

BANKING & FINANCIAL AWARENESS

GK DIGEST- MAY 2024

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Contents

RBI Announces Interest Rate of 8% on Floating Rate Savings Bond (FRSB) 2034.....	2
Details	2
NRIs can own up to 100% of a global fund set up at GIFT City 2	
About	2
RBI Releases Updated Guidance on Operational Risk Management and Resilience for Lenders	2
Key Points.....	2
NIPL & Bank of Namibia inks Pact to Develop UPI-like Payment System for Namibia	2
Key Highlights.....	2
SEBI Amends Mutual Fund Regulations to Curb Fraudulent Practices.....	3
Key facts	3
For the T+1 settlement, RBI revised banks' capital market exposure norms	3
About	3
SEBI introduces Framework for Stock Exchanges to supervise RAs & IAs.....	3
key Points.....	3
RBI approved setting up REC Limited subsidiary in Gift City, Gujarat	3
Key Highlights.....	4
IFSCA Allows FPIs to Issue Derivatives with Indian Securities..	4
key Facts.....	4
Canara HSBC Life Insurance Introduces Promise4Growth Plan	4
Details	4
NPCI issues Guidelines for Merchant Acquisition on BHIM Aadhar Pay	4
About	4
SEBI Mandates Standardized Periodic Reporting for Investment Advisers.....	4
Key Points.....	5
New rules for project finance has been proposed by RBI.....	5
Key Highlights.....	5

HDFC Bank & AIM Empower Social Sector Start-Ups with Rs 19.6 Crore Grants	5
Key Facts	5
SBI Becomes the 1st Bank as Trading-cum-Clearing Member (TCM) of IIBX.....	5
Details	5
HDFC Bank Launched PIXEL – India’s First Virtual Credit Card 5	
About	5
Yes Bank launches YES Grandeur for India’s Emerging Affluent Segment.....	6
Key Points	6
SEBI revises Market Capitalization Computation Basis for LODR RegulationsCurrent	6
Key Highlights	6
TCS Signed a Core Banking Deal With Kuwait’s Burgan Bank..	6
Key Facts	6
SEBI amends rule to Facilitate Ease of Doing for Companies Planning IPOs	7
Details	7
SEBI Amends Framework for Dynamic Price Bands for Scrips in Derivatives Segment	7
About	7
IRDAI Introduced New Corporate Governance Regulations for Insurers	7
Key Points	7
SEBI Introduced Framework to Determine Unaffected Price in Response to Market Rumour.....	8
Key Highlights	8
SEBI Notified Framework for Issue of Subordinate Units in Privately Placed InvITs	8
Key Facts	8
Bank of Maharashtra Introduces Maha Krishi Samrudhi Yojana	8
Details	8
Reserve Bank of India (RBI) released the annual report.....	9
About	9
IRDAI has made major revisions to health insurance norms... 9	
Key Points	9
Banking Awareness Question Bank: MAY 2024.....	9

BANKING & FINANCIAL AWARENESS GK DIGEST: MAY 2024

RBI ANNOUNCES INTEREST RATE OF 8% ON FLOATING RATE SAVINGS BOND (FRSB) 2034

Current Context: The Reserve Bank of India (RBI) announced an 8% interest rate on the Floating Rate Savings Bond (FRSB) 2034 on 29th April 2024.

DETAILS

- **The interest rate is variable** and will be **reset every six months**.
- The **current rate, for the next six months** (from April 30, 2024 to October 29, 2024), on this **FRB bond will be 8%**.
- The rate is **calculated by taking an average of the interest rates from the previous three auctions of short-term** government debt, plus a small additional fixed amount (0.98%).
- These **bonds can be a good option for investors who want an interest rate that reflects current market conditions**.
- FRBs have a **maturity period of seven years**.
- The **minimum investment amount for FRBs is Rs 1,000**, while there is no maximum limit.
- **Interest on these bonds is paid semi-annually on January 1 and July 1 each year, with no provision for cumulative interest payments**.

NRIS CAN OWN UP TO 100% OF A GLOBAL FUND SET UP AT GIFT CITY

Current Context: The Reserve Bank of India (RBI) has indeed cancelled the licence of Acemoney India Limited, a non-banking financial company (NBFC).

ABOUT

- **The cancellation was due to irregular lending practices and violation of RBI guidelines.**

- **The company, which had received the certificate of registration in February 2017, was found to be not complying with the extant regulations pertaining to charging excessive interest and ensuring confidentiality of customer information.**

RBI RELEASES UPDATED GUIDANCE ON OPERATIONAL RISK MANAGEMENT AND RESILIENCE FOR LENDERS

Current Context: The Reserve Bank of India (RBI) released an updated Guidance Note on Operational Risk Management and Operational Resilience for lenders on May 1, 2024.

KEY POINTS

- **Updates RBI's Guidance:** This replaces the previous Guidance Note on Management of Operational Risk from 2005.
- **Focuses on Operational Resilience:** It emphasizes the importance of lenders being able to withstand and recover from disruptions.
- **Aligns with BCBS Principles:** The update incorporates best practices outlined in the BCBS's "Revisions to the Principles for the Sound Management of Operational Risk" and "Principles for Operational Resilience" documents, both released in March 2021.

NIPL & BANK OF NAMIBIA INKS PACT TO DEVELOP UPI-LIKE PAYMENT SYSTEM FOR NAMIBIA

Current Context: On May 2, 2024, in New Delhi, India, the NPCI International Payments Limited (NIPL), the international arm of the National Payments Corporation of India (NPCI), signed an agreement with the Bank of Namibia (BoN).

KEY HIGHLIGHTS

- **The partnership aims to develop an instant payment system similar to India's Unified Payments Interface (UPI) for Namibia.**
- This collaboration is **expected to modernize Namibia's financial ecosystem by improving accessibility, affordability, connectivity** with domestic and international payment networks, and interoperability.
- **The strategic partnership aims to enhance digital financial services and bolster real-time Person-to-**

Person (P2P) and Merchant payment transactions (P2M) in Namibia.

SEBI AMENDS MUTUAL FUND REGULATIONS TO CURB FRAUDULENT PRACTICES

Current Context: The Securities and Exchange Board of India (SEBI) has recently approved amendments to the SEBI (Mutual Funds) Regulations, 1996.

KEY FACTS

- These changes **aim to curb fraudulent practices in mutual funds by introducing several new measures:**
- **Institutional Mechanism:** Asset Management Companies (AMCs) are required to establish an “institutional mechanism” for the identification and deterrence of potential market abuse, including front-running and fraudulent transactions in securities.
- **Misconduct Monitoring:** The new framework should be able to identify, monitor, and address specific types of misconduct, including front-running, insider trading, and misuse of sensitive information.
- **Whistle-Blower Process:** AMCs will also be required to have a whistle-blower process to foster transparency.
- **Higher Exposure on Group Companies:** The markets regulator has also allowed passive schemes of AMCs to take higher exposure on group companies of the sponsor to allow the schemes to better reflect the underlying index.

FOR THE T+1 SETTLEMENT, RBI REVISED BANKS' CAPITAL MARKET EXPOSURE NORMS

Current Context: The Reserve Bank of India (RBI) made some changes on May 3, 2024, to the rules for banks when they are involved in stock market transactions. These changes are related to the T+1 settlement system, which means the transaction is settled on the next day.

ABOUT

- Here's **what the new rules say:**
- Banks can only risk up to 30% of the money they are moving around in the stock market in a day.

- This 30% limit is based on the possibility that stock prices could fall by 20% in a day, with an extra 10% buffer just in case.
- Banks can only promise to pay money (issue IPCs) if they have a right to the stocks that are being bought or sold.
- If a transaction is pre-funded, which means the money is already available, then the bank doesn't need to have a right to the stocks.
- If a bank has paid a margin in cash, then its exposure is reduced by the amount of the margin paid.
- If any exposure remains at the end of the day, the bank needs to have enough capital to cover it.

SEBI INTRODUCES FRAMEWORK FOR STOCK EXCHANGES TO SUPERVISE RAS & IAS

Current Context: The Securities and Exchange Board of India (SEBI) introduced a framework on May 2, 2024, for stock exchanges to supervise Research Analysts (RAs) and Investment Advisers (IAs).

KEY POINTS

- **New Roles for Stock Exchanges:** The framework allows recognized stock exchanges to act as Research Analyst Administration and Supervisory Body (RAASB) and Investment Adviser Administration and Supervisory Body (IAASB) for supervising RAs and IAs respectively.
- **Enhanced Oversight:** RAASBs and IAASBs will monitor the financial and regulatory compliance of RAs and IAs.
- **Improved Grievance Redressal:** The framework emphasizes handling customer complaints effectively.
- **Streamlined Processes:** SEBI retains core functions like registration and enforcement but delegates tasks like initial application scrutiny and supervision to RAASBs/IAASBs.
- **Effective Date:** The new framework comes into effect on July 25, 2024.

RBI APPROVED SETTING UP REC LIMITED SUBSIDIARY IN GIFT CITY, GUJARAT

Current Context: The Reserve Bank of India (RBI) has given a 'No Objection Certificate' to REC Limited, a leading Non-

Banking Financial Company (NBFC) under the Ministry of Power, for setting up a wholly owned subsidiary.

KEY HIGHLIGHTS

- The subsidiary is to be **set up in the International Financial Services Centre (IFSC), Gujarat International Finance Tec-City (GIFT), Gandhinagar, Gujarat** and this was approved on May 3, 2024.
- The **proposed subsidiary will engage in a range of financial activities as a finance company within GIFT, including lending, investment, and other financial services.**
- The decision to **expand operations into GIFT, a burgeoning hub for financial services in India, comes as REC continues to diversify its portfolio and explore new avenues for growth.**

IFSCA ALLOWS FPIS TO ISSUE DERIVATIVES WITH INDIAN SECURITIES

Current Context: The International Financial Services Centres Authority (IFSCA) has indeed permitted Foreign Portfolio Investors (FPIs) to issue derivative instruments with Indian securities.

KEY FACTS

- **Initially, the authority had permitted IFSC Banking Units, registered with SEBI as FPIs, to issue Derivative Instruments with Indian securities as underlying, in GIFT-IFSC.**
- **Now, in the second phase, IFSCA has decided to permit non-bank entities, registered with SEBI as FPIs, to issue Derivative Instruments with Indian securities as underlying, in GIFT-IFSC.**

CANARA HSBC LIFE INSURANCE INTRODUCES PROMISE4GROWTH PLAN

Current Context: On 6th May, Canara HSBC Life Insurance introduced a new Unit Linked Insurance Plan (ULIP) called Promise4Growth. This plan is designed for customers embarking on a journey towards financial prosperity and security.

DETAILS

- **Plan Options:** The product offers 3 plan options: Promise4Wealth, Promise4Care, and Promise4Life, each aligned with different savings goals and life stages.
- **Tax Benefits:** The policy holder may avail tax benefits on premium paid and benefits received as per prevailing tax laws under Income Tax Act, 1961.
- **Investment Options:** This plan offers an option to choose from a bouquet of 9 Unit Linked Funds.
- **Flexibility:** Promise4Growth provides unparalleled flexibility and offers a wide range of investment options, including a new fund called the "Midcap Momentum Growth Index Fund".
- **Growth Prospects:** It offers substantial growth prospects for the individuals.

NPCI ISSUES GUIDELINES FOR MERCHANT ACQUISITION ON BHIM AADHAR PAY

Current Context: the National Payments Corporation of India (NPCI) issued guidelines on May 9, 2024, that put the responsibility of verifying merchant details on acquiring banks for BHIM Aadhaar Pay.

ABOUT

- **Acquiring Banks Responsible for Verification:** Acquiring member banks are now responsible for acquiring, managing and monitoring merchants for BHIM Aadhaar Pay. This applies to merchants onboarded directly or through partners.
- **Merchant Onboarding and Due Diligence:** Banks are required to have a board-approved policy for merchant acquisition and perform necessary due diligence to mitigate risks.
- **Transaction Monitoring:** Banks need to monitor merchant activity, including onboarding criteria, transaction monitoring and control, and training.
- **MCC Assignment:** Banks must assign the appropriate Merchant Category Code (MCC) based on the nature of the business, and avoid codes meant for cash withdrawal services.
- These guidelines **aim to strengthen oversight and reduce fraud in BHIM Aadhaar Pay transactions.**

SEBI MANDATES STANDARDIZED PERIODIC REPORTING FOR INVESTMENT ADVISERS

Current Context: The Securities and Exchange Board of India (SEBI) has indeed issued a mandate for standardized periodic reporting for Investment Advisers (IAs).

KEY POINTS

- **Periodic Reports:** IAs are directed to submit periodic reports for half-yearly periods ending on September 30 and March 31 of every financial year.
- **Submission Deadline:** IAs need to submit the periodic report for the half-year period ended on March 31, 2024, to the Investment Advisers Administration and Supervisory Body (IAASB) within 15 days from the date of issuance of the circular by the supervisory body.
- **Report Contents:** Under the new format, investment advisers have to disclose details of their social media handles, bank accounts used for receiving advisory fee, NISM certification details, information about the last inspection carried out by SEBI or IAASB, details of advertisements issued during the half-year period, and information on publishing of complaints against them.

NEW RULES FOR PROJECT FINANCE HAS BEEN PROPOSED BY RBI

Current Context: The Reserve Bank of India (RBI) proposed new rules for project finance in early May 2024. The main goal is to manage risks associated with infrastructure projects that take a long time to complete.

KEY HIGHLIGHTS

- **Higher provisioning during construction:** Banks would need to set aside more money (up to 5%) as a buffer against potential loan defaults during the construction phase of a project. This is significantly higher than the current requirement.
- **Provisioning linked to project stage:** The amount of money set aside would decrease as the project progresses to operational stages.
- **Stricter timelines for NPA classification:** Projects facing delays of more than six months from the planned completion date could be classified as non-performing assets (NPAs).

HDFC BANK & AIM EMPOWER SOCIAL SECTOR START-UPS WITH RS 19.6 CRORE GRANTS

Current Context: The Parivartan Start-up Grants programme for FY2024 was announced by HDFC Bank in partnership with Atal Innovation Mission on May 8, 2024.

KEY FACTS

- A total of Rs 19.6 crore in grants will be distributed among 41 incubators and accelerators.
- These grants will support 170 start-ups working in areas .
- The grants were awarded to leading and emerging incubators such as HTIC at IIT Madras, Awadh at IIT Ropar, T-Hub (Hyderabad), FITT - IIT Delhi, RISE Foundation at IISER (Kolkata), VJTI (Mumbai), Forge Forward (Coimbatore), NTIBIF at NIFTEM (Kindli).

SBI BECOMES THE 1ST BANK AS TRADING-CUM-CLEARING MEMBER (TCM) OF IIBX

Current Context: The State Bank of India (SBI) has indeed become the first bank to join the India International Bullion Exchange (IIBX) as a Trading-cum-Clearing Member (TCM).

DETAILS

- This development allows SBI's IFSC Banking Unit (IBU) at the GIFT City in Gujarat to conduct trades on the IIBX platform and settle them on behalf of its clients.
- The entry of India's largest bank into the field as a TCM is expected to boost trading volumes at IIBX.
- Dinesh Khara, Chairman of SBI, stated that this step marks a change in India's bullion market, ushering in transparency, efficiency, and accessibility in the bullion trading market.

HDFC BANK LAUNCHED PIXEL – INDIA'S FIRST VIRTUAL CREDIT CARD

Current Context: HDFC Bank has indeed launched PIXEL, India's first virtual credit card on 14th May 2024.

ABOUT

- **Customization:** Users have the freedom to personalize their credit card experience to fit their lifestyle. They can prefer categories and merchants, colours, and billing dates.
- **Variants:** PIXEL is offered in two variants: PIXEL Play and PIXEL Go.

- **Cashback:** The card offers cashback on your choice of brands. For instance, with PIXEL Play, you can earn 5% cashback on the choice of any two packs from various categories like dining, entertainment, travel, grocery, electronics, and fashion. You can also earn 3% cashback on the choice of any one E-commerce merchant (Amazon, Flipkart, or PayZapp), and 1% unlimited cashback across all other spends.
- **Digital Management:** Customers can manage their PIXEL credit card digitally via HDFC Bank's PayZapp mobile application.
- **Additional Features:** The card comes with additional features like zero lost card liability, interest-free credit period, revolving credit, and exclusive dining privileges.

YES BANK LAUNCHES YES GRANDEUR FOR INDIA'S EMERGING AFFLUENT SEGMENT

Current Context: YES Bank has indeed launched a new banking program called YES Grandeur. This program is designed to cater to the unique financial and lifestyle needs of India's fast-growing Emerging Affluent segment.

KEY POINTS

- It's aimed at enhancing and personalising the customer experience by offering unique banking, travel, and lifestyle privileges.
- The banking benefits include premium service offerings such as dedicated relationship managers, preferential rates on banking services, exemption across a host of charges, significant discounts on locker facilities, and a special 3-in-1 account that offers Demat Account & Trading Account with Savings Account.
- The travel benefits cover zero cross currency markup charges on YES Grandeur debit card on international spends, and complimentary access to airport lounges.
- It also offers 5x YES Rewardz on weekend spends, along with offers across movies, dining, shopping and bill payments.

SEBI REVISES MARKET CAPITALIZATION COMPUTATION

BASIS FOR LODR REGULATIONS CURRENT

Context: The Securities and Exchange Board of India (SEBI) has indeed revised the method for calculating the market capitalization of listed companies under the Listing Obligations and Disclosure Requirements (LODR) Regulations.

KEY HIGHLIGHTS

- **Change in Calculation Method:** The market capitalization calculation method has been revised from a single day's market cap to an 'Average Market Capitalization' over a defined period.
- **Impact on Companies:** The amendments will impact the Top 100/top 250 companies based on market capitalisation. For the rest of the companies, the framework is still voluntary.
- **Ranking for Compliance:** The ranking for compliance will now be based on the average market capitalization from July 1 to December 31, with December 31 as the cut-off date.
- **Transition Period:** After the ranking is determined on December 31, there is a three-month transition period (or until the start of the next financial year, whichever is later) before the relevant LODR provisions apply.
- **LODR Provisions:** These provisions include requirements for appointing an independent woman director, having at least six directors on the board, board meeting quorum, risk management committee, rumour verification, directors and officers insurance for independent directors, dividend distribution policy, Business Responsibility and Sustainability Report, holding the AGM within five months of the financial year's end, and live webcasting AGM proceedings.
- **Objective:** This adjustment aims to provide a more accurate reflection of a company's market size by averaging its market capitalisation over six months, addressing daily fluctuations in market dynamics.

TCS SIGNED A CORE BANKING DEAL WITH KUWAIT'S BURGAN BANK

Current Context: On May 22, 2024, Tata Consultancy Services (TCS), a global IT services leader, signed a deal with Kuwait's Burgan Bank to modernize its core banking technology.

KEY FACTS

- The bank will **deploy TCS BaNCS, a universal banking solution, to consolidate multiple standalone legacy applications, manage higher transaction volumes, enhance automation, and improve staff productivity.**
- This **transformation will enable Burgan Bank, a regional network of over 160 branches and 360 ATMs, to simplify and digitally transform its technology landscape.**
- The deal is a significant milestone for TCS, which is **witnessing increased growth in emerging markets, including the Middle East.**

SEBI AMENDS RULE TO FACILITATE EASE OF DOING FOR COMPANIES PLANNING IPOs

Current Context: The Securities and Exchange Board of India (SEBI) has indeed made amendments to facilitate ease of doing business for companies planning Initial Public Offerings (IPOs).

DETAILS

- **Change in Offer for Sale (OFS) Size:** Any change in the size of OFS requiring fresh filing will be based on only one of the criteria — either issue size in rupee or number of shares.
- **Promoter Group Entities and Non-individual Shareholders:** Promoter group entities and non-individual shareholders holding more than 5% of the post-offer equity share capital can now contribute toward the shortfall in minimum promoters' contribution (MPC) without being identified as a promoter.
- **Non-promoter Shareholders:** Non-promoter shareholders excluding individuals holding more than 5% of the post-offer equity share capital can contribute towards the shortfall in MPC.
- **Flexibility in Bid Closing Date:** SEBI has provided flexibility in extending the bid closing date on account of force majeure events such as banking strikes or similar circumstances by a minimum of one day instead of the present requirement of a minimum of three days.

SEBI AMENDS FRAMEWORK FOR DYNAMIC PRICE BANDS FOR SCRIPS IN DERIVATIVES SEGMENT

Current Context: The Securities and Exchange Board of India (SEBI) has recently amended the framework for dynamic price bands for scrips in the derivatives segment.

ABOUT

- **Enhanced Conditions for Flexing Price Bands:** The conditions for flexing the price bands have been made more stringent to prevent sudden and erratic price movements.
- **Alignment Between Underlying and Futures Contracts:** The new rule mandates that once conditions for flexing are met in either the cash market or current month futures contracts, the price bands for the scrip and all its futures contracts across all exchanges will be flexed simultaneously after the cooling-off period.
- **Adjusted Cooling-Off Period and Flexing Percentage:** Initially set at 15 minutes, the cooling-off period will now vary based on the number of flexes that occur.
- **Sliding Price Bands:** A new sliding mechanism has been introduced, where both the upper and lower price bands move in response to flexing in one direction.

IRDAI INTRODUCED NEW CORPORATE GOVERNANCE REGULATIONS FOR INSURERS

Current Context: The Insurance Regulatory and Development Authority of India (IRDAI) introduced new corporate governance regulations for insurers in India.

KEY POINTS

- **Board Composition:** The focus is on strengthening the board with a minimum of three independent directors.
- **Risk Management:** The board needs to ensure business strategy considers risk tolerance.
- **Independent Committees:** The regulations mandate setting up an investment committee with specific members.
- **Fit and Proper Criteria:** Directors must meet certain criteria to ensure they are qualified and have a good reputation.

SEBI INTRODUCED FRAMEWORK TO DETERMINE UNAFFECTED PRICE IN RESPONSE TO MARKET RUMOUR

Current Context: The Securities and Exchange Board of India (SEBI) has introduced a new framework to determine the unaffected price in response to market rumours.

KEY HIGHLIGHTS

- **Unaffected Price:** The unaffected price refers to the share price of a company in case there is no market rumour. The unaffected price will be calculated by excluding the price impact of the rumour and its confirmation.
- **Volume-Weighted Average Price (VWAP):** The adjusted volume-weighted average price (VWAP) will be used for transactions subject to SEBI or stock exchange pricing norms. The adjusted daily VWAP will be calculated by excluding variations attributed to the rumour and its confirmation.
- **Rumour Verification:** Under Regulation 30 (11) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended in 2024, listed entities are required to verify market rumours when there is a significant price movement.
- **Implementation:** The new framework will be implemented in stages — starting from June 1, 2024, for the top 100 listed entities, and extending to the top 250 listed entities (including the next top 150) from December 1, 2024.
- **Validity:** The unaffected price remains valid for 60 or 180 days, depending on the transaction stage, from the rumour confirmation date to the relevant date under existing regulations.

SEBI NOTIFIED FRAMEWORK FOR ISSUE OF SUBORDINATE UNITS IN PRIVATELY PLACED INVITS

Current Context: On May 28, 2024, the Securities and Exchange Board of India (SEBI) notified a framework for the issuance of subordinate units by privately placed Infrastructure Investment Trusts (InvITs).

KEY FACTS

- This issuance is intended to bridge the valuation gaps that may arise due to the difference in the

valuation of an asset assessed by the Sponsor and the InvIT.

- The subordinate units would only be issued by a privately placed InvIT upon acquisition of an infrastructure project.
- InvIT would not raise funds through public issues if any subordinate units have been issued and are outstanding.
- These units will not carry any voting rights or distribution rights, and need to be issued in a dematerialized form with an International Securities Identification Number, distinct from that of the ordinary units.
- The subordinate units would be listed on a recognised stock exchange after their reclassification into ordinary units.

BANK OF MAHARASHTRA INTRODUCES MAHA KRISHI SAMRUDHI YOJANA

Current Context: The Bank of Maharashtra introduced the Maha Krishi Samrudhi Yojana (MKSY) on 28th May 2024.

DETAILS

- **Target Group:** The scheme is aimed at Food and Agro-Based industries & Agri Infrastructure Projects including Startups.
- **Eligibility:** The scheme is open to Individuals, Proprietorship, Partnership Concern, FPCs, Private Limited Companies, Public Limited Companies, and Limited Liability Partnership concern.
- **Purpose:** The scheme is designed to finance new projects or the expansion of existing units. This includes the acquisition/construction of Land and Building and Plant and machinery based on the project cost.
- **Type of Facilities:** The scheme offers Term loan, Working Capital / Export Credit like Pre-shipment and Post Shipment / Bill purchase / Bill discounting etc, LCs, BGs.
- **Quantum:** The minimum loan amount is not specified, but the maximum loan amount can go up to Rs. 100.00 Crore.

- **Margin:** For Term Loan, it's minimum 10 to 25% (case to case basis) and for Working Capital, it's minimum 25%.
- **Repayment:** The maximum period for Term Loan repayment is up to 10 Years (Including Moratorium Period). Working Capital is repayable on demand.
- **Processing Fee:** There is a concession in processing fee for borrowers/units with CIBIL MSME rank CMR-1 to CMR- 2.

RESERVE BANK OF INDIA (RBI) RELEASED THE ANNUAL REPORT

Current Context: The Reserve Bank of India (RBI) released its annual report for 2023-24 on May 30, 2024. Here are some key highlights from the report

ABOUT

- The **RBI's net income surged to ₹2.11 lakh crore, significantly up from ₹87,420 crore the previous year.** This increase was driven primarily by higher interest earnings from foreign securities .
- The **central bank's balance sheet expanded by 11.08%, reaching ₹70.48 lakh crore** as of March 31, 2024 .
- **Income from foreign sources rose by 23.2% year-on-year to ₹1.87 lakh crore.**
- **Unclaimed deposits with banks increased by 26% to ₹78,213 crore by the end of March 2024.**
- The **RBI's total expenditure dropped significantly to ₹64,694 crore from ₹1.48 lakh crore the previous year, highlighting improved operational efficiency.**

IRDAI HAS MADE MAJOR REVISIONS TO HEALTH INSURANCE NORMS

Current Context: The Insurance Regulatory and Development Authority (IRDAI) has recently made significant changes to the health insurance norms.

KEY POINTS

- **Cashless Claim Processing:** Health insurers are now required to accept or reject a cashless claim within one hour, and settle such a claim on discharge within three hours. If there is a delay beyond the mandated three hours, the additional amount, if any, charged by the hospital to the customer should be borne by the insurer.

- **Claim Review Panel:** An insurer can't repudiate a claim without the approval of its claims review panel.
- **Document Collection:** For claim settlement, the insurer and the third-party administrator must collect documents from hospitals and not from the insured.
- **Multiple Health Policies:** Policyholders with multiple health policies can select the policy under which they make the claim.
- **No Claim Bonus:** The new rules ask insurers to reward policyholders with no claims during the policy period by offering either an increased sum insured or discounted premium amount.
- **Policy Cancellation:** Policyholders can receive a premium refund for the unexpired policy period if one cancels the policy mid-way.
- **Policy Renewal:** All individual health policies are renewable and cannot be denied on the basis of previous claims, except in cases of fraud, non-disclosures, or misrepresentation.
- **Portability Requests:** Stricter timelines are imposed on portability requests via the Insurance Information Bureau of India portal.
- **Customer Information Sheet:** Insurers are asked to include a customer information sheet as part of the policy document explaining all customer-facing details.

BANKING AWARENESS QUESTION BANK: MAY 2024

Q.1 What is the maturity period of the Floating Rate Bonds (FRBs)?

- Five years
- Seven years
- Ten years
- Twelve years
- None of the above

Answer (b): FRBs have a maturity period of seven years.

Q.2 What significant change did the Securities and Exchange Board of India (SEBI) make to the investment norms for non-resident Indians (NRIs) and Overseas Citizens of India (OCIs) on April 30, 2024?

- a) They are now allowed to own up to 50% in global funds set up at the Gujarat International Finance Tec-City (GIFT City)
- b) They are now allowed to own up to 100% in global funds set up at the Gujarat International Finance Tec-City (GIFT City)
- c) They are now allowed to own up to 75% in global funds set up at the Gujarat International Finance Tec-City (GIFT City)
- d) They are now allowed to own up to 25% in global funds set up at the Gujarat International Finance Tec-City (GIFT City)
- e) None of the above

Answer (b): They are now allowed to own up to 100% in global funds set up at the Gujarat International Finance Tec-City (GIFT City), a major shift from the previous rule where their combined holdings in a global fund were capped at less than 50%.

Q.3 Why did the Reserve Bank of India (RBI) cancel the license of Acemoney India Limited?

- a) Due to successful business practices
- b) Due to irregular lending practices and violation of RBI guidelines
- c) Due to a change in the company's management
- d) Due to the company's expansion into new markets
- e) None of the above

Answer (b): The cancellation was due to irregular lending practices and violation of RBI guidelines.

Q.4 The Reserve Bank of India (RBI) recently released an updated Guidance Note on Operational Risk Management and Operational Resilience. What is the PRIMARY purpose of this update?

- a) To replace outdated information on credit risk management
- b) To introduce entirely new regulations for the banking sector
- c) To emphasize the importance of lenders recovering from disruptions
- d) To update information on managing a single type of operational risk
- e) None of the above

Answer (c): It emphasizes the importance of lenders being able to withstand and recover from disruptions.

Q.5 What is the aim of the partnership between NPCI International Payments Limited (NIPL) and Bank of Namibia (BoN)?

- a) To develop a cryptocurrency for Namibia
- b) To develop an instant payment system similar to India's UPI for Namibia
- c) To establish a new bank in Namibia
- d) To introduce credit cards in Namibia
- e) None of the above

Answer (b): The partnership aims to develop an instant payment system similar to India's Unified Payments Interface (UPI) for Namibia.

Q.6 What is the purpose of the recent amendments to the SEBI (Mutual Funds) Regulations, 1996?

- a) To increase the profits of Asset Management Companies (AMCs)
- b) To curb fraudulent practices in mutual funds
- c) To promote the sale of mutual funds
- d) To reduce the number of mutual funds in the market
- e) None of the above

Answer (b): These changes aim to curb fraudulent practices in mutual funds

Q.7 According to the new rules, what is the maximum risk banks can take in the stock market in a day?

- a) 10%
- b) 30%
- c) 20%
- d) 40%
- e) None of the above

Answer (b): Banks can only risk up to 30% of the money they are moving around in the stock market in a day.

Q.8 What tasks are delegated to RAASBs/IAASBs under the new SEBI framework?

- a) Initial application scrutiny and supervision
- b) Registration and enforcement
- c) Market analysis and prediction
- d) Financial auditing
- e) None of the above

Answer (a): SEBI retains core functions like registration and enforcement but delegates tasks like initial application scrutiny and supervision to RAASBs/IAASBs.

Q.9 What is the purpose of REC Limited setting up a subsidiary in GIFT City?

- a) To diversify its portfolio and explore new growth avenues
- b) To provide financial services to rural areas
- c) To comply with a new regulation by the RBI
- d) To acquire another company
- e) None of the above

Answer (a): The decision to expand operations into GIFT, a burgeoning hub for financial services in India, comes as REC continues to diversify its portfolio and explore new avenues for growth.

Q.10 What is the name of the authority that permitted Foreign Portfolio Investors (FPIs) to issue derivative instruments with Indian securities?

- a) Securities and Exchange Board of India (SEBI)
- b) Reserve Bank of India (RBI)
- c) International Financial Services Centres Authority (IFSCA)
- d) Ministry of Finance, India
- e) None of the above

Answer (c): The International Financial Services Centres Authority (IFSCA) has indeed permitted Foreign Portfolio Investors (FPIs) to issue derivative instruments with Indian securities.

Q.11 What tax benefits does the Promise4Growth plan offer?

- a) Tax benefits only on benefits received.
- b) Tax benefits only on premium paid.
- c) Tax benefits on premium paid and benefits received as per prevailing tax laws under Income Tax Act, 1961.
- d) No tax benefits.
- e) None of the above

Answer (c): The policy holder may avail tax benefits on premium paid and benefits received as per prevailing tax laws under Income Tax Act, 1961.

Q.12 Who is responsible for verifying merchant details for BHIM Aadhaar Pay according to the new guidelines issued by NPCI?

- a) The merchants themselves
- b) The Reserve Bank of India

- c) The acquiring member banks
- d) The National Payments Corporation of India
- e) None of the above

Answer (c): Acquiring member banks are now responsible for acquiring, managing and monitoring merchants for BHIM Aadhaar Pay.

Q.13 What is the deadline for IAs to submit the periodic report for the half-year period ended on March 31, 2024?

- a) Within 7 working days from the end of the half-yearly period
- b) Within 15 days from the date of issuance of the circular by the supervisory body
- c) Within 30 days from the end of the half-yearly period
- d) Within 10 days from the date of issuance of the circular by the supervisory body
- e) None of the above

Answer (b): IAs need to submit the periodic report for the half-year period ended on March 31, 2024, to the Investment Advisers Administration and Supervisory Body (IAASB) within 15 days from the date of issuance of the circular by the supervisory body.

Q.14 What is the main goal of the RBI's proposed new rules for project finance?

- a) To increase the profitability of banks
- b) To increase the number of non-performing assets (NPAs)
- c) To decrease the number of infrastructure projects
- d) To manage risks associated with long-term infrastructure projects
- e) None of the above

Answer (d): The main goal is to manage risks associated with infrastructure projects that take a long time to complete.

Q.15 What is the total amount of grants to be distributed under the Parivartan Start-up Grants programme for FY2024?

- a) Rs 10 crore
- b) Rs 19.6 crore
- c) Rs 25 crore
- d) Rs 30 crore
- e) None of the above

Answer (b): A total of Rs 19.6 crore in grants will be distributed among 41 incubators and accelerators.

Q.16 Which bank became the first to join the India International Bullion Exchange (IIBX) as a Trading-cum-Clearing Member (TCM)?

- a) HDFC Bank
- b) ICICI Bank
- c) Punjab National Bank
- d) State Bank of India (SBI)
- e) None of the above

Answer (d): The State Bank of India (SBI) has indeed become the first bank to join the India International Bullion Exchange (IIBX) as a Trading-cum-Clearing Member (TCM).

Q.17 What are the two variants of the PIXEL credit card?

- a) PIXEL Plus and PIXEL Pro
- b) PIXEL Max and PIXEL Ultra
- c) PIXEL Play and PIXEL Go
- d) PIXEL Start and PIXEL End
- e) None of the above

Answer (c): PIXEL is offered in two variants: PIXEL Play and PIXEL Go.

Q.18 What is the primary aim of the YES Grandeur program?

- a) To cater to the financial and lifestyle needs of India's Emerging Affluent segment
- b) To provide a new credit card option
- c) To introduce a new online banking system
- d) To promote the bank's new investment options
- e) None of the above

Answer (a): This program is designed to cater to the unique financial and lifestyle needs of India's fast-growing Emerging Affluent segment.

Q.19 What is the new method for calculating the market capitalization of listed companies under the LODR Regulations?

- a) Single day's market cap
- b) Average Market Capitalization over a defined period
- c) Total assets of the company
- d) Total number of shares issued by the company
- e) None of the above

Answer (b): The market capitalization calculation method has been revised from a single day's market cap to an 'Average Market Capitalization' over a defined period.

Q.20 What is the purpose of the TCS and Burgan Bank deal?

- a) To launch a new banking product
- b) To expand TCS's business in Kuwait
- c) To modernize Burgan Bank's core banking technology
- d) To merge the two companies
- e) None of these

Answer: c) On May 22, 2024, Tata Consultancy Services (TCS), a global IT services leader, signed a deal with Kuwait's Burgan Bank to modernize its core banking technology.

Q.21 What is the new minimum number of trades required to trigger a flex in the price bands for scrips in the derivatives segment?

- a) 10
- b) 50
- c) 25
- d) 75
- e) None of these

Answer: b) The number of trades required to trigger a flex has been increased from 25 to 50.

Q.22 How many independent directors must be on the board of insurers according to the new IRDAI regulations?

- a) One
- b) Two
- c) Four
- d) Three
- e) None of these

Answer: d) Three independent directors must be on the board of insurers according to the new IRDAI regulations.

Q.23 What does the term "unaffected price" refer to in the new SEBI framework?

- a) The share price of a company after the confirmation of market rumours.
- b) The share price of a company without the impact of market rumours and their confirmation.
- c) The highest share price of a company in the last 52 weeks.

- d) The average share price of a company over the past month.
- e) None of these

Answer: b) The unaffected price refers to the share price of a company in case there is no market rumour. The unaffected price will be calculated by excluding the price impact of the rumour and its confirmation.

Q.24 In case of force majeure events, what is the minimum extension of the bid closing date provided by SEBI?

- a) One day
- b) Two days
- c) Three days
- d) Four days
- e) None of these

Answer: a) SEBI has provided flexibility in extending the bid closing date on account of force majeure events such as banking strikes or similar circumstances by a minimum of one day instead of the present requirement of a minimum of three days.

Q.25 What is the purpose of the issuance of subordinate units by privately placed Infrastructure Investment Trusts (InvITs) as notified by SEBI?

- a) To bridge the valuation gaps that may arise due to the difference in the valuation of an asset assessed by the Sponsor and the InvIT
- b) To increase the market capitalization of InvITs
- c) To raise funds through public issues
- d) To provide voting rights to the sponsor
- e) None of these

Answer: a) This issuance is intended to bridge the valuation gaps that may arise due to the difference in the valuation of an asset assessed by the Sponsor and the InvIT.

Q.26 Who is the target group for the Maha Krishi Samrudhi Yojana (MKSJ)?

- a) Urban Real Estate Developers
- b) Retail Traders
- c) IT and Software Companies
- d) Food and Agro-Based industries & Agri Infrastructure Projects including Startups
- e) None of these

Answer: d) The scheme is aimed at Food and Agro-Based industries & Agri Infrastructure Projects including Startups.

Q.27 What was the net income of the Reserve Bank of India (RBI) for the year 2023-24?

- a) 87,420 crore
- b) 1.87 lakh crore
- c) 2.11 lakh crore
- d) 70.48 lakh crore
- e) None of these

Answer: c) The RBI's net income surged to ₹2.11 lakh crore, significantly up from ₹87,420 crore the previous year. This increase was driven primarily by higher interest earnings from foreign securities .

Q.28 What is the time limit for health insurers to accept or reject a cashless claim?

- a) 30 minutes
- b) 1 hour
- c) 2 hours
- d) 3 hours
- e) None of these

Answer: b) Health insurers are now required to accept or reject a cashless claim within one hour, and settle such a claim on discharge within three hours.