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# BANKING AND FINANCIAL AWARENESS

## AUGUST 2019: WEEK IV

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### CENTRAL VIGILANCE COMMISSION SET UP ABBF

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- The ABBF has been formed in consultation with the RBI and is constituted to examine bank fraud of **over 50 crore rupees** and recommend action.
- Former Vigilance Commissioner **T M Bhasin** (also former CMD of Indian Bank) will be the head of ABBF, which will be a **four-member board**.
- The board's jurisdiction is confined to cases of an allegation of fraud involving **officers of General Manager Level and above in the PSBs**.
- ABBF is the reconstituted version of the previous panel of **the Advisory Board on Bank, Commercial and Financial Frauds**.

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### CBDT'S CLARIFICATION TO AVAIL TAX HOLIDAY

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- The tax holiday for small startups provides a deduction for **100% of the income** of an eligible start-up for **3 years** out of 7 years from the year of its incorporation.
- A start-up recognised by **DPIIT (Department for Promotion of Industry and Internal Trade)** has to fulfil the conditions specified in Section 80-IAC for claiming this deduction.
- The turnover limit for small start-ups to be eligible for deduction is to be determined by the provisions of **Section 80-IAC of the Act** and **not from the DPIIT notification**.

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### ENHANCED SURCHARGE WITHDRAWN BY THE GOVERNMENT

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- To encourage investors in the capital market, the government has withdrawn surcharge **on tax payable on the transfer of certain assets**.
- Only the **Foreign Institutional Investors (FPI) derivatives** are treated as capital assets and gains from it are subjected to the special rate of tax as per the provision of **section 115AD of Act**.
- Thus the surcharge on tax payable at a special rate on long-term & short-term capital gains arising from the transfer of equity share shall be withdrawn for **both domestic as well as foreign investors**.

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### BANDHAN BANK TIE UP WITH STANDARD CHARTERED BANK

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- **Zarin Daruwala, SCB India CEO** has said that under the partnership, they will issue credit cards to Bandhan Bank's customers.
- Bandhan Bank's growth of the **current account and savings account (CASA)** over the past 4 years is the deciding factor for the collaboration. CASA accounts for nearly **36% of Bandhan Bank's total deposit base** of about ₹43,000 crore.
- Standard Chartered Bank has been growing at **15-20% on a y-o-y basis** and has 100 branches in India.

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## RBI WILL TRANSFER RS 1.76 LAKH CRORE TO THE GOI

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- RBI to transfer Rs1.76 Lakh crore to Government of India under '**Surplus Distribution Policy**' that include interim dividend of Rs28,000 crores paid on February 2019.
- Surplus distribution policy was recommended by the **Bimal Jalan committee** which was formed by RBI to review its economic capital framework and suggest the quantum of excess provision to be transferred to the Government of India.
- RBI board **accepted all recommendation of Bimal Jalan Committee.**

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## CABINET DECISION TO ATTRACT FDI

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- The cabinet has relaxed the **requirement of 30%** by allowing it to be calculated over the first **five years** of operation.
- It has been decided that all procurements made from India by the **SBRT (single-brand retail trade) entities**, irrespective of whether the goods procured are sold in India or exported, that single brand shall be counted towards **local sourcing.**
- The cabinet has decided to **allow 100% FDI** under the automatic route in **contract manufacturing** in India which was only for the manufacturing sector earlier.

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## RBI DATA ON DEPOSIT INSURANCE

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- RBI annual report data showed that Deposit insurance covers **92% of total accounts in India** but constitutes only **28% of total banking deposits.**
- The number of such accounts stood at **200 crores** at the end of March 2019, which is 92% of the total number of accounts, whereas the **international benchmark is 80%.**
- Thus at the end-March 2019, the **total insured deposit was of Rs 33.7 lakh crore** constituting 28% of assessable deposits of Rs 120 lakh crore, against the **international benchmark of 20% to 30%.**

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## GOVT. ANNOUNCED MEGA MERGER OF 10 PSBS

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- 1st merger will be among **Punjab Nation Bank, oriental bank of commerce and united bank of India.** This will amalgamate will be called Punjab Nation Bank and this merger will make PNB the 2nd largest PSB with a total business of Rs 18 lakh crore.
- 2nd merger will be between **Canara Bank and Syndicate bank.** It will be named Canara bank. This will make it 4th largest PSB with the net business of Rs 15.2 lakh crore.
- 3rd merger will be among **Union Bank, Andhra Bank and Corporate Bank.** This merger will be named Union bank. It will be 5th largest PSB with the net business of Rs 14.6 lakh crore.
- 4th merger will be between **Indian Bank and Allahabad Bank.** This merger will name Indian Bank and it will make it 7thlargest PSB with the net business of Rs 8.08 lakh crore.