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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: SEPT 13

REPO, REVERSE REPO RATES, BANK RATE

RBI has increased the Repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points from 7.25 per cent to 7.50 per cent from Sept 20, 2013. The Reverse Repo rate under the LAF will stand automatically adjusted to 6.50 per cent. Further, RBI has reduced the Marginal Standing Facility (MSF) rate by 75 basis points from 10.25 percent to 9.50 per cent with effect from Sept 20, 2013 and recalibrated the same to 200 basis points above the policy repo rate under the Liquidity Adjustment Facility (LAF). The Bank Rate has been reduced by 75 basis points from 10.25 per cent to 9.50 per cent with effect from September 20, 2013. Bank Rate and MSF Rate further reduced to 9% w.e.f. 7th October 2013.

CRR - CHANGE IN DAILY MINIMUM CASH RESERVE MAINTENANCE REQUIREMENT

As per existing instructions, banks are required to maintain minimum daily balance with RBI equal to 99% of the required CRR balance. RBI has now reduced the minimum daily maintenance of the Cash Reserve Ratio from 99 per cent of the requirement to 95 per cent effective from the fortnight beginning September 21, 2013.

SECURITY AND RISK MITIGATION MEASURES FOR CARD PRESENT TRANSACTIONS

RBI had given various timelines for securing card present transactions as given below:

a. <u>Strengthening the existing Payment Infrastructure & Future Proofing the system</u>:

1. Implementation of improved fraud risk management practices: September 30, 2012
2. Strengthening Merchant Sourcing and Monitoring Process: September 30, 2012
3. Securing the technology infrastructure (Unique Key per terminal- UKPT or Derived Unique Key per transaction- DUKPT/ Terminal line encryption- TLE): September 30, 2013

b. <u>Infrastructure/ readiness for card acceptance</u>:

1. Commercial readiness of acquiring infrastructure to support PIN for POS transactions.POS infrastructure to be ready for accepting EMV Chip cards: June 30, 2013
2. Enablement of all POS terminals to accept debit card transactions with PIN: June 30, 2013
3. Issuers to be ready from technical perspective to issue EMV Cards: June 30, 2013

c. <u>Debit/Credit Cards used internationally</u>:

1. EMV Chip Card and PIN to be issued to customers who have evidenced at least one purchase using their debit/credit card in a foreign location: June 30, 2013

Banks not complying with the requirements shall compensate loss, if any, incurred by the card holder using card at POS terminals not adhering to the mandated standards. The procedure in this regard will be as under: The issuing bank would ascertain, within 3 working days from the date of cardholder approaching the bank, whether the respective POS terminal/s where the said transaction/s occurred is/are compliant with TLE and UKPT/DUKPT as mandated. In the event it is found that the POS terminals are non-compliant as mandated, the issuing bank shall pay the disputed amount to the customer within 7 working days, failing which a compensation of Rs.100 per day will be payable to the customer from the 8th working day. The acquiring banks have to pay the amount paid by the issuing bank without demur within 3 working days of the issuing bank raising the claim.

RELAXATIONS IN BRANCH AUTHORISATION POLICY

1. To enhance the penetration of banking in rural and semi-urban areas, domestic scheduled commercial banks (excluding RRBs) were permitted to open branches in Tier 2 to Tier 6 centres (with population upto 99,999 as per Census 2001) and in the rural, semi-urban and urban centres in North-Eastern States and Sikkim without having the need to take permission from Reserve Bank of India in each case, subject to reporting. With the objective of further liberalising and rationalising the branch authorisation policy, the general permission to domestic scheduled commercial banks (other than RRBs) referred above has been extended by RBI to branches in Tier 1 centres also, subject to the following:

a) At least 25 percent of the total number of branches opened during the financial year (excluding entitlement for branches in Tier 1 centres given by way of incentive as stated below in para 2), must be opened in unbanked rural (Tier 5 and Tier 6) centres, i.e. centres which do not have a brick and mortar structure of any scheduled commercial bank for customer based banking transactions.

b) The total number of branches opened in Tier 1 centres during the financial year (excluding entitlement for branches in Tier 1 centres given by way of incentive as stated below in para 2) cannot exceed the total number of branches opened in Tier 2 to 6 centres and all centres in the North Eastern States and Sikkim.

<u>2. Incentive for opening more branches in underbanked districts of underbanked States</u>: Banks may open branches in Tier 1 centres, over and above their eligibility as defined above, that are equal to the number of branches opened in Tier 2 to Tier 6 centres of underbanked districts of underbanked States, excluding such of the rural branches opened in unbanked rural centres that may be located in the underbanked districts of underbanked States in compliance with the requirement as indicated in para 1 (a) above. In case a bank is unable to open all the branches it is eligible for in Tier 1 centres, it may carry-over (open) these branches during subsequent two years. Banks, which for some reason are unable to meet their obligations of opening branches in Tier 2 to 6 centres in aggregate, or in unbanked rural centres (Tiers 5 to 6 centres) during the financial year, must necessarily rectify the shortfall in the next financial year.

Details of tier-wise classification of centres based on population is given below:

Classification of centres(tier-wise)	Population(as per 2001 Census)
Tier 1	1,00,000 and above
Tier 2	50,000 to 99,999
Tier 3	20,000 to 49,999
Tier 4	10,000 to 19,999
Tier 5	5,000 to 9,999
Tier 6	Less than 5000

(ii) Population-group wise classification of centres

Classification of centres(tier-wise)	Population(as per 2001 Census)
Rural Centre	Population upto 9,999
Semi urban centre	from 10,000 to 99,999
Urban Centre	from 1,00,000 to 9,99,999
Metropolitan centre	10,00,000 and above

EXPORT AND IMPORT OF CURRENCY

As per extant guidelines, any person resident in India may take outside India (other than to Nepal and Bhutan) or having gone out of India on a temporary visit, may bring into India at the time of his return from any place outside India (other than from Nepal and Bhutan) currency notes of Government of India and Reserve Bank of India notes up to an amount not exceeding Rs.7,500 per person. RBI has now enhanced this limit to Rs. 10,000 per person.

CARRYING INDIAN CURRENCY BY NON-RESIDENTS

A non-resident is currently not allowed to carry Indian currency notes beyond Indian border, since the Indian currency is not yet convertible. Further, as per extant guidelines, Foreign Exchange Counters in the departure halls in international airports in India shall be established only before the Customs Desk or the Immigration Desk, whichever comes first and this will be the last point for non-residents to possess Indian Rupees (INR). Thus, the non-residents leaving the Indian shores, were required to convert the unspent Indian currency into any convertible currency before the Immigration/Customs desk. RBI has now decided to allow non-residents to carry Indian currency upto a maximum of Rs 10,000/- beyond Immigration/ Customs desk to the Duty Free Area/Security Hold Area (SHA) in the departure hall in international airports in India for meeting miscellaneous expenditures subject to the condition that non-residents should not carry any Indian Rupee beyond SHA and they should dispose of Indian currency before boarding the plane. Foreign Exchange Counters in the departure halls in international airports in India may be established in the Duty Free Area/SHA beyond the Immigration/ Customs desk. Such Foreign Exchange Counters will however, only buy Indian Rupees from non-residents and sell foreign currency to them.

Declaration Form for Exports of Goods/Softwares

As per extant guidelines, every exporter of goods or softwares has to give declaration in one of the forms (GR/PP/SDF/SOFTEX/Bulk SOFTEX) and submit it to the specified authority for certification. Now, a common form called “Export Declaration Form” (EDF) has been devised to declare all types of export of goods from Non-EDI ports and a common “SOFTEX Form” to declare single as well as bulk software exports. The EDF will replace the existing GR/PP form used for declaration of export of Goods. The procedure relating to the exports of goods through EDI ports will remain the same and SDF form will be applicable as hitherto. Under the revised procedure, the exporters will have to declare all the export transactions, including those less than US$25000, in the form as applicable. RBI will extend the facilities to exporters for online generation of SOFTEX Form No. (Single as well as Bulk) for use in Off-Site Software exports, in addition to EDF Form No. through its website. The present facility of manual allotment of single as well bulk SOFTEX form number by Regional Offices of RBI would be dispensed with accordingly.

SETTLEMENT OF CLAIMS OF DECEASED DEPOSITOR

To facilitate timely settlement of claims on the death of a depositor, RBI has advised banks to provide claim forms for settlement of claims of the deceased accounts, to any person/s who is/are approaching the bank / branches for forms. Claim forms may also be put on the bank’s website prominently so that claimants of the deceased depositor can access and download the forms without having to visit the concerned bank/branch for obtaining such forms.

TRADE CREDITS FOR IMPORTS INTO INDIA

All in cost ceiling (including arranger fee, upfront fee, management fee, handling/ processing charges, out of pocket and legal expenses) 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 March 31, 2014.

DISTRIBUTION OF BANKNOTES AND COINS

As per extant guidelines, the scope of activities of Business Correspondents (BCs) may include (i) identification of borrowers; (ii) collection and preliminary processing of loan applications including verification of primary information/data; (iii) creating awareness about savings and other products and education and advice on managing money and debt counselling; (iv) processing and submission of applications to banks; (v) promoting, nurturing and monitoring of Self Help Groups/ Joint Liability Groups/Credit Groups/others; (vi) post-sanction monitoring; (vii) follow-up for recovery, (viii) disbursal of small value credit; (ix) recovery of principal/collection of interest; (x) collection of small value deposits; (xi) sale of micro insurance/ mutual fund products/ pension products/ other third party products and (xii) receipt and delivery of small value remittances/ other payment instruments. RBI has now allowed banks to include distribution of banknotes and coins also in the of activities which may be undertaken by BCs.

Unclaimed Deposits/Inoperative Accounts in banks

As per extant guidelines, a savings or current account should be treated as inoperative/dormant if there are no transactions in the account for over a period of two years. RBI has advised that in respect of Direct Benefit Transfer/Electronic Benefit Transfer/Scholarships for students, into accounts opened for the beneficiaries under various Central/State Government schemes, banks may allot a different "product code" in their CBS so that the stipulation of inoperative/dormant account due to non-operation does not apply while crediting proceeds as mentioned above. However, while allowing operations in these accounts, due diligence should be exercised by ensuring the genuineness of transactions, verification of signature and identity, etc.

EXPORT CREDIT IN FOREIGN CURRENCY

Generally, the export credit limits are calculated in Indian Rupees and the limit is apportioned between Rupee and foreign currency components depending upon the borrowers' requirement. While the overall export credit limits are fixed in Indian Rupees, the foreign currency component of export credit fluctuates based on the prevailing exchange rates. The Technical Committee on Services/Facilities for Exporters (Chairman: Shri G.Padmanabhan) had recommended that denomination of facility in foreign currency would ensure that exporters are insulated from Rupee fluctuations. RBI has now advised that banks may compute the overall export credit limits of the borrowers on an on-going basis say monthly, based on the prevalent position of current assets, current liabilities and exchange rates and re-allocate limit towards export credit in foreign currency. This may result in increasing or decreasing the Indian Rupee equivalent of foreign currency component of export credit. Alternatively, banks may denominate foreign currency (FC) component of export credit in foreign currency only with a view to ensuring that the exporters are insulated from Rupee fluctuations. The FC component of export credit, sanctioned, disbursed and outstanding will be maintained and monitored in FC.

CASH WITHDRAWAL AT POINT OF SALE (POS)

As per extant guidelines, cash withdrawal at Point of Sale (POS) is allowed by all debit cards issued in India upto Rs.1000/- per day, subject to following conditions:

1. This facility is available only against debit cards issued in India.
2. The maximum amount that can be withdrawn at POS terminals is fixed at Rs.1000/- per day.
3. This facility may be made available at any merchant establishment designated by the bank.
4. The facility is available irrespective of whether the card holder makes a purchase or not.
5. In case the facility is being availed along with the purchase of merchandise, the receipt generated shall separately indicate the amount of cash withdrawn.
6. Complaints in this regard will fall within the ambit of the Banking Ombudsman Scheme.
7. Banks offering this facility shall on approval by their respective Boards obtain one time permission of RBI.

The open system prepaid payment instruments (PPIs) issued by banks is perceived to be a subset of debit cards. RBI has decided that the facility of cash withdrawal at POS with debit cards may be extended to such open system prepaid payment instruments issued by banks in India. The limit of cash withdrawal will remain Rs.1000/- per day.

BASE RATE – REVISED GUIDELINES

Banks were advised to switch over to the Base Rate system for calculation of their lending rates with effect from July 1, 2010. RBI has now decided to allow banks flexibility in computation / revision of Base Rate methodology as under:

(i) Banks that have commenced their banking operations in India after July 2010 but have not completed one year of their banking operations as on the date of RBI circular (2.9.2013), will be allowed to revise their Base Rate methodology within a year from the date of commencement of their business operations in India.

(ii) Banks that will commence their banking business in India after Sept 2, 2013 will be allowed to revise their Base Rate methodology within a year from the date of commencement of their banking business in India.

(iii) In case, a bank, desires to review its Base Rate methodology after five years from the date of its finalization, the bank may approach Reserve Bank for permission in this regard.

KYC NORMS - INFORMATION SOUGHT BY BANKS

The objective of KYC guidelines is to prevent banks from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. The KYC procedures also enable banks to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently. RBI has advised that information sought from customer is relevant to the perceived risk, is not intrusive. Only 'mandatory' information required for KYC purpose which the customer is obliged to give while opening an account should be obtained at the time of opening the account/during periodic updation. Other 'optional' customer details/additional information, if required may be obtained separately after the account is opened only with the explicit consent of the customer. Further, the information (both 'mandatory' – before opening the account as well as 'optional'- after opening the account with the explicit consent of the customer) collected from the customer is to be treated as confidential and details thereof are not to be divulged for cross selling or any other like purposes.

Liberalized Remittance Scheme – clarifications

RBI has issued following clarifications on LRS:

1. LRS can be used for acquisition of both unlisted and listed shares of an overseas company.

2. As per the current guidelines of LRS, only gift and donation by a resident individual have been subsumed under the LRS limit. For all other purposes such as educational and medical expenses the limits of LRS and Schedule III to FEM CAT Rules 2000 are separate, distinct, mutually exclusive and over and above each other respectively. Under the extant guidelines under FEMA, the following remittances can be made over and above the annual limit of USD 75000 permissible under LRS:

(a) A resident individual can make remittances for meeting expenses for medical treatment abroad up to the estimate from a doctor in India or hospital/ doctor abroad under general permission without any RBI approval.

(b) A resident individual can make remittances up to USD 25,000 for maintenance expenses of a patient going abroad for medical treatment or check-up abroad or for accompanying as attendant to a patient going abroad for medical treatment/ check-up without any RBI approval;

(c) A resident individual can make remittances for studies up to the estimates from the institutions abroad or USD 100,000, whichever is higher without any RBI approval.

(d) A resident individual can make remittance up to USD 10,000 per financial year for private visit abroad.

3. The reduced limit of USD 75000 under LRS will be applicable from August 5, 2013.

4. Though now resident individuals cannot remit funds abroad for purchase of immovable property, they are permitted to make remittances for acquiring immovable property within the annual limit of USD 75000 for already contracted cases, i.e. only for those contracts which were entered into on or before August 14, 2013. Thus resident individuals can make remittances under LRS for investments in immovable properties abroad which were acquired under instalment basis.

ECB POLICY

The following changes have been made in the ECB policy:

1. Refinancing ECB: With effect from Oct 1, 2013, the eligible borrowers can refinance an existing ECB by raising fresh ECB at lower all-in-cost, subject to the condition that the outstanding maturity of the original ECB is either maintained or extended, will continue. Earlier they could refinance by raising ECB at a higher all-in-cost ECB.

2. 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 March 31, 2014.

3. ECB proceeds can be used in the first stage acquisition of shares in the disinvestment process and also for all subsequent stages of acquisition of shares in the disinvestment process under the Government's disinvestment programme of the PSU shares.

4. External Commercial Borrowings (ECB) from the foreign equity holder: As per the extant ECB policy, borrowings in the form of ECB cannot be utilized for general corporate purpose. RBI has now decided to permit eligible borrowers to avail of ECB under the approval route from their foreign equity holder company with minimum average maturity of 7 years for general corporate purposes subject to the following conditions: (a) Minimum paid-up equity of 25 per cent should be held directly by the lender; (b) Such ECBs would not be used for any purpose not permitted under extant the ECB guidelines (including on-lending to their group companies / step-down subsidiaries in India); and (c) Repayment of the principal shall commence only after completion of minimum average maturity of 7 years. No prepayment will be allowed before maturity.

OVERSEAS FOREIGN CURRENCY BORROWINGS BY AUTHORISED DEALER BANKS

As per extant guidelines, all categories of overseas foreign currency borrowings by banks including existing ECBs, loans and overdrafts from their Head Office, overseas branches and correspondents and overdrafts in Nostro accounts (not adjusted within five days) shall not exceed 50 per cent of their unimpaired Tier I capital as at the close of the previous quarter or USD 10 million (or its equivalent), whichever is higher. RBI has now increased this to 100 per cent of their unimpaired Tier I capital as at the close of the previous quarter or USD 10 million (or its equivalent), whichever is higher. The borrowings beyond the hitherto permitted level of 50 per cent of their unimpaired Tier I capital will have to subject to the following conditions: (i) The bank should maintain a CRAR of 12.0 per cent; (ii) The borrowings beyond the existing ceiling shall be with a minimum maturity of three years. However RBI has decided to lower the requirement to one year for the aforesaid borrowings made on or before Nov 30, 2013 for the purpose of availing of the Swap facility from RBI. Further, banks can enter into a swap transaction with RBI in respect of the borrowings raised at a concessional rate of a 100 basis points below the market rate for all fresh borrowing with a minimum tenor of one year and a maximum tenor of three years, irrespective of whether such borrowings are in excess of 50% of their unimpaired Tier I capital or not.

Central Repository of Large Common Exposures

RBI governor had proposed to collect credit data and examine large common exposures across banks. This will enable the creation of a central repository on large credits, which RBI will share with the banks. Currently, RBI collects the data under OSMOS system through DSB/Adhoc returns. RBI has decided to use the information supplied by the banks through the Return on Large Borrowers (Form A), which captures system-wide exposure of individuals and entities having exposure (both fund and non-fund based) of more than Rs 10 crore, for creation of central repository of large credits across banks. Banks should take care about data accuracy and integrity while submitting the data on large credit to the RBI.

KYC NORMS - ON-LINE AADHAAR AUTHENTICATION

As per extant guidelines, letter issued by the Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number may be accepted as an 'Officially Valid Document'. Further, while opening accounts based on Aadhaar, if the address provided by the account holder is the same as that on Aadhaar letter, it may be accepted as a proof of both identity and address.

In order to reduce the risk of identity fraud, document forgery and have paperless KYC verification, UIDAI has launched its e-KYC service. Accordingly, e-KYC service will be accepted as a valid process for KYC verification under Prevention of Money Laundering (Maintenance of Records) Rules, 2005. Further, the information containing demographic details and photographs made available from UIDAI as a result of e-KYC process ("which is in an electronic form and accessible so as to be usable for a subsequent reference") may be treated as an 'Officially Valid Document' under PML Rules. While using e-KYC service of UIDAI, the individual user has to authorize the UIDAI, by explicit consent, to release her or his identity/address through biometric authentication to the bank branches/business correspondents (BCs). The UIDAI then transfers the data of the individual comprising name, age, gender, and photograph of the individual, electronically to the bank/BCs, which may be accepted as valid process for KYC verification. Physical Aadhaar card/letter issued by UIDAI containing details of name, address and Aadhaar number received through post would continue to be accepted as an 'Officially Valid Document'.

The e-KYC service of the UIDAI is be leveraged by banks through a secured network. Any bank willing to use the UIDAI e-KYC service is required to sign an agreement with the UIDAI. The broad operational instructions to banks on Aadhaar e-KYC service are given below:

1. Sign KYC User Agency (KUA) agreement with UIDAI to enable the bank to specifically access e-KYC service.
2. Banks to deploy hardware and software for deployment of e-KYC service across various delivery channels. These should be Standardisation Testing and Quality Certification (STQC) Institute, Department of Electronics & Information Technology, Government of India certified biometric scanners at bank branches/ micro ATMs/ BC points as per UIDAI standards.
3. Develop a software application to enable use of e-KYC across various Customer Service Points (CSP) (including bank branch, BCs etc.) as per UIDAI defined Application Programming Interface (API) protocols. For this purpose banks will have to develop their own software under the broad guidelines of UIDAI. Therefore, the software may differ from bank to bank.
4. Define a procedure for obtaining customer authorization to UIDAI for sharing e-KYC data with the bank. This authorization can be in physical (by way of a written explicit consent authorising UIDAI to share his/her Aadhaar data with the bank/BC for the purpose of opening bank account) /electronic form as defined by UIDAI from time to time.
5. Sample process flow would be as follows: (a) Customer walks into CSP of a bank with his/her 12-digit Aadhaar number and explicit consent and requests to open a bank account with Aadhaar based e-KYC; (b) Bank representative manning the CSP enters the number into bank's e-KYC application software; (c) The customer inputs his/her biometrics via a UIDAI compliant biometric reader (e.g. fingerprints on a biometric reader); (d) The software application captures the Aadhaar number along with biometric data, encrypts this data and sends it to UIDAI's Central Identities Data Repository (CIDR); (e) The Aadhaar KYC service authenticates customer data. If the Aadhar number does not match with the biometrics, UIDAI server responds with an error with various reason codes depending on type of error (as defined by UIDAI); (f) If the Aadhaar number matches with the biometrics, UIDAI responds with digitally signed and encrypted demographic information [Name, year/date of birth, Gender, Address, Phone and email (if available)] and photograph. This information is captured by bank's e-KYC application and processed as needed. (g) Bank's servers auto populate the demographic data and photograph in relevant fields. It also records the full audit trail of e-KYC viz. source of information, digital signatures, reference number, original request generation number, machine ID for device used to generate the request, date and time stamp with full trail of message routing, UIDAI encryption date and time stamp, bank's decryption date and time stamp, etc. (h) The photograph and demographics of the customer can be seen on the screen of computer at bank branches or on a hand held device of BCs for reference; (i) The customer can open bank account subject to satisfying other account opening requirements.

FOREIGN STUDENTS STUDYING IN INDIA KYC PROCEDURE FOR OPENING BANK ACCOUNTS

RBI has advised that following procedure should be adopted for opening accounts of foreign students who are not able to provide an immediate address proof while approaching a bank for opening bank account.

(a) Banks may open a Non Resident Ordinary (NRO) bank account of a foreign student on the basis of his/her passport (with appropriate visa & immigration endorsement) which contains the proof of identity and address in the home country along with a photograph and a letter offering admission from the educational institution.

(b) Within a period of 30 days of opening the account, the foreign student should submit to the branch where the account is opened, a valid address proof giving local address, in the form of a rent agreement or a letter from the educational institution as a proof of living in a facility provided by the educational institution. Banks should not insist on the landlord visiting the branch for verification of rent documents and alternative means of verification of local address may be adopted by banks.

(c) During the 30 days period, the account should be operated with a condition of allowing foreign remittances not exceeding USD 1,000 into the account and a cap of monthly withdrawal to Rs. 50,000/-, pending verification of address.

(d) On submission of the proof of current address, the account would be treated as a normal NRO account, and will be operated accordingly.

(e) Students with Pakistani nationality will need prior approval of the Reserve Bank for opening the account.

WMA LIMITS FOR GOVERNMENT OF INDIA

The limits for Ways and Means Advances (WMA) for the second half of the financial year 2013-14 (October 2013-March 2014) would be Rs 20,000 crore.

National Rural Livelihood Mission (NRLM)

Banks should send a state-wise consolidated report on the progress made on NRLM to RBI at quarterly intervals within 15 days from the end of each quarter.

ECB POLICY – LIBERALISATION OF DEFINITION OF INFRASTRUCTURE SECTOR

The existing definition of infrastructure sector for the purpose of availing ECB includes: (i) power, (ii) telecommunication, (iii) railways, (iv) road including bridges, (v) sea port and airport (vi) industrial parks (vii) urban infrastructure (water supply, sanitation and sewage projects), (viii) mining, exploration and refining, (ix) cold storage or cold room facility, including farm level pre-cooling, for preservation or storage of agricultural and allied produce, marine products and meat. RBI has now decided to expand the existing definition for infrastructure sector for the purpose of availing ECB. The expanded infrastructure sector and sub-sectors for the purpose of ECB include:

(a) <u>Energy</u> which will include (i) electricity generation, (ii) electricity transmission, (iii) electricity distribution, (iv) oil pipelines, (v) oil/gas/liquefied natural gas (LNG) storage facility (includes strategic storage of crude oil) and (vi) gas pipelines (includes city gas distribution network);

(b) <u>Communication</u> which will include (i) mobile telephony services / companies providing cellular services, (ii) fixed network telecommunication (includes optic fibre / cable networks which provide broadband / internet) and (iii) telecommunication towers;

(c) <u>Transport</u> which will include (i) railways (railway track, tunnel, viaduct, bridges and includes supporting terminal infrastructure such as loading / unloading terminals, stations and buildings), (ii) roads and bridges, (iii) ports, (iv) inland waterways, (v) airport and (vi) urban public transport (except rolling stock in case of urban road transport);

(d) <u>Water and sanitation</u> which will include (i) water supply pipelines, (ii) solid waste management, (iii) water treatment plants, (iv) sewage projects (sewage collection, treatment and disposal system), (v) irrigation (dams, channels, embankments, etc.) and (vi) storm water drainage system;

(e) (i) mining, (ii) exploration and (iii) refining;

(f) <u>Social and commercial infrastructure</u> which will include (i) hospitals (capital stock and includes medical colleges and para medical training institutes), (ii) Hotel Sector which will include hotels with fixed capital investment of Rs. 200 crore and above, convention centres with fixed capital investment of Rs. 300 crore and above and three star or higher category classified hotels located outside cities with population of more than 1 million (fixed capital investment is excluding of land value), (iii) common infrastructure for industrial parks, SEZs, tourism facilities, (iv) fertilizer (capital investment), (v) post harvest storage infrastructure for agriculture and horticulture produce including cold storage, (vi) soil testing laboratories and (vii) cold chain (includes cold room facility for farm level pre-cooling, for preservation or storage or agriculture and allied produce, marine products and meat.

RISK MANAGEMENT AND INTER BANK DEALINGS

Under the extant regulations, the facility of cancellation and rebooking is not permitted for forward contracts, involving Rupee as one of the currencies, booked by residents to hedge current and capital account transactions. However, exporters are allowed to cancel and rebook forward contracts to the extent of 25 percent of the contracts booked in a financial year for hedging their contracted export exposures. With a view to providing operational flexibility to exporters and importers to hedge their foreign exchange risk, RBI has decided to: (a) allow exporters to cancel and rebook forward contracts to the extent of 50 percent of the contracts booked in a financial year for hedging their contracted export exposures, and (b) allow importers to cancel and rebook forward contracts to the extent of 25 percent of the contracts booked in a financial year for hedging their contracted import exposures.

8% SAVINGS (TAXABLE) BONDS, 2003

8% Savings (Taxable) Bonds, 2003, issued with effect from April 21, 2003, are repayable on the expiry of six years from the date of issue. The Government of India has now decided to provide the facility of premature encashment of these bonds to individual investors in the age group of sixty years and above, after a minimum lock-in period of three years from the date of issue as indicated below:-

(a) Investors in the age bracket of 60 to 70 years: 5 years.
(b) Investors in the age bracket of 70 to 80 years: 4 years.
(c) Investors of the age of 80 years and above: 3 years.

Export of Goods and Services – Project Exports

RBI has dispensed with the requirement of submission of forms DPX1, PEX-1, TCS-1 and DPX-3, in respect of Project and Service Exports (PEM) to RBI by AD Bank. However, submission of these forms to ECGC and Exim Bank where their participatory interests by way of funded / non-funded facilities, insurance /risk cover, are involved may continue.

TRADE CREDITS FOR IMPORT INTO INDIA

As per the extant guidelines, AD Category - I banks may approve availing of trade credit not exceeding USD 20 million up to a maximum period of five years (from the date of shipment) for companies in the infrastructure sector. RBI has now decided to allow companies in all sectors to avail of trade credit not exceeding USD 20 million up to a maximum period of five years for import of capital goods as classified by Director General of Foreign Trade (DGFT). Further, RBI has decided to relax the ab-initio contract period of 15 months for all trade credits to 6 months. However, banks are not permitted to issue Letters of Credit/ guarantees/Letter of Undertaking (LoU) /Letter of Comfort (LoC) in favour of overseas supplier, bank and financial institution for the extended period beyond three years.

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.

Swap Window for Attracting FCNR (B) Dollar Funds

RBI has decided to introduce a US Dollar-Rupee swap window for fresh FCNR (B) dollar funds, mobilised for a minimum tenor of three years and over. The salient features of the new swap facility are as under:

(a) The swap facility will be available to the scheduled commercial banks (excluding RRBs) for fresh FCNR(B) deposits mobilized in any permitted currency for the tenor of minimum three years. However, the swap facility with RBI will be available in US Dollars only. The tenor of the swap will be for three years or more in line with the tenor of the underlying FCNR deposits.

(b) The swap window will be operated on a daily basis on all working days in Mumbai (except Saturdays and holidays). However, a particular bank can avail of the swap facility only once in a week. During any particular week, the maximum amount of dollars that banks would be eligible to swap with RBI would be equal to the fresh FCNR(B) deposits for minimum tenor of three years mobilized in equivalent US Dollar terms during the preceding week(s).

(c) Under the swap arrangement, a bank can sell US Dollars in multiples of USD one million to RBI and simultaneously agree to buy the same amount of US Dollars at the end of the swap period. The swap will be undertaken at a fixed rate of 3.5 per cent per annum. In the first leg of the transaction, the bank will sell US Dollars to RBI at RBI Reference Rate or any other rate as may be mutually agreed upon. The settlement of the first leg of the swap will take place on spot basis from the date of transaction. In the reverse leg of the swap transaction, Rupee funds will have to be returned to RBI along with the swap premium to get the US Dollars back.

(d) RBI would exercise the right to decide on the day of operation and the number of banks that can avail of the facility on any particular day keeping in view the market conditions and other relevant factors.

(e) The underlying deposits will have a minimum lock-in period of one year. However, premature withdrawal of such deposits would be permitted after one year. Accordingly, swaps undertaken with RBI cannot be cancelled before one year. In case of premature withdrawal of deposits after one year, the banks may approach RBI for termination of the swap. In the event of pre-termination of a swap, the swap cost would be re-fixed for the completed period of the swap at 400 bps above the concessional contracted rate of 3.5 per cent offered to the banks plus the prevailing USD/INR swap rate in the market for the residual tenor of the original swap (towards the replacement cost). RBI's decision regarding the re-pricing of the swap at the time of termination shall be final and no request for any modification or revision to the same would be entertained.

(f) The new swap window comes into effect on September 10, 2013 and will remain open up to November 30, 2013. RBI will reserve the right to close the scheme earlier with prior notice.

OVERSEAS DIRECT INVESTMENT

As per extant guidelines, issue of corporate guarantee on behalf of second generation or subsequent level step down operating subsidiaries are considered under the Approval Route, provided the Indian Party directly or indirectly holds 51 per cent or more stake in the overseas subsidiary for which such guarantee is intended to be issued. RBI has revised the same and now issue of corporate guarantee will be considered provided the Indian Party indirectly holds 51 per cent or more stake in the overseas subsidiary for which such guarantee is intended to be issued.

Overseas Direct Investments – Rationalization

RBI, vide circular dated 14 August, 2013 had reduced the limit on total overseas direct investment (ODI) of an Indian Party in all its Joint Ventures (JVs) and / or Wholly Owned Subsidiaries (WOSs) abroad engaged in any bonafide business activity from 400 per cent of the net worth of the Indian Party to 100 per cent of its net worth under the Automatic Route. Further, the limit for investing in the overseas unincorporated entities in the energy and natural resources sectors, under the automatic route, was reduced from 400 per cent of the net worth of the Indian company, to 100 per cent of the net worth of the Indian company as on the date of last audited balance sheet. RBI has issued following clarifications regarding overseas direct investments. All the financial commitments made on or before August 14, 2013, in compliance with the earlier limit of 400% of the net worth of the Indian Party under the automatic route will continue to be allowed. The limit of financial commitments for an Indian Party (presently 100% of its net worth) shall not apply to the financial commitments funded out of EEFC account of the Indian Party or out of funds raised by way of ADRs / GDRs by the Indian Party. RBI has decided further to retain the limit of 400% of the net worth of the Indian Party for the financial commitments funded by way of eligible External Commercial Borrowing (ECB) raised by the Indian Party as per the extant ECB guidelines.

INCLUSION IN SECOND SCHEDULE TO THE RBI ACT

In July 2004, RBI had decided to not consider for the time being any application from Urban Co-operative Banks, for inclusion in the Second Schedule of the Reserve Bank of India Act, 1934. RBI has now decided to consider applications from UCBs which satisfy following criteria for inclusion in the Second Schedule to the Reserve Bank of India Act, 1934.

1. DTL of not less than Rs 750 crore on a continuous basis for one year;
2. CRAR of minimum 12%;
3. Continuous net profit for the previous three years;
4. Gross NPAs of 5% or less;
5. Compliance with CRR / SLR requirements and
6. No major regulatory and supervisory concerns

Housing Sector: Upfront disbursal of housing loans

Some banks have introduced Housing Loan Schemes in association with developers/builders for upfront disbursal of sanctioned individual housing loans to the builders without linking the disbursals to various stages of construction of housing project, interest or EMI on the housing loan availed of by the individual borrower being serviced by the builders during the construction period/specified period, etc. These loan products are popularly known by various names like 80:20, 75:25 Schemes. In view of the higher risks associated with such lump-sum disbursal of sanctioned housing loans and customer suitability issues, RBI has advised banks that disbursal of housing loans sanctioned to individuals should be closely linked to the stages of construction of the housing project/houses and upfront disbursal should not be made in cases of incomplete/under-construction/green field housing projects.

Disclosure of customer complaints and unreconciled balances on account of ATM transactions

As per extant guidelines, banks are required to disclose brief details on the customer complaints along with their financial results. Banks should include all complaints pertaining to ATM cards issued by them in the disclosures. This should also include the customer complaints pertaining to Automated Teller Machines (ATM) transactions when another bank is involved in the transaction. However, where the card issuing bank can specifically attribute ATM related customer complaints to the acquiring bank, the same may be clarified by way of a note after including the same in the total number of complaints received. Further, credit balances pending reconciliation representing various cases of excess cash in ATMs on account of failures in retraction of cash, sensor failure and other technical /hardware errors, represent unclaimed balances and should not be transferred to profit and loss account.

FDI– definition for control

Control: Definition of the term 'control' has been revised and shall include the right to appoint a majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

States giving consent to implement the FDI policy on Multi Brand Retail Trading: Government of Himachal Pradesh and Karnataka have given consent to implement the FDI policy on Multi Brand Retail Trading in Himachal Pradesh and Karnataka respectively. As such, the list of States/Union Territories which have conveyed their concurrence stands modified.

Pernicious practices of select banks deterring customer protection and accounting integrity

RBI has advised the following in respect of certain practices:

1. Subvention on price/moratorium for payment offered by dealers/ manufactures: Whenever subventions/discounts on price or moratorium period for payment are offered by the dealers or manufacturers on their products to the customers while they make the purchase by availing loans from banks, banks should get the better bargain, to make the customers fully aware of these benefits and also pass on the benefits to them fully and indiscriminately while sanctioning loan for the purchase. This has to be done directly without tampering with the applicable rate of interest (RoI) of the product. If there is a discount offered in the price of a product, the loan amount sanctioned for the purchase should be after taking into account the discount, rather than giving effect to the benefit by reducing the RoI. Similarly, if there is a moratorium period for payment available, the benefit should be passed on to the customer by ensuring that repayment schedule, including the interest servicing, commence after the moratorium period only rather than adjusting it in the RoI.

2. Zero percent loans/pricing of product as per the sourcing channel: In the zero percent EMI schemes offered on credit card outstandings, banks should not pass on the interest element to customer in the form of processing fee. Similarly, banks should not load the expenses incurred in sourcing the loan (viz DSA commission) in the applicable RoI charged on the product.

3. Levying fees on debit card transactions by merchants: If a merchant establishments levy fee as a percentage of the transaction value as charges on customers who are making payments for purchase of goods and services through debit cards, bank should terminate relationship with such establishments.

BASIC SAVINGS BANK DEPOSIT ACCOUNT

RBI introduced the concept of Basic Savings Bank Deposit account (BSDBA) in August 2012. Salient features of the account alongwith clarifications given by RBI are given below:

1. The 'Basic Savings Bank Deposit Account' should be considered a normal banking service available to all.
2. Applicability to Foreign Banks: Foreign Banks in India are also required to open BSBDA for customers. RBI instructions/guidelines on BSBDA is applicable to all scheduled commercial banks in India including Foreign Banks having branches in India.
3. Min balance: There is no requirement for any initial deposit for opening a BSBDA. This account shall not have the requirement of any minimum balance.
4. Services available free: The services available free in the account will include deposit and withdrawal of cash at bank branch as well as ATMs; receipt / credit of money through electronic payment channels or by means of deposit / collection of cheques at bank branches as well as ATMs.
5. Maximum balance: There is no limit on balance outstanding in these accounts.
6. Maximum number of credits in a month: There is no limit on the number of deposits that can be made in a month in Basic Saving accounts.
7. Maximum amount of credits allowed in a year: There is no limit on the amount of credit in a financial year in Basic Saving Bank accounts.
8. Maximum amount that can be withdrawn in a month: There is no limit on the amount that can be withdrawn from these accounts.
9. Maximum number of withdrawals allowed in a month: Account holders will be allowed a maximum of four withdrawals in a month, including ATM withdrawals. Balance enquiry through ATMs should not be counted in the four withdrawals allowed free of charge under BSBDA. Even in certain accounts like NREGA where disbursements are made weekly and if a month has five weeks, it may result in more than four withdrawals, banks are required to provide free of charge minimum four withdrawals. The existing facility available in a normal saving bank account of Five free withdrawals in a month in other banks ATMs as per IBA (DPSS) instructions will not hold good for BSBDA. In BSBDA, banks are required to provide free of charge minimum four withdrawals, through ATMs and other mode including RTGS/NEFT/Clearing/Branch cash withdrawal/ transfer/internet debits/standing instructions/EMI etc. Beyond four withdrawals, it is left to discretion of the banks to either offer free or charge for additional withdrawal/s. However, in case the banks decide to charge for the additional withdrawal, the pricing structure may be put in place by banks on a reasonable, non-discriminatory and transparent manner by banks.
10. Withdrawals more than four times in a month: If BSBDA customers have more than 4 withdrawals and request for cheque book at additional cost, it will cease to be a BSBDA. However, if the bank does not levy any additional charges and offers more facilities free than those prescribed under BDBDA accounts without minimum balance then such a/cs can be classified as BSBDA.
11. Facility of ATM card or ATM-cum-Debit Card: Banks should offer the ATM Debit Cards free of charge in BSDBA accounts and no Annual fee should be levied on such Cards. ATM debit cards may be offered at the time of opening BSBDA and issued if the customer requests for the same in

writing. Banks need not force ATM debit cards on such customers. As regards customers who are illiterate or old who may not be in a position to safe keep and use the ATM debit card and PIN associated with it, banks should educate such customers about the ATM Debit Card, ATM PIN and risk associated with it. However, if customer chooses not to have ATM Debit Card banks need not force ATM debit cards on such customers.

13. Cheque Book facility: BSBDA does not envisage cheque book facility in the minimum facilities that it should provide to BSBDA customers. Banks are free to extend any additional facility including cheque book facility free of charge (in which case the account remains BSBDA). If " payable at par" / "multi-city" cheques are issued to BSBDA customers based on their request, and banks prescribe minimum balance requirements or charge for the additional facilities like issue of cheque book, it will not be a BSBDA.

14. No charge will be levied for non-operation/activation of in-operative 'Basic Savings Bank Deposit Account'.

15. Charges for Pass Book: BSBDA holders should be offered passbook facility free of charge.

16. Interest rate on 'Basic Savings Bank Deposit Account' will be same as in normal saving bank accounts.

17. Whether banks are free to offer more facilities than those prescribed for 'Basic Savings Bank Deposit Account'? Yes. However, the decision to allow services beyond the minimum prescribed has been left to the discretion of the banks who can either offer additional services free of charge or evolve requirements including pricing structure for additional value-added services on a reasonable and transparent basis to be applied in a non-discriminatory manner with prior intimation to the customers. However such accounts enjoying additional facilities for price will not be treated as BSBDAs.

18. Coverage under "Basic Savings Bank Deposit Account" (BSBDA): All the existing 'No-frills' accounts converted into BSBDA as well as fresh accounts opened as per RBI guidelines on BSBDA should be treated as BSBDA. Accounts enjoying additional facilities under the reasonable pricing structure for value added services, exclusively for BSBDA customers should not be treated as BSBDAs.

19. Conversion of normal SB account to BSBDA: The normal saving bank account can be converted into BSBDA at the request of customer provided such customers give their consent in writing and are informed of the features and extent of services available in BSBDAs.

20. Applicability of KYC norms: The 'Basic Savings Bank Deposit Account' would be subject to provisions of PML Act and Rules and RBI instructions on Know Your Customer (KYC) / Anti-Money Laundering (AML) for opening of bank accounts. BSBDA can also be opened with simplified KYC norms. However, if BSBDA is opened on the basis of Simplified KYC, the accounts would additionally be treated as "BSBDA-SMALL account" and would be subject to the conditions stipulated for such accounts.

21. Conditions stipulated for accounts which are additionally to be treated as 'BSBDA-Small Account': BSBDA-Small Accounts would be subject to the following conditions: (i) Total credits in such accounts should not exceed one lakh rupees in a year; (ii) Maximum balance in the account should not exceed fifty thousand rupees at any time; (iii) The total of debits by way of cash withdrawals and transfers will not exceed ten thousand rupees in a month; (iv) Foreign remittances cannot be credited to Small Accounts without completing normal KYC formalities. (v) Small accounts are valid for a period of 12 months initially which may be extended by another 12 months if the person provides proof of having applied for an Officially Valid Document; (vi) Small Accounts can only be opened at CBS linked branches of banks or at such branches where it is possible to manually monitor the fulfilment of the conditions.

22. Other Saving Bank accounts of BSBDA holder: An individual is eligible to have only one 'Basic Savings Bank Deposit Account' in one bank. Holders of 'Basic Savings Bank Deposit Account' will not be eligible for opening any other savings bank deposit account including small account in that bank. If a customer has any other existing savings bank deposit account in that bank, he/she will be required to close it within 30 days from the date of opening a 'Basic Savings Bank Deposit Account'. While opening the BSBDA, customers' consent in writing be obtained that his existing non-BSBDA Savings Banks accounts will be closed after 30 days of opening BSBDA. If a customer opens a BSBDA but does not close his existing Savings Bank Account within 30 days, banks are free to close such accounts after 30 days.

23. Other deposit accounts of BSBDA holder: An individual can have other deposit accounts like Term/Fixed Deposit, Recurring Deposit etc., where one holds 'BSBDA'.

24. Status of No Frill accounts: Basic Banking Savings deposits account will replace No Frill accounts which were opened either with 'nil' or very low minimum balance as well as charges that would make such accounts accessible to vast sections of population. The existing basic banking 'no-frills' accounts should be converted to 'Basic Savings Bank Deposit Account'.

25. Whether the 'Basic Savings Bank Deposit Account' can be opened by only certain types of individuals like poor and weaker sections of the population?: No. The 'Basic Savings Bank Deposit Account' should be considered as a normal banking service available to all customers, through branches

26. Restrictions like age, income, amount etc criteria for opening BSBDA by banks for individuals?: No. Banks should not impose restrictions like age and income criteria of the individual for opening BSBDA.

27. 'Basic Savings Bank Deposit Account' a part of the Financial Inclusion plans of banks: The aim of introducing 'Basic Savings Bank Deposit Account' is part of the efforts of RBI for furthering Financial Inclusion objectives. All BSDBA accounts whether new or no frill accounts renamed as BSDBA should be reported in under the monthly report of the progress of Financial Inclusion plans submitted by banks to RBI.

A Profile of Banks: 2012-13: Highlights

1. Business per employee as well as profit per employee of all scheduled commercial banks at aggregate level increased during 2012-13 vis-à-vis that in 2011-12.
2. Profitability in terms of return on assets of all scheduled commercial banks at the aggregate level declined during 2012-13. At the bank group level, all the bank groups witnessed an increase in return on assets during 2012-13 as compared to the previous year with the exception of public sector banks.
3. Cost of funds of all scheduled commercial banks increased during 2012-13 compared to that in 2011-12.
4. CRAR of all scheduled commercial banks at the aggregate level decreased at end March 2013 as compared to the previous year.
5. Net non-performing assets (NPA) ratio of all scheduled commercial banks at the aggregate level increased at end March 2013 as compared to the previous year.

LIBERALISED REMITTANCE SCHEME

Introduction: RBI had announced a Liberalised Remittance Scheme (the Scheme) in February 2004 allowing resident individuals for repatriation of funds abroad. The details of the scheme are given below:

1. Maximum amount that can be remitted abroad: up to USD 75,000 per financial year (April – March)
2. Who can remit funds abroad under LRS: Any resident individuals, including minors.
3. Purpose for which amount can be remitted: For any permissible current or capital account transaction or a combination of both including remittances for purchasing objects of art, remittance of funds for acquiring ESOPs. An individual, who has availed of a loan abroad while as a non-resident Indian can repay the same on return to India, under this Scheme as a resident.
4. Capital account transactions permitted under the scheme: Under the Scheme, resident individuals can acquire and hold shares or debt instruments or any other assets outside India, without prior approval of RBI. A resident individual can invest in units of Mutual Funds, Venture Funds, unrated debt securities, promissory notes, etc. under LRS and can use the scheme to acquire both listed and unlisted shares of an overseas company. There are no restrictions on the kind/ quality of debt or equity instruments an individual can invest in. With effect from August 05, 2013, this Scheme, can be used by Resident individuals to set up Joint Ventures (JV)/ Wholly Owned Subsidiaries (WOS) outside India for bonafides business activities. Individuals can also open, maintain and hold foreign currency accounts with banks outside India for carrying out transactions permitted under the Scheme.
5. Prohibited items under the Scheme: The remittance facility under the Scheme is not available for the following: i) Remittance for any purpose specifically prohibited under Schedule-I (like purchase of lottery tickets/sweep stakes, proscribed magazines, etc.) or any item restricted under Schedule II of Foreign Exchange Management (Current Account Transactions) Rules, 2000. With effect from August 14, 2013, the scheme is not available for remittances for acquisition of immovable property directly or indirectly outside India. However, resident individuals are permitted to make remittances for acquiring immovable property within the annual limit of USD 75000 for already contracted cases, i.e. only for those contracts which were entered into on or before August 14, 2013.
6. LRS facility vis a vis facilities detailed in Schedule III: The facility under the Scheme is in addition to those already available for private travel, business travel, studies, medical treatment, etc. The Scheme can also be used for these purposes like studies, medial treatment. However, remittances for gift and donation are subsumed under the limit available under this LRS. Accordingly, resident individuals can remit towards gifts and donations up to USD 75,000 per financial year under the Scheme. Further, a resident individual can give rupee gifts to his visiting NRI/ PIO close relatives by way of crossed cheque/ electronic transfer within the overall limit of USD 75.000 per financial year and the gifted amount should be credited to the beneficiary's NRO account. An individual resident can lend money by way of crossed cheque/ electronic transfer to a NRI/ PIO close relative within the overall limit of USD 75,000 per financial year under LRS, to meet the borrower's personal or business requirements in India. The loan should be interest free and have a maturity of minimum one year and cannot be remitted outside India. The remittance under the Scheme is in addition to acquisition of ESOPs linked to ADR/ GDR and acquisition of qualification shares (i.e. USD 7,500 or 1% of paid up capital of overseas company, whichever is lower). Investment by resident individual in overseas companies has been subsumed under LRS but there will not any requirement of 10 per cent reciprocal shareholding in the listed Indian companies by such overseas companies.
7. Repatriation back to India the accrued interest/ dividend on deposits/ investments abroad: The resident individual investors can retain and re-invest the income earned on investments made under the Scheme and are not required to repatriate the funds or income generated out of investments made under the Scheme.
8. Consolidation of remittances in respect of family members: Remittances under the facility can be consolidated in respect of family members subject to the individual family members complying with the terms and conditions of the Scheme.
9. Responsibility of AD regarding permissibility of remittances: AD will be guided by the nature of transaction as declared by the remitter.
10. PAN No: It is mandatory to have PAN number to make remittances under the Scheme.
11. Frequency of the remittance: There is no restriction on the frequency of remittances in a financial year. However, the total amount of foreign exchange purchased from or remitted through, all sources in India during a financial year should be within the cumulative limit of USD.75,000. However, once a remittance is made for an amount up to USD 75,000 during the financial year, individual would not be eligible to make any further remittances under this scheme, even if the proceeds of the investments have been brought back into the country.
12. Requirements to be complied with by the remitter: The individual will have to designate a branch of an AD through which all the remittances under the Scheme will be made. The applicants should have maintained the bank account with the bank for a minimum period of one year prior to the remittance. If the applicant is a new customer of the bank, bank should carry out due diligence on the opening, operation and maintenance of the account. Further, the AD should obtain bank statement for the previous year from the applicant to satisfy themselves regarding the source of funds. If such a bank statement is not available, copies of the latest Income Tax Assessment Order or Return filed by the applicant may be obtained.
13. Currency of remittance: The remittances can be made in any freely convertible foreign currency equivalent to USD 75,000 in a financial year.
14. Credit facilities against security of LRS deposits: Extension of credit facility against the security of the LRS deposits is not allowed. Further, the banks should not extend any kind of credit facilities to resident individuals to facilitate outward remittances under the Scheme.
15. Opening of foreign currency accounts in India for residents under LRS: Banks in India cannot open foreign currency accounts in India for residents under the Scheme.
16. Opening accounts with Offshore Banking Unit (OBU) in India: An OBU in India is not treated as an overseas branch of a bank in India for the purpose of opening of foreign currency accounts by residents under the Scheme.
17. Soliciting of Deposits: Banks should obtain prior approval from RBI, for soliciting deposits for their foreign/overseas branches.

FINANCIAL AWARENESS

RBI appoints Committee on Comprehensive Financial Services for Small Businesses and Low-Income Households: RBI has appointed a Committee on Comprehensive Financial Services for Small Businesses and Low-Income Households under the Chairmanship of Shri Nachiket Mor. The main tasks of the Committee are to frame a clear and detailed vision for financial inclusion and financial deepening in India; to lay down a set of design principles that will guide the development of institutional frameworks and regulation for achieving financial inclusion and financial deepening; to develop a comprehensive monitoring framework to track the progress of the financial inclusion and deepening efforts on a nationwide basis.

Dr. Raghuram Rajan assumes charge as Governor, RBI: Dr. Raghuram Rajan assumed charge as the 23rd Governor of RBI on September 4, 2013.

IIP at 4-month high as capital goods boost output 2.6% in July: Aided by a rebound in capital goods production, the country's industrial output grew a better-than-expected 2.6 per cent in July compared with the same period last year. This was a four-month high.

RBI sets up panel to revise monetary policy framework: RBI has set up an expert committee to revise and strengthen the monetary policy framework to make it transparent and predictable. The panel will be headed by Deputy Governor Urjit Patel.

Forward Markets Commission: will now be under the control of the Finance Ministry. With this, all financial sector regulators viz. RBI, SEBI, IRDA, PFRDA and FMC have all come under one umbrella.

Population of India: as on March 1, 2012 has been estimated at 123 crore. Based on the estimated population and the poverty ratio of 21.9%, 27 crore persons lived below poverty line in 2011-12.

Share of Agriculture in GDP: As per latest estimates, released by CSO, the share of agriculture in GDP of the country which was 51.9% in 1950-51 has now come down to 13.7% in 2012-13 at 2004-05 prices.

Seventh Pay Commission: The Government has announced constitution of the Seventh Pay Commission, which will go into the salaries, allowances and pensions of about 80 lakh of its employees and pensioners. Its recommendations are likely to be implemented with effect from January 1, 2016.

Rising exports, dipping imports narrow trade gap: In August, exports rose 12.97 per cent to $26.14 billion, the highest in about two years, compared with $23.13 billion in August 2012. For April-August 2013-14, the trade deficit declined to $73.36 billion ($74.67 billion).

RBI to issue unique identification codes for financial market participants: RBI has invited limited bids from about six entities, to issue unique identification codes to market participants. One or two of the selected entities are likely to be tasked with the responsibility of implementing a global Legal Entity Identifier (LEI) system that will uniquely identify parties to financial transactions. The global financial crisis of 2008 has spurred the development of a global LEI system. The RBI is the nodal agency for overseeing the LEI system in India.

Annual Unemployment Survey for 2012-13: As per the report, the unemployment rate of the country is estimated to be 4.7 per cent at All India level. The unemployment rate per 1000 persons aged more than 15 years was highest in Sikkim at 136. Chhattisgarh had lowest unemployment rate of 14. In rural areas, unemployment rate is 4.4 per cent whereas in urban areas, the same is 5.7 per cent.

Indian branches under scrutiny: The Monetary Authority of Singapore have stepped up their scrutiny of some local branches of Indian banks on concerns about asset quality.

FITCH Report on Bad Loans: International rating agency Fitch in its report has stated that the non-performing loans of India's banks are expected to peak as late as March 2016. Fitch has downgraded the viability ratings of three state-run lenders, including Punjab National Bank and Bank of Baroda, by one notch to 'bb+' from 'bbb-', citing concerns about a protracted economic slowdown, high "stressed assets" and their low capital but retained their long-term issuer default ratings at 'bbb-'.

Mobile banking services for financial inclusion: Telecom Regulatory Authority of India (TRAI) has released a Consultation Paper on 'USSD-based Mobile Banking Services for Financial Inclusion'. As per the paper, significantly large regions and populations are stillunbanked / under-banked in the country; as per the Census 2011, only 54.4% of rural households had access to banking services. Unstructured Supplementary Service Data (USSD) appears to be one of the most promising modes for mobile banking for financial inclusion.

PSU bulk deposits: The Finance Ministry has asked the RBI to address the issue of banks participating in bids called by cash surplus state-run firms for placing their bulk deposits. The finance ministry has been trying to curb aggressive bidding for deposits by banks as it feels this pushes up cost of funds and eventually makes credit expensive.

FII-friendly GAAR rules: The Finance Ministry has notified the General Anti-avoidance rules (GAAR) that are intended to check tax avoidance. The rules, will come into force from April 1, 2016. Non-resident investors in Foreign Institutional Investors (FII) have been kept out of GAAR. The GAAR rules will not apply to FIIs that choose not to take any treaty benefits under the income tax law. GAAR provisions will be attracted only in cases where the tax benefit in the arrangement is more than Rs 3 crore. Before invoking GAAR, the assessing officer has to issue a show cause notice to the assessee. The assessee will have an opportunity to prove that the arrangement is not an impermissible avoidance arrangement.

Credit to exporters under priority sector: The Finance Ministry wants RBI to include bank credit to exporters under the priority sector lending which could boost export income and reduce the country's current account deficit.

Unlisted companies to directly list on stock exchanges abroad: Currently, unlisted companies are not allowed to directly list in overseas markets without prior or simultaneous listing in Indian markets. However, faced with high current account deficit (CAD), the Govt. has allowed unlisted companies to directly list on stock exchanges abroad to raise funds for acquisitions or retiring debts. Such companies would be permitted to list abroad only on exchanges in International Organization of Securities Commissions (IOSCO) / Financial Action Task Force (FATF) compliant jurisdictions or countries with which SEBI has signed bilateral agreements. The capital raised abroad may be utilised for retiring outstanding overseas debt or for operations abroad, including for acquisitions. In case the funds raised are not utilised abroad, such companies will have to remit the money back to India within 15 days. The money will parked only in banks recognized by RBI.

Fifth Deutsche Bank prize: RBI Governor Raghuram G Rajan has been awarded the Fifth Deutsche Bank Prize for Financial Economics 2013, in recognition of his ground-breaking research work which influenced financial and macro-economic policies around the world. The academic prize is sponsored by the Deutsche Bank Donation Fund and carries an endowment of euro 50,000.

New Bank Licenses: RBI has set up a three-member committee under former Governor Bimal Jalan to scrutinise applications for new bank licences. The panel will make its recommendations to the Governor and Deputy Governors, who will make the final proposals to the committee of the RBI central board. The other members are Usha Thorat (former RBI Deputy Governor), C B Bhave (former Sebi Chairman) & Nachiket Mor (financial sector expert).

Global Competitiveness Report: India has slipped to 60th position in terms of its competitiveness globally, while Switzerland has retained its top rank.

Future special economic zones to come under land acquisition Act: As per Union Minister for Rural Development Jairam Ramesh, the new land acquisition Act will apply to all future special economic zones. The Act has received assent from the President. The Act is now called The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act. It replaces the Land Acquisition Act of 1894.

Misuse of Bank Notes: RBI has appealed to the public against misuse of banknotes by making garlands out of it, decorating pandals and places of worship or for showering on personalities at social events. RBI has stated that Banknotes should be respected as they are a symbol of the Sovereign and public should not misuse them and help in increasing the life of banknotes.

Channel Card: Central Bank along with Suvidhaa Infoserve Pvt Ltd and MasterCard, has announced the launch of the first-of-its-kind open loop prepaid card viz., the “Channel Card”, for the traditional retailer community. The “Central Bank of India - Suvidhaa Channel Card” has been designed to empower over 65000 Suvidhaa retailers to offer a wide range of services to their customers across 2800 towns in India. The services include utility bill payments, payment of municipal taxes, travel ticketing, shopping and much more.

‘Virtual Assistant’: Citibank has introduced ‘Virtual Assistant’ based on Artificial Intelligence self-help facility. The addition of a new online feature to its website, makes banking easier, faster and more convenient for its customers. With the introduction of ‘Ask Me’, an artificial intelligence-based self-help facility, customers can now get instant answers to their queries about products and services on the Citibank website by merely keying in a question.

Business Confidence Index: FICCI’s latest Business Confidence Survey conducted during the months of July and August 2013 show significant moderation in the performance of companies vis-à-vis performance over the previous six months. The Overall Business Confidence Index declined further to 49 in latest survey.

Investment in World Bank Bonds: The Government has approved a proposal to invest $ 4.3 bn in World Bank bonds. This move which will help India to secure additional funding from the multilateral agency for infrastructure projects. RBI would invest in the bonds floated by the International Bank for Reconstruction and Development (IBRD).

SBI raring downgraded: Global rating agency Moody’s has downgraded the senior unsecured debt and local currency deposit rating of State Bank of India by a notch to 'Baa3' from 'Baa2', due to asset quality and recapitalization concerns.

Definition of FDI and FII: A four member committee headed by Arvind Mayaram, Economic Affairs Secretary has been set up to clear ambiguity between FDI and FII. The panel will look into the differences between them & it will also give definition of FDI &FII.

AGNI-V: India has successfully test launched the long range ballistic Agni-V missile. The surface-to-surface, three stage solid propellant missile is designed to deliver nuclear warheads of 1000 kg at a range of 5000 km.

Falling rupee’s impact on oil bill may push fiscal deficit to 5%: As per India Rating and Research, the rising oil subsidy due to a depreciating rupee may push the fiscal deficit to five per cent.

Tax breaks on CSR spend: The Corporate Affairs Ministry has backed the idea of providing tax breaks for companies spending on corporate social responsibility (CSR) initiatives. The new Companies Act makes it mandatory for a category of companies, based on their size and profitability, to spend 2 per cent of their net profits towards CSR annually.

IRDA modifies health cover norms: IRDA has announced minor modifications in the health insurance regulations notified in February this year. Insurers can provide coverage to non-allopathic treatment provided the policyholder had received treatment only in a Government hospital or institutions recognised by it or accredited by the quality council of India/National Accreditation Board on Health. The existing guidelines extended coverage to treatment received in ‘any suitable institutions’ in addition to the above. Further, there would be no cumulative bonus on benefit-based policies with the exception of personal accident cover. All new individual health insurance policies except those with tenure of less than a year should have a free-look period which would be applicable at the inception of the policy.

Appointments: B. S. Rama Rao, who was General Manager at Andhra Bank, has been appointed as Executive Director at Vijaya Bank; Mahesh Kumar Jain, General Manager at Syndicate Bank, has been elevated as Executive Director of Indian Bank. Atul Agarwal, who was General Manager at Central Bank of India, has been appointed as executive director of Indian Overseas Bank; R. K. Takkar, General Manager at Oriental Bank of Commerce, has been appointed as executive director at Dena Bank. **Full mobile number portability in six months:** The telecom regulator has said that full mobile number portability should be available within the next six months. Under the existing policy, number portability is permitted only within a circle. TRAI’s new proposal will change this and allow portability even when the user moves to another State.

Reconsider bank licences for corporates: The Parliamentary Standing Committee on Finance has asked the Government to reverse the proposal to allow the private sector to run banks. The panel said in the report that of the 15,630 private sector bank branches, only 2,699 are located in rural areas, constituting just 17 per cent of the total. It asked the Government and the RBI to keep industry and banking separate, as banking is a highly leveraged business involving public money and public welfare.

Kirit Parikh panel for Rs 1-1.50 monthly hike in diesel price: The Kirit Parikh panel on fuel pricing has suggested that the diesel prices should be increased by Rs 1-1.50 a litre every month as against the 45-50 paise monthly hike followed currently. This is expected to help the public sector oil marketing companies sell diesel at market rate in two years' time.

CFOs to mandatorily attest financial statements: Chief Financial Officers will henceforth have to attest the financial statements of companies. This norm is specified in the new company law, which also gives statutory recognition to the post of CFO as a key managerial person. The new company law, enacted in late August, has tightened the noose on auditors by mandating auditor as well as audit firm rotation.

Rajan panel's new pecking order for States:
The panel headed by former Chief Economic Advisor Raghuram Rajan, now the RBI Governor, has recommended doing away with the 'Special Category' criterion. Instead, it wants allocations to States be based on a multidimensional index. The index categorised the 28 States into three categories. States that scored 0.6 and above have been classified as 'Least Developed'. Those that scored below 0.6 and above 0.4 are 'Less Developed' and those with scores below 0.4 are 'Relatively Developed'. Backwardness has been measured on the basis of monthly per capita consumption, the poverty ratio, education, health, household amenities, female literacy, percentage of Scheduled Caste/Tribe population, urbanisation rate, financial inclusion, and connectivity. The panel has proposed a general method for allocation of central funds, based on each State's development needs as well as its development performance. It wants each State to get a fixed allocation of 0.3 per cent of overall funds. The amount derived from the State's need and performance will be added to this. Odisha, Bihar, Madhya Pradesh, Chhattisgarh and Rajasthan, are among India's 10 'Least Developed' States. Goa and Kerala, along with five other States are in the 'Relatively Developed' category. Gujarat, is in the 'Less Developed' category.

IRDA slaps penalty on Punjab & Sind Bank: The Insurance Regulatory and Development Authority (IRDA) has imposed Rs 5 lakh penalty on Punjab and Sind Bank for violating norms for corporate agencies. The bank had received payments from Aviva Life Insurance Company Ltd as its corporate agents over and above the permissible levels of commission in the form of rent for infrastructure and advertisement and publicity expenses.

Report on NSEL: A high-level panel, headed by Economic Affairs Secretary Arvind Mayaram, has submitted its report on the alleged irregularities at the National Spot Exchange Ltd (NSEL). For the long term, the report has made certain recommendations to strengthen the functioning of the Forward Markets Commission, which regulates commodities markets. The Commission, which has come under the administration of the Finance Ministry, had no powers to regulate spot exchanges.

Moody's cuts 2013-14 GDP growth forecast to 4.5%: Moody's has lowered its outlook for India's GDP growth to 4.5% for 2013-14 from 5.5%. This reflects the recent depreciation of the rupee, which will exacerbate inflationary pressures, keep domestic interest rates relatively high, and hinder a recovery in domestic demand growth.

Ignore PMI, rely on fundamentals to gauge economy: Credit Suisse has cautioned against ignoring fundamentals and going by the Purchasing Managers Index (PMI) data alone while making forecasts. A closer look at the historical relationship between the PMI and industrial production and services growth in the country indicates a lack of correlation between the survey estimates and actual output data.

WTO scales down global trade growth projection in 2013: WTO economists now predict growth in 2013 at 2.5 per cent against 3.3 per cent in April and the initial forecast of 4.5 per cent. The projection is still higher than the two per cent growth in world trade achieved in 2012. WTO has also lowered growth projections for 2014 to 4.5 per cent from five per cent predicted in April.

Import duty on jewellery hiked to 15%: The Finance Ministry has raised the import duty on gold and silver jewellery to 15 per cent in a move to protect the domestic industry and curb the precious metal's imports. The Government last revised the levy in January 2012, when the import duty was set at 8 per cent for gold jewellery and 4 per cent for silver jewellery.

RBI tightens norms for lending against jewellery: The central bank has mandated that the gold the NBFCs receive as collateral should be valued transparently. This valuation will be based on the average closing price of 22 carat gold in the preceding 30 days as quoted by the Bombay Bullion Association (BBA). While accepting the gold as collateral, the NBFC should give in writing to the borrower, on its letterhead, the purity (in terms of carats) and weight of the gold. If the gold is of purity less than 22 carats, the NBFC should translate the collateral into 22 carat equivalent and state the exact grams of the collateral.
To ensure that stolen jewellery does not find its way into the formal financial system, NBFCs should keep a record of the verification of the ownership where the gold jewellery pledged by a borrower at any one time or cumulatively is more than 20 gm. It is compulsory for NBFCs to insist on the permanent account number (PAN) of the borrower if the transaction value is more that Rs 5 lakh. High value loans of Rs 1 lakh and above must be disbursed only by cheque. NBFCs will be required to get the central bank's permission to grow their network beyond 1,000 branches.

Compulsory digitisation of insurance policies: As per Union Minister for Finance P. Chidambaram, digitisation of insurance policies should be made mandatory. Currently, it is not mandatory. Digitisation would help even during natural calamities as people tend to lose documents along with property at such times. Insurance penetration in the country as of 2012 is only 3.96 per cent.

RBI must consider giving new bank licences on tap: As per C. Rangarajan, Chairman to the Prime Minister's Economic Advisory Council, RBI should consider giving new bank licences on tap. This would mean a system wherein the Reserve Bank of India awards licenses throughout the year to those entities who fulfil specified criteria. Currently, the RBI follows what is known as a 'stop and go' or a 'block' licensing policy for banks, where it periodically issues new banking licences.

IIM-Calcutta makes it to FT's top 20 B-schools: IIM-Calcutta has debuted on the Financial Times 'Masters in Management' global rankings for the first time, securing the 19th spot. IIM-Ahmedabad, on the other hand, slipped by eight ranks, settling at 18. The institution's flagship two-year post-graduate programme had come in at 10 in 2012. India now houses two of the top 20 management programmes of the world.

Duty refund rate on jewellery exports raised by 31%: The duty drawback rate on gold jewellery now stands at Rs 227.20 per gram of net gold content, against Rs 173.20 in June, and Rs 100.70 in 2012-13. The rate has also been revised for silver jewellery to Rs 3,436.80 a kg of net silver content, against Rs 2,590.80 in 2012-13. The new rates will be effective from September 21.

MOCK TEST

Latest Developments

01 Which of the following rates was/were revised by RBI in the mid term review of the Annual Policy statement on 20th Sept 2013?
a) CRR b) SLR c) Repo Rate d) None

02 Which of the following rates were not revised by RBI in the mid term review of the Annual Policy statement on 20th Sept 2013?
a) CRR b) SLR c) Bank Rate
d) Both (a) and (b) only e) All of these

03 Which of the following rates is not correct as on 7th October 2013?
a) CRR: 4% of NDTL b) SLR: 23% of NDTL
c) Repo Rate: 7% d) Bank Rate: 9%
e) Both (c) and (D)

04 Which of the following statements is not correct as per announcements made in mid term review of the Monetary Policy on 20th Sept 2013?
a) Repo rate increased by 25 basis points from 7.25 per cent to 7.50 per cent.
b) Marginal Standing Facility (MSF) rate reduced by 75 basis points from 10.25 percent to 9.50 per cent with effect from Sept 20, 2013.
c) Bank Rate reduced by 75 basis points from 10.25 percent to 9.50 per cent with effect from Sept 20, 2013.
d) None of these

05 Which of the following is the last point for non-residents to possess Indian Rupees (INR)?
a) Customs Desk b) Immigration Desk
c) Duty Free Area d) None of these

06 Basic Saving Bank Deposit account facility is to be provided by which of the following banks?
a) All public sector banks only
b) All public sector and private sector banks only
c) All public sector, private sector and foreign banks only
d) All scheduled commercial banks in India

07 Banks should send a state-wise consolidated report on the progress made on NRLM to RBI at ____ intervals.
a) Fortnightly b) Monthly
c) Quarterly d) Half yearly

08 Banks were required to maintain minimum daily balance with RBI equal to 99% of the required CRR balance. RBI has reduced the minimum daily maintenance of the Cash Reserve Ratio from 99 per cent of the requirement to ____per cent effective from the fortnight beginning September 21, 2013.
a) 95% b) 90% c) 80% d) 70%

09 A non-resident is allowed to carry Indian currency notes beyond Indian border up to ______.
a) Rs 5000 b) Rs 7500 c) Rs 10000
d) None of these as they are not allowed to carry Indian currency beyond Indian border since the Indian currency is not yet convertible.

10 In order to provide money changing facility to non-residents to convert unspent Indian Rupees with them, Foreign Exchange Counters in the departure halls in international airports in India may be established ____
a) before the Customs Desk or the Immigration Desk, whichever comes first.
b) before the Customs Desk or the Immigration Desk, whichever comes later.
c) in the Duty Free Area/SHA beyond the Immigration/ Customs desk.
d) None of these

11 RBI has allowed non-residents to carry Indian currency upto a maximum of ____ beyond Immigration/Customs desk to the Duty Free Area/Security Hold Area (SHA) in the departure hall in international airports in India for meeting miscellaneous expenditures.
a) Rs 10,000 b) Rs 5000 c) Rs 7500 d) None

12 Exchange counters established in the Duty Free Area/SHA beyond the Immigration/ Customs desk can undertake which of the following functions?
a) They can buy Indian Rupees as well as foreign currency from non-residents.
b) They can sell both Indian Rupees and foreign currency to non-residents.
c) They can only buy Indian Rupees from non-residents and sell foreign currency to them.
d) They can only buy Foreign currency from non-residents and sell Indian rupees to them

13 RBI has fixed the limits for Ways and Means Advances (WMA) for the second half of the financial year 2013-14 (October 2013- March 2014) at ________.
a) Rs 20,000 crore b) Rs 15,000 crore
c) Rs 10,000 crore d) None of these

14 What is the rate of interest charged by RBI on Ways and Means advances facility?
a) Repo Rate b) Bank Rate
c) Marginal Standing Facility Rate
d) Two per cent over Repo Rate

15 As per scheme of Ways and Means Advances, the minimum balance required to be maintained by the Government of India with RBI will not be less than _____on Fridays, and not less than ____on other days.
a) Rs 100 crore; Rs 10 crore b) Rs 50 crore; Rs 10 crore
c) Rs 100 crore; Rs 20 crore d) Rs 10 crore; Rs 5 crore

16 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 be ____over 6 months LIBOR for the respective currency of credit or applicable benchmark up to March 31, 2014.
a) 350 basis points b) 250 basis points
c) 150 basis points d) 450 basis points

17 As per RBI guidelines on security issues and risk mitigation measures related to Card Present (CP) transactions and for electronic payment transactions, banks are required to secure the technology infrastructure (Unique Key per terminal- UKPT or Derived Unique Key per transaction- DUKPT/ Terminal line encryption- TLE) by _______.
a) 30th Sept 2013 b) 31st Oct 2013
c) 31st Dec 2013 d) 31st Mar 2014

18 As per RBI guidelines, if a bank does not secure the technology infrastructure by 30th Sept 2013, it will compensate loss, if any, incurred by the card holder using card at POS terminals not adhering to the mandated standards. In such cases, when the card holder approaches his card issuing bank for any fraudulent POS transaction/s in India, the issuing bank would ascertain, within ___ working days from the date of cardholder approaching the bank, whether the respective POS terminal/s where the said transaction/s occurred is/are compliant with TLE and UKPT/DUKPT.
a) 3 b) 2 c) 5 d) 7

19 In cases, when the card holder approaches his card issuing bank for any fraudulent POS transaction in India, and if it is found that the POS terminals are non-compliant with secured infrastructure as mandated by RBI, the issuing bank shall pay the disputed amount to the customer within ____working days, failing which a compensation of

______per day will be payable to the customer.
a) 7, Rs 100 b) 10, Rs 100
c) 15, Rs 200 d) 7, Rs 200

20 In cases, when the card holder approaches his card issuing bank for any fraudulent POS transaction in India, and if it is found that the POS terminals are non-compliant with secured infrastructure as mandated by RBI, the issuing bank shall pay the disputed amount to the customer within 7 working days. The issuing bank shall claim the amount paid by it to the customer from the respective bank/s which have acquired the POS transaction in question. The acquiring banks have to pay the amount paid by the issuing bank within __ working days of the issuing bank raising the claim.
a) 3 b) 5 c) 7 d) 10

21 AD Category - I banks may approve availing of trade credit up to a maximum of ___up to a maximum period of ___years (from the date of shipment) for import of capital goods and for companies in the infrastructure sector.
a) USD 20 million; five years;
b) USD 10 million; three years
c) USD 20 million; three years;
d) USD 10 million; five years;

22 To enhance the penetration of banking in rural and semi-urban areas, and with the objective of liberalising and rationalising the branch authorisation policy, RBI has granted the general permission to domestic scheduled commercial banks (other than RRBs) to open branches in _____ centres without RBI permission.
a) Tier 3 to Tier 6 centres
b) Tier 2 to Tier 6 centres
c) All centres including Tier 1 to Tier 6 centres
d) None of these

23 RBI has granted general permission to banks to open branches anywhere in India subject to the condition that at least _____percent of the total number of branches opened during the financial year must be opened in unbanked rural (Tier 5 and Tier 6) centres, i.e. centres which do not have a brick and mortar structure of any scheduled commercial bank for customer based banking transactions.
a) 10 b) 15 c) 20 d) 25

24 As per RBI guidelines, at least 25 percent of the total number of branches opened during the financial year must be opened in unbanked ____ centres.
a) rural (Tier 5 and Tier 6)
b) rural (only Tier 6)
c) rural and semi urban (Tier 4 to Tier 6)
d) rural and semi urban (Tier 3 to Tier 6)

25 As per RBI guidelines, the total number of branches opened by a bank in Tier 1 centres during the financial year cannot exceed ____% of the total number of branches opened in Tier 2 to 6 centres and all centres in the North Eastern States and Sikkim.
a) 50% b) 60% c) 75% d) 100%

26 RBI has classified various centres based on the population. Which of the following is not correct in this regard?
a) Tier 1 centre: 100,000 and above
b) Tier 2 centre: 50,000 to 99,999
c) Tier 3 centre: 20,000 to 49,999
d) Tier 4 centre: 10,000 to 19,999
e) None of these

27 RBI has classified various centres based on the population. Which of the following is not correct in this regard?
a) Rural Centre: Population up to 9,999
b) Semi Urban Centre: Population from 10,000 to 99,999
c) Urban Centre: Population from 1,00,000 to 9,99,999
d) Metropolitan centre: Population 10,00,000 and above
e) None of these

28 RBI has classified various centres based on the population. Which of the following is not correct in this regard?
a) Tier 3 centre: 20,000 to 49,999
b) Tier 4 centre: 10,000 to 19,999
c) Tier 5 centre: 5,000 to 9,999
d) Tier 6 centre: Less than 5,000
e) None of these

29 As per RBI, banks would be provided incentive for opening branches in underbanked districts of underbanked States. Banks may open branches in Tier 1 centres, over and above their eligibility, that are equal to the number of branches opened in ____of underbanked districts of underbanked States, excluding such of the rural branches opened in unbanked rural centres that may be located in the underbanked districts of underbanked States in compliance with RBI requirements.
a) Tier 5 to Tier 6 centres
b) Tier 4 to Tier 6 centres
c) Tier 3 to Tier 6 centres
d) Tier 2 to Tier 6 centres

30 A savings or current account should be treated as inoperative/dormant if there are no transactions in the account for over a period of ____.
a) 6 months b) one year
c) two years d) three years

31 Which of the following is correct in respect of accounts opened for crediting cheques, Direct Benefit Transfer, Electronic Benefit Transfer, Scholarships for students etc for the beneficiaries under various Central/State Government schemes?
a) These account will not be classified as inoperative irrespective of the period for which there is no operation.
b) Banks may allot a different "product code" in their CBS to all such accounts opened by banks so that the stipulation of inoperative/dormant account due to non-operation does not apply while crediting proceeds under various Govt schemes.
c) While allowing operations in these accounts which have not been operated for two years, banks should allow operations without exercising any special precaution.
d) All of these e) None of these

32 Which of the following is not covered under the scope of activities of Business Correspondents (BCs)?
a) identification of borrowers;
b) collection and preliminary processing of loan applications including verification of primary information/data;
c) issue of demand draft
d) processing and submission of applications to banks;
e) promoting, nurturing and monitoring of Self Help Groups/ Joint Liability Groups/Credit Groups/others;

33 Which of the following is not covered under the scope of activities of Business Correspondents (BCs)?
a) collection of small value deposits;
b) receipt and delivery of small value remittances/ other payment instruments;
c) sale of micro insurance/ mutual fund products/ pension products/ other third party products;
d) disbursal of small value credit;
e) doing KYC verification of customer;

34 Which of the following activities has been included in Sept 2013, under the scope of activities of Business Correspondents (BCs)?
a) follow-up for recovery; b) post-sanction monitoring;
c) recovery of principal/collection of interest;

d) distribution of banknotes and coins e) None of these

35 As per recent guidelines of RBI, the amount of currency notes of Government of India and Reserve Bank of India notes which any person resident in India may take outside India (other than to Nepal and Bhutan) or having gone out of India on a temporary visit, may bring into India at the time of his return from any place outside India (other than from Nepal and Bhutan) has been increased by RBI from not exceeding ____ per person to _____per person.
a) Rs.7,500; Rs 10,000 b) Rs 5000; Rs 7500
c) Rs 5000; Rs 10,000 d) Rs 10,000; Rs 15,000

36 Cash withdrawal at Point of Sale (POS) is allowed by all debit cards issued in India upto _____per day
a) Rs.1000 b) Rs 2000
c) Rs 5000 d) Rs 10,000

37 As per RBI guidelines, Cash withdrawal at Point of Sale (POS) is allowed by all debit cards issued in India. Which of the following is not correct in this regard?
a) This facility is available only against debit cards issued in India.
b) The maximum amount that can be withdrawn at POS terminals is fixed at Rs.1000/- per day.
c) This facility may be made available at any merchant establishment designated by the bank after a process of due diligence.
d) The facility is available only if the card holder makes a purchase.
e) None of these

38 As per RBI guidelines, Cash withdrawal at Point of Sale (POS) is allowed by all debit cards issued in India. Which of the following is correct in this regard?
a) Banks offering this facility shall put in place a proper customer redressal mechanism. However, complaints in this regard will not fall within the ambit of the Banking Ombudsman Scheme.
b) Banks offering this facility shall obtain one time permission of RBI.
c) Banks offering this facility need not obtain any permission of RBI
d) Both (a) and (c)

39 As per RBI guidelines, Cash withdrawal at Point of Sale (POS) is allowed by all debit cards issued in India. Now RBI has extended this facility to which of the following?
a) Credit Cards b) ATM cards
c) open system prepaid payment instruments issued by banks in India
d) None of these e) All of these

40 RBI has extended the facility of cash withdrawal at POS to open system prepaid payment instruments issued by banks in India. The limit of cash withdrawal in this case will be _____per day.
a) Rs 1000 b) Rs 2000
c) Rs 3000 d) Rs 5000

41 Banks have switched over to the Base Rate system for calculation of their lending rates with effect from July 1, 2010. As per RBI guidelines, banks that have commenced their banking operations in India after the coming into effect of the Base Rate regime in July 2010 will be allowed to revise their Base Rate methodology within _____ from the date of commencement of their business operations in India.
a) One year b) Two years
c) Six months d) Three years

42 A bank can review its Base Rate methodology with permission from RBI, after ____years from the date of its finalization.
a) 3 b) 4 c) 5 d) 2

43 Which of the following is not the objective of KYC norms introduced by RBI?
a) to prevent banks from being used, by criminal elements for money laundering.
b) to prevent banks from being used, by criminal elements for terrorist financing activities.
c) to enable banks to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently.
d) All of these e) Only (a) and (b)

44 Which of the following information can be obtained from customer as part of KYC norms?
a) Number of dependents
b) Number of foreign visits undertaken during the last three years,
c) Details of family members/relatives settled abroad
d) Assets and liabilities
e) None of these

45 Banks collect various information from customer while opening the account for purpose of KYC. In this regard, which of the following is not correct?
a) Only 'mandatory' information required for KYC purpose which the customer is obliged to give while opening an account should be obtained at the time of opening the account/during periodic updation.
b) Other 'optional' customer details/additional information, if required may be obtained simultaneously but only with the explicit consent of the customer.
c) Other 'optional' customer details/additional information, if required may be obtained separately after the account is opened only with the explicit consent of the customer.
d) The information, both 'mandatory' as well as 'optional' collected from the customer cannot be divulged for cross selling purposes.
e) Both (c) and (d)

46 As per RBI guidelines on settlement of claims of deceased depositors, banks should provide claim forms for settlement of claims of the deceased accounts to __
a) any person who is approaching the bank for forms.
b) legal heirs only
c) person named in Will only. d) nominee only

47 In case a student who has gone abroad for studies wants to open account but is not able to provide an immediate address proof while approaching a bank for opening bank account, which type of account can be opened by the bank for such student?
a) Only Resident account b) Only NRO account
c) Both NRO and NRE account
d) None of these as account can not be opened without address proof

48 In case a student who has gone abroad for studies wants to open account but is not able to provide an immediate address proof, Banks may open a Non Resident Ordinary (NRO) bank account of such student based on which of the following?
a) only his/her passport (with appropriate visa & immigration endorsement) which contains the proof of identity and address in the home country along with a photograph.
b) only a letter offering admission from the educational institution.
c) only a letter from the Indian Bank
d) Both (a) and (b)
e) None of these as account can not be opened without address proof.

49 Banks may open a Non Resident Ordinary (NRO) bank account of a foreign student on the basis of his/her passport (with appropriate visa & immigration endorsement) which contains the proof of identity and address in the home country along with a photograph and a letter offering admission from the educational institution. In such cases, the foreign student should submit to the branch where the account is opened, a valid address proof giving local address, in the form of a rent agreement or a letter from the educational institution as a proof of living in a facility provided by the educational institution within ____ days of opening the account.

a) 15 days b) 30 days
c) 3 months d) 6months

50 In case an NRO account is opened for a foreign student on the basis of his passport without proof of address, then till the proof of address is submitted, the account should be operated with a condition of allowing foreign remittances not exceeding _____ into the account and a cap of monthly withdrawal to ________.

a) USD 1,000; Rs. 50,000; b) USD 2,000; Rs 50,000;
c) USD 3000; Rs 100,000; d) USD 1000; Rs 100,000

51 As per RBI guidelines, which of the following is not correct regarding disclosure of customer complaints?

a) Banks should disclose brief details on the customer complaints along with their financial results.
b) Banks should include all complaints pertaining to ATM cards issued by them in the disclosures.
c) The disclosures need not include the customer complaints pertaining to Automated Teller Machines (ATM) transactions when another bank is involved in the transaction.
d) Where the card issuing bank can specifically attribute ATM related customer complaints to the acquiring bank, the same may be clarified by way of a note after including the same in the total number of complaints received.
e) None of these

52 What should be done by a bank in respect of credit balances pending reconciliation representing various cases of excess cash in ATMs on account of failures in retraction of cash, sensor failure and other technical /hardware errors?

a) It represent unclaimed balances and should be transferred to profit and loss account
b) It represent unclaimed balances and should not be transferred to profit and loss account
c) It should be credited to Misc income account
d) It should be treated as fraud and reported to RBI.

53 RBI has reduced the limit on total overseas direct investment (ODI) of an Indian Party in all its Joint Ventures (JVs) and / or Wholly Owned Subsidiaries (WOSs) abroad engaged in any bonafide business activity from 400 per cent of the net worth of the Indian Party to _____ of its net worth under the Automatic Route.

a) 100 per cent b) 200 per cent
c) 300 per cent d) None of these

54 RBI has reduced the limit for investing in the overseas unincorporated entities in the energy and natural resources sectors, under the automatic route, from 400 per cent of the net worth of the Indian company, to ___ of the net worth of the Indian company as on the date of last audited balance sheet.

a) 100 per cent b) 200 per cent
c) 300 per cent d) None of these

55 RBI has permitted eligible borrowers to avail of ECB under the approval route from their foreign equity holder company for general corporate purposes. The minimum average maturity period of such borrowing should be ___

a) 3 years b) 5 years c) 7 years d) None of these

56 Liberalised Remittance Scheme can be used for which of the following purposes?

a) for acquisition of immovable property.
b) for acquisition of listed shares of an overseas company
c) for acquisition of unlisted shares of an overseas company.
d) for acquisition of both unlisted and listed shares of an overseas company

57 As per the guidelines of LRS, which of the following remittance by a resident individual have been subsumed under the LRS limit?

a) only gift and donation b) only educational expenses
c) only medical expenses d) all of these
e) none of these

58 A student wants to go abroad for studies and requests the bank to release USD 75,000 under liberalized remittance scheme and USD 100,000 on declaration basis. What should the bank do?

a) Bank can release funds either under LRS or under normal entitlement.
b) Bank can release maximum USD 75,000 permitted under LRS.
c) Bank can release maximum USD 100,000 as permitted under normal entitlement
d) Bank can release funds as desired by student as the limits of LRS and Schedule III to FEM CAT Rules 2000 are separate, distinct, mutually exclusive and over and above each other respectively.

59 A resident individual made an agreement for purchase of residential house in US for USD 500000 on 1st July 2013 payable in 5 equal instalments of USD 100000 each. In the meantime, RBI reduced the limit under LRS to USD 75000 per financial year and prohibited remittances for purchase of immovable property abroad. The individual has requested the bank to remit USD 100,000. What should the bank do?

a) Bank cannot remit the amount as remittances for purchase of immovable property abroad are prohibited.
b) Bank can remit funds abroad as requested since the agreement for purchase of residential house was entered into before prohibition by RBI.
c) Bank can remit funds abroad since the agreement for purchase of residential house was entered into before prohibition by RBI but only within reduced limit of USD 75000 per financial year.
d) Bank can remit funds after obtaining permission from RBI.

60 RBI has allowed exporters to cancel and rebook forward contracts to the extent of _____percent of the contracts booked in a financial year for hedging their contracted export exposures.

a) 20 b) 25 c) 40 d) 50

61 RBI has allowed importers to cancel and rebook forward contracts to the extent of ___percent of the contracts booked in a financial year for hedging their contracted import exposures.

a) 20 b) 25 c) 40 d) 50

62 In order to simplify the existing form used for declaration of exports of Goods/Softwares, a common form called “Export Declaration Form” (EDF) has been devised to declare all types of export of goods from Non-EDI ports. The EDF will replace which of the following export declaration forms?

a) Softex b) SDF c) GR d) PP
e) Both (c) and (d)

63 In order to simplify the existing form used for declaration of exports of Goods/Softwares, a common form called “Export Declaration Form” (EDF) has been devised to declare all types of export of goods from Non-EDI ports.

Under the revised procedure, up to how much amount, the exports are not required to be declared on EDF?

a) USD 10,000 b) USD 25,000
c) USD 50,000 d) None of these

64 RBI collects the data under OSMOS system through DSB/Adhoc returns. RBI has decided to use the information supplied by the banks through the Return on Large Borrowers (Form A), which captures system-wide exposure of individuals and entities having exposure (both fund and non-fund based) of more than ____for creation of central repository of large credits across banks.

a) Rs 1 crore b) Rs 2 crore
c) Rs 5 crore d) Rs 10 crore

65 With a view to providing greater flexibility to AD Category - I banks in seeking access to overseas funds, RBI has decided that banks may borrow funds from their Head Office, overseas branches and correspondents and overdrafts in nostro accounts up to a limit of ____per cent of their unimpaired Tier I capital as at the close of the previous quarter or USD 10 million (or its equivalent), whichever is higher, as against the existing limit of ____per cent.

a) 100%; 50% b) 75%; 50%
c) 50%; 25% d) 100%; 25%

66 RBI has allowed banks to borrow funds from their Head Office, overseas branches and correspondents and overdrafts in nostro accounts up to a limit of 100 per cent of their unimpaired Tier I capital as at the close of the previous quarter or USD 10 million (or its equivalent), whichever is higher, as against the existing limit of 50 per cent. For borrowings beyond the permitted level of 50 per cent of unimpaired Tier I capital, the CRAR of the bank should be ____% and the borrowings beyond the existing ceiling shall be with a minimum maturity of _____years.

a) 12%; 3 years b) 10%; 5 years
c) 12%; 2 years d) 10%; 3 years

67 The all-in-cost ceiling for External Commercial Borrowings shall be _____over 6 months LIBOR for borrowings of maturity of three years and up to 5 years and ______ over 6 month LIBOR for borrowings of more than five year maturity.

a) 350 basis points; 500 basis points
b) 200 basis points; 300 basis points
c) 250 basis points; 500 basis points
d) 300 basis points; 400 basis points

68 RBI has introduced a US Dollar-Rupee swap window for fresh FCNR (B) funds, mobilised for a minimum tenor of ____ years and above.

a) one b) two c) three d) five

69 What is the maximum amount of credits that can be made in a financial year in Basic Saving Bank Deposit account?

a) Rs 25000 b) Rs 50000
c) Rs 100000 d) No limit

70 What is the limit on maximum outstanding balance in Basic Saving Bank Deposit account?

a) Rs 200000 b) Rs 50000
c) Rs 100000 d) No limit

71 What is the maximum limit on number of times deposits can be made in Basic Saving Bank Deposit accounts in a month?

a) 4 times b) 5 times c) 6 times d) No limit

72 What is the maximum limit on number of times withdrawals can be made in Basic Saving Bank Deposit accounts in a month?

a) 4 times b) 5 times c) 6 times d) 10 times

73 What is maximum amount that can be withdrawn in a month from Basic Saving Bank Deposit accounts?

a) Rs 200000 b) Rs 50000
c) Rs 100000 d) No limit

74 Which of the following is not correct regarding Basic Saving Bank Deposit accounts?

a) BSBDA holders should be offered passbook facility free of charge.
b) It is mandatory to provide Cheque book facility free of charge.
c) It is mandatory to provide ATM card facility free of charge
d) None of these

75 What type of facilities are mandatory in Basic Saving Bank Deposit accounts?

a) deposit and withdrawal of cash at bank branch as well as ATMs;
b) receipt / credit of money through electronic payment channels or by means of deposit / collection of cheques at bank branches as well as ATMs.
c) Free ATM card facility
d) All of these

76 A customer of a bank having BSBDA account with the bank wants cheque book facility and wants to withdraw more than four times in a month. What should the bank do and what will be the status of account?

a) If bank agrees to the request account will cease to be BSBDA account.
b) If bank agrees to provide these facilities free of charge, then it is allowed and account will continue to be BSBDA account.
c) Bank can accept the request of customer and may charge fees for the same and account will continue to be BSBDA account
d) Bank cannot accept the request of the customer under any circumstance.

77 In case BSBDA account, maximum number of withdrawals allowed in a month is 4. Which of the following is not considered as part of these 4 transactions?

a) Cash withdrawal from the branch
b) Withdrawals through transfer in other account
c) Withdrawals through ATM
d) Transfer of funds through ATM
e) None of these

78 RBI will use the information supplied by the banks through the Return on Large Borrowers (Form A), which captures system-wide exposure of individuals and entities having exposure (both fund and non-fund based) of _____, for creation of central repository of large credits across banks.

a) 10 crore and above b) 5 crore and above
c) more than Rs 10 crore d) None of these

79 The claims of the banks for _____ will be filed with Debt Recovery Tribunals and not with the normal courts.

a) Rs 10 lac and above b) More than Rs 10 lac
c) Rs 20 lac and above d) Rs 1 lac and above

ANSWERS

1	C	11	A	21	A	31	B	41	A	51	C	61	B
2	B	12	C	22	C	32	C	42	C	52	B	62	E
3	C	13	A	23	D	33	E	43	D	53	A	63	D
4	D	14	A	24	A	34	D	44	E	54	A	64	D
5	C	15	A	25	D	35	A	45	B	55	C	65	A
6	D	16	A	26	E	36	A	46	A	56	D	66	A
7	C	17	A	27	E	37	D	47	B	57	A	67	A
8	A	18	A	28	E	38	B	48	D	58	D	68	C
9	D	19	A	29	D	39	C	49	B	59	C	69	D
10	C	20	A	30	C	40	A	50	A	60	D	70	D

71 D; 72 A; 73 D; 74 B; 75 D; 76 B;
77 E; 78 C; 79 A

RTGS SYSTEM

Introduction: The acronym 'RTGS' stands for Real Time Gross Settlement, which can be defined as the continuous (real-time) settlement of funds transfers individually on an order by order basis (without netting). 'Real Time' means the processing of instructions at the time they are received rather than at some later time; 'Gross Settlement' means the settlement of funds transfer instructions occurs individually (on an instruction by instruction basis). As the funds settlement takes place in the books of the Reserve Bank of India, the payments are final and irrevocable.

Minimum and Maximum amount: The minimum amount to be remitted through RTGS is Rs 2 lakh. There is no upper ceiling for RTGS transactions.

Time for RTGS service window:

Days	Customer Transactions	Interbank Transactions
Monday – Friday	9.00 hrs to 16.30 hrs	9.00 hrs to 18.00 hrs
Saturday	9.00 hrs to 14.00 hrs	9.00 hrs to 15.00 hrs

However, the timings that the banks follow may vary depending on the customer timings of the bank branches.

Charges charged by RBI to member banks: From 1st Oct 2011, RBI levy service charges for all outward transactions of RTGS members. Inward transactions of the members will not attract any service charges and will continue to be free. The RTGS service charges would have three components (i) membership fee, (ii) transaction fee and (iii) time-varying tariff.

(a) Monthly membership fees for banks will be Rs 4000.

(b) Transaction fee will depend on monthly volume and per transaction fees will be – Rs 0.50 for monthly volume up to Rs 25000; Rs 0.40 for 25001 to 50,000; Rs 0.30 for 50,001 to 100,000; Rs 0.10 for 100001 and above.

(c) Time varying tariff will be as under:

Time of settlement at RBI		**Charge per transaction**
From	**To**	
09:00 hours	12:00 hours	Nil
After 12:00 hrs	15:30 hours	Rs 1.00
After 15:30 hrs	17:30 hours	Rs 5.00
After 17:30 hrs		Rs 10.00

If a RTGS member desires to pass on the time varying tariff to its customers, the charges so levied should not exceed the time varying tariff that RBI is collecting from the RTGS member. Banks should time-stamp all customer initiated payment transfers to avoid any customer claims and disputes in future. Membership fees and transaction fees cannot be passed on to customers.

Processing Charges / Service Charges payable by the remitter: Inclusive of the time varying tariff, the maximum customer charges that can be recovered by a member from its customers (if it so desires) would be as under: Rs 2 lakh to Rs 5 lakh – Rs 25 + applicable time varying tariff subject to a maximum of Rs.30/-. Above Rs 5 lakh – Rs 50 + applicable time varying tariff subject to a maximum of Rs.55.

Difference between RTGS and National Electronics Funds Transfer System (NEFT): NEFT is an electronic fund transfer system that operates on a Deferred Net Settlement (DNS) basis which settles transactions in batches. In DNS, the settlement takes place with all transactions received till the particular cut-off time. These transactions are netted (payable and receivables) in NEFT whereas in RTGS the transactions are settled individually. For example, currently, NEFT operates in hourly batches. There are twelve settlements from 8 am to 7 pm on week days and six settlements from 8 am to 1 pm on Saturdays. Any transaction initiated after a designated settlement time would have to wait till the next designated settlement time. Contrary to this, in the RTGS transactions are processed continuously throughout the RTGS business hours.

Time taken for effecting funds transfer from one account to another under RTGS: Under normal circumstances, the beneficiary branches are expected to receive the funds in real time as soon as funds are transferred by the remitting bank. The beneficiary bank has to credit the beneficiary's account within two hours of receiving the funds transfer message.

Acknowledgement to remitting customer: The remitting bank receives a message from the Reserve Bank that money has been credited to the receiving bank. Based on this the remitting bank can advise the remitting customer through SMS that money has been credited to the receiving bank.

Non credit to beneficiary’s account: Funds, received by a RTGS member for the credit to a beneficiary customer’s account, will be returned to the originating RTGS member within two hours of the receipt of the payment at the PI of the recipient bank or before the end of the RTGS Business day, whichever is earlier, if it is not possible to credit the funds to the beneficiary customer’s account for any reason e.g. account does not exist, account frozen, etc. Once the money is received back by the remitting bank, the original debit entry in the customer's account is reversed.

Essential information to be supplied by the remitting customer to the remitting bank: The remitting customer has to furnish the following information to a bank for initiating a RTGS remittance: (i) Amount to be remitted; (ii) Remitting customer’s account number which is to be debited; (iii) Name of the beneficiary bank and branch; (iv) Name of the beneficiary customer; (v) Account number of the beneficiary customer; (vi) The IFSC Number of the receiving branch

Branches providing RTGS service: For a funds transfer to go through RTGS, both the sending bank branch and the receiving bank branch would have to be RTGS enabled. All the bank branches in India are not RTGS enabled. Presently, there are more than 100000 RTGS enabled bank branches.

VARIOUS RATES AT GLANCE		
Bank Rate	**9.00%**	07.10.2013
CRR	**4.0%**	09.02.2013
SLR	**23.0%**	11.08.2012
Repo Rate	**7.50%**	20.09.2013
Reverse Repo Rate	**6.50%**	20.09.2013
MSF Rate	**9.00%**	07.10.2013