

**JULY 2024**



# 2024 **BANKING & FINANCIAL AWARENESS**

**GK Digest**

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# BANKING & FINANCIAL AWARENESS GK DIGEST: JULY 2024

## RBI AND ASEAN TO LAUNCH INSTANT CROSS-BORDER RETAIL PAYMENTS PLATFORM

**Current Context:** The Reserve Bank of India (RBI) has joined forces with ASEAN countries to create a platform for instantaneous cross-border retail payments.

### KEY POINTS

- This collaborative initiative, known as **Project Nexus**, aims to interlink the **Fast Payment Systems (FPS)** of India and **four ASEAN nations: Malaysia, the Philippines, Singapore, and Thailand.**

- By doing so, it will revolutionize cross-border transactions, **making them more efficient, faster, and cost-effective.**

## HDFC LIFE LAUNCHED ‘BRIDGE THE GAP’ CAMPAIGN TO ENHANCE LIFE INSURANCE AWARENESS

**Current Context:** HDFC Life, one of India’s leading life insurers, recently launched the ‘Bridge the Gap’ initiative to elevate public awareness about life insurance.

### KEY HIGHLIGHTS

- To address this, the campaign aims to **clarify the benefits of life insurance and inform the public** about its significance.
- Through **strategic partnerships and innovative outreach efforts**, HDFC Life seeks to educate consumers on the critical role of life insurance.
- The **initiative includes a combination of on-ground activities and digital initiatives**, including informative chat shows in collaboration with ET NOW.
- These **shows cover various aspects of financial planning with life insurance**, such as **protection, child plans**, and retirement options.

## RBI LAUNCHES ‘FINQUIRY’ TO ALLOW FINTECHS DIRECTLY DISCUSS WITH RBI

**Current Context:** The Reserve Bank of India (RBI) launched an initiative called ‘Finquiry’ to allow fintech companies to directly discuss and seek clarification on regulatory matters with RBI officials.

### DETAILS

- **RBI Launches ‘Finquiry’ to Allow Fintechs Directly Discuss with RBI.**
- This program **aims to improve communication and understanding between fintech businesses and the regulatory body.**
- **Availability:** Last working Wednesday of every month for a two-hour window (3 PM to 5 PM).

- **Location:** FinTech department of the RBI Central Office Building, Shahid Bhagat Singh Road, Mumbai.
- **Objective:** To help fintech companies navigate the regulatory environment, get their compliance questions addressed, and discuss innovation-related concerns.

### SEBI RAISED BASIC SERVICE DEMAT ACCOUNT (BSDA) LIMIT TO RS 10 LAKH

**Current Context:** The Securities and Exchange Board of India (SEBI) increased the limit for Basic Service Demat Accounts (BSDAs) to ₹10 lakh from ₹2 lakh to encourage more retail investors to participate in the stock market. This change will be effective from September 1, 2024.

#### KEY FACTS

- **Increased Threshold:** The total value of securities you can hold in a BSDA has increased to ₹10 lakh.
- **Lower Charges:** There's no annual maintenance charge for a BSDA if your portfolio value is up to ₹4 lakh. A small ₹100 annual fee applies if your portfolio value is between ₹4 lakh and ₹10 lakh.
- **Automatic Conversion:** If your portfolio exceeds ₹10 lakh, your BSDA will automatically convert to a regular demat account, which may have different fee structures.

### SBI LAUNCHED “MSME-SAHAJ” WEB-BASED DIGITAL BUSINESS LOANS SOLUTIONS FOR MSMEs

**Current Context:** The State Bank of India (SBI) has introduced “MSME Sahaj”, a web-based digital business loans solution specifically designed for micro, small, and medium enterprises (MSMEs).

#### ABOUT

- **Invoice Financing:** MSME Sahaj allows SBI customers to avail finance against their Goods and Service Tax (GST) registered sales invoices.

- **Quick Process:** The entire loan process, from application to documentation and disbursement, takes less than 15 minutes.
- **Automated Closure:** The system automatically handles the closure of the loan on the due date.
- **Data-Driven Assessment:** MSME Sahaj uses a machine learning model and authentic data from GST Identification Numbers, customers' bank statements, and credit information companies.

### NABARD PARTNERS WITH ONLINE PSB LOANS LTD TO DIGITALIZE JAN SURAKSHA SCHEMES

**Current Context:** NABARD (National Bank for Agriculture and Rural Development) partnered with Online PSB Loans Ltd to digitize Jan Suraksha Schemes for Regional Rural Banks (RRBs) in India on 3rd July 2024.

#### KEY POINTS

- This initiative **aims to bridge the financial gap in rural areas by offering a more accessible and efficient way** to manage these social security programs.
- **Goal:** Simplify enrolment, claim settlement, and overall transparency for Jan Suraksha Schemes (government social security plans) for beneficiaries served by RRBs.
- **Platform:** JanSuraksha Portal will be used to onboard all 43 RRBs.
- Aligns with the Digital India initiative to **promote digital financial services.**
- **Locking Cash Flows:** By providing immediate working capital credit, this solution addresses liquidity issues for MSMEs.

### SEBI ISSUES NEW GUIDELINES TO STREAMLINE OPERATIONS OF CREDIT RATING AGENCIES

**Current Context:** India's Securities and Exchange Board of India (SEBI) issued new guidelines on 4th July 2024 to improve the functioning of credit rating agencies (CRAs) and make it easier for them to do business.



## KEY HIGHLIGHTS

- Sebi issues new guidelines to streamline operations of credit rating agencies.
- **Clearer timelines for appeals:** CRAs must now inform companies about their credit rating within one working day of the rating committee meeting. Companies have 3 working days to request a review or appeal the decision.
- **Faster dissemination of information:** Press releases about the rating decision must be published on the CRA's website and communicated to the stock exchange or debenture trustee within 7 working days of the meeting.

## SBI UNVEILS NEW INITIATIVES ON ITS 69TH FOUNDATION DAY

**Current Context:** On its 69th Foundation Day, the State Bank of India (SBI) announced a bunch of new initiatives aimed at improving customer experience and widening its reach.

## DETAILS

- **UPI Tap and Pay:** SBI introduced a new UPI Tap and Pay feature on their BHIM SBI Pay app. This uses Near Field Communication (NFC) technology for contactless payments, making transactions faster and easier.
- **End-to-End Digital Loans:** SBI introduced a new feature allowing users to get digital loans against mutual funds through the YONO app.
- **35 New Agricultural Centralized Processing Cells:** SBI announced the opening of 35 new Agricultural Centralized Processing Cells to improve the efficiency and reduce risks associated with agricultural loans.
- **New Customer Contact Centers:** SBI opened two new contact centers in Gurugram and Bengaluru to provide better support to borrowers with loan management and other inquiries. They also plan to open centers in Navi Mumbai and Kolkata.

## BSF AND SBI PARTNERED FOR 'GROW WITH THE TREES' DRIVE IN SRINAGAR

**Current Context:** The Border Security Force (BSF) and State Bank of India (SBI) joined hands for a tree plantation drive called "Grow with the Trees" in Srinagar on Saturday, 6th July 2024.

## KEY FACTS

- The initiative aimed to promote environmental consciousness and the significance of planting trees.
- This collaboration between **BSF and SBI** highlights the growing awareness about environmental issues and the role trees play in combating them.

## RBI PERMITS BANKS TO USE RATINGS OF BRICKWORK RATINGS SUBJECT TO CONDITIONS

**Current Context:** The Reserve Bank of India (RBI) has recently lifted restrictions on banks using ratings from Brickwork Ratings India Private Limited.

## ABOUT

- **RBI permits banks to use ratings of Brickwork Ratings** subject to conditions.
- **After two years of forbidding fresh ratings due to regulatory concerns, banks can now utilize Brickwork Ratings'** assessments for calculating risk weights for capital adequacy purposes.
- However, **there are certain conditions attached to this permission:**
  - **New Rating Mandates:** Banks can obtain ratings from Brickwork Ratings for bank loans not exceeding Rs 250 crore.
  - **Existing Ratings Surveillance:** Brickwork Ratings may undertake rating surveillance for existing ratings, regardless of the rated amount, for the residual tenure of such loans.

- **Larger Facilities:** For existing ratings assigned to working capital facilities exceeding Rs 250 crore, surveillance will be conducted only until the next renewal of such facility by banks.

### THE LRS NORMS FOR INVESTMENT VIA GIFT IFSC HAVE BEEN EASED BY RBI

**Current Context:** The Reserve Bank of India (RBI) has recently relaxed the norms under the Liberalised Remittance Scheme (LRS) for investments through the Gift City International Financial Services Centre (IFSC).

#### KEY POINTS

- This move **aims to boost foreign investments into India** through the Gujarat-based financial hub.
- **Resident Indians can now open a fixed deposit in dollars in a bank account** at GIFT IFSC, allowing them to guard against inflation and depreciation against the US dollar.
- Additionally, **residents can invest outside India through the foreign currency account (FCA) at GIFT IFSC**, subject to the LRS limit of \$250,000 per year.
- This **aligns GIFT IFSC with other global financial centers and enhances accessibility for international investment** opportunities.

### NABARD HAS LAUNCHED A ₹750-CRORE AGRI FUND, 'AGRI-SURE' FOR START-UPS AND RURAL ENTERPRISES

**Current Context:** On 12th July 2024, NABARD introduced the Agri-SURE fund, which amounts to ₹750 crore.

#### KEY HIGHLIGHTS

- **NABARD has launched a ₹750-crore agri fund, 'Agri-SURE'** for start-ups and rural enterprises
- This fund is designed **to support startups and rural enterprises in the agriculture sector.**

- **Managed by NABVENTURES, a subsidiary of NABARD, the fund aims to invest in innovative, technology-driven agricultural initiatives,** enhance value chains, create infrastructure, and promote sustainable growth.
- It's structured to **support approximately 85 agri startups, with investment sizes of up to ₹25 crore** each by the end of its term.

### NIPL, QNB SIGNS PACT TO LAUNCH QR CODE-BASED UPI PAYMENTS ACROSS QATAR

**Current Context:** NPCI International Payments Limited (NIPL) and QNB, the largest financial institution in the Middle East and Africa, have joined forces to introduce QR code-based UPI payments across Qatar on 11th July 2024.

#### DETAILS

- **UPI Expansion:** This partnership marks a significant step in expanding the reach of India's successful UPI system to the international market.
- **Benefits for Indian Travelers:** The primary beneficiaries of this initiative are Indian travelers visiting or transiting through Qatar. They can now conveniently make payments using UPI at various QNB merchant outlets.
- **Merchant Network:** QNB's extensive merchant network will enable widespread UPI acceptance across the country.
- **Payment Convenience:** QR code-based UPI payments offer a secure, fast, and convenient way for Indian travelers to transact in Qatar.

### REVISED MASTER DIRECTIONS ON FRAUD RISK MANAGEMENT FOR THE REGULATED ENTITIES

**Current Context:** The Reserve Bank of India (RBI) issued the Revised Master Directions on Fraud Risk Management in Non-Banking Financial Companies (NBFCs), including Housing Finance Companies, on July 15, 2024.

## KEY FACTS

- **Applicability:** The revised directions apply to a wide range of regulated entities, including:
  - Commercial Banks (including Regional Rural Banks) and All India Financial Institutions
  - Cooperative Banks (Urban Cooperative Banks / State Cooperative Banks / Central Cooperative Banks)
  - Non-Banking Finance Companies (including Housing Finance Companies)
- **Principle-Based Approach:** The Master Directions emphasize a principle-based approach, strengthening the role of the Board in overall governance and oversight of fraud risk management. They also highlight the need for robust internal audit and controls frameworks.
- **Natural Justice and Timeliness:** Regulated Entities must ensure compliance with the principles of natural justice before classifying individuals or entities as fraud. This requirement aligns with the Hon'ble Supreme Court Judgment dated March 27, 2023.
- **Early Warning Signals and Red Flagging:** The framework for Early Warning Signals (EWS) and Red Flagging of Accounts (RFA) has been further strengthened to detect and prevent frauds promptly. Reporting to Law Enforcement Agencies and Supervisors is emphasized.
- **Data Analytics and Market Intelligence:** Regulated Entities are mandated to establish Data Analytics and Market Intelligence Units to enhance risk management systems.
- **Expanded Applicability:** These Directions now apply to Regional Rural Banks, Rural Cooperative Banks, and Housing Finance Companies, promoting better fraud risk management across the sector.

## STATE BANK OF INDIA AND BANK OF BARODA HAVE RAISED THEIR MCLR BY 5-10 BPS

**Current Context:** State Bank of India (SBI) has increased its Marginal Cost of Funds-Based Lending Rate (MCLR) Banking & Financial Awareness GK Digest July 2024

by 5 to 10 basis points (bps) across various tenors, effective from July 15.

## ABOUT

- **State Bank of India and Bank of Baroda have raised their MCLR by 5-10 bps.**
- For instance, the **one-month MCLR has been revised to 8.35%, while the three-month, six-month, and one-year MCLRs now stand at 8.4%, 8.75%, and 8.85%, respectively.**
- **BoB's one-year MCLR now stands at 8.9%..**

## CBIC NOTIFIED GSTR-1A FORM TO AMEND SALES RETURN

**Current Context:** The Central Board of Indirect Taxes and Customs (CBIC) has introduced the GSTR 1A form in the CGST Amendment Rules, 2014, dated 10th July 2024.

## KEY POINTS

- **CBIC Notified GSTR-1A Form to Amend Sales Return.**
- **Purpose:** The GSTR 1A form allows taxpayers to revise or add records within the same month after filing GSTR-1 but before filing the GSTR-3B summary return.
- **Amendments Allowed:**
- **Missed Particulars:** Taxpayers can add any particulars of supply for the current tax period that were missed out in reporting in FORM GSTR-1.
- **Correction:** Taxpayers can amend any particulars already declared in FORM GSTR-1 of the current tax period (including those declared in IFF, for the first and second months of a quarter, if applicable for quarterly taxpayers).
- **Liability Adjustment:** By using GSTR 1A, taxpayers ensure that the correct liability is auto-populated in FORM GSTR-3B.

## SEBI INTRODUCED NEW RULES FOR PASSIVE MUTUAL FUND SCHEMES TO REDUCE SPONSOR BIAS

**Current Context:** The Securities and Exchange Board of India (SEBI) has recently implemented stricter regulations for passively managed mutual funds.

### KEY HIGHLIGHTS

- These rules **aim to mitigate concentration risk and promote greater diversification within these funds.**
- **Limit on Sponsor Investment:**
  - **Passive mutual funds** (except for equity-oriented Exchange Traded Funds (ETFs) and index funds) are now restricted from investing more than 25% of their net assets in listed securities of companies belonging to the sponsor group.
  - **Equity-oriented ETFs and index funds** have slightly more flexibility and can invest in sponsor group companies based on the weightage of those companies within the underlying index. However, this investment is capped at 35% of the fund's net asset value.
- **Transparency in Index Tracking:**
  - To **ensure transparency, SEBI has defined "widely tracked and non-bespoke indices."** These indices have a collective Asset Under Management (AUM) of Rs 20,000 crore and above, are tracked by passive funds, and serve as primary benchmarks for actively managed funds.
- **Rebalancing for Non-Compliant Funds:**
  - **Passive schemes not aligned with the approved indices must rebalance their portfolios within 30 business days** from the date of SEBI's circular.
  - If a fund cannot rebalance within the initial 30 days, the Asset Management Company (AMC) must provide written justification to their Investment Committee. The committee can extend the rebalancing timeline by up to an additional 60 business days.

### BRANCHX BECOMES INDIA'S 1ST NEOBANK TO LAUNCH ONDC LOANS FOR FINANCIAL INCLUSION

**Current Context:** BranchX, a leading neobank innovator in India, has introduced the nation's first personal loan solution through the Open Network for Digital Commerce (ONDC).

### DETAILS

- This **initiative aims to enhance financial inclusion for India's 1.4 billion people**, with a focus on the emerging middle class, young professionals, small business owners, and entrepreneurs.
- **By leveraging the ONDC framework, BranchX offers a digital-first approach**, ensuring a paperless and transparent process from loan application to disbursement.
- This not only improves affordability but also empowers borrowers to manage their finances more efficiently.
- **Additionally, BranchX provides voice AI banking to enhance financial literacy** and personalized guidance for informed decisions.

### BOB, BOM AND SBI LAUNCH DEPOSIT SCHEMES TO FUND CREDIT DEMAND

**Current Context:** On 15th July 2024, Bank of Baroda (BoB) introduced "The BoB Monsoon Dhamaka Deposit Scheme" with attractive interest rates for retail deposits below ₹3 crore.

### KEY FACTS

- **BoB, BoM and SBI Launch Deposit Schemes** to Fund Credit Demand
- **Bank of Maharashtra (BoM) also unveiled a scheme** with varying tenors and interest rates.
- Additionally, **State Bank of India (SBI) plans to launch a 444-day monsoon special** retail deposit scheme at 7.25% interest.
- These initiatives **aim to bridge the gap between credit demand and available deposits, ensuring financial stability for the banks.**



## ARKA FINCAP & CENTRAL BANK OF INDIA ENTERED CO-LENDING PARTNERSHIP TO OFFER MSME LOANS

**Current Context:** Arka Fincap, a non-banking financial company and part of the Kirloskar Group, recently announced a co-lending partnership with the Central Bank of India to provide loans to Micro, Small, and Medium Enterprises (MSMEs) in India.

### ABOUT

- **Arka Fincap will originate** and process the loans.
- **Central Bank of India** will fund 80% of the loans.
- The **collaboration aims to offer competitive rates to MSMEs and expand financial services across India.**
- Arka Fincap's strategy is to **grow its loan book to Rs 7500 crore by FY25, with a focus on MSME lending.**
- **Arka operates in four main segments:** MSME & SME lending, corporate lending, real estate and urban infrastructure financing, and syndication.
- As of March 31, 2024, **Arka had an AUM (Assets Under Management) of Rs 5,200 crore, with retail AUM constituting 50% of the total.**
- The company **aims to have MSME loans account for 75% of its book and plans to expand its branch presence across India.**

## INDUSIND BANK & INSPIRE INSTITUTE OF SPORT COLLABORATES TO LAUNCH 'WRESTLE FOR GLORY' CSR PROGRAM

**Current Context:** IndusInd Bank announced the launch of the 'Wrestle for Glory' program on July 18, 2024.

### KEY POINTS

- This Corporate Social Responsibility (CSR) **initiative continues their longstanding collaboration with the Inspire Institute of Sport**

(IIS), a high-performance Olympic training facility headquartered in Vijayanagar, Bellary.

- The program **aims to empower 50 talented female wrestling athletes from across India by providing them with fully-funded scholarships** for coaching at the esteemed IIS facility.
- These **athletes will benefit from top-tier training facilities, expert coaching, comprehensive sports science resources, cutting-edge equipment, nutritional support, educational assistance, and a supportive ecosystem.**

## IRDAI REVISED ITS GUIDELINES ON COMMISSION ON LONG-TERM MOTOR INSURANCE

**Current Context:** The Insurance Regulatory and Development Authority of India (IRDAI) has recently revised its guidelines regarding the commission for long-term motor insurance policies on 19th July 2024.

### KEY HIGHLIGHTS

- **Commission Structure:**
  - Previously, **insurers offered a first-year commission of up to 17.5% on five-year comprehensive motor insurance policies** for two-wheelers.
  - The **commission structure then decreased to 10% in the second and third years, and further reduced to 5% in the fourth and fifth years.**
  - For three-year **comprehensive motor insurance policies for four-wheelers, the commission cap was set at 15%** for the first year, 10% for the second year, and 5% for the third year.
- **Updated Regulation:** Insurers are now permitted to provide commissions within the expense management framework for long-term policies.
- **Flexibility for Insurers:** The new guidelines grant insurers the freedom to tailor commission structures according to their management expenses.

- IRDAI aims to facilitate ease of doing business, promote innovation, and enable quicker responses to emerging market needs.

## RBI SELLS RS 34 BILLION INDIAN BONDS AS INDEX INCLUSION BOOSTS INFLOWS

**Current Context:** The Reserve Bank of India (RBI) recently sold ₹34 billion (\$406 million) worth of bonds in the secondary market.

### DETAILS

- **RBI sells Rs 34 Billion Indian Bonds** as Index Inclusion Boosts Inflows
- This move is likely aimed at **absorbing excess cash in the banking system due to inflows into the nation's debt** after its inclusion in a global index.
- The inclusion of **India's bonds in JPMorgan Chase & Co.'s flagship emerging market bond index** has attracted foreign investments, resulting in increased local rupee liquidity and a boost to reserves.
- India became the 25th market to be included in the index since its inception in June 2005, with **expectations of global inflows of \$20 billion to \$25 billion into the Indian bond market.**

## ADB APPROVES USD 200 MILLION LOAN TO EXPAND METRO RAIL NETWORK & URBAN MOBILITY IN NAGPUR

**Current Context:** The Asian Development Bank (ADB) has approved a \$200 million loan to expand Nagpur's metro rail network on 24th July 2024. This significant investment aims to improve transportation connectivity within the city and its growing suburbs.

### KEY FACTS

- **Expansion of metro rail corridors:** The loan will fund the extension of four metro rail lines, covering a total of 43.8 kilometers.

- **Enhanced connectivity:** The project will connect new and developing urban areas, including special economic zones, to the city's public transportation system.
- **Improved mobility:** By providing efficient, safe, and eco-friendly public transport, the project aims to ease congestion and improve people's quality of life.
- **Economic growth:** The expanded metro network is expected to boost the city's economy by improving access to jobs, education, and healthcare.

## RBI REVISED DOMESTIC MONEY TRANSFER FRAMEWORK

**Current Context:** On 24th July 2024, The Reserve Bank of India (RBI) issued a new framework on Domestic Money Transfer (DMT) for regulated firms, making stricter Know Your Customer (KYC) record standards, focusing on banking services and payment systems.

### ABOUT

- The changes **aim to enhance the security of domestic money transfers within India.**
- **Cash Pay-out Service:** Remitting banks will now obtain and maintain records of the name and address of the beneficiary for cash payouts.
- **Cash Pay-in Service:** Remitting banks or Business Correspondents (BCs) will verify the remitter using a verified mobile phone number and a self-certified 'Officially Valid Document (OVD)' as specified in the Master Direction - Know Your Customer Direction 2016.
- **Additional Factor of Authentication (AFA):** Every transaction by a remitter must be validated by an AFA.
- **Income Tax Act Compliance:** Remitting banks and their BCs must follow the provisions of the Income Tax Act of 1961 regarding cash deposits.

## RBI INTRODUCED THE PCA FRAMEWORK TO IMPROVE THE FINANCIAL CONDITIONS OF UCBS

**Current Context:** On 26th July 2024, The Reserve Bank of India (RBI) released a Prompt Corrective Action (PCA) Framework for Urban Cooperative Banks (UCBs), which will be effective from April 1, 2025.

### KEY POINTS

- **Objective:** The PCA Framework aims to enable timely supervisory intervention to restore financial health in UCBs.
- **Coverage:** It applies to all UCBs in Tier 2, Tier 3, and Tier 4 categories (except UCBs under All Inclusive Directions). Tier 1 UCBs, though not covered under PCA as of now, will be subject to enhanced monitoring.
- **Indicators:** The framework monitors Capital Adequacy Ratio (CAR), Net NPA Ratio, and net profit.
- **Risk Thresholds:** Breach of risk thresholds (e.g., CAR below required levels, net NPAs above 6% but below 9%, consecutive losses) may result in invoking PCA.
- **Supervisory Actions:** The PCA Framework enables timely corrective measures to restore UCBs' financial health.

### INSURTECH STARTUP COVRZY RECEIVES BROKING LICENCE FROM IRDAI

**Current Context:** On 25th July 2024, Bengaluru-based Covrzy was awarded a direct broking (general) license by the Insurance Regulatory and Development Authority of India (IRDAI).

### KEY HIGHLIGHTS

- This license **allows Covrzy to function as a direct insurance broker in India, offering a comprehensive range** of business insurance solutions.
- The startup **aims to simplify the insurance buying process, particularly for startups, small and medium-sized enterprises (SMEs), and micro, small, and medium enterprises (MSMEs)** in India.

- Their web-based platform helps users **manage their entire insurance cycle, from product discovery to purchase, servicing, and claims.**

### GUIDELINES ON TREATMENT OF DIVIDEND EQUALISATION FUND (DEF)- PRIMARY (URBAN) CO-OPERATIVE BANKS (UCBS)

**Current Context:** The Reserve Bank of India (RBI) has issued new guidelines for Primary (Urban) Co-operative Banks (UCBs) regarding the treatment of Dividend Equalisation Funds (DEF).

### DETAILS

- Previously, **UCBs could not use accumulated profits or reserves for dividend payments** and could only pay dividends from the net profit of the current year.
- However, as a **one-time measure, UCBs are now permitted to transfer the balances in the DEF to general reserves or free reserves.**
- These credit balances in general reserves or free reserves qualify as Tier-I capital according to RBI's Master Circular.
- Remember that UCBs must comply with applicable State/Central Co-operative Acts, bye-laws, and other relevant laws and regulations.

### MASTER DIRECTIONS ON CYBER RESILIENCE AND DIGITAL PAYMENT SECURITY CONTROLS

**Current Context:** The Reserve Bank of India (RBI) has issued final guidelines on cyber resilience and digital payment security controls for non-bank payment system operators (PSOs) on 30th July 2024.

### KEY FACTS

- **Timelines for Compliance:**
  - Large PSOs (e.g., Clearing Corporation of India Limited, NPCI, Bharat Bill Payment Operating Units, Payment Aggregators) must comply by April 2025.

- Medium PSOs (cross-border money transfer operators under MTSS, medium prepaid payment instrument issuers) have until April 2026.
- Small PSOs (instant money transfer operators, certain PPI issuers) need to comply by April 2028.
- **Incident Reporting:**
  - Entities must report incidents like cyber-attacks, system outages, internal frauds, etc., to the RBI within six hours of detection.
  - Cybersecurity incidents should also be reported to CERT-IN.
- **Oversight and Preparedness:**
  - PSO boards are responsible for overseeing information security risks, including cyber risk and resilience.
  - PSOs must prepare a cyber crisis management plan (CCMP) to detect, contain, respond to, and recover from cyber threats.
- **Risk Assessment:**
  - PSOs should assess cyber risks when launching new products/services or changing existing systems.
  - Regular training programs on information security are essential for employees and vendors.
- **Fraud Monitoring:**
  - PSOs must set up a real-time or near real-time fraud monitoring solution to identify suspicious transactional behavior.

## MASTER DIRECTION ON TREATMENT OF WILFUL DEFAULTERS AND LARGE DEFAULTERS

**Current Context:** The Reserve Bank of India (RBI) has recently issued new directives regarding the treatment of wilful and large defaulters. These guidelines apply to all regulated entities, including asset reconstruction companies and credit information companies.

## ABOUT

- **Wilful Default Definition:**
  - A borrower is considered a “wilful defaulter” if they fail to meet payment obligations despite having the capacity to honor them.
  - It also applies if the borrower diverts funds from the credit facility without lender approval or disposes of secured assets without consent.
  - Cases where the borrower or promoter fails to infuse equity despite having the ability to do so are also covered.
- **Threshold Amount:**
  - A borrower or guarantor committing wilful default is classified as such if the outstanding amount is ₹25 lakh or more (or as notified by RBI).
- **Identification Mechanism:**
  - The RBI mandates a structured process for identifying and classifying wilful defaulters.
  - An Identification Committee reviews the borrower’s track record to determine if the default was intentional.
  - If wilful default is suspected, a show-cause notice is issued, allowing the borrower to respond.
  - The final decision rests with a Review Committee.
  - These guidelines aim to create transparency, accurate reporting, and prevent future defaults. They will take effect 90 days from issuance.

## ICICI LOMBARD & KARNATAKA BANK ANNOUNCES STRATEGIC BANCASSURANCE PARTNERSHIP

**Current Context:** On 26th July 2024, ICICI Lombard General Insurance Company joined hands with Karnataka Bank Limited in a strategic bancassurance partnership. This collaboration aims to expand the



reach of ICICI Lombard's insurance products to Karnataka Bank's vast customer base.

### KEY POINTS

- **Increased Insurance Penetration:** The partnership seeks to enhance insurance coverage across India by providing Karnataka Bank's 13 million+ customers access to ICICI Lombard's diverse insurance portfolio.
- **Leveraging Strengths:** ICICI Lombard's innovative, digital-first approach combined with Karnataka Bank's extensive branch network is expected to drive growth.
- **Product Range:** Karnataka Bank customers can now avail themselves of a wide range of insurance products, including health, motor, travel, home, and more.
- **Alignment with IRDAI's Vision:** The partnership supports the Insurance Regulatory and Development Authority of India's (IRDAI) goal of increasing insurance penetration in the country.

### BANKING AWARENESS QUESTION BANK: JULY 2024

**Ques1. What is the name of the collaborative initiative between the Reserve Bank of India (RBI) and ASEAN countries for cross-border retail payments?**

- Project Fusion
- Project Nexus
- Project Link
- Project Connect
- None of these

**Answer: c)** This collaborative initiative, known as Project Nexus, aims to interlink the Fast Payment Systems (FPS) of India and four ASEAN nations: Malaysia, the Philippines, Singapore, and Thailand.

**Ques2. What percentage of life insurance penetration exists in India currently?**

- 3.2%
- 9.1%
- 91%

- 28%
- None of these

**Answer: a)** life insurance penetration in India remains strikingly low at only 3.2%, with a substantial protection gap of about 91%.

**Ques3. What is the primary objective of the 'Finquiry' initiative by the RBI?**

- To provide loans to fintech companies
- To help fintech companies navigate the regulatory environment
- To invest in fintech startups
- To offer financial planning services
- None of these

**Answer: b)** To help fintech companies navigate the regulatory environment, get their compliance questions addressed, and discuss innovation-related concerns.

**Ques4. What is the new limit set by SEBI for Basic Service Demat Accounts (BSDAs) effective from September 1, 2024?**

- 1 lakh
- 2 lakh
- 4 lakh
- 10 lakh
- None of these

**Answer: d)** The Securities and Exchange Board of India (SEBI) increased the limit for Basic Service Demat Accounts (BSDAs) to ₹10 lakh from ₹2 lakh to encourage more retail investors to participate in the stock market.

**Ques5. What is the new limit set by SEBI for Basic Service Demat Accounts (BSDAs) effective from September 1, 2024?**

- 1 lakh
- 2 lakh
- 4 lakh
- 10 lakh
- None of these

**Answer: d)** The Securities and Exchange Board of India (SEBI) increased the limit for Basic Service Demat

Accounts (BSDAs) to ₹10 lakh from ₹2 lakh to encourage more retail investors to participate in the stock market.

**Ques6. What type of business is MSME Sahaj designed for?**

- a) Large corporations
- b) Micro, small, and medium enterprises (MSMEs)
- c) Individual consumers
- d) Non-profit organization
- e) None of these

**Answer: b)** The State Bank of India (SBI) has introduced "MSME Sahaj", a web-based digital business loans solution specifically designed for micro, small, and medium enterprises (MSMEs).

**Ques7. What is the main goal of the partnership between NABARD and Online PSB Loans Ltd?**

- a) To digitize Jan Suraksha Schemes for Regional Rural Banks (RRBs)
- b) To provide new social security programs for rural India
- c) To offer new financial products to urban populations
- d) To replace Regional Rural Banks with online lenders
- e) None of these

**Answer: a)** NABARD (National Bank for Agriculture and Rural Development) partnered with Online PSB Loans Ltd to digitize Jan Suraksha Schemes for Regional Rural Banks (RRBs) in India on 3rd July 2024.

**Ques8. Under the new SEBI guidelines, how many working days do companies have to request a review or appeal the credit rating decision?**

- a) 5 working days
- b) 3 working days
- c) 7 working days
- d) 10 working days
- e) None of these

**Answer: b)** CRAs must now inform companies about their credit rating within one working day of the rating

committee meeting. Companies have 3 working days to request a review or appeal the decision.

**Ques9. How many new Agricultural Centralized Processing Cells did SBI announce on its 69th Foundation Day?**

- a) 20
- b) 25
- c) 35
- d) 75
- e) None of these

**Answer: c)** SBI announced the opening of 35 new Agricultural Centralized Processing Cells to improve the efficiency and reduce risks associated with agricultural loans.

**Ques10. Which organizations collaborated for the tree plantation drive called "Grow with the Trees"?**

- a) BSF and RBI
- b) SBI and Indian Army
- c) BSF and SBI
- d) BSF and Kendriya Vidyalaya
- e) None of these

**Answer: c)** The Border Security Force (BSF) and State Bank of India (SBI) joined hands for a tree plantation drive called "Grow with the Trees" in Srinagar on Saturday, 6th July 2024.

**Ques11. Under the new permission of RBI, banks can obtain fresh ratings from Brickwork Ratings for bank loans up to:**

- a) Rs 100 crore
- b) Rs 250 crore
- c) Rs 500 crore
- d) Rs 1000 crore
- e) None of these

**Answer: b)** Banks can obtain ratings from Brickwork Ratings for bank loans not exceeding Rs 250 crore.

**Ques12. What is the new limit on sponsor investment for passive mutual funds, excluding equity-oriented ETFs and index funds, as per SEBI's new regulations?**

- a) 15% of net assets
- b) 25% of net assets
- c) 35% of net assets
- d) 50% of net assets
- e) None of these

**Answer: b)** Passive mutual funds (except for equity-oriented Exchange Traded Funds (ETFs) and index funds) are now restricted from investing more than 25% of their net assets in listed securities of companies belonging to the sponsor group.

**Ques13. What is the annual limit for residents to invest outside India through the foreign currency account (FCA) at GIFT IFSC under the LRS?**

- a) \$100,000
- b) \$250,000
- c) \$500,000
- d) \$1,000,000
- e) None of these

**Answer: b)** Additionally, residents can invest outside India through the foreign currency account (FCA) at GIFT IFSC, subject to the LRS limit of \$250,000 per year.

**Ques14. What is the primary purpose of the partnership between NPCI International Payments Limited (NIPL) and QNB?**

- a) To introduce QR code-based UPI payments across Qatar
- b) To launch a new credit card in Qatar
- c) To provide financial assistance to Qatari merchants
- d) To establish a new banking institution in Qatar
- e) None of these

**Answer: a)** NPCI International Payments Limited (NIPL) and QNB, the largest financial institution in the Middle East and Africa, have joined forces to introduce QR code-based UPI payments across Qatar on 11th July 2024.

**Ques15. According to the revised directions, what must Regulated Entities ensure before classifying individuals or entities as fraud?**

- a) Compliance with financial regulations
- b) Approval from the Board of Directors
- c) Compliance with the principles of natural justice
- d) Submission of a fraud report to the RBI
- e) None of these

**Answer: c)** Regulated Entities must ensure compliance with the principles of natural justice before classifying individuals or entities as fraud.

**Ques16. What are the new MCLR for SBI's three-month, six-month, and one-year tenors, respectively?**

- a) 8.4%, 8.75%, and 8.85%
- b) 8.35%, 8.4%, and 8.75%
- c) 8.75%, 8.85%, and 8.9%
- d) 8.5%, 8.75%, and 8.85%
- e) None of these

**Answer: a)** The one-month MCLR has been revised to 8.35%, while the three-month, six-month, and one-year MCLR now stand at 8.4%, 8.75%, and 8.85%, respectively

**Ques17. What is the primary purpose of the GSTR 1A form introduced in the CGST Amendment Rules, 2014?**

- a) To allow taxpayers to apply for a GST refund
- b) To allow taxpayers to revise or add records within the same month after filing GSTR-1 but before filing the GSTR-3B summary return
- c) To provide a summary of annual tax returns
- d) To submit a quarterly tax return
- e) None of these

**Answer: b)** The GSTR 1A form allows taxpayers to revise or add records within the same month after filing GSTR-1 but before filing the GSTR-3B summary return.

**Ques18. What is the primary focus of BranchX's new personal loan solution through the ONDC framework?**

- a) Enhancing financial inclusion for India's 1.4 billion people
- b) Increasing international trade
- c) Promoting traditional banking methods
- d) Supporting large multinational corporations
- e) None of these

**Answer: b)** This initiative aims to enhance financial inclusion for India's 1.4 billion people, with a focus on the emerging middle class, young professionals, small business owners, and entrepreneurs.

**Ques19. Which bank introduced "The BoB Monsoon Dhamaka Deposit Scheme" on 15th July 2024?**

- a) Bank of Maharashtra
- b) State Bank of India
- c) HDFC Bank
- d) Bank of Baroda
- e) None of these

**Answer: d)** On 15th July 2024, Bank of Baroda (BoB) introduced "The BoB Monsoon Dhamaka Deposit Scheme" with attractive interest rates for retail deposits below ₹3 crore.

**Ques20. What percentage of the loans will the Central Bank of India fund in the co-lending partnership with Arka Fincap?**

- a) 50%
- b) 60%
- c) 80%
- d) 90%
- e) None of these

**Answer: c)** Arka Fincap will originate and process the loans. The Central Bank of India will fund 80% of the loans.

**Ques21. Which organization is IndusInd Bank collaborating with for the 'Wrestle for Glory' program?**

- a) Olympic Training Center
- b) Inspire Institute of Sport (IIS)
- c) National Wrestling Academy
- d) Sports Authority of India

**Answer: b)** Corporate Social Responsibility (CSR) initiative continues their longstanding collaboration with the Inspire Institute of Sport (IIS), a high-performance Olympic training facility headquartered in Vijayanagar, Bellary.

**Ques22. According to the updated regulations of IRDAI, how are long-term motor insurance policies now aligned?**

- a) With health insurance policies
- b) With travel insurance policies
- c) With standard one-year motor insurance policies
- d) With life insurance policies
- e) None of these

**Answer: c)** The recent change aligns long-term policies with the standard one-year motor insurance policies.

**Ques23. What amount of bonds did the Reserve Bank of India (RBI) recently sell in the secondary market?**

- a) 24 billion
- b) 34 billion
- c) 44 billion
- d) 54 billion
- e) None of these

**Answer: b)** The Reserve Bank of India (RBI) recently sold ₹34 billion (\$406 million) worth of bonds in the secondary market.

**Ques24. How much does the Asian Development Bank approve the loan amount to expand Nagpur's metro rail network?**

- a) \$100 million
- b) \$150 million
- c) \$200 million
- d) \$250 million
- e) None of these

**Answer: c)** The Asian Development Bank (ADB) has approved a \$200 million loan to expand Nagpur's metro rail network on 24th July 2024.

**Ques25. How will remitters be verified for cash pay-in services under the new Domestic Money Transfer framework?**

- a) With a verified mobile number and an OVD
- b) With a PAN card and Aadhaar card
- c) With a passport and driving license



- d) With a fingerprint and iris scan
- e) None of these

**Answer: a)** Remitting banks or Business Correspondents (BCs) will verify the remitter using a verified mobile phone number and a self-certified 'Officially Valid Document (OVD)' as specified in the Master Direction - Know Your Customer Direction 2016.

**Ques26. Which categories of UCBs are covered under the Prompt Corrective Action (PCA) Framework?**

- a) Tier 1 and Tier 2 UCBs
- b) Tier 2, Tier 3, and Tier 4 UCBs
- c) Only Tier 3 UCBs
- d) All UCBs without any exceptions
- e) None of these

**Answer: b)** It applies to all UCBs in Tier 2, Tier 3, and Tier 4 categories (except UCBs under All Inclusive Directions). Tier 1 UCBs, though not covered under PCA as of now, will be subject to enhanced monitoring.

**Ques27. Which company has recently been granted a direct broking (general) license by IRDAI?**

- a) Covrzy
- b) Antler
- c) Shastra VC
- d) IRDAI
- e) None of these

**Answer: a)** On 25th July 2024, Bengaluru-based Covrzy was awarded a direct broking (general) license by the Insurance Regulatory and Development Authority of India (IRDAI).

**Ques28. According to the new RBI guidelines, what can Primary (Urban) Co-operative Banks (UCBs) do with the balances in their Dividend Equalisation Funds (DEF) as a one-time measure?**

- a) Transfer them to statutory reserves
- b) Use them to pay off debts
- c) Distribute them directly to shareholders
- d) Transfer them to general reserves or free reserves

**Answer: d)** UCBs are now permitted to transfer the balances in the DEF to general reserves or free reserves.

**Ques29. Which of the following Payment System Operators (PSOs) must comply with the RBI's guidelines by April 2025?**

- a) Medium PSOs
- b) Small PSOs
- c) Large PSOs
- d) All PSOs

**Answer: c)** Large Payment System Operators (PSOs) (e.g., Clearing Corporation of India Limited, NPCI, Bharat Bill Payment Operating Units, Payment Aggregators) must comply by April 2025.

**Ques30. Under the new RBI guidelines, what is the threshold amount for classifying a borrower or guarantor as a wilful defaulter?**

- a) 25 lakh
- b) 15 lakh
- c) 50 lakh
- d) 1 crore

**Answer: a)** A borrower or guarantor committing wilful default is classified as such if the outstanding amount is ₹25 lakh or more (or as notified by RBI).

**Ques31. What is the primary purpose of SEVA, the AI-powered chatbot introduced by SEBI?**

- a) To automate stock trading for investors
- b) To enhance investor experience and accessibility to crucial market information
- c) To monitor stock market fluctuations in real-time
- d) To replace human advisors in the securities market

**Answer: b)** SEVA aims to enhance investor experience and accessibility to crucial market information.

**Ques32. What is the main objective of the partnership between ICICI Lombard and Karnataka Bank?**

- a) To enhance insurance coverage across India
- b) To increase the profitability of both companies

- c) To launch new insurance products
- d) To reduce operational costs

**Answer: a)** The partnership seeks to enhance insurance coverage across India by providing Karnataka Bank's 13 million+ customers access to ICICI Lombard's diverse insurance portfolio.