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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: OCT 13

FDI in India –definition of 'group company'

As per revised definition (November 01, 2013), 'Group company' under FDI policy means two or more enterprises which, directly or indirectly, are in position to - (i) exercise twenty-six per cent, or more of voting rights in other enterprise; or (ii) appoint more than fifty per cent, of members of board of directors in the other enterprise.

Marginal Standing Facility-Revision in timings

RBI has decided to revise the timings of Marginal Standing Facility (MSF) which will now be available between 7.00 pm and 7.30 pm instead of the existing timings of 4.45 pm to 5.15 pm. The change in timings will take effect from November 5, 2013.

Repo and Reverse Repo Rates (October 29, 2013)

RBI has decided to increase the Repo rate under the Liquidity Adjustment Facility (LAF) by 25 basis points from 7.50 per cent to 7.75 per cent with effect from October 29, 2013. Accordingly, the Reverse Repo rate under the LAF will stand automatically adjusted to 6.75 per cent.

Marginal Standing Facility Rates (October 7 &29, 2013)

RBI reduced the Marginal Standing Facility (MSF) rate by 50 basis points from 9.50 per cent to 9.00 per cent with effect from 7th Oct 2013. The same was reduced again by 25 basis points from 9.00 percent to 8.75 per cent with effect from October 29, 2013. Consequent to this change, Marginal Standing Facility (MSF) rate is recalibrated to 100 basis points above the policy repo rate under the Liquidity Adjustment Facility (LAF).

Term Repo under Liquidity Adjustment Facility

(October 8 & 29, 2013)

Term Repo was introduced by RBI vide circular dated Oct 8, 2013. The total amount of liquidity injected through term repos was limited to 0.25 per cent of NDTL the banking system. RBI later on increased the quantum of liquidity to be provided through term repos of 7-day and 14-day tenor from the existing 0.25 per cent to 0.50 per cent of net demand and time liabilities (NDTL) of the banking system with effect from October 29, 2013.

Bank Rate (October 7 & 29, 2013)

RBI adjusted the Bank Rate by 50 basis points from 9.5 per cent to 9.0 per cent with effect from October 07, 2013. The Bank Rate was adjusted again by 25 basis points from 9.0 per cent to 8.75 per cent with effect from October 29, 2013.

Due diligence in correspondent banking relationship

As per existing guidelines, banks should carry out detailed due diligence while entering into correspondent banking arrangements, including information on the other bank's management, major business activities, level of AML/ CFT compliance, purpose of opening the account, identity of any third party entities that will use the correspondent banking services etc. Further, banks should put in place adequate internal control mechanism to safeguard their interests while determining the policy regarding 'at par' facility with the approval of their respective Boards. RBI has observed that some commercial banks have arrangements with co-operative banks wherein the latter open current accounts with the commercial banks and use the cheque book facility to issue 'at par' cheques to their constituents and walk-in-customers for facilitating their remittances and payments. Since the 'at par' facility offered by commercial banks to co-operative banks is in the nature of correspondent banking arrangements, banks should monitor and review such arrangements to assess the risks including credit risk and reputational risk arising therefrom. For this purpose, banks should retain the right to verify the records maintained by the client cooperative banks/ societies for compliance with the extant instructions on KYC and AML under such arrangements.

Special Deposit Scheme (SDS), 1975 – Intt Rate

The Ministry of Finance (Department of Economic Affairs), Government of India, has notified revision in the interest rate on the deposits under the Special Deposit Scheme for Non-Government Provident, Superannuation and Gratuity Funds, and the same will be 8.7% per annum with effect from April 1, 2013.

Settlement of Claims in respect of Missing Persons in Uttarakhand Disaster

In the aftermath of Uttarakhand Natural Disaster during June 14-20, 2013 the Office of the Registrar General of India, Ministry of Home Affairs, Government of India has devised a procedure for Registration of Death of Missing persons in Natural Calamities affected areas in Uttarakhand vide its circular dated August 16, 2013. The MHA Circular has devised detailed procedure for registration and issue of 'Death Certificate' of a person reportedly missing since his/her visit to the site of disaster in Uttarakhand in June 2013. Banks should settle the claims in respect of missing persons, covered by MHA Circular, without insisting on production of any documentation other than (i) the 'Death Certificate' issued by the Designated Officer under MHA Circular and (ii) letter of indemnity.

Banking Laws (Amendment) Act 2012 Applicability to private sector banks

The provisions contained in the Banking Law Amendments Act, 2012, making certain amendments to the Banking Regulation Act, 1949, are binding on banks notwithstanding any clauses to the contrary contained in the Memorandum of Association (MoA) and Articles of Association (AoA) of the banks.

Memorandum of Procedure for channeling transactions through Asian Clearing Union (ACU)

The ACU Board of Directors have decided to include only transactions involving export/import of goods and services among ACU countries as eligible for payment under the ACU Mechanism. Accordingly, eligible and ineligible payments will be as given below:

Eligible Payments: Transactions that are eligible to be made through ACU are payments for export/import transactions between ACU member countries including export and import on deferred payment terms; and not declared ineligible under paragraph 8 of this Memorandum (Trade transactions with Myanmar may be settled in any freely convertible currency, in addition to the ACU mechanism).

Ineligible Payments: payments that are not on account of export / import transactions between ACU members countries except to the extent mutually agreed upon between the Reserve Bank and the other participants;

Launch of new RTGS System

The new RTGS system will be operationalized on October 19, 2013 and the "RTGS System Regulations 2013" would come into effect from this date. Hence, the extant RTGS System will no longer be operational. Accordingly, the RTGS (Membership) Business Operating Guidelines, 2004 and RTGS (Membership) Regulations, 2004 would cease to exist. The new RTGS System will conform to ISO 20022 messaging standard.

Export-Follow-up –XOS Statements

As per extant guidelines, banks are required to furnish to Regional Office of RBI, a consolidated statement in Form XOS giving details of all export bills outstanding beyond six months from the date of export on a half yearly basis as at the end of June and December every year. RBI has now decided that an old export bill may be closed by AD banks as a one time measure, provided that the case is not subject matter of any pending civil suit /criminal suit ; the exporter has not come to the adverse notice of the Directorate of Enforcement (DoE) / Central Bureau of Investigation (CBI)/Directorate of Revenue Intelligence (DRI) /any such other law enforcement agency; has no externalisation problems with the export receipient countries and the export bill falls under following categories:

(a) With ceiling of USD 1, 00,000 and outstanding beyond 15 years as on December 31,2012

(b) With ceiling of USD 50,000 and outstanding for more than 5 years as on December 31, 2012, where customers not traceable subject to proof of non traceability from competent authority and under bank's internal boards approved policy.

Report of closed cases should be submitted to concerned Regional Offices of Reserve Bank by AD banks. After closing of cases, there will be no further follow up by ADs and these outstanding bills will not be reported in future Export Outstanding Statements (XOS).

Overseas Foreign Currency Borrowings by Authorised Dealer Banks

As per extant guidelines, AD Category - I banks may borrow funds from their Head Office, overseas branches and correspondents and avail overdraft in the nostro accounts up to a limit of hundred 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 (excluding borrowings for financing of export credit in foreign currency and capital instruments). As per revised guidelines, in addition to Head Office, overseas branches and correspondents, authorised dealers may also borrow from any other entity as permitted by RBI. Accordingly, RBI has permitted banks to borrow from international / multilateral financial institutions for a limited period up to November 30, 2013. Such borrowings should be for the purpose of general banking business and not for capital augmentation.

Export Outstanding Statement (XOS)

As per current guidelines, banks are required to furnish to the RBI, a consolidated statement in Form XOS giving details of all export bills outstanding beyond six months from the date of export on a half yearly basis as at the end of June and December every year. RBI has now decided that with effect from the half year ending December 2013, XOS submission should be made online and Bank-wide instead of the present system of branch-wise submission through the respective Regional Offices of RBI. Banks should designate a Nodal Branch which shall be submitting the XOS data for the AD Bank as a whole.

Change of Name of SME Rating Agency of India

SME Rating Agency of India Limited has been accredited for the purpose of risk weighting the banks' claims for capital adequacy purposes along with other credit rating agencies (CRAs). The agency has now changed its name to SMERA Ratings Limited.

Term Repo under Liquidity Adjustment Facility

RBI decided (Oct 8, 2013) to conduct auctions for term repos of 7-day and 14-day tenor for a notified amount equivalent to 0.25 per cent of net demand and time liabilities (NDTL) of the banking system (revised to 0.5% of NDTL w.e.f. 31st Oct 2013) through variable rate auction mechanism. The first term repo auction with a tenor of seven days was conducted on October 11, 2013 (Friday). Thereafter, auctions for term repo of 14 days and 7 days tenor will follow on alternate Fridays. The detailed operational guidelines for term repo auction are given below:

1. Term Repo under the Liquidity Adjustment Facility (LAF) for 14 days and 7 days tenors will be introduced for banks (scheduled commercial banks other than RRBs) in addition to the existing daily LAF (repo and reverse repo) and MSF.
2. Term repo auctions will be conducted on CBS (E-KUBER) platform through electronic bidding as is done in the case of OMO auctions.
3. The total amount of liquidity injected through term repos would be limited to 0.25 per cent of NDTL (revised to 0.5%) of the banking system.
4. While the 14 day term repo of tenor would be conducted every reporting Friday, the 7 day term repo would be conducted on every non-reporting Friday.
5. In case the notified amount for the 14-day term repo is not fully subscribed, a 7-day term repo would be conducted on the following Friday for the remaining un-subscribed amount. In case of full subscription in the 14-day term repo, there will be no 7 day term repo auction on the following Friday.
6. Banks would be required to place their bids with the term repo rate that they are willing to pay to RBI for the tenor of the repo expressed in percentage terms up to two decimal places.
7. Once the bidding time is over, all the bids would be arranged in descending order of the term repo rates quoted and the cut-off rate would be arrived at the rate corresponding to the notified amount of the auction. Successful bidders would be those who have placed their bids at or above the cut-off rate. All bids lower than the cut-off rate would be rejected. RBI will, however, reserve the right to (i) inject marginally higher amount than the notified amount due to rounding effects and (ii) inject less than the notified amount without assigning any reasons therefor.
8. No bids would be accepted at or below the prevailing Repo Rate under LAF.
9. On the day prior to the auction, RBI will announce the amount to be auctioned under term repo along with its tenor. The minimum bid amount for the auction would be Rupees one crore and multiples thereof. The allotment would be in multiples of Rupees one crore. Term repo auctions would be conducted on Fridays between 2.30 PM - 3.00 PM. In case Friday falls on a holiday, the auction would take place on the preceding working day at Mumbai.
10. There will be provision of pro-rata allotment should there be more than one successful bid at the cut-off rate.
11. There will be no restriction on the maximum amount of bidding by individual bidders under term repo.
12. The reversal of term repo would take place at the 'start of day' on the day of completion of the term.
13. The eligible collateral for term repo and the applicable haircuts will remain the same as daily LAF repo and MSF.
14. Daily LAF for individual banks would be restricted to a certain percentage of their NDTL outstanding as on the last Friday of the second preceding fortnight.

BRANCH AUTHORISATION POLICY

As per Section 23 of the Banking Regulation Act, 1949, banks cannot open a new place of business in India or outside India or change, otherwise than within the same city, town or village, the location of the existing place of business without the prior approval of RBI. As per RBI guidelines, scheduled commercial banks (other than RRBs) are permitted to open branches in Tier 1 to Tier 6 centres without having the need to take permission from RBI in each case, subject to reporting. The guidelines for authorisation (opening) of branches of domestic scheduled commercial banks in India are given below:

1. For the purpose of branch authorisation policy, a "branch" would include all branches, i.e., full-fledged branches, specialised branches, satellite offices, mobile branches, Extension Counters, off-site ATMs (Automated Teller Machines), administrative offices, controlling offices, service branches (back office or processing centres), etc.

2. The branch authorisation policy covers the opening of branches in all Tiers (Tier 1 to 6) of the country. Tier 1 comprises metropolitan and urban centres, Tiers 2, 3, and 4 comprise semi-urban centres and Tiers 5 and 6 comprise rural centres.

3. For the purposes of ensuring more uniform spatial distribution, banks are encouraged to open branches in underbanked centres, more precisely, in underbanked districts of underbanked States. An underbanked centre (whether a district or State) would be one where the Average Population Per Branch Office (APPBO) is more than the national average. Thus, though there are bank branches in these centres, there are not as many branches as would be desirable. While no mandatory number of branches have been prescribed to be opened in such centres, banks are incentivised for opening branches in such centres.

4. For increasing banking penetration and financial inclusion, there is a need to open branches in centres that are unbanked. Unbanked centres are those which do not have any brick and mortar structure of a scheduled commercial bank for customer based banking transactions. Therefore, the current branch authorisation policy mandates that banks have to open at least 25 percent of all branches opened in a year in unbanked rural centres.

5. The general permission available for opening of branches by domestic scheduled commercial banks in Tier 1 to Tier 6 centres across the country will encompass specialised branches, extension counters, satellite offices, service branches, Central Processing Centres (CPCs) and all other offices/branches of the bank. Thus, banks are not required to approach RBI for authorisation for opening branches or any other places of business or administrative offices in any centre.

6. Banks may formulate an annual plan for the financial year, approved by the Board of the bank as part of their annual strategy for branch expansion. While formulating this plan, they may keep various factors in mind such as setting up of low cost branches, innovative use of technology, including internet banking and virtual banking to reduce physical footfalls, improving customer service.

7. The opening of branches during a financial year will be subject to the conditions given below. Extension counters, satellite offices, mobile branches, CPCs, service branches and administrative offices can be freely opened in any centre and will not be reckoned for the purposes of paras (a) and (b) below.

a) At least 25 percent of the total number of branches opened during a financial year (excluding entitlement for branches in Tier 1 centres given by way of incentive as stated in para 8 below), 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 in para 10 below) cannot exceed the total number of branches opened in Tier 2 to Tier 6 centres and all centres in the North Eastern States and Sikkim.

8. Banks may open branches in Tier 1 centres, [over and above their eligibility as defined at para 7 (a) and (b) above], equal to the number of branches opened in Tier 2 to Tier 6 centres of underbanked districts of underbanked States, excluding such of the branches opened in unbanked rural centres that are located in the underbanked districts of underbanked States.

9. In case a bank is unable to open all the branches it is eligible for in Tier 1 centres, as per paras 7 and 8 above, it may carry-over (open) these branches during subsequent two years.

10. 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.

11. Banks may consider front-loading (prioritising) the opening of branches in unbanked rural centres over a 3 year cycle co-terminus with their Financial Inclusion Plan (FIP 2013-16). Therefore, credit will continue to be given for the branches opened in unbanked rural centres in excess of the required 25 percent of the total branches opened during the year which will be carried forward for achieving the criteria in the subsequent year of the FIP.

12. The general permission referred to above would be subject to the parameters stated in para 7 and 8 above as well as regulatory/supervisory comfort in respect of the individual banks.

13. Banks should report details of opening of a new place of business including Mobile branch/Mobile ATMs, and call centres, and closure, merger, shifting or conversion of any existing place of business immediately and in any case not later than two weeks after opening/closure/merger/ shifting/ conversion to the concerned Regional Office RBI.

Illustration on Branch opening

ABC Bank opens branches in various centres during the financial year. Eligibility for branches in various Tiers is illustrated under some indicative scenarios.

Computation for Eligibility of branches including incentive in Tier 1 centres

(i) (a) Number of branches proposed to be opened in Tier 1 to Tier 6 centres (excluding branches given as incentive): 200

(b) Minimum number of branches that must be opened in unbanked rural centres: 50 (At least 25 percent of the total number of branches opened during a financial year [excluding entitlement for branches in Tier 1 centres by way of incentive at (iii) below]: i.e. 25% of 200 = 50 must be opened in unbanked rural centres.

(c) Out of 200 branches, the minimum number of branches that the bank must open in Tier 2 to Tier 6 centres and in the North Eastern States and Sikkim: 100 (At least 50 percent of branches opened during the year has to be in Tier 2 to 6 centres and in N.E. States and Sikkim)

(d) Out of 200 branches, the maximum number of branches that can be opened in Tier 1 centres (excluding branches given as incentive): 100 (Branches in Tier 1 centres cannot exceed branches in Tier 2 to Tier 6 centres and all centres in N.E. States and Sikkim).

(ii) Number of branches opened in Tier 2 to Tier 6 centres of underbanked districts of underbanked States that are not unbanked rural centres: 10; (Opening branches in these centres is not mandatory but will entitle the bank to open additional branches in Tier 1 centres by way of incentive).

(iii) Number of branches in Tier 1 centres that can be opened as incentive for opening branches at (ii) above: 10 (Equal to (ii)

(iv) Maximum number of Tier 1 branches that can be opened during the year: 110 {100 As at (i)(d) above] + 10 [incentive as at (iii) above]}. The bank has a choice to open all these branches during the year. In case it is unable to open all these Tier 1 branches during the current year, the remaining branches can be opened during the subsequent 2 years.

Scenario I: ABC Bank opens more branches than the minimum required in Tier 2 to Tier 6 centres

(i) (a) Number of branches opened in Tier 1 to Tier 6 centres: 200

(b) Total number of branches opened in unbanked rural centres: 50 (At least 25 per cent of the total number of branches opened during a financial year [excluding entitlement for branches in Tier 1 centres by way of incentive given for branches opened at (ii) below] i.e. 25% of 200 = 50 must be opened in unbanked rural centres. Hence there is no deficit).

(c) Out of 200 branches, the number of branches opened in Tier 2 to Tier 6 centres and in the North Eastern States and Sikkim: 120

(d) Out of 200 branches, the number of branches opened in Tier 1 centres [(a) – (c)]: 80 (The total number of branches opened in Tier 1 centres during the financial year excluding entitlement for branches in Tier 1 centres by way of incentive cannot exceed the total number of branches opened in Tier 2 to Tier 6 centres and all centres in the North Eastern States and Sikkim.

(ii) Number of branches opened in Tier 2 to Tier 6 centres of underbanked districts of underbanked States that are not unbanked rural centres: 10 (The bank can open 10 branches in Tier 1 centres as an incentive for opening these branches.

(iii) Total Tier 1 branches that can be opened during the year, including incentive for (ii) above: 90 (80+10)

Of this number, 80 branches have already been opened [item (i) (d)]. The remaining 10 branches can be opened during subsequent two years.

Scenario II: ABC Bank opens less number of branches in Tier 2 to Tier 6 centres than the minimum required

(i) (a) Number of branches opened in Tier 1 to Tier 6 centres: 200

(b) Total number of branches opened in unbanked rural centres: 50 (At least 25 per cent of the total number of branches opened during a financial year [excluding entitlement for branches in Tier 1 centres by way of incentive given for branches opened at (ii) below] i.e. 25% of 200 = 50 must be opened in unbanked rural centres. Hence there is no deficit).

(c) Out of 200 branches, the number of branches opened in Tier 2 to Tier 6 centres and in the North Eastern States and Sikkim: 80 (The bank is required to open at least 50 percent of the branches opened during a financial year in Tier 2 to 6 centres, North Eastern States and Sikkim. Hence there is a shortfall of 20 branches[(50 percent of 200) -80]

(d) Out of 200 branches, the number of branches opened in Tier 1 centres [(a) – (c)]: 120

As branches opened in Tier 1 centres during the year cannot exceed the number of branches opened in Tier 2 to Tier 6 centres, North Eastern States and Sikkim, the bank could have opened a maximum of 100 branches in Tier 1 centres. In addition, the bank can open an additional 15 branches which are available as incentive and carry over, i.e. [10 branches as incentive (item ii) + 5 branches as carry over (item iii)]. Hence the bank's total entitlement is 115. It has therefore opened 5 branches in excess of eligibility. These 5 branches will be deducted from eligibility for Tier 1 centres during the next financial year.

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.

(ii) Number of branches opened in Tier 2 to Tier 6 centres of underbanked districts of underbanked States that are not unbanked rural centres: 10

(iii) Carryover of entitlement of branches in Tier 1 centres not opened in the previous years: 5

(iv) Carry over (deficit) in branches in Tier 2 to Tier 6 centres, as well as in all centres in N.E. States and Sikkim, which must be opened in the next year: 20

(v) Excess branches opened in Tier 1 centres which would be deducted from eligibility for Tier 1 centres during the next financial year: 5

Scenario III: ABC Bank opens more branches in the unbanked rural centres than the minimum required

(i) (a) Number of branches opened in Tier 1 to Tier 6 centres: 180

(b) Total number of branches opened in unbanked rural centres: 50

At least 25 percent of the total number of branches opened during a financial year [excluding entitlement for branches in Tier 1 centres given by way of incentive given for branches opened at (ii) below] i.e. 45 (25% of 180) must be opened in unbanked rural centres. The bank has chosen to open more branches in unbanked rural centres.

(c) Number of branches opened in Tier 2 to Tier 6 centres and in the North Eastern States and Sikkim: 80

The bank is required to open at least 50 percent of the branches opened during a financial year in Tier 2 to 6 centres, North Eastern States and Sikkim. Hence there is a shortfall of 10 branches [90 (50 percent of 180) - 80]

(d) Number of branches opened in Tier 1 centres: 100

As the number of branches opened in Tier 1 centres cannot exceed the number of branches opened in Tier 2 to Tier 6 centres, North Eastern States and Sikkim, the bank cannot open more than 90 branches in Tier 1 centres. The bank has 5 branches carried forward from the previous year by way of incentive [item (iv)] and it has 10 branches by way of incentive [item (iii)]. Thus, the bank's entitlement is 90+5+10=105. Hence, it can carry forward 5 branches out of 10 incentive branches which can be opened in the next 2 years.

(ii) Number of branches opened in Tier 2 to Tier 6 centres of underbanked districts of underbanked States that are not unbanked rural centres: 10

(iii) Number of branches allowed as incentive for opening branches at (ii) above: 10

(iv) Number of Tier 1 branches that the bank was entitled to as incentive in the previous year but were not opened, i.e., are carried over: 5

(v) Carry over (deficit) in branches in Tier 2 to 6 centres which must be opened in the next year: 10

(vi) Carryover of entitlement of branches in Tier 1 centres as incentives which were not opened during the year and can be opened in the subsequent 2 years: 5

Distribution of Banknotes and Coins Alternative Avenues

RBI has advised banks to to explore the possibility of enlisting the services of BCs for carrying out the various currency management functions and of engaging the services of Cash in Transit (CIT) entities also for the purpose of distribution of banknotes and coins.

MONETARY POLICY 2013-14 SECOND QUARTER REVIEW

The Second Quarter Review of Monetary Policy 2013-14 was issued on 29th October 2013. Salient excerpts from the Review are given below:

Monetary and Liquidity Measures

1. Marginal standing facility (MSF) rate reduced by 25 basis points from 9.0% to 8.75%; Bank Rate stands reduced to 8.75 per cent with immediate effect. With these changes, the MSF rate and the Bank Rate are recalibrated to 100 basis points above the repo rate.
2. The policy repo rate under the liquidity adjustment facility (LAF) increased by 25 basis points from 7.5% to 7.75 per cent with immediate effect; The reverse repo rate under the LAF stands adjusted to 6.75 per cent.
3. The liquidity provided through term repos of 7-day and 14-day tenor increased from 0.25 per cent of net demand and time liabilities (NDTL) of the banking system to 0.5 per cent with immediate effect.
4. CRR and SLR kept unchanged at 4.0% and 23% of net demand and time liability (NDTL) respectively;

Assessment

Global growth: The outlook for global growth has improved modestly and the prospect of delay in the taper of the Federal Reserve's bond purchases has brought calm to financial markets.

Domestic situation: While industrial activity has weakened, strengthening export growth, signs of revival in some services along with the expected pick-up in agriculture could increase the real GDP growth from 4.4% in Q1 to a central estimate of 5.0% for the year as a whole.

Inflation: Inflation measured by the wholesale price index (WPI) rose in September for the fourth month in succession. Overall WPI inflation is expected to remain higher than current levels through most of the remaining part of the year. Retail inflation measured by the consumer price index (CPI) has also risen sharply across food and non-food constituents, including services, keeping inflation expectations high. Notwithstanding the expected edging down of food inflation, retail inflation is likely to remain around or even above 9 per cent in the months ahead.

Liquidity: Liquidity up to 0.5 per cent of bank-wise NDTL is available through overnight LAF repos. Export credit refinance of up to 50 per cent of eligible export credit outstanding amounts to approximately 0.5 per cent of system-level NDTL. To provide market participants with additional access to primary liquidity, term repos of 7-day and 14-day tenor have been introduced. However, the more durable strategy for mitigating mismatches between the supply of, and demand for, funds is for banks to step up efforts to mobilise deposits.

External sector: The improvement in export performance over the last two months, coupled with the contraction in non-oil import demand, has enabled a perceptible narrowing of the trade deficit with favourable implications for the current account deficit (CAD). Policy interventions have bridged the external financing gap. These factors have brought some calm to the foreign exchange market. However, normalcy will be restored to the exchange market only when the demand for dollars from public sector oil marketing companies is fully returned to the market.

Policy Stance and Rationale: With the reduction of the MSF rate and the increase in the repo rate, the process of re-aligning the interest rate corridor to normal monetary policy operations is now complete. However, to break the spiral of rising price pressures in order to curb the erosion of financial saving and strengthen the foundations of growth, LAF repo rate has been increased by 25 basis points.

Developmental and Regulatory Policies: RBI would build the developmental measures over the next few quarters on five pillars. These are: (a) Clarifying and strengthening the monetary policy framework; (b) Strengthening banking structure through new entry, branch expansion, encouraging new varieties of banks, and moving foreign banks into better regulated organizational forms; (c) Broadening and deepening financial markets and increasing their liquidity and resilience so that they can help absorb the risks entailed in financing India's growth. (d) Expanding access to finance to small and medium enterprises, the unorganized sector, the poor, and remote and underserved areas of the country through measures to foster financial inclusion; (e) Improving the system's ability to deal with corporate distress and financial institution distress by strengthening real and financial restructuring as well as debt recovery.

Periodicity of Payment of Interest on Rupee Savings/Term Deposits: As all commercial banks are now on core banking platforms, RBI has decided to give banks the option to pay interest on savings deposits and term deposits at intervals shorter than quarterly intervals.

Retail Inflation Indexed Securities: Inflation indexed securities for retail investors of 10-year tenor would be linked to the new (combined) consumer price index. RBI has proposed to launch Inflation Indexed National Saving Securities (IINSSs) for retail investors in November/December 2013.

Cash Settled 10-year Interest Rate Futures Contracts: In order to develop the money and government securities markets, RBI has decided to introduce cash settled 10-year Interest Rate Futures (IRF) contracts.

Credit Enhancements in Corporate Bonds: The corporate bond market in India currently lacks sufficient depth and liquidity. As a result, corporates have significant dependence on bank financing. Therefore, RBI has proposed to allow banks to offer partial credit enhancements to corporate bonds by way of providing credit facilities and liquidity facilities to the corporates, and not by way of guarantee.

Repo Facility for Mutual Funds: On July 17, 2013 the Reserve Bank had opened a special repo window for mutual funds with a view to enabling banks to meet the liquidity requirements of mutual funds. With the normalisation of exceptional measures and taking into consideration the improvement in liquidity conditions since then, RBI has closed this window with effect from October 29, 2013.

General Credit Card Scheme: The coverage of the General Credit Card (GCC) Scheme is being revised to enhance credit linkage of individuals to all non-farm entrepreneurial activities within the rubric of the overall priority sector.

Roadmap for Provision of Banking Services in Unbanked Villages: State Level Bankers' Committees are mandated to prepare a roadmap covering all unbanked villages of population less than 2000 and to notionally allot these villages to banks for providing banking services.

Charges Levied by Banks for Sending SMS Alerts: To ensure reasonableness and equity in the charges levied by banks for sending SMS alerts to customers, banks should leverage the technology available with them and the telecom service providers to ensure that such charges are levied on all customers on actual usage basis.

FRAUDS – CLASSIFICATION & REPORTING

CLASSIFICATION OF FRAUDS

Frauds are classified as under, based mainly on the provisions of the Indian Penal Code:

1. Misappropriation and criminal breach of trust.
2. Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property.
3. Unauthorised credit facilities extended for reward or for illegal gratification.
4. Negligence and cash shortages.
5. Cheating and forgery.
6. Irregularities in foreign exchange transactions.
7. Any other type of fraud not coming under the specific heads as above.

Cash Shortage

Cases of 'negligence and cash shortages' and 'irregularities in foreign exchange transactions' are to be reported as fraud if the intention to cheat/defraud is suspected/ proved. However, the following cases where fraudulent intention is not suspected/proved at the time of detection will be treated as fraud and reported accordingly:

1. cases of cash shortage more than Rs. 10,000 will be treated as fraud.
2. cases of cash shortage more than Rs.5,000/- if detected by management / auditor/ inspecting officer and not reported on the day of occurrence by the persons handling cash. If it is reported by cashier, it will not be treated as fraud.
3. Cases of cash shortage up to Rs 5000 is not treated as fraud.

Forged Instruments

Reporting of fraud and filing of Police complaint in case of fraudulent encashment of DDs/TTs/Pay Orders/Cheques/ Dividend Warrants will be as per following procedure:

1. In case of frauds involving <u>forged instruments</u> including those cleared under CTS, the paying banker has to file the police complaint and not the collecting banker.
2. In the case of collection of an instrument which is genuine but the amount is collected fraudulently by a person who is not the true owner, the collecting bank, which is defrauded, will have to file a police complaint and report to RBI.
3. In case of collection of instrument where the amount has been credited before realisation and subsequently the instrument is found to be fake/forged and returned by the paying bank, it is the collecting bank that has to file FMR-1 with the RBI and police complaint as the collecting bank is at loss by parting the amount before realisation of the instrument.
4. In cases of frauds due to fake/forged instruments in respect of truncated instruments sent in clearing, the presenting bank should immediately hand over the underlying instrument to drawee/paying bank as and when demanded to enable it to file an FIR with the police authorities and report the fraud to RBI.
5. In case of collection of altered/fake cheque involving two or more branches of the same bank, the branch where the altered/fake cheque has been encashed, should report the fraud to its Head Office and lodge complaint with police.
6. In the event of an altered/fake cheque having been paid/encashed involving two or more branches of a bank under Core Banking Solution (CBS), the branch which has released the payment against an altered / fake cheque should report the fraud to the Head Office and file complaint with police.
7. The reporting of fraud in respect of truncated instruments will be done to Central Fraud Monitoring Cell as well as the concerned RO of the Department of Banking Supervision/FCMD under whose jurisdiction the bank's Head Office/branch is situated.

Reporting to RBI

<u>Soft copy of the reports on frauds: in FMR formats</u> in respect of fraud cases involving amount of Rs. 1.00 lakh and above should be submitted to the Central Office of the Department of Banking Supervision (DBS) Fraud Monitoring Cell as well as to Regional Office (RO) of DBS/FCMD under whose jurisdiction the Head office of the bank falls within three weeks of detection of fraud.

<u>Reporting of fraud cases in hard copies:</u>

a) <u>Fraud cases involving an amount more than Rs. 1 lakh and upto Rs. 50 lakh</u>: To be reported on form FMR 1, within 3 weeks of fraud coming to bank's notice i) To the R.O under whose jurisdiction the branch where the fraud has taken place is located and ii) To the R.O under whose jurisdiction the Head Office where the fraud has taken place is located. In case the bank falls under the supervisory purview of Financial Conglomerate Monitoring Division (FCMD), the reporting is to be done to FCMD instead of R.O under whose jurisdiction the Head Office where the fraud has taken place is located. Banks may also report frauds involving Rs 1 lakh and above perpetrated in their subsidiaries and affiliates/joint ventures in FMR -1 format in hard copy only. In case the subsidiary/ affiliates/joint ventures of the bank is an entity which is regulated by RBI and is independently required to report the cases of fraud to RBI in terms of guidelines applicable to that subsidiary/affiliate/joint venture, the parent bank need not furnish the hard copy of the FMR-1 statement in respect of fraud cases detected at such subsidiary/affiliate/joint venture.

b) <u>Fraud cases involving an amount of Rs. 50 lakh and above</u>: To be reported on form FMR 1, within 3 weeks of fraud coming to bank's notice.

i) To the concerned R.O of DBS under whose jurisdiction the Head Office where the fraud has taken place is located. In case the bank falls under the supervisory purview of Financial Conglomerate Monitoring Division (FCMD) the reporting is to be done to Reserve Bank of India, Financial Conglomerate Monitoring Division (FCMD). instead of R.O under whose jurisdiction the Head Office where the fraud has taken place is located.

ii) To Reserve Bank of India, Central Fraud Monitoring Cell, Department of Banking Supervision, Central office, Bengaluru

<u>Frauds involving Rs. 100.00 lakh and above</u>: In addition to the requirements given above, banks may report the fraud by means of a D.O. letter to the Chief General Manager-In-charge, Department of Banking Supervision, RBI, Central Office, within a week of such frauds coming to the notice of the bank's Head Office.

<u>Cases of attempted fraud</u>: Banks need not report cases of attempted frauds of Rs 1 crore and above to Reserve Bank of India. However, the banks should continue to place the report on individual cases of attempted fraud involving an amount of Rs 1 crore and above before the Audit Committee of its Board (Earlier, it was to be reported to the

Fraud Monitoring Cell, DBS, CO, RBI, within two weeks of the bank coming to know that the attempt to defraud the bank failed or was foiled).

Quarterly Returns: Banks should submit a copy of the Quarterly Report on Frauds Outstanding in the format FMR – 2 to the CO, DBS, RBI Fraud Monitoring Cell and the Regional Office of the Department of Banking Supervision/ FCMD under whose jurisdiction the Head Office of the bank falls within 15 days of the end of the quarter to which it relates.

Reports to the Board

Frauds of Rs 1.00 lakh and above: Banks should report all frauds of Rs. 1.00 lakh and above to their Boards promptly.

Quarterly Review of Frauds: Information relating to frauds for the quarters ending March, June and September may be placed before the Audit Committee of the Board of Directors during the month following the quarter to which it pertains. A separate review for the quarter ending March is not required in view of the Annual Review for the year-ending March.

Frauds of Rs 100 lakh and above: Banks are required to constitute a Special Committee for monitoring and follow up of cases of frauds involving amounts of Rs. 100.00 lakh and above exclusively, while Audit Committee of the Board (ACB) may continue to monitor all the cases of frauds in general. All the frauds involving an amount of Rs 100.00 lakh and above should be monitored and reviewed by the Special Committee of the Board in case of all Indian commercial banks. The Special Committee should consist of CMD in case of public sector banks and MD in case of SBI/its Associates. In case of private sector banks, two members from ACB, two members from Board excluding RBI nominee.

Annual Review of Frauds: Banks should conduct an annual review of the frauds and place a note before the Board of Directors in the month of December.

Reporting of frauds to Police/CBI

Reporting to Local Police or CBI: Public sector banks should report fraud cases involving amount of Rs. 300.00 lakh and above to CBI and those below Rs. 300.00 lakh to local police.

Cases to be referred to CBI

(a) Cases involving Rs. 300.00 lakh and above and upto Rs. 2500.00 lakh

• Where staff involvement is prima facie evident – CBI (Anti Corruption Branch)

• Where staff involvement is prima facie not evident – CBI (Economic Offences Wing)

(b) All cases involving more than Rs.2500.00 lakh – Banking Security and Fraud Cell of the respective centres, which is specialised cell of the Economic Offences Wing of the CBI for major bank fraud cases.

Cases to be referred to Local Police

Cases below Rs.300.00 lakh – Local Police.

i) Cases of financial frauds of the value of Rs.1.00 lakh and above: which involve outsiders and bank staff, should be reported by the Regional Head of the bank concerned to a senior officer of the State CID/Economic Offences Wing of the State concerned.

ii) Cases of frauds above Rs.10,000/- but below Rs.1.00 lakh: should be reported to the local police station by the bank branch concerned.

iii) Fraud cases of value below Rs.10,000/- involving bank officials, should be referred to the Regional Head of the bank, who would scrutinize each case and direct the bank branch concerned on whether it should be reported to the local police station for further legal action.

Reporting of cases of Theft, Burglary, Dacoity and Bank Robberies: Cases of theft, burglary, dacoity and robbery should not be reported as fraud. These cases should be separately reported to following by fax / e-mail immediately on their occurrence:

a) The General Manager, Reserve Bank of India, Central Fraud Monitoring Cell, Department of Banking Supervision, Bengaluru.

b) Regional Office of the Department of Banking Supervision, Reserve Bank of India under whose jurisdiction the Head Office of the bank falls.

c) Financial Conglomerate Monitoring Division (FCMD) in respect of 12 large banks in the country under whose jurisdiction the Head Office of the bank falls.

d) Regional Office of Reserve Bank of India, Department of Banking Supervision, Reserve Bank of India, under whose jurisdiction the affected bank branch is located to enable the Regional Office to take up the issues regarding security arrangements in affected branch/es during the State Level Security Meetings with the concerned authorities.

e) The Security Adviser, Central Security Cell, Reserve Bank of India, Central Office Building, Mumbai – 400001.

f) Ministry of Finance, Department of Financial Services, Government of India, New Delhi.

The report should be submitted on FMR – 4.

WHOLESALE PRICE INDEX

1. Wholesale Price Index (WPI) represents the price of goods at a wholesale stage i.e. goods that are sold in bulk and traded between organizations instead of consumers.
2. WPI is used as an important measure of inflation in India. Fiscal and monetary policy changes are greatly influenced by changes in WPI.
3. WPI is an easy and convenient method to calculate inflation. Inflation rate is the difference between WPI calculated at the beginning and the end of a year. The percentage increase in WPI over a year gives the rate of inflation for that year.
4. In 2010 new WPI index was introduced in India. The index changed the composition of the Wholesale Price Index (WPI) series. The new basket of the WPI has a broader representation of commodities, change in base year and lower weights accorded to primary articles. The new index includes 555 commodities in the manufactured goods segment as against 318 earlier. The base year was changed to 2004-05. The weight of manufactured products increased from 63.74 percent as per the 1993-94 base price levels to 64.97 percent now. The weight of primary articles in the new index came down to 20.11 percent as against 22.02 percent earlier.
5. Essentially, WPI considers three main product groups—primary articles, fuel and power and manufactured goods. Primary articles constitute 20.12% of the index, Power and fuel constitutes 14.91% of the overall index and manufactured goods constitute the largest part of the index—64.97%.

EXPOSURE NORMS

1. **Introduction**: Exposure Norms are applicable to all scheduled commercial banks, excluding Regional Rural Banks. These have been prescribed as a prudential measure aimed at better risk management and avoidance of concentration of credit risks. Exposure Norms have been provided as ceiling on exposure to individuals or Groups; capital market exposures; unsecured exposure and other related items details of which are given below:

2. **Credit Exposures to Individual/Group Borrowers:**

a) Ceiling (i) The exposure ceiling limits would be 15 percent of bank's capital funds in case of a single borrower and 40 percent of bank's capital funds in the case of a borrower group. (ii) Credit exposure to a single borrower may exceed the exposure norm by an additional 5 percent (i.e. up to 20 percent) and credit exposure to borrowers belonging to a group may exceed the exposure norm by an additional 10 percent (i.e., up to 50 percent), provided the additional credit exposures are on account of extension of credit to infrastructure projects. (iii) In addition to the exposure permitted above, banks may, in exceptional circumstances, with the approval of their Boards, consider enhancement of the exposure to a borrower (single as well as group) up to a further 5 percent of capital funds subject to the borrower consenting to the banks making appropriate disclosures in their Annual Reports. (iv) With effect from May 29, 2008, the exposure limit in respect of single borrower has been raised to twenty five percent of the capital funds, only in respect of Oil Companies who have been issued Oil Bonds (which do not have SLR status) by Government of India. (v) The bank should make appropriate disclosures in the 'Notes on account' to the annual financial statements in respect of the exposures where the bank had exceeded the prudential exposure limits during the year. (vi) The exposure limits will also be applicable to lending under consortium arrangements (vii) Bills purchased / discounted / negotiated under LC (where the payment to the beneficiary is not made 'under reserve') will be treated as an exposure on the LC issuing bank and not on the borrower. In the case of negotiations ' under reserve' the exposure should be treated as on the borrower.

(b) Exposures to NBFCs **:** The exposure (both lending and investment, including off balance sheet exposures) of a bank to a single NBFC / NBFC-AFC (Asset Financing Companies) should not exceed 10% / 15% respectively, of the bank's capital funds as per its last audited balance sheet. Banks may, however, assume exposures on a single NBFC / NBFC-AFC up to 15%/20% respectively, of their capital funds provided the exposure in excess of 10%/15% respectively, is on account of funds on-lent by the NBFC / NBFC-AFC to the infrastructure sector. Further, banks may also consider fixing internal limits for their aggregate exposure to all NBFCs put together.

(c) Exemptions**:** Following types of credit will not be reckoned for exposure norms: (i) Existing/additional credit facilities (including funding of interest and irregularities) granted to weak/sick industrial units under rehabilitation packages. (ii) Food credit: Borrowers, to whom limits are allocated directly by the Reserve Bank for food credit, will be exempt from the ceiling. (iii) Where principal and interest are fully guaranteed by the Government of India (iv) Loans and advances (both funded and non-funded facilities) granted against the security of a bank's own term deposits to the extent that the bank has a specific lien on such deposits. (v) Exposure on NABARD; However, there is no exemption from the prohibitions relating to investments in unrated non-SLR securities.

Definitions: For the purpose of exposure norms, exposure, capital fund, Group and Infrastructure have been defined as under:

(d) Exposure: (a) Exposure shall include credit exposure (funded and non-funded credit limits) and investment exposure (including underwriting and similar commitments). The sanctioned limits or outstandings, whichever are higher, shall be reckoned for arriving at the exposure limit. However, in the case of fully drawn term loans, where there is no scope for re-drawal of any portion of the sanctioned limit, banks may reckon the outstanding as the exposure. (b) Credit exposure comprises of the following elements (i) all types of funded and non-funded credit limits. (ii) facilities extended by way of equipment leasing, hire purchase finance and factoring services. (c) Investment exposure comprises of the following elements: (i)investments in shares and debentures of companies (ii)investment in PSU bonds (c)investments in Commercial Papers (CPs). (d) Banks' / FIs' investments in debentures/ bonds / security receipts / pass-through certificates (PTCs) issued by a SC / RC as compensation consequent upon sale of financial assets will constitute exposure on the SC / RC. (e) The investment made by the banks in bonds and debentures of corporates which are guaranteed by a Public Financial Institutions (PFI) (as per list given by RBI) will be treated as an exposure by the bank on the PFI and not on the corporate. (f) Guarantees issued by the PFI to the bonds of corporates will be treated as an exposure by the PFI to the corporates to the extent of 50 percent, being a non-fund facility, whereas the exposure of the bank on the PFI guaranteeing the corporate bond will be 100 percent. The PFI before guaranteeing the bonds/debentures should, however, take into account the overall exposure of the guaranteed unit to the financial system.

(e) Capital Funds: Capital funds for the purpose will comprise of Tier I and Tier II capital as defined under capital adequacy standards and as per the published accounts as on March 31 of the previous year. However, the infusion of capital under Tier I and Tier II, either through domestic or overseas issue (in the case of branches of foreign banks operating in India, capital funds received by them from their Head Office), after the published balance sheet date will also be taken into account for determining the exposure ceiling. Banks should obtain an external auditor's certificate on completion of the augmentation of capital. Other accretions to capital funds by way of quarterly profits etc. would not be eligible to be reckoned for determining the exposure ceiling. Banks are also prohibited from taking exposure in excess of the ceiling in anticipation of infusion of capital at a future date.

(f) Group: (a) The concept of 'Group' and the task of identification of the borrowers belonging to specific industrial groups is left to the perception of the banks/financial institutions. However, the guiding principle will be commonality of management and effective control. In so far as public sector undertakings are concerned, only single borrower exposure limit would be applicable. (b) In the case of a split in the group, if the split is formalized, the splinter groups will be regarded as separate groups. If banks and financial institutions have doubts about the bona fides of the split, a reference may be made to RBI for its final view in the matter to preclude the possibility of a split being engineered in order to prevent coverage under the Group Approach.

FINANCIAL AWARENESS

Appointments: Arundhati Bhattacharya takes over as Chairman of SBI and becomes first ever woman to head SBI in 206 years. S R Bansal, has taken over as Corporation Bank's CMD.

LIC gets its first woman MD: The government has appointed Usha Sangwan, executive director (corporate communication) at LIC and V K Sharma, MD and chief executive officer of LIC Housing Finance, as the two new MDs. According to the norms, LIC can have four MDs, and a chairman, as part of its top management. LIC is India's largest insurer, with 83 per cent market share in terms of the number of policies, and 71 per cent in premium.

Forex reserves rise $1.83 bn in a week: Forex reserves rose to $282.95 billion in the week ending October 25.

Jignesh Shah quits MCX board, pre-empts FMC action: Jignesh Shah, the founder-chairman of Financial Technologies (FT) who resigned from the MCX-SX board, quit the board of Multi Commodity Exchange of India (MCX) as well. The resignation follows the Rs 5,600-crore payment crisis at NSEL, also controlled by FT.

Sept core sector growth signals infra recovery: In early signs of industrial recovery, data for the eight core sector industries' growth in September 2013, showed a year's high of eight per cent, against 3.7 per cent in August. In the same month last year, the core sector had recorded 8.3 per cent growth, the highest since January 2009-10. The core sector contributes around 37 per cent to the Index of Industrial Production (IIP).

April-Sept fiscal deficit touches 76% of Budget estimate: According to data released by the Controller General of Accounts, at Rs 4.12 lakh crore, the fiscal deficit for the first six months of 2013-14 was 76 per cent of the BE of Rs 5.43 lakh crore. For the corresponding period last year, the deficit stood at 65.6 per cent of the BE.

'Sakala' to cover more services: 'Sakala', Karnataka government's innovative scheme, which promises timely delivery of government services to citizens, will be expanded to cover more services under various departments. The scheme that has been lauded for bringing transparency and accountability in the system, presently covers over 375 services of 42 departments and organisations of the state government.

Karnataka to build 10,000 playgrounds in villages: The project, under which two playgrounds will be built in each Panchayat, will be taken up with the cooperation of the Departments of Revenue, Education and Sports.

State Bank cuts short-term bulk deposit rate as liquidity eases: State Bank of India, the country's largest lender, has reduced short-term bulk deposit rate by 200 basis points. SBI will offer 6.5 per cent for deposits of Rs 1 crore and above, for seven to 60 days maturity, as compared to 8.5 per cent offered earlier.

NRI remittances touch a new high at $6.5 bn: Remittances by non-resident Indians (NRIs) saw a 27 per cent jump at $ 6.5 billion (Rs 39,991.9 crore in present valuations) between January and September this year, as against 7 per cent growth during the same period last year.

Parikh panel for Rs 5 hike in diesel prices: The Kirit Parikh committee, asked to revisit the pricing methodology of petroleum products, has recommended to the government an increase of Rs 5 a litre in diesel, Rs 250 a cylinder in LPG (cooking gas) and Rs 4 a litre in kerosene with immediate effect. It also suggested a cap on diesel subsidy by oil marketing companies (OMCs) at Rs 6 a litre, which along with the rise it recommends would collectively save at least Rs 40,000 crore of the government's subsidy burden. It also recommended to cap subsidised cylinders to each household at 6 from 9 now.

Wheat export floor price cut by $40/tone: To enable swifter movement of wheat stocks from state warehouses, the Union Cabinet has decided to reduce the export floor price from $300 a tonne at present to $260 a tone and to allow export till June 31, 2014, instead of March 31, 2014.

Allahbad Bank not to accept deposits from public under West Bengal's 'Safe Savings Scheme': WBIDFC, a financial services company promoted by the state government of West Bengal, has come out with a scheme for deposits with a minimum amount Rs 1,000. The money can be kept for 12-60 months and will earn 9.00-9.25 per cent interest per annum. The scheme has been launched to offer a secured savings option to rural people in the state, who are often cheated by illegal deposit schemes promoted by swindlers.

RBI prescribes Rs 500-cr initial capital for foreign bank subsidiaries: Foreign banks seeking to set up subsidiaries in India would need at least Rs 500 crore as initial paid-up voting equity capital or net worth. Though foreign lenders would be incentivised to convert their branches here into wholly-owned subsidiaries, subsidiarisation wouldn't be mandatory. The wholly-owned subsidiaries of foreign banks would be given "near-national treatment", including for the opening of branches. As of March, 43 foreign banks operated in India, through a network of 333 branches; and, 47 foreign lenders were present in through representative offices. According to its commitments to the World Trade Organization, India has to allow 12 new foreign bank branches in a year.

RBI to launch inflation-indexed securities: RBI is set to launch two new instruments by the end of this year — inflation-indexed national saving securities (IINSSes) and cash-settled 10-year interest rate futures (IRFs). However, the 10-year inflation-indexed bonds launched earlier this year, which were linked to the Wholesale Price Index, had failed to attract much interest from investors.

RBI shuts special liquidity window for mutual funds: RBI has closed the special window for banks to meet the cash requirements of mutual funds (MFs). It had opened this window in mid-July to help MFs meet sharp redemptions in fixed income schemes, after RBI's move to make it more expensive for participants to borrow short-term money. The special repo window allowed banks to borrow a total of Rs 25,000 crore at 10.25 per cent for MFs.

Reserve Bank expects trade deficit to moderate in Q2: India's CAD widened from 3.6 per cent of gross domestic product (GDP) in the fourth quarter of 2012-13 to 4.9 per cent of GDP in the first quarter of 2013-14. Inflows from foreign institutional investors, which had turned negative since end-May, reversed in September. Since the introduction on September 10 of the swap facility for foreign currency non-resident account (banks) or FCNR(B) deposits and bank foreign borrowings, $6.9 billion and $4.4 billion had been received under the respective schemes until October 25.

FinMin relaxes norms for CMD jobs in PSBs: Executive directors (EDs) appointed merely a couple of months earlier would now be allowed to appear in the interviews. Earlier, one needed to have completed a year as ED. However, the criteria for residual service of two years of a candidate hasn't been changed. A selection committee headed by RBI Governor will interview 19 EDs of various PSBs for six positions that will become vacant in the next financial year, 2014-15. In the present financial year, chairmen of four PSBs will retire. The government is yet to fill vacancies in two, Andhra Bank and Bank of Maharashtra, where the chairman had retired in the past couple of months.

Gold smuggling surges with govt's import curbs: Gold worth Rs 130 crore was seized from 383 cases in April-September against Rs 28 crore from 339 cases in the year-ago period, an increase of 360 per cent in value terms. In volume, it went up from 99 kg to 500 kg in the first half.

World Bank slashes GDP growth forecast to 4.7%: The Bank also pegged the current account deficit (CAD) at 4.1 per cent of GDP in 2013-14, significantly higher than the 3.7 per cent hoped by the ministry. The Bank believes the RBI should probably look at core or manufactured product inflation, rather than food inflation, to decide on its monetary stance. The International Montery Fund, had projected GDP to grow 4.25 per cent in FY14. The Prime Minister's Economic Advisory Council (PMAEC) had cut India's growth forecast to 5.3% from its earlier projection of 6.4% for the current financial year. The finance ministry too expects the economy to grow above the 5%. The Planning Commission expects India's economy to clock a growth rate of 5.3 per cent for the current financial year, a shade higher than a decadal low of five per cent in the previous year.

India may use forex reserves to finance CAD: According to World Bank, India may have to dip into its foreign exchange reserves to finance the current account deficit (CAD) in 2013-14 but the reserves would still amount to a comfortable import cover of approximately five months.

FinMin asks ministries to buy tickets from Air India directly: The move is part of government's austerity measure to restrict the fiscal deficit to the budgeted figure of 4.8% of GDP in 2013-14. However, if it is not possible to obtain tickets directly from Air India/Airlines counters, they may obtain the services of three authorised travel agents -- Balmer Lawrie & Company (BLCL), Ashok Travels & Tours (ATT) and Indian Railways Catering and Tourism Corp (IRCTC).

Centre eases eligibility criteria for UMPPs: For setting up ultra-mega power projects (UMPPs), the capital cost requirement for UMPPs used to be 10 per cent of the overall project cost and earlier norms took into account expenditure by prospective developers over five years. Now, the total capital cost requirement, has been brought down to five per cent of the overall project cost and the expenditure incurred by the companies on projects in the past seven years will be counted.

End of the road for tax breaks: Union Commerce Minister Anand Sharma has said that the centre would announce a new package without tax incentives for Uttarakhand and Himachal Pradesh. The tax breaks in these states expired on March 31, 2010.

E-KYC to be accepted for verification: As per IRDA, the e-KYC (electronic know-your-customer) services operationalised by the Unique Identification Authority of India (UIDAI) will be accepted as valid KYC process for insurance. Earlier, a letter issued by the UIDAI containing details such as name, address and Aadhaar number was a valid document for customer identification.

25 mn small borrowers' data now a click away: Equifax Credit Information Services and High Mark Credit Information Services are the two credit bureaus that collate data from MFIs. So far, details of 100 million loan accounts belonging to 25 million individual customers have been collected. These loan accounts have a gross loan portfolio of Rs 21,300 crore as of June. The data thus collected is used to assess over-indebtedness and instances of multiple lending among borrowers. According to RBI norms, not more than two MFIs or non-banking finance companies should lend to the same borrower with an individual cap of Rs 50,000.

RIL first Indian private sector firm to clock Rs 1-lakh-cr sales in a quarter: Reliance Industries became the first private sector company in the country to achieve quarterly turnover or sales of more than Rs 1 lakh crore in a quarter. Its turnover during the quarter stood at Rs 1,06,523 crore, against Rs 93,266 crore in the previous quarter.

To unlock FDI, govt to ease lock-in period for realty: Foreign real estate developers, investing in India's construction sector might be allowed to exit before the mandatory three years stipulated at present. However, for that, they would have to complete the project and procure completion occupancy certificates from local authorities. India allows 100 per cent FDI through the automatic route in townships, housing, built-up infrastructure and construction-development projects.

Economy moving towards stagflation: CII survey of CEOs has indicated the economy was moving towards stagflation. Stagflation refers to a situation where economic growth is too low and inflation is too high, leading to high unemployment levels. The situation indicates a dilemma for policymakers, since actions designed to cut inflation may aggravate unemployment.

Government lists draft rules to implement Land Acquisition Act: The rules are with a focus on consent and social impact assessment to ensure the rights of the farmers were protected when the land was acquired. According to the rules, all social impact assessment documents and consent proceedings will be made publicly available. The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 stipulates mandatory consent of at least 70 per cent for acquiring land for Public Private Partnership (PPP) projects and 80 per cent for acquiring land for private companies.

Big banks can be dismantled: According to US and UK regulators, even one of the largest global banks could be taken apart safely by US government authorities if it were to fail today. The 2010 Dodd-Frank Act empowered the FDIC (Federal Deposit Insurance Corporation) to seize a firm and dismantle it if regulators think it can't pass through bankruptcy without posing a significant threat to the financial system.

Despite negative list, service tax coverage yet to increase: The introduction of a negative list in July 2012 had given the government the power to tax all services, except the 17 on the list. But it was difficult for service tax commissioners to map each activity and determine whether it is a service. The total number of taxable services has increased from three in 1994 to 119 in 2012. Service tax collections accounted for just over 12 per cent of the total tax collections and over 28 per cent of indirect tax collections in 2012-13.

Centre to raise wheat support price by Rs 50 a quintal: The Cabinet Committee on Economic Affairs (CCEA) has approved an increase of Rs 50 a quintal in the procurement price of wheat. It will be now Rs 1,400 per quintal for the 2014-15 crop year (April-March). CCEA also approved an increase of Rs 50 for mustard MSP, to Rs 3,050 a quintal. The support price for chana (gram) was raised by Rs 100 to Rs 3,100 a quintal. For masur, the MSP was increased by Rs 50 to Rs 2,950 a quintal and safflower by Rs 200 to Rs 3,000 a quintal. The increase in wheat MSP is the same as recommended by the government advisory body, Commission for Agricultural Costs and Prices (CACP).

HSBC to exit Indian retail broking and depository biz: Hongkong and Shanghai Banking Corporation (HSBC) has decided to discontinue its retail broking and retail depository services businesses in India. It was operating these under HSBC InvestDirect Securities (India) Ltd. HSBC InvestDirect Securities (India) is an arm of HSBC InvestDirect (India), which also offers investment advisory services and securities- related financing.

Parikh panel says no to export parity for OMCs: The Kirit Parikh committee has ruled out any change in the way of calculating under recoveries on the basis of traded-parity pricing. The export-parity price is the benchmark free-on-board price of products, import-parity pricing includes import duty and various expenses, such as freight and insurance incurred to import products to India. At present, subsidy is calculated in terms of import-parity pricing — 80 per cent of the import parity price and 20 per cent of the export-parity price.

New RTGS system to improve financial market efficiency: According to RBI Governor Raghuram Rajan, the new real time gross settlement (RTGS) system for fund transfers will improve the efficiency of the country's financial markets, with its advanced liquidity and queue management features. It will have features such as a facility to accept future value dated transactions and options to process multi-currency transactions.

RBI sets up advisory panel for national bill payment system: RBI has constituted an advisory group to implement a national bill payment system enabling households to pay utility bills, school fees and remittances using their bank accounts. The group is headed by Umesh Bellur of the Indian Institute of Technology-Bombay. The panel would suggest the nature of the payment platform—either an existing one or through a new entity—for Giro (general inter-bank recurring order)-based bill payments. A Giro is a payment instruction from one bank account to another. It facilitates payments through cash, cheques, credit/debit cards and prepaid payment instruments, transferring funds to the bank accounts of beneficiaries.

Govt to give Rs 14,000 cr to PSBs: The government will infuse capital of Rs 14,000 crore in public sector banks (PSBs) this financial year, including Rs 2,000 crore to the State Bank of India and Rs 1,800 crore each in IDBI Bank and Central Bank of India. The banks can raise another Rs 10,000 crore from the market, depending on their requirements through a rights issue, follow-on public issue and qualified institutional placement (QIP).

Gujarat govt announces new agriculture power scheme: The scheme is named 'Immediate Power Connection Scheme 2013'. Under the new immediate power connection scheme, applicants will have to bear 80 per cent of the power connection cost and will also have to adopt drip irrigation technique.

RBI appoints Technical Committee on Mobile Banking: The Committee will examine the options/alternatives including the feasibility of using encrypted SMS based funds transfer using an application that can run on any type of handset for expansion of mobile banking in the country. The Committee will be headed by Shri B. Sambamurthy, Director, Institute for Development & Research in Banking Technology (Chairman).

UP promoting guar farming to increase agri income: To maximise farm income and insulate farmers from seasonal losses, Uttar Pradesh government is promoting guar farming, especially in the arid region of Bundelkhand. Guar provides better returns to farmers compared to other cash crops, including paddy and wheat.

FM tells PSBs to step up NPA recovery: Finance Minister P Chidambaram has asked PSBs to monitor 30 big bad debt accounts each.

RBI measures got $9.6 bn in forex: India has received over $9 billion from two foreign schemes namely RBI's liberalisation of FCNR(B) and tier-I capital schemes which were announced in Sept to attract foreign funds and help the country bridge the widening current account deficit.

Arunachal, Meghalaya to be on railways map soon: Three of the five key railway projects identified by the Prime Minister's Office (PMO) as "critical" for the region are nearing completion.

Discoms' dues to PSUs more than double in 3 yrs: With last year's restructuring package for loss-making power distribution companies yet to bear fruit, the dues that discoms owe state-owned generation firms jumped to Rs 15,792 crore last month, compared with Rs 6,200 crore in June 2010. Damodar Valley Corporation (DVC), which runs power plants with a cumulative capacity of over 2,800 Mw in Jharkhand and West Bengal, alone accounts for Rs 5,900 crore of the dues.

WPI inflation edges up to 6.46% in September: Headline inflation accelerated to a seven-month high of 6.46 percent in September, mainly driven by higher food prices. Wholesale prices, India's main inflation measure, had risen 6.1 percent in August.

India becomes leading rice supplier to Singapore: India has overtaken Thailand as Singapore's biggest rice supplier for the first time, exporting 92,865 tonnes or 32.9 per cent of the total rice supply to the island nation in the first eight months of 2013.

Financial literacy among urban working young people low: According to a study by IIM Ahmedabad, despite high education levels, working young people in urban India don't fare well as far as financial literacy is concerned. This is likely to be due to the absence of inputs relevant to financial literacy in the general education process.

Electronic payment can save 1.6% of India's GDP: According to a World Bank Report, cash can carry significant handling and transportation costs, and run the risks of theft, loss, and counterfeiting. The report stated that individuals and small firms that make use of this technological medium benefit from convenient online authorisations, easier record keeping, and the availability of dispute resolution mechanisms.

Industrial output growth slows to 0.6% in August: The growth in July was 2.7 per cent and in August 12, it was two per cent.

Health Insurance TPA of India formed, for govt-owned general insurers: The common in-house third party administrator (TPA) of public sector general insurers, named Health Insurance TPA of India, was incorporated on August 14. The operationalisation is likely to happen by April 2014. This common TPA to process health claims has National Insurance Company, New India Assurance Company, United Insurance Company, Oriental Insurance Company and General Insurance Corporation of India as stakeholders. While the first four have 23.75 per cent stake each, GIC has five per cent. The common TPA has been proposed to prohibit large-scale leakages while settling insurance claims in the health segment. Further, it is intended to process claims of public general insurers in-house, rather than handling by an external agency.

2014-18 growth at 5.9%: According to the Paris-based Organisation for Economic Cooperation and Development (OECD), India is projected to see moderate average annual growth of 5.9 per cent during the 2014-18 period. The forecast for India is much lower than OECD's estimated growth of 6.9 per cent for overall emerging Asia during the same period. Emerging Asia comprises Southeast Asian nations, China and India.

UIDAI Bill to give Aadhaar statutory status gets nod: To give a statutory recognition to the Unique Identification Authority of India (UIDAI), the Cabinet has approved a National Identification Authority of India Bill. The proposed legislation seeks to create a National Identification Authority of India, which will oversee the implementation of the Aadhaar project and "regulate it". It also seeks to define the penalties in case of misuse of the data collected under the UID project. These cover impersonation using Aadhaar data; unauthorised collection or dissemination of information, and unauthorized access to the central database, which will contain all individual details such as biometrics collected for Aadhaar.

IMF pegs FY14 growth at 4.25% on weak demand: The International Monetary Fund pegged the country's economic growth at 4.25 per cent. IMF attributed low growth to poor demand and weak manufacturing as well as services sector performance. If India's economy grows by this rate, it would be the lowest economic expansion in 11 years. Before this, the economy grew by lower rate of 4 per cent in 2002-03. IMF also predicted that the retail-price inflation will remain high at 11 per cent this year owing to food price pressures.

Aadhaar-based remittance & query services launched: The National Payments Corporation of India has launched two new services, an Aadhaar-based Remittance Service (ABRS) and a Query Service on Aadhaar Mapper (QSAM). ABRS will enable transfer of funds by using an Aadhaar number. The QSAM service will enable mapping one's status by using an Aadhaar number. There are more than three crore (30 million) Aadhaar-linked bank accounts.

Nabard expects to benefit from its new warehousing scheme: Nabard Warehousing Scheme 2013 -14 (NWS) which has a corpus of Rs 5,000 crore, envisages disbursing direct loans for construction of warehouses, silos, cold storage and cold chain infrastructure. The warehouses and cold storage created from this scheme will be compliant to Warehousing Development and Regulatory Authority (WDRA) norms, which could facilitate pledge loan against stored commodities.

FinMin asks public sector banks to ramp up rural ATMs: The PSU banks have put up only 5,726 ATMs by end of August as against the target to install 34,668 by the end of March 2014. Further, Direct Benefit Transfer Scheme, which was initially launched in 25 districts early this year, has been extended to 78 districts. The government has identified 191 districts more to introduce the DBT-LPG scheme, which will be done in a phased manner.

RBI allows banks to borrow from international and multilateral financial institutions: RBI has granted permission to banks to borrow from international/ multilateral financial institutions for a limited period of up to November 30. Such borrowings should be for the purpose of general banking business and not for capital augmentation. Such borrowings shall be eligible for the concessional swap facility of RBI.

Bharti and Walmart call off their retail JV: Bharti and Walmart, after staying together for six years in cash-and-carry, have decided to independently pursue their retail businesses in India. Walmart will fully own the cash-and-carry business, buying out Bharti's 50 per cent stake.

Aadhaar-linked accounts to be basis for mobile payments: Government is launching a payment facility where mobile-to-mobile payments could be singularly effected through the Unique Identity (UID) number. Under the Aadhaar-linked payment bridge, individuals' UID numbers would be linked with their bank accounts at the back-end. A PIN will be used for authenticating debits, putting a layer of security on transactions. The Aadhaar-based remittance system on mobile will make transferring money easy by removing the need to remember bank account details, such as IFSC code, etc, as users will only need their Aadhaar numbers.

Bihar registers highest industrial growth among BIMARU states: As per a study by ASSOCHAM, Bihar has registered highest growth rate of 14 percent in the industrial sector during nine years period of 2004-2012 among BIMARU category states -Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh. However, lack of land, power and health services and poverty may hamper Bihar's prospects in future.

Mandatory training for agents puts pressure on insurers: Licensing rules by Irda stipulate that agents have to undergo 50 hours' training for basic licence and 75 hours' training for composite licence. Insurance agents also have to undergo a 25-hour practical training to renew their licence, which is valid for three years. Composite agents will have to undergo a practical training of 50 hours if they want to renew their licence. According to earlier rules formulated in July 2000, mandatory training was 100 hours for insurance agents and 150 hours for composite agents who were entering the industry for the first time. This was reduced to 50 hours and 75 hours, respectively, in October 2007. The insurers want reduction in training hours. Various estimates suggest approximately Rs 600-650 crore is spent annually by insurance companies on training their agents.

RBI may make bank licensing process more frequent: To expand the reach of banking, RBI is considering making the licensing process more frequent and allow free entry of banks as and when necessary.

All national, state highways in Punjab to be four/six-laned by January 2016: The Punjab government is working to realise its target of 4/6 laning of all national and state highways by January 2016 and has set aside Rs 3,080 crore for the purpose. This distinction of world-class connectivity would help Punjab to attract more investment and ease traffic on the roads thereby in the coming years.

April-Aug fiscal deficit swells alarmingly: Rise in Plan expenditure has pushed the central government's fiscal deficit to 74.6 per cent of the entire year's Budget estimate (BE) at the end of only the first five months of the current financial year. The fiscal deficit in the first five months of a financial year was higher than 75 per cent of BE only in 2008-09, when the global financial crisis began. But that year, BE was just 2.5 per cent of GDP and it turned out to be more than eight per cent when the year ended.

FM heat on unregulated financial sector: According to Finance Minister, Chidambaram, a financial consumer is comfortable to participate in a regulated market and there should be an assurance that she will be protected.

However, exploiting the limitations of the regulatory architecture, ingenious financial engineers come up with innovative products outside the regulatory jurisdiction and deprive the consumers with such products from regulatory protection. There have been five institutional milestones in Indian corporate financial institutions in the last six months — FSLRC report, new Companies Act, the passage of Pension Fund Regulatory and Development Authority (PFRDA) Bill, placing commodity futures market regulation under the finance ministry and the re-promulgation of the Security Laws Amendment Ordinance.

SC upholds HC order on CNG to Gujarat under APM: The Supreme Court has directed the Union government to provide compressed natural gas (CNG) to Gujarat on the same rate as it is given to Delhi and Mumbai. But at the same time, the state government will have to pass necessary laws to make it compulsory for all four wheelers registered in Gujarat to covert to natural gas.

India shoring forex reserves to deal with tapering: According to Mr P Chidambaram, Union Finance Minister, India is shoring up its forex kitty to deal with the impact of US tapering. Tapering refers to gradual withdrawal of monetary stimulus by the US Federal Reserve. The reversal of the easy money policy by the US is expected to impact the global markets as well as the economy.

NABARD takes to pvt sector financing: National Bank for Agriculture and Rural Development (NABARD) has opened a lending window to the private sector for creation of warehouse space, cold storages and cold chains. This is besides financing to state governments, state government undertakings, (special purpose vehicles) SPVs set up under PPP mode, cooperatives, federations, cooperative federations, (Agricultural Produce Market Committees) APMCs, state-level boards, apex marketing boards' bodies and panchayats for creation of scientific storage space for food grains and other agricultural commodities and perishables.

Life insurers get 3 months to phase out old products: The Insurance Regulatory and Development Authority (Irda) has extended the deadline for phasing out old products in the traditional segment to December 31. The earlier deadline was October 1. However, the sale of highest net asset value (NAV) products and index-linked products in the life insurance segment has been banned from October 1.

Panjab University steals a march over IITs in global rankings: According to the Times Higher Education World University Rankings, while Panjab University, is placed at 226 among 400 institutions worldwide, IIT Kharagpur has slipped from 226 to 250 and IIT Roorkee is placed in the 351-400 band. The two other new entrants are IIT Delhi and Kanpur, both in the 351-400 group. India has increased its representation in the world rankings with five world top 400 universities. Overall, California Institute of Technology holds on to the world number one spot for the third consecutive year, while Harvard University tied with Oxford regains second place, pushing Stanford University to fourth. The US remains dominant with seven institutions in the world top 10 and 77 in the top 200 (one more than last year).

5-kg gas cylinders from Oct 5: As part of a series of customer empowering initiatives, the Ministry of Petroleum and Natural Gas is set to commence the sale of five-kg gas cylinders at market-linked prices through selected petrol pumps in major cities. The ministry is also launching portability of LPG connection across oil marketing companies (OMCs) on the same day. The first initiative allows the sale of these LPG cylinders at the market price with minimal paperwork through company- owned retail outlets (petrol stations). Under this portability scheme, a consumer can now opt for the distributor of his choice within a cluster of LPG distributors in the vicinity and across the oil companies.

ADB cuts FY14 GDP growth forecast to 4.7%: The multi-lateral agency said the Indian economy has been under pressure with the recent depreciation of the rupee and capital outflows, adding to structural constraints, which is making it difficult for the economy to return to a high growth path.

Poor are more trustworthy and bankable: Seeking to promote financial inclusion, Finance Minister P Chidambaram has called upon banks to focus on poor customers who were more trustworthy and "bankable" as compared to large borrowers.

RBI forms crack team to help Jalan vet bank licence bids: RBI has nominated three members to the advisory committee formed to scrutinise bank licence applications. Former Securities and Exchange Board chairman C B Bhave, former RBI deputy governor Usha Thorat and central bank board member Nachiket Mor would assist Bimal Jalan, former RBI governor, to vet the applications. The central bank is conducting the initial screening of the 26 applications.

India to start power supply to Bangladesh: India will start supplying electricity to Bangladesh through the new transmission line between the two nations. Transmission line will link India's eastern power grid with the western electricity grid of Bangladesh.

India's share in M&As of emerging nations is a mere 5.1%: This is lowest in the BRIC (Brazil, Russia, India and China) nations. China led the emerging market activity with $107.1 billion (32 per cent market share), followed by Russia ($52.1 billion or 15.7 per cent), Brazil ($35.3 billion or 10.7 per cent) and India ($17 billion or 5.1 per cent).

Regulators' pay raised by Rs 75,000 a month from July: Chairpersons and full-time members of regulatory bodies would now draw higher salaries, with the Cabinet approving raises of Rs 75,000 a month, with retrospective effect from July. Now, a chairperson would get Rs 4.5 lakh a month (without house and car), against Rs 3.75 lakh earlier. A full-time member would draw Rs 3.75 lakh (without house and car) a month, against Rs 3 lakh earlier. The raises would benefit chairpersons and members of the Securities and Exchange Board of India, the Insurance Regulatory Development Authority, the Telecom Regulatory Authority of India, the Central Electricity Regulatory Commission, the Competition Commission of India, the Pension Fund Regulatory and Development Authority, the Petroleum and Natural Gas Regulatory Board, the Warehousing Development and Regulatory Authority and the Airports Economic Regulatory Authority of India.

Clones of existing banks: Finance Minister P Chidambaram has said “several” new banks, licences for which would be issued by the Reserve Bank of India shortly, should have a differentiated approach rather than becoming clones of existing banks. Each one of them should cater to the needs of a special group of customers who do not have banking today. Each one must pursue a different path. While Singapore has five different kinds of licences, Hong Kong has a three-tier structure.

MOCK TEST

01 Which of the following rates have been changed by RBI in the 2nd Quarter review of Annual Policy on 29th Oct 2013 – (1) CRR (2) Repo Rate (3) Reverse Repo Rate (4) Bank Rate?

a) Only (1) b) Only (2) and (3)
c) (2), (3) and (4) only d) All of these
e) None of these

02 As on 31st Oct 13, which of the following rates is not correct?

a) CRR : 4.00% of NDTL b) SLR: 23.00% of NDTL
c) Bank Rate: 8.75% d) Both (a) and (c)
e) None of these

03 RBI has decided to revise the timings of Marginal Standing Facility (MSF). With effect from November 5, 2013, MSF will be available between ___________.

a) 6.00 pm and 6.30 pm b) 7.00 pm and 7.30 pm
c) 4.45 pm to 5.15 pm d) 5.45 pm to 6.15 pm

04 With effect from October 29, 2013, the quantum of liquidity to be provided through term repos of 7-day and 14-day tenor will be ____% of net demand and time liabilities (NDTL) of the banking system.

a) 0.25 per cent b) 0.50 per cent
c) 0.75 per cent d) 1.00 per cent

05 Which of the following statements is correct in the context of Second Quarter Review of Monetary Policy 2013 -14?

a) CRR increased by 25 basis points.
b) Repo Rate reduced by 25 basis points.
c) Bank Rate increased by 25 basis points
d) None of these

06 To be classified as Group Company for the purpose of Foreign Direct Investment, 'Group company' means two or more enterprises which, directly or indirectly, are in position to_____

a) exercise twenty-six per cent, or more of voting rights in other enterprise
b) exercise fifty one per cent, or more of voting rights in other enterprise
c) exercise seventy four per cent, or more of voting rights in other enterprise
d) exercise twenty-four per cent, or more of voting rights in other enterprise

07 As per Section ____of the Banking Regulation Act, 1949, banks cannot open a new place of business in India or outside India or change, otherwise than within the same city, town or village, the location of the existing place of business without the prior approval of RBI.

a) 17 b) 20 c) 21 d) 23

08 As per RBI guidelines, scheduled commercial banks (other than RRBs) are permitted to open branches in _______ without having the need to take permission from RBI in each case, subject to reporting.

a) Tier 1 to Tier 6 centres b) Tier 2 to Tier 6 centres
c) Tier 3 to Tier 6 centres d) None of these

09 As per RBI guidelines, scheduled commercial banks (other than RRBs) are permitted to open branches in Tier 1 to Tier 6 centres without having the need to take permission from RBI in each case, subject to reporting. For this purpose, which of the following is not included in the definition of branch?

a) full-fledged branches b) specialised branches
c) mobile branches d) Extension Counters
e) None of these

10 For the purpose of branch authorization, various centres are divided into Tier 1, Tier 2 etc. Which of the following is not correct in this regard?

a) Tier 1 comprises metropolitan and urban centres
b) Tiers 2, 3, and 4 comprise semi-urban centres
c) Tiers 5 and 6 comprise rural centres
d) Both (b) and (c)
e) None of these

11 An underbanked centre would be one where ___

a) the Average Population Per Branch Office (APPBO) is more than the national average
b) the Average Population Per Branch Office (APPBO) is less than the national average
c) the Average Population Per Branch Office (APPBO) is more than the state average
d) the Average Population Per Branch Office (APPBO) is more than the state average

12 Which of the following is called Unbanked centre?

a) where the Average Population Per Branch Office (APPBO) is more than the national average
b) which do not have any banking service either through branch of a scheduled commercial bank or through Business Correspondents.
c) which do not have any brick and mortar structure of a scheduled commercial bank for customer based banking transactions
d) None of these

13 As per Branch Authorisation Policy of RBI, at least ___ percent of the total number of branches opened during a financial year must be opened in unbanked rural (Tier 5 and Tier 6) centres.

a) 20 b) 25 c) 50 d) 60

14 As per Branch Authorisation Policy of RBI, the total number of branches opened in Tier 1 centres during the financial year cannot exceed ____per cent of the total number of branches opened in Tier 2 to Tier 6 centres and all centres in the North Eastern States and Sikkim.

a) 20 b) 25 c) 50 d) 100

15 Which of the following transactions is eligible to be made through ACU?

a) from a resident in the territory of one participant to a resident in the territory of another participant;
b) for current international transactions as defined by the Articles of Agreement of the International Monetary Fund;
c) permitted by the country in which the payer resides;
d) for export/import transactions between ACU member countries including export and import on deferred payment terms;
e) All of these

16 Banks are required to furnish to Regional Office of RBI, a consolidated statement in Form XOS giving details of all export bills outstanding beyond six months from the date of export on a half yearly basis as at the end of June and December every year. However, as one time measure, an old export bill may be closed by AD banks provided

a) export bill does not exceed USD 1, 00,000 and is outstanding beyond 15 years as on December 31,2012.
b) export bill does not exceed USD 50,000 and is outstanding for more than 5 years as on December 31, 2012.
c) Both (a) and (b) d) None of these

17 AD Category - I banks may borrow funds from their Head Office, overseas branches and correspondents and avail overdraft in the 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.

a) 50 b) 100 c) 200 d) 300

18 AD Category - I banks may borrow funds from ____ up to a limit of hundred 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.
a) their Head Office
b) overseas branches and correspondents and avail overdraft in the nostro accounts
c) international / multilateral financial institutions for a limited period up to November 30, 2013.
d) All of these e) None of these

19 Banks are required to furnish to the RBI, a consolidated statement in Form XOS giving details of all export bills outstanding beyond ____ months from the date of export on a half yearly basis as at the end of June and December every year.
a) 3 b) 6 c) 9 d) 12 e) None

20 Banks are required to furnish to the RBI, a consolidated statement in Form XOS giving details of all export bills outstanding beyond six months from the date of export on a half yearly basis as at the end of June and December every year. Which of the following is not correct regarding submission of XOS with effect from the half year ending December 2013?
a) XOS should be submitted branch-wise through respective Regional Offices of RBI.
b) XOS should be submitted Bank-wide for the bank as a whole.
c) XOS should be submitted on line.
d) None of these

21 In banking terminology, the term SPREAD represents which of the following?
a) interest earned less operating expenses
b) interest earned less staff expenses
c) interest earned less provisions
d) surplus of interest earned over interest expended

22 Who has been appointed as Chairman of 14^{th} Finance Commission?
a) Dr C Rangarajan b) Dr Y V Reddy
c) Dr Vijay Kelkar d) Dr Kaushik Basu

23 What is the maximum project cost prescribed for Agri Clinics and Agri Business Centres set up by a group of 5 or more individuals?
a) Rs 10 lakh b) Rs 20 lakh
c) Rs 50 lakh d) Rs 100 lakh

24 A firewall is used in a system connected to a wide area network to___
a) prevent spread of fire in the net work
b) prevent unauthorised access by hackers
c) extinguishing the fire spreading via the net work cables
d) scan viruses in apartment

25 For self help group, the subsidy ceiling of Rs.10000 per beneficiary is subject to maximum of Rs.____ per self help group.
a) Rs 100,000 b) Rs 150,000
c) Rs 200,000 d) Rs 125,000

26 Introduction is insisted upon by banks while opening a current account because it:
a) is necessary as per provisions of RBI Act 1934
b) is required under provisions of Banking Regulation Act
c) provides statutory protection to collecting banker u/s 131 of NI Act
d) is necessary under Consumer Protection Act
e) None of these as introduction is now not mandatory

27 As per RBI guidelines, in case of working capital borrowal accounts, the outstanding in the account based on the drawing power calculated from stock statement older than how many months, would be deemed as irregular?
a) 6 months b) 3 months
c) 1 month d) None of these

28 Loans to distressed small and marginal farmers indebted to non-institutional lenders, against appropriate collateral or group security, are to be treated by banks, as:
a) direct agricultural credit
b) Indirect agricultural credit
c) Micro credit under small enterprise
d) Loan at differential interest rate

29 The banking business closing hours of a bank branch are 2 pm. A cheque was paid on Friday by the bank at 2.45 pm. Which of the following type of danger, the bank may face due to this payment?
a) the customer may deny the payment
b) the head office of the bank may question the branch
c) such payment is not a payment in due course
d) such payment is not possible, as the cash must have been closed already

30 Advance allowed by the bank to a farmer for purchase of pump set against the security of gold ornament, is to be classified as:
a) Non priority sector loan b) Direct agricultural credit
c) Indirect agricultural credit d) consumption loan

31 Who is the Chairman of Insurance Regulatory & Development Authority?
a) Urjit Patel b) T S Vijayan
c) J Hari Narayan d) U K Sinha

32 As per RBI guidelines for private sector banks, the initial minimum paid-up voting equity capital for a bank shall be_
a) Rs 5 billion b) Rs 2 billion
c) Rs 3 billion d) Rs 10 billion

33 Which of the following card product launched by banks is working on the principle of "Buy Now Pay Later"
a) ATM Card b) Debit Card
c) Charge Card d) Credit Card

34 Which of the following agencies/companies is established by banks and financial institutions for the specific purpose of dealing in sale and purchase of distressed assets?
a) SEBI b) SIDBI c) SHCIL d) ARCIL

35 Which of the following organizations, provides credit history of the borrowers?
a) CIBIL b) SEBI c) RBI d) CRISIL

36 Which of the following terms refers to conducting the affairs of an organization in such a manner that gives fair deal to all the stake holders?
a) Corporate Finance
b) Carbon Credit
c) Corporate Social Responsibility
d) Corporate Governance

37 Which of the following bodies/agencies decides the distribution of tax income between Central and State Governments in India?
a) Planning Commission
b) Reserve Bank of India
c) Administrative Reforms Commission
d) Finance Commission

38 Which of the following is not considered as Policy Rate?
a) Bank Rate b) Repo Rate
c) Marginal Standing Facility Rate d) CRR
e) None of these

39 A ____inflation rate may encourage the Reserve Bank of India to reduce key interest rates.
a) higher b) lower
c) variable d) fluctuating

40 The term Short Selling refers to which of the following?
a) Selling shares through a broker in a 'Bear' phase of the market.
b) Hoarding commodities to create artificial shortage and reduce sales.
c) Contract with a broker for sale of shares in a rising market.
d) Selling shares through a broker without actually holding shares generally either in a falling market and/or to induce a bear phase
e) None of these

41 Renminbi is the currency of which of the following countries?
a) China b) North Korea c) South Korea
d) Japan e) None of these

42 Which of the following is not included in "Core" sectors of the economy?
a) Coal b) Automobiles c) Steel
d) Cement e) Oil and Petroleu,

43 Which of the following is not a Credit Rating Agency?
a) CRISIL b) ICRA c) CARE
d) SMERA e) ARCIL

44 The "Doing Business Report" is prepared by which of the following organizations every year?
a) Asian Development Bank b) World Bank
c) International Monetary Fund
d) World Trade Organisation e) None of these

45 The present band approved by Reserve Bank of India between REPO and reverse Repo is:
a) 0.25% b) 0.50% c) 0.75% d) 1.00%

46 Which of the following cannot be called an organized sector in India?
a) Nationalised banks b) Regional Rural banks
c) Cooperative Banks d) Chits and Money Lenders

47 In India, which among the following formulates the fiscal policy?
a) Parliament b) Planning Commission
c) Finance Commission d) Ministry of Finance

48 In India, which among the following formulates the Monetary policy?
a) Parliament b) Planning Commission
c) Finance Commission d) Ministry of Finance
e) None of these

49 Which of the following is the authority for regulation of the Insurance Sector in India?
a) LIC b) SEBI c) RBI d) IRDA

50 The term LIBOR is related with which of the following?
a) Commodity prices b) Stock Market prices
c) Interest Rates d) Foreign Exchange prices

51 Cash Reserve Ratio is maintained in the form of
a) Cash balance with the bank
b) Cash balance with other banks
c) Cash Balance with RBI
d) Cash Balance with RBI and banks
e) Cash Balance with the bank, other banks and RBI

52 What is the full form of BIFR
a) Board for Industrial and Financial Reconstruction
b) Board for Institutional Finance and Rehabilitation
c) Board for Investigation and Formal Reconstruction
d) Bureau for Institutional Finance and Rehabilitation

53 Who among the following cannot issue Commercial Paper?
a) Financial Institutions b) Companies
c) Primary Dealers d) Banks e) None of these

54 The term "Underwriting" means which of the following?
a) The process by which finance is arranged through private placement of shares
b) The act of subscribing in a public issue by qualified institutional investors or high net worth individuals
c) The process by which a company either in the private sector or public sector raises money
d) The process by which investment bankers raise capital from investors, with liability to subscribe to the issue in case of need.
e) None of these

55 What does the term Factoring service refer to?
a) Getting professional support for recovery of receivables
b) Companies offering help for recovery of bad debts
c) Purchasing account receivables at a discount
d) Acquiring bad debts by a company at a discount

56 Interest Rates on advances are fixed by banks linking it to which of the following?
a) Bank Rate b) Repo Rate
c) Base Rate d) Prime Lending Rate

57 What measure is normally not taken by the Government of India/RBI to control inflation?
a) Fixation of maximum price of the commodities
b) System of Dual prices
c) Increase in supply of food grains
d) Control on credit and liquidity in the market
e) None of these

58 What is the full form of IRAC as used in the financial sector?
a) Indian Revenue and Accounting Code
b) Industrial Restructuring and Accounting Code
c) Investment Rating and Asset Classification
d) Income Recognition and Asset Classification
e) None of these

59 When RBI increases CRR/SLR to lower credit creation capacity of the system, it is said to be following
a) Closed money policy b) Open money policy
c) Easy money policy d) Tight money policy
e) None of these

60 Which are the two critical variables that generally go into monetary policy formulation by RBI?
a) Growth and inflation b) Demand and interest rates
c) Price and Supply d) Growth and interest rates
e) None of these

61 What percentage of the adjusted net bank credit do Foreign Banks with 20 or more branches in India have to lend as Priority Sector advances as per targets fixed by RBI?
a) 32% b) 40% c) 30% d) 35%

62 When a Self Help Group opens account with bank, KYC norms should be applied on which of the following?
a) All members of the Self Help Group
b) All members who are authorized to operate the account
c) All Office bearers of the Self Help Group
d) Minimum three members of the Self Help Group

63 Which of the following is not the advantage of Core Banking Solutions in banks?
a) Core Banking Solutions (CBS) helps in integration of the range of services that can be offered by all the bank's branches from centralized data centers.
b) CBS helps the banks, in providing better customer service.
c) CBS helps the banks in generating MIS reports for the top management.
d) CBS helps the banks in submission of various reports to the regulators and the Government.
e) None of these

64 Exporters other than Status Holder Exporters are allowed to write off unrealized export bills up to ____ of the total

export proceeds realized during the previous calendar year.
a) 5% b) 10% c) 15% d) 20%

65 The facility of exchange of cut/mutilated banknotes, in addition to soiled notes and issue of good quality clean banknotes/coins, should be made available at ____ bank branches.
a) Large branches b) Currency Chest branches
c) Metropolitan branches
d) All branches irrespective of size and location.

66 Which of the following is correct regarding additional interest to staff on FCNR(B) and NRE term deposits?
a) In the case of FCNR(B) and Non-Resident (External) deposits of staff members, existing or retired, banks are allowed to pay additional interest rate of 1%.
b) In the case of FCNR(B) and Non-Resident (External) deposits of staff members, existing or retired, banks are allowed to pay additional interest rate of 0.5%.
c) In the case of FCNR(B) and Non-Resident (External) deposits of staff members, existing or retired, interest rate including any additional interest paid to them by virtue of their being staff members, should not exceed the ceiling stipulated by RBI from time to time.
d) Banks should not allow the benefit of additional interest rate on any type of deposits of non-residents.

67 As per RBI guidelines, both the drop box facility and the facility for acknowledgement of the cheques at regular collection counters should be available to the customers and no branch should refuse to give an acknowledgement if the customer tenders the cheques at the counters. Banks should ensure that customers are not compelled to drop the cheques in the drop box. Bank should display a notice that "Customers can also tender the cheques at the counter and obtain acknowledgment on the pay-in-slips" _
a) on the cheque drop box itself
b near the May I help you counter
c) near the entrance of the branch
d) near the Manager's cabin
e) Any one of these

68 Banks are required to disclose the brief details regarding the number of complaints along with their financial results. This statement should include all the complaints received at the Head Office / Controlling Office level as also the complaints received at the branch level. However, where the complaints are redressed within ______, banks need not include the same in the statement of complaints.
a) 5 banking days b) 5 working days
c) next working day d) 2 working days

69 How much percent of total advances to micro and small enterprises sector should go to Micro (manufacturing) enterprises having investment in plant and machinery up to Rs 10 lakh and micro (service) enterprises having investment in equipment up to Rs 4 lakh?
a) 20% b) 30% c) 40% d) 60%

70 Loans to corporates including farmers' producer companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture and Allied Activities, against stored produce or warehouse receipt up to an aggregate limit of ___ per borrower will be treated as Indirect Agricultural advance.
a) Rs 1 crore b) Rs 2 crore c) Rs 5 crore
d) Rs 50 lakh e) None of these

71 An account holder was posted in Delhi and has now been transferred to Lucknow. Which of the following is correct regarding application of KYC norms on his account to be opened at Lucknow?
a) The customer should be asked to complete the KYC formalities again for account at new station.
b) KYC once done by Delhi branch of the bank should be valid for transfer of the account within the bank
c) Though fresh proof of identity is not required, in order to comply with KYC requirements of correct address of the person, fresh address proof has to be obtained from him/her upon such transfer by the transferee branch.
d) All of these e) None of these

72 Single Rupee term deposits of Rs 1 crore and above are called_____
a) Wholesale deposits b) Purchased deposits
c) Institutional deposits d) Bulk deposits

73 With effect from 1st April 2013, a bank can disallow premature withdrawal of a term deposit in respect of deposits of ______
a) Rs 15 lac and above b) Rs 25 lac and above
c) Rs 1 crore and above
d) None of these as a bank can not disallow premature withdrawal of term deposit.

74 All the foreign exchange earners are permitted to retain their foreign exchange earnings in EEFC account with an Authorized Dealer (AD) Category - I bank in India subject to which of the following conditions?
a) The maximum balance in EEFC account can be US$ 1 million.
b) The account will be only current account without any interest.
c) EEFC account holders will be permitted to access the forex market for purchasing foreign exchange only after utilizing fully the available balances in the EEFC accounts.
d) Both (b) and (c) only e) None of these

75 Government of India has decided to provide 3% interest subvention to pre and post shipment credit in rupees for the period April 1, 2013 to March 31, 2014 for certain employment oriented sectors. Banks may reduce the interest rate chargeable to the exporters as per Base Rate system in the sectors eligible for export credit subvention by the amount of subvention available subject to a floor rate of____.
a) 7% b) 8% c) 9% d) 6%

76 The Basel III guidelines would be implemented in India with effect from _____ and are to be fully implemented by ________.
a) January 1, 2013, March 31, 2018
b) January 1, 2013, March 31, 2017
c) April 1, 2013, March 31, 2018
d) April 1, 2013, March 31, 2017

77 The garnishee order is issued to the bank by:
a) Govt. authority to recover govt. dues from the bank
b) RBI for recovering penalty on a bank
c) District magistrate demanding funds from the account of a particular customer
d) Court attaching funds of judgement debtor lying with the bank, for payment to judgement creditor

ANSWERS

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

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

Micro, Small and Medium Enterprises

Definition of MSE: The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 in terms of which the definition of micro, small and medium enterprises is as under:

(a) Enterprises engaged in the manufacture or production, processing or preservation of goods as specified below:

(i) A micro enterprise is an enterprise where investment in plant and machinery does not exceed Rs. 25 lakh;

(ii) A small enterprise is an enterprise where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore; and

(iii) A medium enterprise is an enterprise where the investment in plant and machinery is more than Rs.5 crore but does not exceed Rs.10 crore.

Investment in plant and machinery is the original cost excluding land and building and the items specified by the Ministry of Small Scale Industries.

(b) Enterprises engaged in providing or rendering of services as specified below:

(i) A micro enterprise is an enterprise where the investment in equipment does not exceed Rs. 10 lakh;

(ii) A small enterprise is an enterprise where the investment in equipment is more than Rs.10 lakh but does not exceed Rs. 2 crore; and

(iii) A medium enterprise is an enterprise where the investment in equipment is more than Rs. 2 crore but does not exceed Rs. 5 crore.

Investment in equipment is the original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered.

Status of lending to MSE as part of Priority sector: Bank's lending to the Micro and Small enterprises engaged in the manufacture or production of goods is reckoned for priority sector advances. However, in case of service enterprises, bank loans up to Rs.5 crore per borrower / unit to Micro and Small Enterprises is covered under priority sector. Lending to Medium enterprises is not eligible to be included for the purpose of computation of priority sector lending.

Targets for lending by banks to MSMEs: In terms of the recommendations of the Prime Minister's Task Force on MSMEs (Chairman: Shri T.K.A. Nair, Principal Secretary), banks should achieve a 20 per cent year-on-year growth in credit to micro and small enterprises, a 10 per cent annual growth in the number of micro enterprise accounts and 60% of total lending to MSE sector as on preceding March 31st to Micro enterprises. Banks should ensure that:

(a) 40% of the total advances to MSE sector should go to micro (manufacturing) enterprises having investment in plant and machinery up to Rs. 10 lakh and micro (service) enterprises having investment in equipment up to Rs. 4 lakh

(b) 20% of the total advances to MSE sector should go to micro (manufacturing) enterprises with investment in plant and machinery above Rs. 10 lakh and up to Rs. 25 lakh, and micro (service) enterprises with investment in equipment above Rs. 4 lakh and up to Rs. 10 lakh. Thus, 60% of MSE advances should go to the micro enterprises.

Specialized bank branches for lending to the MSMEs: Public sector banks should open at least one specialized branch in each district. As on March 2013 there are 2032 specialized MSME branches.

Rules for calculating the working capital requirements of borrowers: As per Nayak Committee Report, in case of working capital limits up to Rs 5 crore to Small manufacturing enterprises, operating cycle is assumed to be of 3 months. Accordingly, working capital requirement is computed at 25% of projected annual sales and working capital limit is computed on the basis of minimum 20% of their projected annual turnover.

Composite Loan: A composite loan limit of Rs.1crore can be sanctioned by banks to enable the MSME entrepreneurs to avail of their working capital and term loan requirement through Single Window.

Cluster financing: Cluster based approach to lending is more beneficial in (a) dealing with well-defined and recognized groups (b) availability of appropriate information for risk assessment (c) monitoring by the lending institutions and (d) reduction in costs. Therefore, banks should increasingly adopt the same for SME financing.

Collateral security: Banks should not accept collateral security in the case of loans upto Rs 10 lakh to units in the MSE sector. Further, banks may, on the basis of good track record and financial position of MSE units, waive collateral requirement for loans up to Rs.25 lakh.

Credit Rating: Though Credit rating is not mandatory in case of MSE borrowers, it is in the interest of the MSE borrowers to get their credit rating done as it would help in credit pricing of the loans taken by them from banks.

Delayed payment of dues to the MSE borrowers: For the goods and services supplied by the MSEME units, the buyer is to make payment on or before the date agreed on between him and the supplier in writing or, in case of no agreement, before the appointed day. The agreement between seller and buyer shall not exceed more than 45 days. If the buyer fails to make payment of the amount to the supplier, he shall be liable to pay compound interest with monthly rests to the supplier on the amount from the appointed day or, on the date agreed on, at three times of the Bank Rate notified by Reserve Bank. While sanctioning/renewing credit limits to their large corporate borrowers (i.e. borrowers enjoying working capital limits of Rs. 10 crore and above from the banking system), banks should fix separate sub-limits, within the overall limits, specifically for meeting payment obligations in respect of purchases from MSEs either on cash basis or on bill basis.

Guidance by banks to MSE entrepreneurs: Banks provide following services to the MSE entrepreneurs:

(i) Rural Self Employment Training Institutes (RSETIs): RSETIs are managed by banks with active co-operation from the Government of India and State Governments. RSETIs conduct various short duration (ranging preferably from 1 to 6 weeks) skill upgradation programmes to help the existing entrepreneurs compete in this ever-changing global market. RSETIs ensure that a list of candidates trained by them is sent to all bank branches of the area and co-ordinate with them for grant of financial assistance under any Govt. sponsored scheme or direct lending.

Financial Literacy and consultancy support: Through Financial Literacy centres, banks provide assistance to the MSE entrepreneurs in regard to financial literacy, operational skills, including accounting and finance, business planning etc.

VARIOUS RATES AT GLANCE		
Bank Rate	**8.75%**	29.10.2013
CRR	**4.0%**	09.02.2013
SLR	**23.0%**	11.08.2012
Repo Rate	**7.75%**	29.10.2013
Reverse Repo Rate	**6.75%**	29.10.2013
MSF Rate	**8.75%**	29.10.2013