, 2007.

(g) All cheques issued by banks (including DDs / POs issued by banks) shall conform to CTS-2010 standard.

(h) Banks shall not charge their savings bank account customers for issuance of CTS-2010 standard cheques when they are issued for the first time. However, banks may continue to follow their existing policy regarding cheque book issuance for additional issuance of cheques, in adherence to their accepted Fair Practices Code.

DIRECT BENEFIT TRANSFER (DBT) SCHEME

With a view to facilitate seamless rollout of Aadhaar based direct benefit transfer of Government benefits including LPG subsidy, RBI has advised banks to follow the instructions given below:

(a) take steps to complete account opening and seeding Aadhaar number in all the DBT districts.

(b) closely monitor the progress in seeding of Aadhaar number in bank accounts of beneficiaries.

(c) put in place a system to provide acknowledgement to the beneficiary of seeding request and also send confirmation of seeding of Aadhaar number.

(d) form DBT Implementation Co-ordination Committee, along with State Government department concerned, at district level and review the seeding of Aadhaar number in bank accounts.

(e) ensure that district and village wise names and other details of business correspondents (BCs) engaged/other arrangements made by the bank is displayed on the SLBC website.

(f) set up a Complaint Grievance Redressal mechanism in each bank and nominate a Complaint Redressal Officer in each district, to redress the grievances related to 'seeding of Aadhaar number in bank accounts'.

REFINANCING / RESCHEDULING OF ECB

Earlier, existing ECB were allowed to be refinanced by raising a fresh ECB subject to the condition that the fresh ECB was raised at a lower all-in-cost. However, RBI, vide Circular dated April 20, 2012, advised that the borrowers desirous of refinancing an existing ECB can raise fresh ECB at a higher all-in-cost/reschedule an existing ECB at a higher all-in-cost under the approval route subject to the condition that the enhanced all-in-cost does not exceed the all-in-cost ceiling prescribed as per the extant guidelines. RBI has now advised that this relaxation will continue to be applicable till September 30, 2013.

Trade Credits for Imports into India
Review of all-in-cost ceiling

All in cost ceiling (including arranger fee, upfront fee, management fee, handling/ processing charges, out of pocket and legal expenses, if any) for trade credits for imports into India up to three years will continue to be 350 basis points over 6 months LIBOR for the respective currency of credit or applicable benchmark up to September 30, 2013. Further, for availment of trade credit, the period of trade credit should be linked to the operating cycle and trade transaction.

KYC NORMS

1. RBI has observed that banks are not carrying out customer due diligence and maintaining details of records, as required under Know Your Customer /Anti Money Laundering /Combating Financing of Terrorism guidelines, while marketing and distributing third party products as agents. Further, banks are not filing Cash Transaction Reports (CTRs) or Suspicious Transaction Reports (STRs) in such cases, wherever required. Recent investigations by RBI have shown that these guidelines have been violated, particularly in the case of walk-in customers. Therefore, RBI has reiterated the following guidelines on KYC:

(a) Banks are required to have in place a KYC policy, which includes, among other things, customer acceptance policy and customer identification procedures. Quoting of PAN number is mandatory while opening an account or making a time deposit exceeding Rs. 50,000 and any person who has not been allotted a PAN number shall make a declaration in Form No. 60/61.

(b) A customer means "a person or entity that maintains an account and/or has a business relationship with the bank" and "any person or entity connected with a financial transaction which can pose significant reputational or other risks to the bank, say, a wire transfer or issue of a high value demand draft as a single transaction". Further, in case of transactions carried out by a non-account based customer, that is a walk-in customer, where the amount of transaction is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, the customer's identity and address should be verified. However, if a bank has reason to believe that a customer (account based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of Rs.50,000/- the bank should verify the identity and address of the customer and also consider filing a suspicious transaction report (STR) to FIU-IND. Banks and financial institutions are required to verify the identity of the customers for all international money transfer operations.

BRIEF PROFILE OF EDITOR SHRI A. K. GUPTA

1. Shri A.K. Gupta is a post graduate in commerce, LL.B, CAIIB, PG Dip in Personnel Management and IR, PG Dip in Marketing and Management, PG Diploma in Training and Development, Cert in Industrial Finance;
2. Ex- Chief Manager, Punjab National Bank with an experience of more than 28 years as a banker;
3. Experience of more than 12 years in training in the bank's training college (Principal for 5 years); helped thousands of bankers in their banking career;
4. Has been examiner with Indian Institute of Banking & Finance (IIBF, Mumbai) for about 5 years;
5. Remained associated with number of management institutions at MBA level including Masters of Finance, University of Delhi, International Management Institute Conducted programmes in the area of Asset Liability Management and Credit risk management for top management executives in the rank of Chief General Manager/General Manager/DGM/ AGMs of SIDBI, Central Bank of India, Dena Bank, Punjab & Sind Bank
6. Was a student of University of Manchester for 3 months for an advanced programme in Development Banking.

(c) Banks should ensure that any remittance of funds and issue of travellers' cheques for value of Rs. 50,000/- and above is effected by debit to the customer's account or against cheques. The applicants (whether customers or not) for the above transactions for amount exceeding Rs. 50,000 should affix PAN number on the applications. This instruction, is also applicable to purchase of gold/silver/platinum by customers for Rs. 50,000 and above.

(d) Banks are required to file Cash Transaction Reports (CTRs) and Suspicious Transaction Reports (STRs), wherever required (i.e. structuring a transaction into a series of transactions below the threshold limit).

(e) Banks are required to put in place appropriate software to throw alerts when the transactions are inconsistent with risk categorisation and updated profile of customers. Further, a robust software throwing alerts is essential for effective identification and reporting of suspicious transactions.

(f) Banks should maintain proper record of transactions in compliance with the relative legal requirements.

(g) In terms of Rule 114B of the Income Tax Rules, every person shall quote his PAN number in all documents pertaining to various transactions listed in the Rules, which includes, deposit in cash aggregating fifty thousand rupees or more with a bank during any one day.

2. A number of banks were found to have violated the above instructions. Illustrative instances are given below:

(a) Walk-in customers' identity and address were not verified where cash transactions exceeded Rs. 50,000 in the sale of insurance products/third party products.

(b) In many cases, demand draft/ gold coins/ third party products were issued/ sold to customers/ walk-in customers against cash in excess of Rs. 50,000.

(c) Banks were not verifying the identity and address of the walk-in customer or filing CTR/STR to FIU-IND even when there was reason to believe that the customer was intentionally structuring cash transactions below Rs. 50,000/- in order to avoid reporting or monitoring.

(d) Non-filing of CTR/STR was also observed in the case of account based customers who were intentionally structuring cash transactions below Rs. 50,000/- in order to avoid reporting or monitoring.

(e) PAN number/Form 60/61 was not being obtained in the case of transactions of Rs. 50,000 and above. In some cases, dummy/fictitious PAN numbers were being quoted.

(f) The software in use at some banks was not capable of capturing cash deposited by walk-in customers parked in internal accounts like sundry deposit account, cash collection account, etc., pending transfer to appropriate accounting heads, sale of gold/silver/platinum and third party products, so as to generate alerts for filing the CTR/STR.

(g) Some banks were not maintaining records in respect of walk-in customers.

3. RBI has advised that banks should meticulously follow the instructions in letter and spirit and ensure that violations of the above nature do not recur. Further, when banks sell third party products as agents, the responsibility for ensuring compliance with KYC/AML/CFT regulations lies with the third party. However, to mitigate reputational risk to banks and to enable a holistic view of a customer's transactions, banks are advised to follow the instructions given below:

(a) Even while selling third party products as agents, banks should verify the identity and address of the walk-in customer.

(b) Banks should also maintain transaction details with regard to sale of third party products and related records for specified period.

(c) Banks' AML software should be able to capture, generate and analyse alerts for the purpose of filing CTR/STR in respect of transactions relating to third party products with customers including walk-in customers.

(d) The instructions to make payment by debit to customers' accounts or against cheques for remittance of funds/issue of travellers' cheques, sale of gold/silver/ platinum and the requirement of quoting PAN number for transactions of Rs. 50,000 and above, would also be applicable to sale of third party products by banks as agents to customers, including walk-in customers.

The above instructions in respect of third party products would also apply to sale of banks' own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product above the threshold of Rs. 50,000/-.

4. Banks should verify the PAN numbers given by the account based as well as walk-in customers. Concurrent/Internal auditor should specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed. The compliance in this regard should be put up before the Audit Committee of the Board on quarterly intervals.

5. The AML software in use at banks needs to be comprehensive and robust enough to capture all cash and other transactions, including those relating to walk-in customers, sale of gold/silver/platinum, payment of dues of credit cards/reloading of prepaid/travel cards, third party products, and transactions involving internal accounts of the bank. The utility of the CTR/STR alerts for risk categorisation of customers should also be examined.

6. Banks should ensure that their audit machinery is staffed adequately with individuals who are well-versed in KYC policies and procedures. Banks are expected to ensure that all KYC/AML/CFT related processes, especially scrutiny and analysis of suspicious transaction alerts, are adequately staffed with individuals conversant with KYC/AML/CFT regulation and procedures.

ECB Policy - Repayment of Rupee loans and/or fresh Rupee capital expenditure – USD 10 billion Scheme

As per the extant guidelines, Indian companies in the manufacturing, infrastructure sector and hotel sector, which are consistent foreign exchange earners, are allowed to avail of ECB for repayment of outstanding Rupee loan(s) availed of from the domestic banking system and / or for fresh Rupee capital expenditure under the Approval Route.

RBI has now decided to extend the benefit of USD 10 billion scheme to Indian companies in the aforesaid sectors which have established Joint Venture (JV) / Wholly Owned Subsidiary (WOS) / have acquired assets overseas in compliance with extant regulations under FEMA, 1999 subject to the conditions as under:

(a) ECB can be availed of for repayment of all term loans having average residual maturity of 5 years and above / credit facilities availed of by Indian companies from domestic banks for overseas investment in JV/WOS, in addition to 'Capital Expenditure';

(b) ECB can be availed of within the scheme based on the higher of 75 per cent of the average foreign exchange earnings realized during the past three financial years and / or 75 per cent of the assessment made about the average of foreign exchange earnings potential for the next three financial years of the Indian companies from the JV / WOS / assets abroad as certified by Statutory Auditors / Chartered Accountant / Certified Public Accountant / Category I Merchant Banker registered with SEBI / an Investment Banker outside India registered with the appropriate regulatory authority in the host country;

(c) ECB availed of under the scheme will have to be repaid out of forex earnings from the overseas JV / WOS / assets.

4. The past earnings in the form of dividend/repatriated profit/ other forex inflows like royalty, technical know-how, fee, etc from overseas JV/WOS/assets will be reckoned as foreign exchange earnings for the purpose of US$ 10 billion scheme.

RISK MANAGEMENT AND INTER BANK DEALINGS

On a review of the evolving market conditions, RBI has decided that banks should not carry out any proprietary trading in the currency futures / exchange traded currency options markets. In other words, any transaction by the AD Category – I banks in these markets will have to be necessarily on behalf of their clients.

RISK MANAGEMENT AND INTER-BANK DEALINGS

As per extant guidelines on "Comprehensive Guidelines on Over the Counter (OTC) Foreign Exchange Derivatives and Overseas Hedging of Commodity Price and Freight Risks", banks are required to submit a quarterly statement in prescribed format, on foreign currency exposures and hedges undertaken by corporates based on bank's books.

RBI has now decided that banks should submit the above quarterly report as per the revised format online only from quarter ended September 2013 through the Extensible Business Reporting Language (XBRL) system.

Lead Bank Responsibility in Metropolitan Areas

RBI has decided to bring all districts in metropolitan areas under the fold of the lead bank scheme. Accordingly, RBI has decided to assign the lead bank responsibility in districts of Metropolitan areas of Delhi, Mumbai, Chennai, Kolkata and Hyderabad as detailed below:-

SR No.	Name of the Metro Centre	Name of the District	Lead Bank Responsibility assigned to
1	Delhi	New Delhi	Canara Bank
2	Delhi	Central Delhi	Canara Bank
3	Delhi	North Delhi	Oriental Bank of Commerce
4	Delhi	North West Delhi	Punjab National Bank
5	Delhi	West Delhi	Canara Bank
6	Delhi	South West Delhi	State Bank of India
7	Delhi	South Delhi	State Bank of India
8	Delhi	North East Delhi	Punjab National Bank
9	Delhi	East Delhi	Punjab National Bank
10	Delhi	South East Delhi	State Bank of India
11	Delhi	Shahdara	Bank of Baroda
12	Mumbai	Mumbai City	Bank of India
13	Mumbai	Mumbai Suburb	Bank of India
14	Chennai	Chennai	Indian Overseas Bank
15	Kolkata	Kolkata	State Bank of India
16	Hyderabad	Hyderabad	State Bank of Hyderabad

First Quarter Review of Monetary Policy 2013-14

Monetary and Liquidity Measures:
1. CRR unchanged at 4% of NDTL
2. SLR unchanged at 23%
3. Repo Rate unchanged at 7.25%
4. Reverse Repo Rate unchanged at 6.25%
5. Bank Rate unchanged at 10.25%
6. Marginal Standing Facility Rate unchanged at 10.25%

Considerations Behind the Policy Move:
(a) Need for continuous vigil and preparedness to pro-actively respond to risks to the economy from external developments, especially those stemming from global financial markets;
(b) Managing the trade-off posed by increased downside risks to growth and continuing risks to inflation and inflation expectations.

Monetary Policy Stance
(a) to address the risks to macroeconomic stability from external shocks;
(b) to continue to address the heightened risks to growth;
(c) to guard against re-emergence of inflation pressures;
(d) to manage liquidity conditions to ensure adequate credit flow to the productive sectors of the economy.

Global Economy: Global growth has been uneven and slower than initially expected. In advanced economies (AEs), activity has weakened. Emerging and developing economies (EDEs) are slowing, and are also experiencing sell-offs in their financial markets, largely due to the safe haven flight of capital. Market expectations of Quantitative Easing taper and the consequent increase in real interest rates in the US have translated into a rapid appreciation of the US dollar and consequent depreciation of EDE currencies. Commodity prices have generally softened, but the price of crude remains elevated.

Indian Economy:

GDP: Economic activity weakened in the first quarter of this year. Industrial production remained muted at 0.1 per cent during April-May; in May, there was an absolute decline of 1.6 per cent spread across all constituent sub-sectors, barring electricity generation. Capital goods production continues to contract, reflecting deteriorating investment conditions. The persisting weakness in industrial activity has heightened the risks to growth. Moreover, global growth has been tepid, with consequent adverse spillovers on India's exports, manufacturing and services. On the basis of the above considerations, the growth projection for the current year is revised downwards, from 5.7 per cent to 5.5 per cent.

Inflation: Headline inflation, as measured by the wholesale price index (WPI), edged up slightly to 4.9 per cent in June after declining for five months on a clip. The pickup was mainly driven by a spurt in food inflation, especially in respect of vegetables and cereals. Non-food manufactured products inflation fell to 2.0 per cent in June, the lowest since December 2009. Retail inflation, as measured by the new series of Consumer Price Index (CPI), had moderated somewhat during April-May, but it surged close to double digits in June, driven primarily by a sharp increase in food prices. Keeping in view the domestic demand-supply balance, the outlook for global commodity prices and on the expectation of monsoon, RBI will endeavour to condition the evolution of inflation to a level of 5% by March 2014.

Monetary and Liquidity Conditions: M3 growth projection for the current year has been retained at 13.0 per cent and aggregate deposit growth at 14.0 per cent. Non-food credit of scheduled commercial banks (SCBs) is projected to grow at 15.0 per cent. As always, these numbers are indicative projections and not targets.

Risk Factors

(a) The biggest risk to the macroeconomic outlook stems from the external sector. The rupee depreciated in nominal terms by as much as 5.8 per cent between May 22 and July 26, consequent on sudden stop and reversal of capital flows in reaction to the prospective change in the US monetary policy stance. India is dependent on external flows for financing current account deficit. India will, therefore, remain vulnerable to confidence and sentiment in the global financial markets.

(b) India has been running a large current account deficit. The CAD has been well above the sustainable level of 2.5 per cent of GDP for three years in a row. It has brought the external payments situation under increased stress, reflecting rising external indebtedness and the attendant burden of servicing external liabilities. Furthermore, the growing vulnerability in the external sector reinforces the importance of credible fiscal consolidation with accent on both the quantum and quality of adjustment.

(c) The investment climate remains weak and risk aversion continues to stall investment plans. The outlook for investment is inhibited by cost and time overruns, high leverage, deteriorating cash flows, erosion of asset quality and muted credit confidence.

(d) An environment of low and stable inflation and well-anchored inflation expectations is necessary to sustain growth in the medium-term. Therefore, it is critical to ease the supply constraints in the economy, particularly in the food and infrastructure sectors. Without policy efforts to address the deterioration in productivity and competitiveness, the pressures from wage increases and upward revisions in administered prices could weaken growth even further and exacerbate inflation pressures.

Guidance: The monetary policy stance over the last two years has predominantly been shaped by the growth-inflation dynamic, even as external sector concerns have had a growing influence on policy calibration over the last one year. The current situation – moderating wholesale price inflation, prospects of softening of food inflation consequent on a robust monsoon, and decelerating growth – would have provided a reasonable case for continuing on the easing stance. However, RBI had to take the liquidity tightening measures to check undue volatility in the foreign exchange market. They will be rolled back in a calibrated manner as stability is restored to the foreign exchange market, enabling monetary policy to revert to supporting growth with continuing vigil on inflation.

Issue of Rs 5 coins to commemorate the occasion of "150th Birth Anniversary of Swami Vivekananda"
The Government of India has minted the above mentioned coins which the Reserve Bank of India will shortly put into circulation.

Issue of Rs 5 coins to commemorate the occasion of "60th year of India Government Mint, Kolkata"
The Government of India has minted the above mentioned coins which the Reserve Bank of India will shortly put into circulation.

COUNTERFEIT NOTES

Authority to Impound Counterfeit Notes: The Counterfeit Notes can be impounded by- (i) All branches of Public Sector Banks; (ii) All branches of Private Sector Banks and Foreign Banks; (iii) All branches of Co-operative Banks & Regional Rural Banks; (iv) All Treasuries and Sub-Treasuries; (v) Issue Offices of Reserve Bank of India.

Detection of counterfeit notes: Detection of counterfeit notes should be at the back office / currency chest only. Banknotes when tendered over the counters may be checked for arithmetical accuracy and other deficiencies like whether there are mutilated notes, and appropriate credit passed on to the account or value in exchange given. Thereafter the notes should be passed over to the back office / currency chest, as the case may be, for detailed verification and authentication through machines. The banknotes categorized as suspect during machine processing should be subjected to manual verification for checking their authenticity.

In no case, the counterfeit notes should be returned to the tenderer or destroyed by the bank branches / treasuries. Failure of the banks to impound counterfeit notes detected at their end will be construed as willful involvement of the bank concerned, in circulating counterfeit notes and penalty will be imposed for violation of Directive issued by the Reserve Bank.

Impounding of counterfeit notes: The notes identified as counterfeit should be kept separately with proper impounding stamp. Details of each impounded note should be recorded under authentication in a separate register.

Issue of Receipt to Tenderer: There will not be any requirement to issue acknowledgement to the tenderer. Notice to this effect should be displayed prominently at the offices / branches for the information of the public.

Detection of Counterfeit Notes - Reporting to Police and other bodies: A counterfeit note detected in the cash received by the bank branch/Treasury, across the counter shall be impounded as stated above. Thereafter, the following procedure should be followed while reporting incidence of detection of counterfeit noteto the Police:

(i) For cases of detection of counterfeit notes upto 4 pieces, in a single transaction, a consolidated report should be sent by the Nodal Bank Officer to the police authorities or the Nodal Police Station, along with the suspect counterfeit notes, at the end of the month.

(ii) For cases of detection of counterfeit notes of 5 or more pieces, in a single transaction, the counterfeit notes should be forwarded by the Nodal Bank Officer to the local police authorities or the Nodal Police Station for investigation by filing FIR.

A copy of the monthly consolidated report / FIR shall be sent to the Forged Note Vigilance Cell constituted at the Head Office of the bank(only in the case of banks), and in the case of the treasury, it should be sent to the Issue Office of the Reserve Bank concerned.

Acknowledgement of the police authorities concerned has to be obtained for note/s forwarded to them both as consolidated monthly statement and FIR. If the counterfeit notes are sent to the police by insured post, acknowledgement of receipt thereof by the police should be invariably obtained and kept on record. In case, any difficulty is faced by the Offices / Branches due to reluctance of the police to receive monthly consolidate statement / file FIRs, the matter may be sorted out in consultation with the Nodal Officer of the police authority designated to coordinate matters relating to investigation of counterfeit banknotes cases. The list of Nodal Police Station may be obtained from the respective Regional Office of Reserve Bank.

Banks should also monitor the patterns / trends of such detection and suspicious trends / patterns should be brought to the notice of RBI /Police authorities immediately.

The progress made by banks in detection and reporting of counterfeit notes to Police, RBI, etc. and problems thereof, should be discussed regularly in the meetings of various State Level Committees viz. State Level Bankers' Committee (SLBC), Standing Committee on Currency Management (SCCM), State Level Security Committee (SLSC), etc.

The data on detection of counterfeit Indian notes at bank branches & treasuries should be included in the monthly Returns forwarded to the Reserve Bank Issue Offices.

The definition of 'counterfeiting' in the Indian Penal Code covers currency notes issued by a foreign government authority as well. In case of suspected foreign currency note received for opinion from the police and government agencies, etc., they should be advised to forward the case to the Interpol Wing of the CBI, New Delhi after prior consultation with them.

Examination of the Banknotes before Issuing over Counters, Feeding ATMs and Remitting to Issue Offices of the Reserve Bank:

The banks should re-align their cash management in such a manner so as to ensure that cash receipts in the denominations of Rs 100 and above are not put into re-circulation without the notes being machine processed for authenticity. The said instructions shall be applicable to all bank branches, irrespective of the volume of daily cash receipt.

In order to obviate complaints regarding receipt of counterfeit notes through ATMs, and to curb circulation of counterfeits, it is imperative to put in place adequate safeguards/checks before loading ATMs with notes. Dispensation of counterfeit notes through the ATMs would be construed as an attempt to circulate the counterfeit notes by the bank concerned.

Detection of counterfeits in chest remittances is also liable to be construed as wilful involvement of the chest branches concerned in circulating Counterfeit Notes and may attract special investigation by police authorities, and other action like suspending the operation of the chest concerned.

Reserve Bank may consider the option of levying higher penal interest/penalties for the amount of forged notes detected in the chest remittances by RBI or during inspection.

Designating Nodal Bank Officer: Each bank should designate Nodal Bank Officer, district-wise and notify the same to the concerned Regional Office of RBI and Police Authorities. All cases of reporting of counterfeit note detection should be through the Nodal Bank Officer. The Nodal Bank Officer will also serve as the contact point for all counterfeit note detection related activities.

Establishment of Forged Notes Vigilance Cell at Head Office of Bank: Each bank shall establish at its Head Office, a Forged Note Vigilance Cell to undertake the following functions:

(i) Dissemination of instructions issued by the Reserve Bank on counterfeit notes to bank's branches. Monitoring the implementation of these instructions. Compilation of data on detection of counterfeit notes, and its submission to Reserve Bank and FIU-IND. Follow-up of cases of counterfeit notes, with police authorities / designated nodal officer.

(ii) Sharing of the information thus compiled with bank's CVO and report to him / her all cases of acceptance / issue of counterfeit notes over the counters.

(iii) Conducting periodic surprise checks at currency chests where shortages/ defective /counterfeit notes etc. are detected.

(iv) Ensuring operation of Note Sorting Machines of appropriate capacity at all the currency chests and closely monitoring the detection of Counterfeit Notes at currency chest branches and maintaining the record of the same.

(v) Ensuring that only properly sorted and machine examined banknotes are fed into the ATMs / issued over the counters and to put in place adequate safeguards, including surprise checks, both during the processing and in transit of notes.

Forged Note Vigilance Cell shall submit status report on a quarterly basis covering the aforesaid aspects to central office of RBI, and to Regional office of Reserve Bank under whose jurisdiction the FNV Cell is functioning, within a fortnight from the conclusion of the quarter under report. The said report should be sent by mail. No hard copy need be sent.

<u>Provision of Ultra-Violet Lamp and Other Infrastructure</u>: With a view to facilitating the detection of counterfeit notes, all bank branches / identified back offices should be equipped with ultra-violet lamps / other appropriate banknote sorting / detection machines. In addition, all currency chest branches should be equipped with verification, processing and sorting machines and should be used to their optimum capacity. Such machines should conform to the guidelines on 'Note Authentication and Fitness Sorting Parameters' prescribed by the Reserve Bank.

The banks shall maintain a daily record of the notes processed through the Note Sorting machines, including the number of counterfeits detected.

The banks should also consider providing at least one counting machine (with dual display facility) for public use at the counter.

<u>Reporting of Data to RBI:</u>

I <u>By Banks</u>: Data on counterfeit notes detected by all the branches of the bank shall be reported in the prescribed format, on a monthly Basis. A statement showing the details of counterfeit notes detected in the bank branches during the month shall be compiled and forwarded to the Issue Office of Reserve Bank concerned so as to reach them by 7th of the next month. Bank branches need not report the data to NCRB.

Principal Officers of banks are also required to report information on cash transactions where forged notes have been used as genuine note to The Director, FIU-IND, Financial Intelligence Unit- India, within seven working days. A "nil "report may be sent in case no counterfeit has been detected during the month.

II <u>By Forged Note Vigilance Cell of Bank</u>: Forged Note Vigilance Cell set up at the Head Office of the bank (other than Cooperative and Regional Rural Banks) shall submit a monthly Return reflecting data on banknotes processed (Rs 100 and above), counterfeit notes detected by the bank, on an all-India basis in a prescribed proforma.

III <u>By Co-operative Banks and Regional Rural Banks</u>: Data on Counterfeit Notes detected by branches of Co-operative Banks and Regional Rural Banks should be furnished on monthly basis to the respective Issue Office of Reserve Bank. Data on an all-India basis should be compiled at the Head Office of the bank on a monthly basis in the prescribed proforma.

<u>Compensation:</u> The banks will be compensated by RBI to the extent of 25 % of the notional value of the counterfeit notes of Rs 100 denomination and above, detected and reported to RBI and Police authorities. Claims for compensation should be made through the Forged Note Vigilance Cell of the banks in the prescribed format on a monthly basis through email within fifteen days of the succeeding month. Reimbursement will be done by RBI, Department of Currency Management, to begin with, on a quarterly basis.

<u>Preservation of Counterfeit Notes Received from Police Authorities</u>: All Counterfeit Notes received back from the police authorities/courts may be carefully preserved in the safe custody of the bank and a record thereof be maintained by the branch concerned. Forged Note Vigilance Cell of the bank shall also maintain a branch-wise consolidated record of such Counterfeit Notes.

These Counterfeit Notes at branches should be subjected to verification on a half-yearly basis (on 31st March and 30th September) by the Officer-in- Charge of the bank office concerned. They should be preserved for a period of three years from the date of receipt from the police authorities. They may thereafter be sent to the concerned Issue Office of Reserve Bank of India with full details. Counterfeit notes, which are the subject matter of litigation in the court of law should be preserved with the branch concerned for three years after conclusion of the court case.

<u>Detection of Counterfeit Notes - Training of Staff</u>: It is necessary to ensure that the cash handling staff in bank branches, currency chests, and treasuries / sub-treasuries is fully conversant with the security features of a banknote. With a view to educating the branch staff on detection of counterfeit notes, the design and security features of all the banknotes supplied to all the banks / treasuries should be prominently displayed at the branches for information of the public. The Controlling Offices / Training Centers should also organise / conduct training programmes on the security features of banknotes for members of staff to enable detection of counterfeit notes at the point of receipt itself. The banks should ensure that all bank personnel handling cash are trained on features of genuine Indian bank notes within a period of 2 years.

Penalty for violating KYC Norms

The Reserve Bank of India has imposed monetary penalty on 22 banks for violation of its instructions, among other things, on Know Your Customer/Anti Money Laundering. The amount of penalty ranged from Rs 1 crore to Rs 3.002 cr. The banks on whom the penalty was imposed inter alia included State Bank of India, Bank of Baroda, Punjab National Bank, Bank of India, Canara Bank, Central Bank of India, Kotal Mahindra Bank, Yes Bank. The penalties have been imposed in exercise of powers vested in the Reserve Bank under the provisions of Section 47(A)(1)(c) read with Section 46(4)(i) of the Banking Regulation Act, 1949.

FINANCIAL AWARENESS

SEBI GETS MORE TEETH

The **Securities Law Amendment Ordinance 2013** was promulgated on July 18, 2013 to amend the -- the Securities and Exchange Board of India (Sebi) Act, the Securities Contracts Regulation Act (SCRA) and the Depositories Act, for providing more powers to the capital markets regulator for enforcement against illegal Collective Investment Schemes and to curb insider trading.

Owing to new and innovative methods of raising funds from investors, such as art funds, time-share funds, emu /goat farming schemes, there has been regulatory gap /overlap regarding types of instruments / fund raising. At the same time, SEBI receives complaints against unapproved fund raising activities of certain companies that claim that they do not come under the purview of SEBI Collective Investment Scheme regulations. With the amendments in force now, SEBI would have powers to regulate any pooling of funds under an investment contract involving a corpus of Rs.100 Crore or more, attach assets in case of non-compliance and Chairman SEBI would have powers to authorize the carrying out of search and seizure operations, as part of efforts to crack down on ponzi schemes. Main provisions of the amending Ordinance are given below:

(1) <u>Collective Investment Schemes</u>: To tackle the growing menace of ponzi schemes being floated as Collective Investment Schemes (CIS), any money collection of Rs 100 crore or more will be classified as CIS operation. Sebi has been given powers to crack down on illegal investment schemes floated by individuals as well. Till now it had power to probe against companies. However, all government-notified schemes would be out of the Collective Investment Scheme framework.

(2) <u>Disgorgement</u>: Sebi has been given powers to pass disgorgement orders for amount equivalent to wrongful gains or to losses averted by contravention of regulations. Thus, powers have been granted to Sebi in order to recover wrongful gains made in contravention of law. The amount disgorged shall be credited to Investor Protection and Education Fund established by the Board.

(3) <u>Recovery</u>: If a person fails to pay the penalty imposed by Sebi or fails to comply with any direction for refund of money or any disgorgement orders, the recovery officer appointed by Sebi can proceed to recover such an amount. The recovery can be done through modes including attachment and sale of the person's movable or immovable properties, attachment of bank accounts, arrest of the person and his detention in prison, or appointment of a receiver for the management of the person's properties. The properties and bank accounts that can be attached would also include those transferred to the names of his spouse or minor child, or son's wife or son's minor child. These provisions would continue to apply even after attainment of majority by a minor child or son's minor child during the attachment procedures.

(4) <u>Power to seek information</u>: SEBI can seek information from other domestic and foreign regulators retrospectively from March 6, 1998. For seeking information from outside the country, Sebi can enter into an arrangement, agreement or understanding with relevant foreign authorities with the prior approval of the central government. Further, Sebi can now ask for information or records from any person, banks, authorities, boards or corporation, if the regulator is of the opinion that such details could be relevant to any investigation or inquiry being undertaken by it. Besides, SEBI would have powers to seek information, such as telephone call data records, from any persons or entities in respect to any securities transaction being investigated by it.

(5) <u>Search</u>: The regulator can now enter and search buildings, places, vessels, vehicles and aircraft of defaulters. Its officers can also break open the lock of any door, box, locker, safe almirah, etc to get information from suspected entities. Sebi can also access the documents maintained in the electronic format.

(6) <u>Special Court</u>: For speedy trial of offences under various Sebi regulations, Central Government can set up as many special courts as may be necessary. Such courts would consist of a single judge to be appointed by the central government with concurrence of the Chief Justice of the High Court within whose jurisdiction the judge to be appointed is working. The judge would need to hold the office of a Sessions Judge or an Additional Sessions Judge immediately before such appointment. Till the time a Special Court is established, any offences committed under Sebi Acts would be tried by a Session Court.

(7) <u>Settlement</u>: Any person against whom any proceedings have been or may be initiated by Sebi under certain sections, may file an application to Sebi proposing for settlement of such proceedings for the alleged defaults. After taking into account the "nature, gravity and impact of defaults", Sebi can accept or reject such a settlement on payment of an amount to be decided by the regulator, subject to various terms and conditions. However, no appeals can be made against Sebi's decision in these matters. The settlement provision has been made applicable retrospectively with effect from April 20, 2007.

Government believes that these amendments would give SEBI the legal backing to clamp down on unscrupulous entities that are using newer methods to take gullible investors for a ride.

Fraud on banks, more by the rich: According to Dr K. C. Chakrabarty, Dy Governor, RBI, an analysis of the frauds reported in the banking system over the last two decade shows that the number of frauds had not gone up significantly, but the quantum has increased manifold. The number of reported frauds in the banking system over the last 10 years was 1,76,547, and valued at Rs 31,400 crore. In the last 25 years, a mere 61 fraud cases (involving Rs 50 crore or more in each case) accounted for a whopping Rs 13,000 crore, through 208 bank accounts. Instead of transaction-related frauds (like credit/debit card, and so on), loans-related frauds are major area of concern.

Govt to extend barcoding, labelling norms to all major exports: As of now, barcoding and labelling is mandatory for export of grapes and pharma products. It would improve quality and prevent spurious goods.

IRDA bancassurance norms may be delayed: The Insurance Regulatory and Development Authority (IRDA) guidelines for tie-ups of insurance companies with banks for distribution of products may be delayed as the feedback to the regulator reflects divergent views from various stakeholders. Under the current bancassurance (distribution of insurance products through banks) model, a bank is allowed to become corporate agent of only one insurer — it can sell insurance products of one life, one general insurer and a standalone health insurer. But after becoming a broker, banks can sell products of multiple insurance companies. In the Budget, the Finance Minister had allowed banks to become insurance brokers, selling the policies of several insurance companies. According to current IRDA guidelines, a broker has to set up a separate subsidiary with a separate share capital for distribution of insurance products. However, the insurance regulator is considering amending this regulation to allow banks to distribute insurance through their existing branches without setting up a separate subsidiary. IRDA favours banks acting as brokers as banks which have a fiduciary responsibility under broking guidelines will represent the customer rather than the insurance company under the present corporate agent set-up. So, it is expected to bring down any chances of mis-selling. However, RBI believes that banks assuming the role of insurance brokers may lead to a conflict of interest. Where the bank promotes an insurance company, it may also expose the bank to reputational risks. The life insurance industry has made a representation to the insurance regulator, stating that a bank should be allowed to sell policies of five companies, with not more than 25 per cent share per insurer.

Infra debt funds thrown open to pension monies: To provide a boost to infrastructure, the PFRDA has allowed domestic pension funds to invest in infra debt funds set up as mutual funds. The decision gives IDFs much-needed access to long-term funds. The PFRDA move will also open a new investment avenue for pension fund managers and may help National Pension System (NPS) subscribers earn higher returns. Funds can be parked in the funds provided the IDFs are rated investment grade by at least two credit rating agencies.

I-T Dept letters to 35,000 non-filers: The Income-Tax Department has sent 35,000 letters to another batch of non-tax filers on July 22, urging them to disclose their true income and pay due taxes. These persons were part of the around 12 lakh non-filers identified as a result of data matching exercise. With this latest batch, the department has now issued letters in 2,10,000 high priority cases.

Net Banking Transactions: NetCore Solutions has recently launched 2FA (second factor authentication), a software that will recognise your missed call and pave your way for entry into the Net banking facility. When a customer logs into Net banking with his password, a separate screen pops up with a landline number. One has to give a missed call from their mobile to the landline number within two minutes. NetCore software receives the missed call and matches it with the customer's mobile number registered in the bank's database to provide access. NetCore clientele includes Axis Bank, ICICI Bank, Kotak Bank, IDBI Bank, Standard Chartered Bank, HDFC, IndusInd Bank and Development Credit Bank. Banking regulator Reserve Bank of India recently made it mandatory for all banks to implement 2FA for all online transactions.

To curb Re volatility, RBI tightens fund flow: The central bank on 23rd July said individual banks can tap its liquidity adjustment facility (LAF) only up to 0.5 per cent of their deposits. Given that aggregate deposits in the banking system stood at Rs 70,90,000 crore in the fortnight ended June 28, the system as a whole will be able to access from the RBI only Rs 35,450 crore a day. On July 16, the RBI had set a limit of Rs 75,000 crore on the amount banks could collectively borrow from it at 7.25 per cent interest. Before this, banks had unlimited access to funds from the RBI, provided they had excess government securities to pledge. Further, RBI has asked banks to maintain a minimum daily cash reserve ratio balance of 99 per cent of the requirement against 70 per cent earlier.

30% sourcing from SMEs not possible: Walmart has told Govt that it can at best source about 19.5 per cent from the SMEs. According to the FDI policy for multi-brand retail trading, at least 30 per cent of the value of procurement of manufactured/processed products should be sourced from Indian 'small industries'.

Corruption hurts foreign investments: According to the FICCI and E&Y report titled 'Bribery and corruption: Ground reality in India', several reports place India among the top three countries globally as an attractive investment destination, but in terms of 'ease of doing business' India still has a long way to go. Corruption invariably increases transaction costs and uncertainty in an economy while lowering efficiency by forcing entrepreneurs to divert their scarce time and money to bribery rather than production.

India winning battle against poverty: According to the new estimates of Planning Commission, the poverty ratio has declined to 21.9 per cent in 2011-12 from 37.2 per cent in 2004-05. The percentage of population below poverty line in 2011-12 has been estimated at 25.7 per cent in rural areas and 13.7 per cent in urban areas. The percentage of population below the poverty line in 2004-05 was 41.8 per cent in rural areas, 25.7 per cent in urban areas, and 37.2 per cent in the country as a whole. The new estimates, based on 2011-12 Household Consumption Expenditure estimates by the National Sample Survey Organisation, have been arrived at using the methodology suggested by the Suresh Tendulkar committee in 2009. The Tendulkar panel had redrawn the poverty line at a daily consumption expenditure of Rs 22.42 per person in rural areas and Rs 28.65 in urban areas. The new poverty line pegs daily per capita consumption expenditure at less than Rs 27.20 in villages and Rs 33.33 in cities. Now, for 2011-12, for rural areas the national poverty line using the Tendulkar methodology is estimated at Rs. 816 per capita per month and Rs. 1,000 per capita per month in urban areas. Thus, for a family of five, the all India poverty line in terms of consumption expenditure would amount to about Rs 4,080 a month in rural areas and Rs 5,000 a month in urban areas. In actual terms, there were 26.93 crore people below poverty line in 2011-12 as compared with 40.71 crore in 2004-05. The methodology used here factors in money spent on health and education besides calorie intake to fix the poverty line. The below poverty line ratio in rural areas was highest for Chhatisgarh (44.61%) and least for Goa (6.81%).

RBI tightens gold import rules: To further dampen gold imports, the Reserve Bank of India has directed nominated banks/agencies to ensure that at least 20 per cent of every lot of import is exported. Earlier, there was hike in the import duty to 8 per cent from 6 per cent in June to moderate gold demand. Unrelenting import of the yellow metal has been one of the main reasons for the rupee weakening against the dollar.

Weak rupee will stoke inflation, fiscal pressures: According to Moody's, steep depreciation of the rupee against the dollar will intensify inflationary and fiscal pressures in India. This will pose additional constraints on the monetary policy response to the current growth slowdown.

Filing I-T returns back for salaries up to Rs 5 lakh/year: According to Union Finance Ministry, the exemption provided during the last two years for assesses with annual income up to Rs 5 lakh is not being extended for assessment year 2013-14. Earlier, Govt had exempted salaried employees with total income up to Rs 5 lakh, including income from 'other sources' up to Rs 10,000, from the requirement of filing return of income for assessment years 2011-12 and 2012-13, respectively. Further, e-filing of return is compulsory for 2013-14 for persons having total assessable income over Rs 5 lakh.

A.R. Rather, J&K Finance Minister, to head GST panel: The Empowered Committee of States' Finance Ministers on Goods and Services Tax elected Finance Minister of Jammu and Kashmir Abdul Rahim Rather as its new Chairman.

Banks seek priority sector tag for loans to affordable home builders: Currently, bank loans up to Rs 25 lakh to individuals in metropolitan centres and Rs 15 lakh in other centres for purchase/construction of a family dwelling unit are classified as priority sector loans. Affordable housing projects are those where individual units have a maximum carpet area of 60 sq. m. Further, the cost of the unit should not exceed Rs 30 lakh while the loan amount cannot exceed Rs 25 lakh.

Model PPP schools from 2015-16: The Union Government intends to roll out model schools under public-private partnerships (PPP) from the 2015-16 academic session. These schools will provide secondary education. The HRD Ministry, along with the Planning Commission, has finalised the model concession agreement (MCA) for the setting up of 2,500 model schools under the PPP model. Under this arrangement, private players will invest in land and buildings and manage the school. State governments would help in acquiring land. At least 40 per cent of the students in the schools would not be charged any fee. The Union Government will bear the cost of teaching these students at the rate applicable in schools run and owned by the Centre. According to estimates, the operational cost of teaching one student in a central school was around Rs 21,000 a year in 2011-12. However, other students will have to pay the fee prescribed by the PPP schools.

Natural gas output will rise by 66% in 4 years: According to Petroleum and Natural Gas Minister M. Veerappa Moily, gas output from all sources is expected to be around 105 million metric standard cubic metres per day (mmscmd) in 2013-14. By 2016-17, this is expected to touch 175 mmscmd. The additional gas sources also include ONGC's block in the KG basin (KG-DWN 98/2), where it has projected to pump out 29 mmscmd of gas in 2016-17.

RBI gives in-principle nod for all-woman bank: The proposed bank will be the first-ever commercial bank to be floated by the Central Government. The Government will initially pump in Rs 1,000 crore as paid-up capital of the bank. It will lend mostly to women and women-run businesses besides providing support to women self-help groups. To begin with, the bank will have a branch each in eight cities — Kolkata, Guwahati, Chennai, Bengaluru, Jaipur, Lucknow, Mysore and Indore. It will be headquartered in Delhi and is expected to be operational by November 2013. The bank, whose key objective is to focus on the banking needs of women and promote economic empowerment, received in-principle approval from RBI on June 27, 2013. Usha Ananthasubramanian, Executive Director, Punjab National Bank, is expected to take charge as the first chief of the new bank.

WTO to discuss India's proposal to hike food subsidy limits: The Agreement on Agriculture allows so-called 'market distorting subsidies' up to a limit of 10 per cent of total production. While such subsidies were negligible in India during the Uruguay Round in the late eighties and early nineties when these rules were being framed, it is now hovering close to the limits set and could be breached soon. The proposal, which is being pushed at the WTO by the G-33 group of developing countries of which India is an active member, calls for an amendment in the WTO's Agreement on Agriculture to loosen disciplines on domestic support, including public stockholding and food aid, in order to enhance food security by supporting poor farmers and consumers.

Govt eases FDI norms across board: To boost the sagging economy, the Government hiked foreign direct investment (FDI) limits on 16th July 2013 in a host of sectors. Earlier, Government had allowed foreign investments in multi-brand retail and civil aviation. There was no change in FDI norms for information and broadcasting, civil aviation, multi-brand retail and petroleum and natural gas. Foreign investments allowed through the automatic route in petroleum and natural gas, commodity bourses, and power exchanges, while retaining the 49 per cent cap. The widening current account deficit and the falling rupee have prompted the Government to look at ways to attract more foreign investments. A snapshot of the revised investment limits is given below:

(1) FDI cap in telecom raised to 100 pc from 74 pc; up to 49 pc through automatic route and beyond via FIPB
(2) No change in 49 pc FDI limit in civil aviation
(3) FDI cap in defence production to stay at 26 pc, higher investment may be considered in state-of-the-art technology production by Cabinet Committee on Security.
(4) 100 pc FDI allowed in single brand retail; 49 per cent through automatic, 49-100 per cent through FIPB
(5) FDI limit in insurance sector raised to 49 per cent from present 26 per cent, subject to Parliament approval
(6) FDI up to 49 pc in petroleum refining allowed under automatic route, from earlier approval route
(7) In power exchanges 49 per cent FDI allowed through automatic route, from earlier FIPB route.
(8) Raised FDI in asset reconstruction companies to 100 per cent from 74 per cent; of this up to 49 per cent will be under automatic route
(9) FDI limit increased in credit information companies to 74 per cent from 49 per cent
(10) FDI up to 49 per cent in stock exchanges, depositories allowed under automatic route
(11) FDI up to 100 per cent through automatic route allowed in courier services
(12) FDI in tea plantation up to 49 per cent through automatic route; 49-100 per cent through FIPB route
(13) No decision taken on FDI cap in airports, media, brownfield pharma and multi-brand retail.

Top public sector insurers, GIC to set up new third-party administrator: The new company will have a share capital of Rs 200 crore, which will be contributed by the four companies. The four public sector general insurance companies — New India Assurance, United India Insurance, National Insurance and Oriental Insurance — will pick up about 95 per cent of the equity between them, while GIC will take 5 per cent.

Food prices drive WPI inflation to 3-month high: The headline inflation for June 2013 at 4.86% was higher than the 4.70 per cent recorded in May. Core inflation eased to a 42-month low of 2.15 per cent as compared to 2.35 per cent in May. Food inflation rose to 9.74 per cent in June from 8.25 per cent in the previous month. CPI inflation for June came in at 9.87 per cent, higher than 9.31 per cent in the previous month.

Global factors to blame for weakening rupee: The exchange rate of the rupee is susceptible to the influence of large capital movements, especially during crisis periods, in view of the large current account deficit. A deficit in the Current Account arises when a country's total imports of goods, services and transfers are greater than exports. During 2012-13, the CAD rose to $87.8 billion (4.8 per cent of GDP) as against $78.2 billion (4.2 per cent of GDP) during 2011-12. According to Mr G. Padmanabhan, Executive Director, RBI, the rupee came under some pressure primarily on account of external developments.

Exports in June dip 4.5%; relief on trade deficit front: Exports in June 2013 dipped 4.56 per cent to $23.78 billion compared with $24.92 billion in June 2012, while imports declined by a smaller 0.37 per cent to $36.03 billion compared with $36.16 billion last year. A steep decline in import of gold and silver to $2.45 billion in June 2013 from $8.4 billion and $7.5 billion in May and April respectively following increase in import duties on gold and other stringent conditions placed on imports by the RBI played a key role in containing trade deficit at $12.2 billion.

IIBF starts new courses: Indian Institute of Banking and Finance and Institute of Company Secretaries of India have jointly launched a course on Certified Banking Compliance Professional Course.

IDBI offers inflation-indexed bonds to retail investors: IDBI Bank has modified its online investment portal 'Samriddhi' to enable retail investors and high net-worth (HNI) individuals to invest in inflation-indexed bonds (IIBs). The Government introduced such bonds in June to offer investors an alternative to investing in physical assets, such as gold and real estate.

Retail inflation jumps to 9.87% in June: Food inflation in June rose to 11.84 per cent from 10.65 per cent last month.

IIP contracts 1.6% as manufacturing drags: The manufacturing sector, which accounts for 75 per cent of the IIP, recorded a two per cent decline in May 13 against 2.6 per cent growth in same month last year. Capital goods output declined 2.7 per cent in May against a decline of 8.6 per cent in the same month last year.

Banks seek lower tenure for non-resident deposits: To attract more dollars into the domestic market, bankers have requested the Reserve Bank of India to cut the minimum period of investment in Foreign Currency Non Resident (FCNR) and Non Resident External (NRE) account to six months from one year now.

Rai Bareli to get 2 Central universities: The Union Cabinet has approved the setting up of two universities – the Rajiv Gandhi National Aviation University and the Indira Gandhi National University for Women at Rai Bareli. Both the universities will be funded by the Centre.

TAPI pipeline will be completed by 2017: According to Minister for Petroleum and Natural Gas, M. Veerappa Moily, the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project is to be completed by 2017.

Drawback rate on silver articles slashed: The Finance Ministry has slashed down the drawback rates on silver articles to Rs 1795.5 per kilogram of net silver content in such jewellery. Prior to this change, drawback rate stood at Rs 2,590.80 per kilogram of silver content in the jewellery. This Revenue Department move comes in the backdrop of sharp decline in silver prices in the recent months. Under the duty drawback scheme, the Revenue Department refunds the duty incidence (customs, excise and service tax) on the imported inputs used in the manufacture of exported goods.

PM's Monitoring Group clears 4 projects worth Rs 8,000 crore: This is in addition to the 11 power projects cleared earlier involving an investment of Rs 52,300 crore. The Project Monitoring Group (PMG), set up in the Cabinet Secretariat, is a facilitating body for stalled projects serving as a platform to bring together all ministries involved with projects not taking off. Bank funds worth an approximate Rs 7 lakh crore are locked in projects that are stuck due to various reasons.

More scholarships for tribal students: The Union Cabinet has approved the proposal to increase the total annual family income ceiling for ST students under the Central sector scholarship scheme of 'top class education" from the existing Rs 2 lakh to Rs 4.5 lakh. This comes into effect from 2013-14.

Flipkart nets Rs 1,200 crore in single-largest funding: Flipkart has raised $200 million from its existing investors including South African technology company Naspers Group and private equity firms Accel Partners and Tiger Global. This marks the single-largest round of funding for an Indian e-commerce company.

External borrowing: RBI opens automatic route for asset finance firms: RBI has allowed asset finance companies (AFCs) to tap the external commercial borrowing (ECB) window under automatic route. Earlier, AFCs that operated as non banking finance companies (NBFCs) were allowed to avail themselves of ECBs, but only under the approval route.

SIDBI to fund banks for lending to small units: The Small Industries Development Bank of India (SIDBI) is planning to give liquidity support to financial intermediaries to encourage them to give loans to micro enterprises. Towards this end, SIDBI has tied up with German development bank KfW for a line of credit aggregating €100 million (about Rs 780 crore).

Loan recovery: Mid-size banks too start naming and shaming guarantors: Mid-size public sector banks are 'naming and shaming' the guarantors. Lenders such as Allahabad Bank have started publishing photographs of guarantors in the public notices (newspaper advertisements) they put out for sale of properties mortgaged with them for the loan. State Bank of India, the country's largest commercial bank, has for some time now been publishing photographs of loan defaulters to shame them into paying up. UCO Bank has also adopted this approach.

FinMin wants LIC to play more active role in entities where it has a major stake: LIC, with around Rs 18-lakh crore worth assets under management, had more than 15 per cent holding in entities such as Corporation Bank, Simplex Realty, Standard Battery and Larsen and Toubro as of March 2013. IRDA guidelines cap the equity limit of LIC in a company at 15%. However, the LIC Act allows the insurer to invest up to 30 per cent in a single company.

2 RRBs merge to form Kerala Gramin Bank: The newly formed bank comes into existence with effect from July 8. The command area of the new bank will be all the 14 districts of Kerala. The headquarters of the new bank will be at Malappuram and is sponsored by Canara Bank.

Zone-wise tie up by insurers, banks will be 'messy': To improve insurance penetration through the banking system's wide branch network, the IRDA (Insurance Regulatory and Development Authority), in its earlier guidelines, had proposed to divide the country into three zones and place a cap on the number of States in which an insurance company can tie up with a bank.

However, as per Financial Services Secretary Rajiv Takru, the proposal to have a zone-wise tie-up with banks will result in logistical problems if the zone-wise tie-up is implemented.

CIBIL alert on high-risk/very good customers: CIBIL, the country's largest credit bureau, will soon launch a new service that will alert banks about defaults and on any profile change of an identified set of customers. Likely to be called ALERT, this subscription-based service will help member-banks to retain customers with good repayment record. If a customer with an existing relationship with, say, bank A for a credit card were to look for a home loan from another credit institution, say, bank B, then CIBIL will notify bank A that its existing customer is looking for a new product.

Online crop insurance service from United India: The web portal would facilitate insurance agents offer farmers services such as transfer of data on real-time basis and faster settlement of claims. The farmers will be given an identification number that can be used for further renewals.

Debt traps India Inc as profits fail to cover interest outgo: An increasing number of Indian companies are finding themselves in a debt trap, with their gross profits not sufficient to cover their interest payments. Of the 600 listed companies (excluding banks and finance companies) that had interest obligations in 2012-13, 85 were unable to meet their interest expenses out of their gross profits (profits before interest, depreciation and tax).

2/3rd of farm suicides take place in 4 cotton-growing States: Last year, 68 per cent of all the 13,754 farm suicides took place in Maharashtra, Andhra Pradesh, Karnataka and Madhya Pradesh. About 70 per cent of cotton farming in these four States is done on dry-land. Agricultural scientists say that dry land is not suitable for water-intensive crops such as cotton.

Transport corridor to boost trade with Azerbaijan: The corridor is the ship, rail and road route to move freight from South Asia to Europe through Central Asia, the Caucasus and Russia. The route involves moving goods from India via ship to Iran. From Iran, the freight moves by ship across the Caspian Sea or by truck or rail to Southern Russia. From there, the goods are transported by truck or rail along the Volga River through Moscow to Northern Europe.

India's poverty rates will drop by half by 2015: As per a UN report, India was able to reduce its poverty rate from 49 per cent in 1994 to 42 per cent in 2005 and 33 per cent in 2010. If the current pace continues, India will meet the poverty reduction target by 2015. Extreme poverty has been defined as living below $1.25 per day per person. The global goal of reducing extreme poverty by half was achieved by 2010, five years before the deadline.

M.S. Raghavan takes charge as IDBI Bank CMD: Prior to this, he was the Executive Director of Bank of India.

NSE unveils new index LIX-15: The National Stock Exchange has launched a new index, LIX-15. The index will consist of 15 stocks drawn from the CNX-100 index. These have a minimum free float market capitalisation of Rs 5,000 crore with a turnover ratio (TRO) greater than 100 per cent in majority of the last six months and are individually eligible for the F&O segment. Turnover ratio is the ratio of scrip's monthly turnover to average free float for the month annualised. The maximum weight of a single stock has been capped at 15 per cent. LIX-15 will have a base value of 1,500 and a base date of January 1, 2009.

Banks told to link core banking solutions, share correspondents: To ensure that beneficiaries of direct benefit transfer (DBT) are able to access real-time banking services, the Finance Ministry wants seamless connectivity between banks' core banking solution platforms and business correspondents. Currently, many business correspondents (BCs) operate offline. As a result, sometimes DBT beneficiaries are not up–to-date about the funds position in their bank accounts.

New online form to make PF transfer claims easier: The revised form, can be presented after verification, either through the present employer or previous employer. Earlier, the form could be submitted after verification only through the present employer. This form can be submitted online as well as in physical form. The facility of online submission of this form will be given shortly after process of collecting the digital signature of the employer is completed.

Food Bill: Govt takes ordinance route: The Government has issued the ordinance to implement Food Security Bill. The Bill aims to give legal rights to 67 per cent of the population over a uniform quantity of 5 kg foodgrains a month at Rs 1-3 a kg. The Bill seeks to provide cheaper foodgrains to around 80 crore people at an initial annual cost of around Rs 1.25-lakh crore. Currently, the Government incurs a subsidy burden of about Rs 1-lakh crore in providing subsidised foodgrains to the poor through the public distribution system. The implementation of the Bill would also increase foodgrain requirement by around seven million tonnes to about 61.23 million tonnes.

From Oct, service tax to make LIC policies pricier: While private insurers add a service tax component of about 3% to the premium paid by customers, LIC has not been levying the tax on its popular endowment and money-back plans. From October, however, all LIC policies will attract a separate service tax. IRDA, has mandated that service tax shall not be included in the contractual premium, but collected from policyholder separately.

Lack of proper authentication overseas led to card-skimming frauds: RBI has said that money gets siphoned off from accounts in India by fraudsters in overseas locations through cloning of debit cards. This may be because there is no two factor authentication process for securing transactions overseas.

Borrowers' consent not needed to share credit information: According to RBI, banks and financial institutions need not seek borrowers' consent to share credit information with credit information companies. The Credit Information Companies (Regulation) Act provides statutory backing for sharing of credit information by credit institutions with credit information companies (CICs).

Financial stability council to suggest ways to regulate spot exchanges: The Financial Stability Development Council (FSDC), chaired by the Finance Minister, will discuss ways to regulate the three electronic-based commodity spot exchanges – National Spot Exchange (NSEL), NSPOT and National Multi Commodity Exchange. There are two views on regulation of the spot exchanges. One is by the Forward Markets Commission (FMC) and other by Warehousing Development and Regulatory Authority (WDRA). Spot exchanges provide online trading in commodities as also delivery-based commodity trading. These exchanges have got exemption under Section 27 of the Forward Contract Regulation Act to provide one-day forward contracts.

FinMin to farmers' rescue: The Finance Ministry has directed banks to set internal targets for lending against Negotiable Warehouse Receipts and increase servicing of such receipts. The Food Ministry has recognised over 125 agricultural commodities, 26 horticultural produces and registered over 374 warehouses that can issue such receipts which can be transacted without physical transfer of stocks from the warehouse or used as collateral to raise loans.

SBI, PNB too start charging for SMS alerts: SBI, India's largest lender, will recover Rs 15 (inclusive of service tax) per quarter as SMS alert charges from its customers with effect from the quarter ending June 2013. PNB, India's third largest public sector bank, will also charge all new as well as existing customers Rs 15 per quarter for SMS alerts for transactions with effect from July 1.

New norms for life products: All the existing group and individual products not in conformity with the new regulations shall be withdrawn from August 1, 2013, and October 1, 2013, respectively.

External debt up 12.9% in 2012-13: The country's external debt touched $390 billion in the year ended March 31, 2013, a rise of 12.9 per cent over the previous year's debt. Under the UPA's regime, which began in 2004, India's external debt has jumped 3.4 times, or $277.4 billion. A higher external debt indicates the vulnerability of the country's economic position. This means, as on the reporting date, the country owes $390 billion to different stakeholders.

Basel III norms may restrict banks from extending long-term infra loans: RBI, in its 7th Financial Stability Report, has stated that in the absence of alternative arrangements (such as securitisation, take-out finance), banks may not be able to undertake long-term project financing.

MOCK TEST

Counterfeit Notes

01 The Counterfeit Notes can be impounded by which of the following - (i) All branches of Public Sector Banks; (ii) All branches of Private Sector Banks and Foreign Banks; (iii) All branches of Co-operative Banks & Regional Rural Banks; (iv) All Treasuries and Sub-Treasuries; (v) Issue Offices of Reserve Bank of India
a) Both (i) and (ii) only b) (i), (ii) and (iii) only
c) (i), (ii), (iv) and (v) only d) (i), (ii), (iii), and (iv) only
e) All of these

02 Which one was the first bank to start Talking ATMs for visually impaired in June 2012?
a) State Bank of India b) Union Bank of India
c) Punjab National Bank d) Bank of Baroda
e) None of these

03 Detection of counterfeit notes should be at which of the following? the back office / currency chest only
a) Back Office only b) Currency Chest only
c) Branch receiving cash only
d) Either Back Office or Currency chest only
e) Any of Back Office or Currency Chest or Branch receiving cash.

04 Banknotes when tendered over the counters may be checked for which of the following?
a) arithmetical accuracy b) counterfeit note
c) deficiencies like whether there are mutilated notes
d) Both (a) and (c) only e) All of these

05 The detailed verification of notes and their authentication through machines should be done by____
a) back office b) currency chest
c) branch receiving cash d) Either (a) or (b)

06 Which Regional Rural Bank is the first bank to start talking ATM for visually impaired in July 2013?
a) Haryana Gramin Bank
b) Madhya Bihar Gramin Bank
c) Kashi Gomti Sanyukta Gramin Bank
d) Baroda Rajasthan Gramin Bank
e) None of these

07 The banknotes categorized as suspect during machine processing should be ______.
a) impounded immediately
b) reported to police immediately
c) reported to RBI immediately
d) subjected to manual verification for checking their authenticity.

08 In case a note in a remittance is found to be counterfeit, what should the bank do? In no case, the counterfeit notes should be returned to the tenderer or destroyed by the bank branches / treasuries
a) Bank should destroy the same to stop its further circulation.
b) Bank should return it to tenderer if he is a valuable customer of the bank and is trustworthy.
c) Bank should impound the same and give acknowledgement to the customer.
d) Bank should impound the same and provide credit to customer.

09 Which is said to be a Shell Bank?
a) A bank with very less number of branches
b) A Bank which is asked to invest its incremental deposits in risk free government securities instead of lending
c) A Bank which deals in investments only
d) A Bank that does not have a physical presence in any country.
e) None of these

10 If a bank fails to impound counterfeit notes detected at its end what will be the consequences?
a) Bank will be treated as guilty of negligence and penalty will be imposed on the bank for negligence.
b) Bank will suffer loss for having credited customer's account.
c) The act will be construed as willful involvement of the bank concerned, in circulating counterfeit notes and penalty will be imposed for violation of Directive issued by the Reserve Bank.
d) Bank may lose its authorization to operate currency chest.

11 For cases of detection of counterfeit notes upto ___ pieces, in a single transaction, a consolidated report should be sent by the Nodal Bank Officer to the police authorities or the Nodal Police Station, along with the suspect counterfeit notes, at the end of the month.
a) 2 b) 3 c) 4 d) 5

12 Data on counterfeit notes detected by all the branches of the bank shall be reported to RBI in the prescribed format, on a _______ Basis.
a) weekly b) fortnightly
c) monthly d) quarterly

13 If in a single transaction, up to 4 pieces of notes are detected to be counterfeit, what should be done by the bank?
a) FIR should be lodged with the police.
b) A consolidated report should be sent by the Nodal Bank Officer to the police authorities or the Nodal Police Station at the end of the month but counterfeit notes should be retained in the branch.
c) A consolidated report should be sent by the Nodal Bank Officer to the police authorities or the Nodal Police Station along with the suspect counterfeit notes, at the end of the month
d) A consolidated report should be sent by the Nodal Bank Officer to the police authorities or the Nodal Police Station along with the suspect counterfeit notes, at the end of the quarter.

14 For cases of detection of counterfeit notes of ___ or more pieces, in a single transaction, the counterfeit notes should be forwarded by the Nodal Bank Officer to the local police authorities or the Nodal Police Station for investigation by filing FIR.
a) 1 b) 2 c) 3 d) 4 e) 5

15 The banks should re-align their cash management in such a manner so as to ensure that cash receipts in the denominations of Rs ____ and above are not put into re-circulation without the notes being machine processed for authenticity.
a) Rs 50 b) Rs 100 c) Rs 500 d) Rs 1000

16 The banks should re-align their cash management in such a manner so as to ensure that cash receipts in the denominations of Rs 100 and above are not put into re-circulation without the notes being machine processed for authenticity. The said instructions shall be applicable to branches with daily cash receipt of _____.
a) Rs 50 lac and above b) Rs 100 lac and above
c) Rs 2 crore and above d) Rs 5 crore and above
e) All branches irrespective of daily cash receipt.

17 To curb circulation of counterfeits, RBI has advised banks to put in place adequate safeguards/checks before loading ATMs with notes. Dispensation of counterfeit notes through the ATMs would be construed as___.
a) Negligence on the part of the bank and bank would be penalized accordingly.

b) negligence on the part of the Bank and customer would be compensated accordingly.
c) an attempt to circulate the counterfeit notes by the bank concerned.
d) Both (a) and (b)

18 If counterfeit notes are detected in chest remittances, what will be the consequence(s)?
a) It is liable to be construed as wilful involvement of the chest branches concerned in circulating Counterfeit Notes.
b) It may attract special investigation by police authorities.
c) It may result in other action like suspending the operation of the chest concerned.
d) Reserve Bank may consider the option of levying higher penal interest/penalties for the amount of forged notes detected in the chest remittances by RBI or during inspection All of these.
e) All of these

19 Which of the following is not the function of Forged Note Vigilance Cell set up in each bank's Head Office?
a) Dissemination of instructions issued by the Reserve Bank on counterfeit notes to bank's branches, compilation of data on detection of counterfeit notes, and its submission to Reserve Bank and FIU-IND, follow-up of cases of counterfeit notes, with police authorities / designated nodal officer.
b) Conducting periodic surprise checks at currency chests where shortages/ defective /counterfeit notes etc. are detected.
c) Ensuring operation of Note Sorting Machines of appropriate capacity at all the currency chests and closely monitoring the detection of Counterfeit Notes at currency chest branches and maintaining the record of the same
d) Ensuring that only properly sorted and machine examined banknotes are fed into the ATMs / issued over the counters and to put in place adequate safeguards, including surprise checks, both during the processing and in transit of notes.
e) None of these

20 In case of counterfeit notes, the banks will be compensated by RBI to the extent of ___% of the notional value of the counterfeit notes of Rs 100 denomination and above, detected and reported to RBI and Police authorities.
a) 25% b) 40% c) 50% d) 60%

21 In case of counterfeit notes reported to police, all Counterfeit Notes received back from the police authorities/courts may be carefully preserved in the safe custody of the bank and a record thereof be maintained by the branch concerned. These Counterfeit Notes at branches should be subjected to verification on a _____ basis by the Officer-in- Charge of the bank office concerned.
a) Monthly b) Fortnightly
c) Quarterly d) Half Yearly

22 The banks should ensure that all bank personnel handling cash are trained on features of genuine Indian bank notes within a period of ___.
a) 6 months b) 1 year c) 2 years d) 3 years

23 In case of counterfeit notes reported to police, all Counterfeit Notes received back from the police authorities/courts may be carefully preserved in the safe custody of the bank. They should be preserved for a period of ____ years from the date of receipt from the police authorities.
a) one b) two c) three d) five

24 In case of counterfeit notes reported to police, all Counterfeit Notes received back from the police authorities/courts may be carefully preserved in the safe custody of the bank. Which of the following is not correct in this regard?
a) The Counterfeit notes should be preserved for a period of three years from the date of receipt from the police authorities.
b) After preserving for stipulated period, Counterfeit notes should be sent to the concerned Issue Office of Reserve Bank of India.
c) Counterfeit notes, which are the subject matter of litigation in the court of law should be preserved with the branch concerned for three years after conclusion of the court case.
d) All of these e) None of these

Latest Developments

25 Which of the following rates have been changed by RBI in its First Quarterly Review of Policy on 30th July 2013?
a) CRR and SLR b) Bank Rate
c) Repo Rate and Reverse Repo Rate
d) Marginal Facility Rate e) None of these

26 Which of the following is not the stance of the 1st Quarter Review of the Monetary Policy announced by RBI on 30th July 2013?
a) to manage liquidity conditions to ensure adequate credit flow to the productive sectors of the economy
b) to guard against re-emergence of inflation pressures;
c) to continue to address the heightened risks to growth;
d) to address the risks to macroeconomic stability from external shocks
e) None of these

27 RBI has advised banks in July 2013, for use of ECS facility instead of obtaining post dated cheques in respect of instalments of loan. Which of the following is correct in this regard?
a) No fresh/additional Post Dated Cheques (PDC)/Equated Monthly Installment (EMI) cheques (either in old format or new CTS-2010 format) shall be accepted in locations where the facility of ECS/RECS (Debit) is available. However existing cheques may not be converted into ECS. The existing PDCs/EMI cheques in such locations may be converted into ECS/RECS (Debit) by obtaining fresh ECS (Debit) mandates.
b) No fresh/additional Post Dated Cheques (PDC)/Equated Monthly Installment (EMI) cheques (either in old format or new CTS-2010 format) shall be accepted in locations where the facility of ECS/RECS (Debit) is available. The existing PDCs/EMI cheques in such locations may be converted into ECS/RECS (Debit) by obtaining fresh ECS (Debit) mandates.
c) Cheques complying with CTS-2010 standard formats shall alone be obtained in locations, where the facility of ECS/RECS is available.
d) Cheques not complying with CTS-2010 standard formats can also be obtained in locations, where the facility of ECS/RECS is not available.

28 Which section of the Payment and Settlement Systems Act, 2007 accords the same rights and remedies to the payee (beneficiary) against dishonour of electronic funds transfer instructions under insufficiency of funds as are available under Section 138 of the Negotiable Instruments Act, 1881?
a) Section 18 b) Section 20 c) Section 25
d) Section 30 e) None of these

29 All Scheduled Commercial Banks are required to maintain minimum CRR balances up to ___per cent of the average daily required reserves for a reporting fortnight on all days of the fortnight.

a) 70 b) 80 c) 90 d) 99
e) None of these

30 Earlier, banks were allowed to maintain a minimum CRR balances up to 70 per cent of the average daily required reserves for a reporting fortnight on all days of the fortnight. RBI decided to increase the requirement of minimum daily CRR balance maintenance to 99 per cent effective from the first day of the fortnight beginning July 27, 2013. What is the objective of this step taken by RBI?
a) to address exchange market volatility
b to increase interest rates
c) to control inflation
d) All of these e) None of these

31 In case of counterfeit notes, the banks will be compensated by RBI to the extent of 25% of the notional value of the counterfeit notes of Rs ___ denomination and above, detected and reported to RBI and Police authorities.
a) 50 b) 100 c) 500 d) 1000

32 To address exchange rate volatility, the Marginal Standing Facility (MSF) rate was recalibrated by RBI at ____basis points above the policy Repo rate under the Liquidity Adjustment Facility (LAF) from July 15, 2013. Consequently, the Marginal Standing Facility (MSF) rate will be ____per cent w.e.f. July 15, 2013
a) 100; 8.25% b) 200; 9.25%
c) 300; 10.25% d) 300; 10.50%

33 Which of the following is the Bank Rate as on 31.7.2013?
a) 8.5% b) 8.25% c) 9.25% d) 10.25%

34 As per RBI guidelines, with effect from July 24, 2013, the total quantum of funds available to a bank under Liquidity Adjustment Facility (LAF) will be capped at ____percent of the individual bank's Net Demand and Time Liabilities (NDTL).
a) 0.25% b) 0.50% c) 1.00% d) 2.00%

35 In terms of Section 15(1) of Credit Information Companies (Regulation) Act 2005, which of the following is correct?
a) Every credit institution has to become a member of at least one Credit Information Company
b) Every credit institution has to become a member of at least two Credit Information Companies.
c) Every credit institution has discretion to become a member of a Credit Information Company or not.
d) Every credit institution has to become a member of at least one Credit Information Company within a period of three months from commencement of the Act or any extended time allowed by the Reserve Bank on application.

36 As per revised guidelines of RBI on KYC, banks should introduce a system of periodical updation of customer identification data (including photograph/s) after the account is opened. The periodicity of such updation should not be less than once in _____ years in the case of low risk category customers and not less than once in ____years in case of high and medium risk categories.
a) 5, 2 b) 5, 3 c) 3, 2 d) 5, 1
e) None of these

37 As per revised guidelines of RBI on KYC, in respect of high risk individuals and entities, full KYC exercise will be required to be done by banks at what interval?
a) at least every two years. b) at least every year.
c) at least every three years d) at least every five years

38 As per revised guidelines of RBI on KYC, in respect of medium risk individuals and entities, full KYC exercise will be required to be done by banks at what interval?
a) at least every two years. b) at least every eight year.
c) at least every three years d) at least every five years

39 As per revised guidelines of RBI on KYC, in respect of low risk individuals and entities, full KYC exercise will be required to be done by banks at what interval?
a) at least every two years. b) at least every five year.
c) at least every eight years d) at least every ten years

40 As per revised guidelines of RBI on KYC, positive confirmation (obtaining KYC related updates through e-mail/letter/telephonic conversation/forms/interviews/ visits, etc.), will be required to be completed at least every ____years for medium risk and at least every _____ years for low risk individuals and entities
a) one year; two year b) two year; three years
c) two years; five years d) three years; five years

41 The period for realization and repatriation to India, of the amount representing the full value of goods or software exported, has been brought down from twelve months to _______.
a) 6 months b) 3 months c) 9 months
d) None of these as the period continues to be 12 months.

42 The period for realization and repatriation to India, of the amount representing the full value of goods or software exported has been brought down from twelve months to nine months from the date of export valid till _______.
a) September 30, 2013 b) December 31, 2013
c) March 31, 2014 d) June 30, 2014

43 As per RBI guidelines on import of gold in any form/purity including import of gold coins/dore into the country, it shall be incumbent on all nominated banks/nominated agencies to ensure that at least ___% of every lot of import of gold (in any form/purity including import of gold coins/dore) is exclusively made available for the purpose of export.
a) 20% b) 25% c) 30% d) 50%

44 As per RBI guidelines on import of gold in any form/purity all nominated banks/nominated agencies importing gold are required to retain ___ per cent of the imported quantity in the customs bonded warehouses.
a) 20% b) 25% c) 30% d) 50%

45 As per RBI guidelines on import of gold in any form/purity, all nominated banks/nominated agencies importing gold are required to retain 20 per cent of the imported quantity in the customs bonded warehouses. They are permitted to undertake fresh imports of gold only after the exports have taken place to the extent of at least ____per cent of gold remaining in the customs bonded warehouse.
a) 50% b) 60% c) 75% d) 25%

46 As per revised guidelines on use of CTS 2010 cheques, non CTS 2010 cheques can be presented in regular clearing sessions in the three CTS centers (Mumbai, Chennai and New Delhi) up to_____.
a) 31.8.2013 b) 30.9.2013 c) 31.10.2013
d) 31.12.2013 e) None of these

47 For clearing of non-CTS 2010 instruments (including PDC and EMI cheques), separate clearing session will be introduced in the three CTS centers (Mumbai, Chennai and New Delhi) with effect from January 1, 2014. This separate clearing session will initially operate thrice a week (Monday, Wednesday and Friday) up to ______.
a) April 30, 2014 b) June 30, 2014
c) August 31, 2014 d) October 31, 2014

48 For clearing of non-CTS 2010 instruments (including PDC and EMI cheques), separate clearing session will be introduced in the three CTS centers (Mumbai, Chennai and New Delhi) with effect from January 1, 2014. This separate clearing session will initially operate thrice a week

(Monday, Wednesday and Friday) up to April 30, 2014. Thereafter, the frequency of such separate sessions will be reduced to twice a week (Monday and Friday) up to ___.

a) May 31, 2014 b) June 30, 2014
c) August 31, 2014 d) October 31, 2014

49 Quoting of PAN number is mandatory while opening an account or making a time deposit of _____ and any person who has not been allotted a PAN number shall make a declaration in Form No. 60/61.

a) Rs 20,000 and above b) exceeding Rs. 20,000
c) Rs 50,000 and above d) exceeding Rs. 50,000
e) None of these

50 As per KYC norms, in case of transactions carried out by a non-account based customer, that is a walk-in customer, where the amount of transaction is _____ whether conducted as a single transaction or several transactions that appear to be connected, the customer's identity and address should be verified.

a) exceeds rupees fifty thousand
b) exceeds rupees one lac
c) exceeds rupees twenty thousand
d) equal to or exceeds rupees fifty thousand

51 Any remittance of funds and issue of travellers' cheques for value of Rs. 50,000/- and above should be effected _____.

a) cash b) against cheques
c) by debit to the customer's account
d) by debit to the customer's account or against cheques
e) Any of these

52 Banks should ensure that any purchase of gold/silver/platinum by customers for ______ should be by debit to the customer's account or against cheques.

a) Rs. 50,000 and above b) Rs 20,000 and above
c) Rs 100,000 and above d) Rs 200,000 and above

53 Lead Bank responsibility in respect of New Delhi district of Delhi Metropolitan city has been assigned to which of the following banks?

a) Canara Bank b) Punjab National Bank
c) State Bank of India d) Oriental Bank of Commerce

54 The Government of India has minted the coin of which denomination to commemorate the occasion of "60th year of India Government Mint, Kolkata**"**

a) Rs 5 b) Rs 10 c) Rs 50 d) Rs 100

55 All in cost ceiling (including arranger fee, upfront fee, management fee, handling/ processing charges, out of pocket and legal expenses, if any) for trade credits for imports into India up to three years should not exceed ______basis points over 6 months LIBOR for the respective currency of credit or applicable benchmark up to September 30, 2013.

a) 150 b) 250 c) 350 d) 450

56 All-in-cost ceiling for External Commercial Borrowings of more than five year maturity should not exceed ______ basis points over 6 months LIBOR for the respective currency of credit.

a) 150 b) 250 c) 350 d) 500

57 The Government of India has minted the coin of which denomination to commemorate the occasion of "150th Birth Anniversary of Swami Vivekananda"

a) Rs 5 b) Rs 10 c) Rs 50 d) Rs 100

58 Which type of trading in the currency futures / exchange traded currency options markets by banks has been prohibited by RBI?

a) Trading on behalf of their clients
b) Proprietary Trading
c) Both (a) and (b) d) None of these

59 The Reserve Bank of India did not impose monetary penalty in July 2013, on which of the following banks for violation of RBI's instructions, on Know Your Customer/Anti Money Laundering?

a) Canara Bank b) Bank of India
c) Bank of Baroda d) Punjab National Bank
e) None of these

60 Which of the following correctly represents Intersol charges?

a) Charges levied on a customer when he does not fully avail credit limits sanctioned to him.
b) Charges for not maintaining minimum balance in an account.
c) Charges levied by the bank to cover the cost of extending services to customers by using the CBS/Internet/Intranet platform.
d) Charges for conducting transactions at branches other than base branch

61 Which of the following is correct regarding Intersol charges charged by a bank?

a) Banks cannot charge Intersol charges at Base branch
b) Banks cannot charge Intersol charges at Base Branch but same can be charged for transactions at other than base branch.
c) Banks can charge Intersol charges both at Base branch and at other than base branch but scale of charges should be different.
d) There should be no discrimination as regards intersol charges between similar transactions done by customers at home branch and those done at non-home branches

62 Which of the following has been added by RBI in the definition of infrastructure in June 2013? (i); (ii) (iii)

a) Capital Dredging, under the sub-sector 'Ports'
b) Slurry Pipelines
c) Telecommunication & Telecom Services
d) All of these e) None of these

63 Bank credit to Micro Finance Institutions for on lending will be eligible for categorization as priority sector advance if aggregate amount of loan, extended for income generating activity, is not less than ____% of the total loans given by MFIs.

a) 50% b) 75% c) 70% d) 60%

64 Exporter undertaking Project Exports and Service contracts abroad should submit form DPX1, PEX-1 and TCS-1 to the Approving Authority (AA) i. e. AD Bank / Exim Bank / Working Group, within __ days of entering into contract for grant of post-award approval.

a) 15 b) 20 c) 30 d) 60

65 All OTC trades in CDs and CPs can be cleared and settled through which of the following agencies?

a) National Securities Clearing Corporation Limited (NSCCL)
b) Indian Clearing Corporation Limited (ICCL).
c) MCX-SX Clearing Corporation Limited
d) Any of these e) None of these

Answers

1	**E**	11	**C**	21	**D**	31	**B**	41	**C**	51	**D**
2	**B**	12	**C**	22	**C**	32	**C**	42	**A**	52	**A**
3	**D**	13	**C**	23	**C**	33	**D**	43	**A**	53	**A**
4	**D**	14	**E**	24	**E**	34	**B**	44	**A**	54	**A**
5	**C**	15	**B**	25	**E**	35	**D**	45	**C**	55	**C**
6	**C**	16	**E**	26	**E**	36	**E**	46	**D**	56	**D**
7	**D**	17	**C**	27	**B**	37	**A**	47	**A**	57	**A**
8	**D**	18	**E**	28	**C**	38	**B**	48	**D**	58	**B**
9	**D**	19	**E**	29	**D**	39	**D**	49	**D**	59	**E**
10	**C**	20	**A**	30	**A**	40	**B**	50	**D**	60	**C**

61 – D; 62 – D; 63 – C; 64 – C; 65 – D;

RECALLED QUESTIONS

CANARA BANK JMG I TO MM II 19.5.13

1. Dealers for Diamond and other precious jewellery & jems items are classified in: **High Rick Category**
2. Nomination facility is applicable in which type of Account: A) Partnership A/c; B) trust; c) Association; D) Club; E) Sole proprietorship A/c: **Ans is E**
3. What is the risk weight on Educational Loan: **75%**
4. What is the Risk weight for employee loan in which mortgage & superannuation benefit available and what is risk weight in other cases?: **20%; 75%**
5. Tier I capital is also known as: **Core capital**
6. What can be maximum level of Subordinate debt as part of Tier II capital of a bank?: **50% of Tier I capital**
7. Loan against Life Insurance Policy is given against: **Surrender value**
8. Provision on Sub Standard Assets which were unsecured from beginning is to be at the rate of: **25% of outstanding balance**
9. What is the rate of provision on standard assets in case of direct advance to agriculture and Small enterprise?: **0.25% of outstanding balance.**
10. What is the rate of Provision on Doubtful assets which are doubtful for more than 3 years?: **100% of both secured and unsecured portion. Therefore, 100% of the outstanding**
11. CERSAI has been established as per provisions of: **SARFAESI act**
12. If in case of collection of cheques, amount is paid to customer under instant credit facility, what will be the status of the bank?: **Bank is Holder for Value**
13. What is the situation when no interest is paid on NRE term deposit?: **When there is premature payment of FDR before one year from date of issue.**
14. The validity period of Cheque, Demand Draft, Pay Order, Bankers Cheque has been reduced by RBI to: **3 Months**
15. If Current Liability is 60, Net Working Capital is 15, then Current Ratio will be: **1.25 because current assets will be 75**
16. How much margin is to be contributed by the borrower in case of working capital limits under Turnover Method?: **5% of projected annual sale.**
17. What is the relationship between bank and its customer in case of Safe Deposit Locker?: **Lessor and Lessee.**
18. As per RBI guidelines, now banks are required to issue cheque books as per: **CTS 2010 format only**
19. XOS statement is sent to RBI half yearly as on 30^{th} June and 31^{st} December. What is the purpose of this statement?: **For Follow Up of export bills which have not been realized within 6 months from date of export.**
20. Apiculture refers to: **Bee keeping**
21. Tier 2 capital can be maximum: **100% of Tier I capital**
22. Maximum amount of loan that can be granted under DRI scheme for productive activity (other than Housing Loan to SC/St) is: **Rs 15000/-**
23. Appeal against decree of Lok Adalat can be filed with: **None as being consent decree no appeal against decree of Lok Adalat.**
24. As per Sarfaesi Act how many days notice is required to be given to borrower before taking over of possession of securities charged to the bank?: **60 days notice**
25. In case of failed ATM transaction, bank should again credit the account of customer within: **7 working days**
26. Town Official Language Implementation Committee (TOLIC) meeting is held: **once in 6 months**
27. For Equitable Mortgage title deeds should be deposited at a place notified by: **State Govt**
28. Interest rate for SB a/cs is decided by: **Bank themselves (Board of Directors or Asset Liability Management Committee)**
29. In the context of FEMA, transactions undertaken by resident individual that do not alter his asset or liability are which of the following: **Current Account Transaction**
30. In case of advance to micro and small enterprise no collateral security is to be obtained for loans up to: **Rs 10.00 Lacs**
31. As per turnover method, working capital limit provided by a bank will be: **20% of projected turnover in the ensuing financial year.**
32. A unit engaged in providing services will be classified as Small Service Enterprise if investment in equipment is: **Above Rs.10 lacs to Rs.2 crores**
33. Format of the the cheque is defined in which Act : **Not defined in any Act. It is as per usage and practice. However now RBI has prescribed format under CTS2010.**
34. Difference between Long Term Loan and DPG is: **Outlay of Funds.**
35. Minimum amount for RTGS : **Rs 2,00,000/-**
36. How many settlements are there in week days under NEFT: **12 Hourly Settlements**
37. What is the income criteria in PMEGP: **No restriction on income under PMEGP**
38. DD for Rs 20,000 and above should be crossed with: **Account Payee Crossing**
39. In the case of financing SHG under the SGSY Who among the following as members not eligible for Govt Subsidy : **Above Poverty Line members.**
40. In case of educational loans during moratorium period interest will be charged at: **simple rate without compounding.**
41. If a cheque is returned unpaid in clearing, it should be sent to customer within: **24 Hours.**
42. What is the maximum amount of loan to SHG under SGSY : **As per Project Cost decided by** District Technical Committee in case of other than agriculture and by Regional Committee of NABARD in case of agriculture.
43. Maximum Guarantee cover under CGMSE to micro enterprises with loan upto Rs 5 lacs : **85% of the amount in default with maximum of Rs.4.25 lakhs**
44. A Cash credit or overdraft becomes NPA if the limit is not renewed or reviewed within: **180 days**
45. As per RBI guidelines on Capital Adequacy, what should be the minimum capital adequacy ratio?: 9%
46. Minimum period for NRE Deposit: **one year**

VARIOUS RATES AT GLANCE		
Bank Rate	**10.25%**	15.07.2013
CRR	**4.0%**	09.02.2013
SLR	**23.0%**	11.08.2012
Repo Rate	**7.25%**	03.05.2013
Reverse Repo Rate	**6.25%**	03.05.2013
MSF Rate	**10.25%**	15.07.2013