

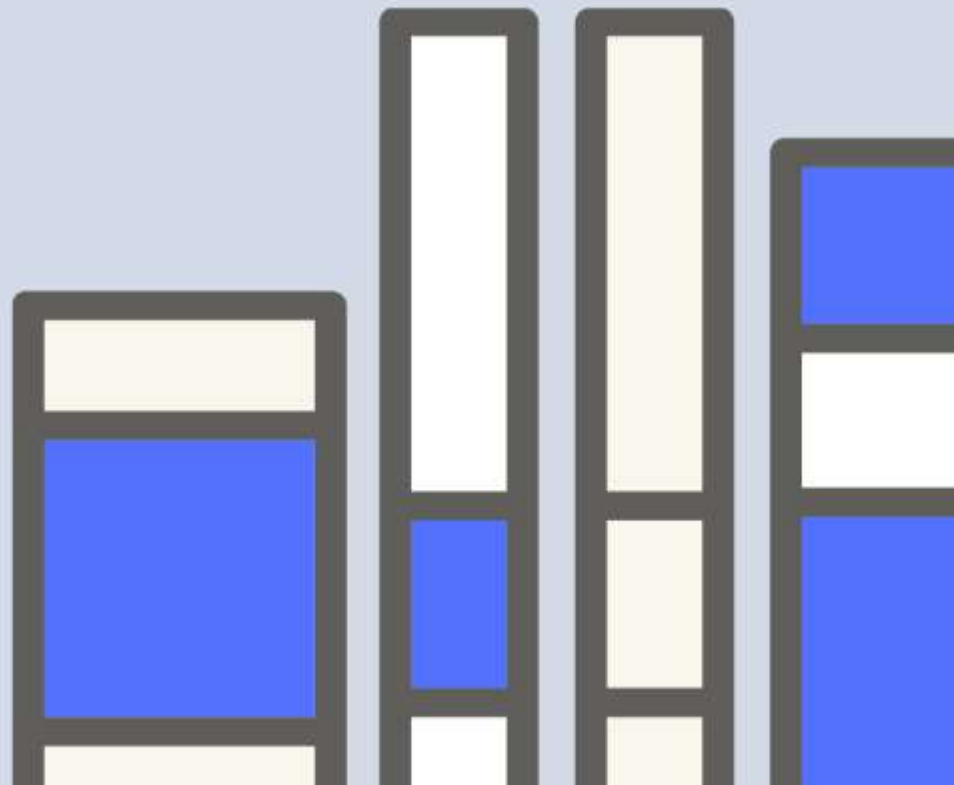


बँक ऑफ महाराष्ट्र
Bank of Maharashtra
एक कुटुंब एक बँक

BANK OF MAHARASHTRA

Generalist Officer SCALE II+III

Demo Study Material



BANK OF MAHARASHTRA GENERALIST OFFICER DEMO STUDY MATERIAL

BANKING AND FINANCIAL AWARENESS: SEPTEMBER 2019

FINTECH COMMITTEE FINAL REPORT

- The committee was constituted as per the announcement made by Arun Jaitley, then Finance Minister in his **Budget speech 2018-19**.
- The committee gave some recommendations on **Fintech space globally and in India**.
- It recommended a **Cash flow-based financing** for micro, small and medium enterprises (MSMEs) may be **considered by the RBI**.
- To set up an **Inter-Ministerial Steering Committee on fin-tech Applications** in Department of Economic Affairs (DEA), to carry on the tasks of implementing this report.

CAPITAL INFUSION BY GOVERNMENT IN IDBI BANK

- The infusion will be done through **"recap bonds"** i.e. there will no impact on the liquidity, as the bank will buy the recap bond from the government on the same day for the capital infused by the government into the bank.
- The IDBI bank has **reduced its net NPA** from peak of 18.8% in June 2018 to 8% in June 2019.
- **The government** continues to be a promoter and holds **46.46% stakes** of the IDBI Bank and **LIC** acquired **51% stakes**.
- With the infusion, the bank would be able to subsequently raise further capital on its own and has more probability to come out of the **RBI's Prompt Corrective Action (PCA) framework**.

RBI MANDATED TO LINK RETAIL LOANS TO EXTERNAL BENCHMARK

- The directive is applicable **to all Public Sector Banks** voluntarily, while the private banks are yet to.
- Recently, some state-run banks have introduced home and auto loans having repo-linked products but the RBI wants them to add loans to **micro, small and medium enterprises (MSMEs)** to an external benchmark.
- RBI has clarified that the final rate charged to the borrowers after the switchover to external benchmark **would be same** as the rate charged for a new loan of the same category at the time of origination of the loan.

ADB TO PROVIDE \$200 MILLION TO MAHARASHTRA

- The Asian Development Bank (ADB) has approved \$ 200 million to Maharashtra to **improve road safety** by upgrading rural roads to all-weather standards.
- A **technical assistance grant of \$1 million** for institutional strengthening of the MRRDA is to be given for enhancing its management performances.
- The state of Maharashtra accounts for **8% of the total road incidents** in India.

- The states' agriculture accounts for about **47% of employment** and contributes **11% to the state gross domestic product**.

WORLD BANK TO SANCTION RS 3,000 CRORE FOR FOOD PARKS

- According to the government of India, World Bank will provide funds of Rs 3000 crore to finance mini and mega food parks across the country, particularly in Northeast in order to boost the income of farmers.
- Union Minister Rameswar Teli informed that few formalities are only left for the first disbursement from the bank.
- The minister made the announcement at the 15th Indo-US Economic Summit. The summit was organised by the Indo-American Chamber of Commerce-North India Council (IACC-NIC).

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IDBI TO LAUNCH CO-BRANDED CREDIT CARD WITH LIC

- IDBI Bank will launch a co-branded credit card with Life Insurance Corporation of India.
- The card will be launched in association with LIC's wholly-owned subsidiary, LIC Credit Cards Services (LIC CSL).
- This card will be marketed to customers, agents, and employees of the corporation and its subsidiary.
- At present, IDBI Bank has a credit card subscriber base of about 35,000.
- In January 2019, LIC has completed the acquisition of 51 per cent controlling stake in IDBI Bank for about Rs 21,600 crore.

INSURANCE COVER FOR BANKS RAISED UP TO 90 PERCENT FOR WORKING CAPITAL LOANS

- In order to enhance loan availability for exporters and ease the lending process, the Export Credit Guarantee Corporation of India (ECGC) has introduced a new Export Credit Insurance Scheme (ECIS) called 'NIRVIK'.
- At present, the Export Credit Guarantee Corporation of India (ECGC) provides credit guarantee of up to 60 percent loss. Under 'NIRVIK' scheme, the insurance cover guaranteed will cover up to 90 percent of the principal and interest. The insurance cover will include both pre and post-shipment credit.
- The scheme was announced by Defence Minister Nirmala Sitharaman and the details of the scheme were shared by Union Minister of Commerce and Industry and Railways, Piyush Goyal.

IPPB ROLLS OUT OF AADHAAR-ENABLED PAYMENT SERVICES (AEPS)

- The India Post Payments Bank (IPPB) has rolled out Aadhaar enabled payment system (AePS) services.
- The launch of AePS was announced by the Union Minister for Communications and IT Ravi Shankar Prasad on the occasion of first anniversary of IPPB.
- With the launch of AePS, IPPB has now become the single largest platform in the country for providing interoperable banking services to the customers of any bank.
- With the help of AePS services, any person with an Aadhaar-linked bank account will be able to perform basic banking services such as cash withdrawals and balance enquiry irrespective of the bank in which they hold their account with.
- A customer avail these Aadhaar enabled payment services by simply authenticate his/her identity with fingerprint scan and Aadhaar authentication to complete a transaction.

AADHAAR AUTHENTICATION MADE MANDATORY FOR NEW DEALERS BY GSTN

- The verification is mandated from January 2020 for checking malpractices in GST.
- The government has decided to do complete online refunding from 24th September 2019 from a single source, either by the Central GST or State GST.
- The next GST council meeting is scheduled to take place in Goa on 20th September 2019.

GOVT INCENTIVE TO BOOST EXPORTS AND HOUSING SECTOR

- The housing projects under the special window include **non-NPA (Non-Performing Assets) and non-NCLT (National Company Law Tribunal) projects**.
- Merchandise **Exports from India Scheme (MEIS)** for textiles will be replaced by the **scheme for Remission of Duties or Taxes on Export Product (RoDTEP)**.
- Textile and all other sectors will transit into RoDTEP from **January 1, 2020**, which currently enjoy incentives up to 2 per cent over MEIS.
- The **Export Credit Guarantee Corporation (ECGC)** scope will be expanded to **export credit insurance service (ECIS)**.

RBI ALLOWED PAYMENT BANKS TO APPLY FOR SMALL FINANCE BANKS

- The SFB licence to the payments banks will allow them to boost deposits and lend, that is currently **capped at Rs 1 lakh per customer**.
- The **minimum paid-up capital requirement for SFBs** is also revised by the RBI from **Rs 100 crore to now Rs 200 crore**.
- Promoter's shareholding should be a **maximum of 40% by the end of 5 years**, and within **10 years it should be down to 30%** and within **15 years it should be down to 15%** shareholding.

RBI SUGGEST FEDERAL BODY LIKE GST COUNCIL FOR FARMING SECTOR

- Banks should increase credit for consumption loans to farmers and other allied farm activities up to a sanctioned limit of Rs 1 lakh.
- The centre should complete updation and digitisation of land records in a time-bound manner.
- RBI had set up the '**Internal Working Group**' in February 2019 to understand the reasons for the regional disparity in agricultural credit and suggest measures.

GOVERNMENT SLASHED THE CORPORATE TAX RATES

- The tax rates are slashed by following an amendment in the **Income-tax Act 1961 and the Finance (No. 2) Act 2019**.
- The effective rate for **domestic companies** with inclusive surcharge and cess shall be **25.17%**.
- The effective rate for **new domestic companies** with inclusive surcharge and cess shall be **17.01%**.
- **Rs. 1.45 lakh crore** is the estimated total revenue foregone for the reduction in corporate tax rate and other relief.

SCOPE OF THE BHARAT BILL PAYMENT SYSTEM (BBPS) EXPANDED

- BBPS is an interoperable medium to **facilitate customers to pay bills** such as direct-to-home (DTH), telephone, water, gas and electricity **at a single location** either physical or electronic.
- After the expansion of the payment facility, municipal taxes, insurance premiums, school fees and other **recurring payments** can also be paid via BBPS.
- In the **Third Bi-monthly Monetary Policy Statement 2019-20** on 7th August, it was decided to expand the scope and coverage of BBPS.

GOVERNMENT AMENDED CSR SPENDING NORMS

- The government has amended the **corporate social responsibility (CSR)** spending norms to allow the corporates to spend on research and development (R&D) activities.
- The step has been taken to increase India's spending on research and development (R&D) activities which is presently **less than 1% of GDP for years**.
- The Companies Act requires firms with **1) net worth of Rs 500 crore 2) turnover of Rs 1,000 crore or net profit of Rs 5 crore or more to set aside 2% of their average net profit over the last 3 years towards 'approved' CSR activities**.

SEBI TIGHTEN MUTUAL FUND NORMS

- SEBI has tightened the norms for mutual funds by making it mandatory to hold **at least 20% liquid assets in liquid schemes**.
- The **liquid assets include** cash, government securities, T-Bill and repo on Government securities.
- The parking of funds in **short term deposits of scheduled commercial banks** won't be charged **investment management and advisory fees** by the **asset management company (AMC)**.
- Investors will be charged with **levy exit load by Mutual fund** if they exit within seven days of investment, however, no levy exit load will be charged to an investor who made an investment in liquid funds before the prescribed date.

RBI HAS PLACED PMC BANK UNDER DIRECTIONS

- The Reserve Bank of India has placed the **Punjab and Maharashtra Cooperative (PMC) Bank Limited** under Directions.
- As per the Directions, the depositors of the **Mumbai based PMC Bank** are not allowed to withdraw amount **exceeding Rs 1,000** of the total balance in a savings account/current account or deposit account.
- The directions are to remain in force for **6 months** from the close of business of the bank.
- RBI has said that the direction is **not be construed as a cancellation** of a banking licence.

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RBI MODIFIED DIRECTIONS TO PMC BANK

- Depositors can **withdraw a sum not exceeding 10,000 rupees** of the total balance from Savings account/current account/deposit account.
- More than **60% of the depositors will be able to withdraw their entire account balance**.

- The modifications of rules are done after police complaints were filed against the top officials of the PMC bank and **Housing Development and Infrastructure Limited (HDIL)** for allegedly looting 3,000 crore rupees of the depositors.

RBI PUT LAKSHMI VILAS BANK UNDER PCA NORMS

- Due to high bad loans and insufficient capital, RBI has put the **Tamil Nadu based Lakshmi Vilas Bank** under **prompt corrective action framework**.
- RBI has said that the marking of the bank under PCA aimed at not having an impact on the **normal day-to-day operations of the bank**.
- RBI helps the bank by taking a corrective course of action when the bank has a weak financial performance for a sustained period on parameters of **capital ratios, asset quality and profitability**.

MONTHLY BANKING AND FINANCIAL AWARENESS: OCTOBER 2019

UCO BANK LAUNCHES UCASH, DIGILOCKER AND AN APP

- UCO Bank launched three products- UCash, Digilocker and an App.
- All the three products were launched by the bank's managing director and CEO, A K Goel in Kolkata.
- UCash will enable customers to withdraw money from ATMs through mobile banking without using their debit cards.
- Digilocker has been launched with an aim to eliminate the use of physical documents. It will enable sharing of verified electronic documents.
- The third product, a new mobile app, is the integration of four existing apps of the bank - UCO Mbanking, UCO UPI, UCO Mpassbook and UCO Secure- in a single interface.
- UCO Bank also became the regional bank of east recently.

RBI REDUCES REPO RATE BY 25 BASIS POINTS IN 4TH BI-MONTHLY MONETARY POLICY

- The Reserve bank of India has once again reduced the repo rate consecutively for the fifth time in its fourth bi-monthly policy.
- With this cut, the new policy rates are-
 - **Repo Rate-** 5.15%
 - **Reverse Repo Rate-** 4.90%
 - **Bank Rate-** 5.40%
 - **Marginal Standing Facility (MSF)-** 5.40%
 - **Cash Reserve Ratio (CRR)-** 4%
 - **Statutory Liquidity Ratio (SLR)-** 18.75%
- RBI has also cut the GDP growth estimates for 2019-20 to 6.1% from 6.9% earlier.
- The next bi-monthly monetary policy review will be held from December 3-5, 2019.

AXIS BANK LAUNCHES SHORT-TERM ONLINE FIXED DEPOSITS

- Axis Bank has announced the launch of 'Express FD'.

- Express FD is a digital fixed deposit (FD) product that will allow a customer to open an FD account in three minutes through the digital mode without opening a savings account with the bank.
- Along with this Express, FD will also offer attractive interest rates, zero issuance fees and no penalty on pre-mature withdrawal of up to 25% of the amount.
- A customer can open an Express FD account by investing a minimum Rs 5,000 up to Rs 90,000, for the tenure of 6 to 12 months.
- Customers will be able to deposit funds in Express FD through net-banking, debit card or via UPI.
- Axis Bank is India's third-largest private sector bank.

SBI LAUNCHES DEBIT CARD WITH EMI FACILITY

- The State Bank of India launched 'Debit Card EMI facility' for its customers.
- Under this facility, the existing customers of the bank will be able to opt for EMI tenure of minimum six months to 18 months.
- The bank said that its customers could buy the products at 40,000 plus merchants and stores in over 1,500 cities having Pine Labs branded POS (point of sale) machines totalling more than 4.5 lakhs.
- Some of the benefits of this facility are- no processing fee, zero documentation, instant disbursal, no branch visit, and zero cost EMI on select brands.

ICICI BANK PARTNERS CSC E-GOVERNANCE SERVICES INDIA TO EXPAND RURAL REACH

- ICICI Bank has signed a pact with CSC e-Governance Services India with an aim to extend its banking and other services to the country's rural regions.
- As per the MoU, ICICI Bank will engage more than 3 lakh CSCs (common service centres) working at the last mile as banking correspondents.
- Under the partnership, people in rural areas will be able to deposit, withdraw and transfer money from their ICICI bank account, subscribe to term deposit plan, obtain small-value loans, pay bills and other services through CSCs.

BANK OF BARODA SIGNS MOU WITH INDIAN ARMY FOR CUSTOMIZED SERVICES

- Bank of Baroda (BoB) has signed a Memorandum of Understanding (MoU) with the Indian Army.
- According to the MoU, the bank will offer customized services along with a host of facilities to account holders (Indian Army).
- The MoU includes an overdraft facility up to three times of monthly net salary, handsome free personal accident insurance cover and free air accident insurance cover of Rs 15 lakh to Rs 50 lakh.

THESE FEATURES WILL ALSO BE APPLICABLE FOR PENSIONERS OF INDIAN ARMY UP TO THE AGE OF 70 YEARS.

SBI, BANK OF BARODA SQUEEZE MICRO-ATM TRANSACTIONS OF OTHER BANKS

- SBI and Bank of Baroda have limited the cash withdrawals of customers using micro-ATMs of other banks to just four times a month.
- BoB is allowing customers to do four transactions a day while SBI has limited it to just one.

- SBI account holders who are not part of the government's direct benefit transfer scheme are allowed to do five transactions a month.
- These limits by the banks will only apply in the case when the customer uses the micro-ATM terminal of another bank.

STATE BANK OF INDIA HAS LAUNCHED SBI CARD PAY

- It is a contactless mobile payment facility for credit cardholders.
- This feature is based on Host Card Emulation (HCE) technology which ensures faster and secure card payments through mobile phones.
- Per transaction limit using this facility is Rs.20000 and daily transaction limit is Rs.10000.

TEAM CASHLESS INDIA CAMPAIGN WAS LAUNCHED BY MASTERCARD

- It was launched by the Brand Ambassador of Mastercard-M.S. Dhoni.
- The main aim of this campaign is to bring more merchants and customers on board in order to boost digital payments in India.
- The major objective of this campaign is to equip 10 million merchants in India with digital payment acceptance capabilities by 2020.

RESERVE BANK OF INDIA HAS STOPPED PRINTING RS.2000 CURRENCY NOTES

- According to the reports, not a single Rs.2000 note has been printed in the Financial Year-2019-20.
- RBI has taken this step because the circulation of Rs.2000 notes will defeat the Government's motive as smuggling of high-denomination notes is easier.

GUIDELINES ON 'ON TAP' AUTHORIZATION OF PAYMENT SYSTEM HAS BEEN ISSUED BY RESERVE BANK OF INDIA ON 15TH OCTOBER 2019

- Aim-To encourages innovation and competition among the entities namely-Bharat Bill payment operating unit, Trade receivable discounts system and White label ATMs.
- The guidelines state that the payment system operator should ensure interoperability among retail payment systems.

MEITY STARTUP HUB PORTAL HAS BEEN UNVEILED BY THE MINISTRY OF ELECTRONICS AND INFORMATION TECHNOLOGY

- It is a platform which connects startup ecosystems.
- Ministry has launched this portal for facilitating their vision of promoting startups technology, innovation and creation of intellectual properties.

GOVERNMENT HAS LAUNCHED BHIM-2.0

- This new version is highly upgraded and supports three additional languages-Konkani, Haryanavi and Bhojpuri.
- It has also included Donation gateway.
- It has also increased the transaction limits for high-value transactions by increasing the existing cap of Rs.20000 and now up to Rs.1 lakh for verified merchants.

CENTRAL BOARD OF INDIRECT TAXES AND CUSTOMS (CBIC) HAS LAUNCHED A PROGRAMME TO STRENGTHEN 'MAKE IN INDIA'

- The programme has been launched under the Bond scheme of Customs Act, 1962.
- It aims to attract investment into India and Strengthen 'Make in India' through manufacturing and other operations.

RESERVE BANK OF INDIA HAS GIVEN THE FINAL NOD FOR THE SETTING UP OF KERALA BANK

- It will be the largest banking network in Kerala.
- Kerala Bank will be formed by amalgamating 13 District Co-operative Banks (DCBs) with Kerala State Co-operative Bank.
- As per the directions of RBI, State should submit the final compliance report by 31st March 2020.

STATE BANK OF INDIA HAS DECIDED TO CHARGE PROCESSING FEE ON HOME-LOANS, TOP-UP PLANS AND REAL-ESTATE COMPANY LOANS

- The processing fee will be around 0.4% ranging from Rs.10000 to Rs.30000 for individual borrowers.
- The processing charge for builders and real-estate companies will be Rs.5000.

GOVERNMENT E-MARKETPLACE (GEM) HAS SIGNED A MOU WITH UNION BANK OF INDIA FOR PROVIDING SERVICES RELATED TO TRANSFER OF FUNDS

- It will facilitate cashless and paperless payment on the portal.
- It will also promote transparency in the procurement of goods and services.

STATE BANK OF INDIA HAS REDUCED THE SAVINGS INTEREST RATES BY 25 BASIS POINTS

- It has now been reduced from 3.5% to 3.25% for deposits up to Rs.1lakh.
- SBI has taken this step to boost adequate liquidity in banking.
- The new rates will be effective from 10th October 2019.

CONFERENCE ON ONE NATION ONE TAG-FASTAG WAS HELD IN NEW DELHI

- Purpose-To rolls out the process for having a unified electronic system across the country.
- An MoU has been signed between Indian Highways Management Company Ltd. And Goods and Services tag Network (GSTN) for the integration of FASTag with GST e-way bill system.
- It was inaugurated by Union Minister of Roads and Transport-Nitin Gadkari.

INDIA'S RATINGS AND RESEARCH GROUP HAS LOWERED INDIA'S GDP FORECAST FOR FINANCIAL YEAR-2019-20 TO 6.1%

- GDP forecast was 6.9% in August 2019.
- The slowdown in rural and urban consumption demand growth has been cited as the key reason for this downward revision of GDP forecast.

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UNION GOVERNMENT HAS APPROVED 5% ADDITIONAL DEARNESS ALLOWANCE FOR THE CENTRAL GOVERNMENT EMPLOYEES

- Currently, the dearness allowance is 12% of the basic pay which will be now increased to 17% of the basic pay.
- Similarly, it has also been increased by 5% for the Central Government pensioners.

GOVERNMENT OF INDIA HAS LAUNCHED NATIONAL E-ASSESSMENT SCHEME

- The purpose of this scheme is to make income tax assessment faster, smoother and hassle-free.
- It focuses on the elimination of any middle-men between the tax-payer and the Income-tax officer.
- The regional e-Assessment centres will be established in six cities-Chennai, Mumbai, Kolkata, Pune, Ahmedabad and Hyderabad.

THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) HAS BROUGHT A NEW RULE TO IMPACT FOREIGN FUNDS

- The new rule implies that only Foreign Portfolio Investors (FPIs) located at Financial Action Task Force (FATF) countries can deal in participatory notes to invest in Indian stock markets.
- Participatory notes are financial instruments which allow the investors to invest in Indian stock markets even if they are not registered with SEBI.
- This new rule is based on the H R Khan committee recommendation.
- Increased inflation, Trade war between India and China and rising prices of crude oil are some of the reasons behind the imposition of this rule.

ICICI BANK HAS CROSSED THE RS.3 TRILLION MARKET CAPITALIZATION FOR THE FIRST TIME.

- It has become country's 4th bank to achieve this milestone.
- Stock touched a fresh record of Rs.460 on BSE which is 2.3% higher than its previous scale.
- Before ICICI, only HDFC bank, SBI and Kotak Mahindra achieved this milestone.

RBI HAS ANNOUNCED A BAN ON BANKS IN ORDER TO DEPLOY DIRECT SELLING AGENTS TO SELL RETAIL LOANS.

- This ban aims to reduce data theft and operational risks.

COUNCIL MEETING OF NATIONAL INVESTMENT AND INFRASTRUCTURE FUND (NIIF) WAS CHAIRED BY THE UNION FINANCE MINISTER AT NEW DELHI.

- Government of India contributes 49% of the total commitment to the NIIF Scheme.
- Total proposed corpus for NIIF is Rs.40000crore.

9.89% STAKE OF THE TOTAL SHARE CAPITAL OF BANDHAN BANK HAS BEEN ACQUIRED BY HDFC.

- This merger is a part of stake dilution exercise in order to meet RBI's stipulation.
- 15.93crore share of the Bandhan Bank has been transferred to HDFC.

VREEDHI FINANCIAL SERVICES HAS RECEIVED A NON-BANKING FINANCE COMPANY LICENCE FROM RBI.

- Its major objective is to provide credit and services to micro-enterprises.
- This company is going to form a digital lending model in the next financial year.

UNION BANK OF INDIA (UBI) PARTNERED WITH SREI EQUIPMENT FINANCE LTD.

- This partnership aims to provide loans to micro, small and medium enterprises (MSMEs) and retail sectors.
- Srei Equipment Finance Ltd. is a non-banking financial company (NBFC).
- They have also organized 'Loan Utsav' across 20 cities in India.

GOVERNMENT OF INDIA HAS ANNOUNCED THE ELIGIBILITY FOR OVERSEAS CITIZENS OF INDIA TO APPLY FOR NATIONAL PENSION SYSTEM AT PAR WITH NRIS.

- OCIs can apply for the pension according to the Pension Fund Regulatory and Development Authority (PFDR) act 2013.
- They can join the National Pension system till the age of 65 years.

BANKING AND FINANCIAL AWARENESS: NOVEMBER 2019

EXIM BANK EXTENDED \$30 MILLION LINE OF CREDIT TO GHANA

- The Export-Import Bank (Exim) has provided a line of credit of \$30 million to Ghana for potable water project in the country.
- The bank has signed an agreement with Ghana for this line of credit (LoC) of about Rs 210 crore for financing rehabilitation and up-gradation of potable water system in Yendi, Ghana.
- This LoC is effective from October 11, 2019.
- Established in 1982, EXIM bank is headquartered at Mumbai.

RBI COMMITTEE RECOMMENDS STRICTER RULES FOR CORE INVESTMENT COMPANIES

- A committee of Reserve Bank of India (RBI) headed by Tapan Ray has recommended to tighten the corporate governance norms in Core Investment Companies (CICs).
- This committee was formed by RBI to Review Regulatory and Supervisory Framework for CICs in the month of July, 2019.
- The committee recommended that Capital contribution by a CIC in a step-down CIC, over and above 10 percent of its owned funds, should be deducted from its 'adjusted net worth'. Further, step-down CICs may not be permitted to invest in any other CIC, but allowed to invest freely in other group companies. Existing entities can be given a two-year glide path to comply with the rules.
- It also said that 1/3rd of the board should comprise of independent members if the chairperson of the CIC is a non-executive member, otherwise at least half of the board should comprise of independent members.

UJJIVAN SMALL FINANCE BANK HAS LAUNCHED INSTANT DIGITAL SAVINGS AND INSTANT FIXED DEPOSIT ACCOUNT

- The Ujjivan Small Finance Bank has launched an instant Digital Savings Account along with Fixed Deposit and Privilege Savings Account.
- These facilities have been launched by the bank to offer banking and digital services to its customers.
- The newly launched Instant Savings Account will allow customers to open and operate a savings account through mobile phones or a computer instantly with the help of just two documents - Aadhaar Card and Pan Card. Other than this, customers will also be able to deposit a maximum amount of Rs. 1 Lakh in the account. Customers will also be able to make additional after ensuring KYC in Ujjivan SFB's respective branches.
- Instant FD account will also allow the customers to open FD up to a maximum of Rs. 1 Lakh without a Savings Account. Customers will also enjoy unlimited free transaction on Ujjivan SFB ATM and six free transactions on other bank ATMs every month with Digital Savings Account.
- The Privilege Savings Account will offer domestic airport lounge access, Platinum Debit card, home branch facility across 552 Ujjivan SFB branches with unlimited transaction on any ATM. Along with this, customers will get a higher accidental insurance cover of Rs. 2 Lakh. A customer will have to ensure a monthly salary credit of Rs. 30,000 or above or have to maintain a Monthly Average Balance of Rs. 25,000 or open a Fixed Deposit of Rs. 10 Lakh in order to maintain a Privilege Savings Account.

FITCH SOLUTIONS HAS RAISED INDIA'S FY20 FISCAL DEFICIT FORECAST TO 3.6% OF GDP

- Fitch Solutions has raised the fiscal deficit forecast of India to 3.6 per cent of the GDP for this fiscal year, from 3.4 per cent previously.
- Fitch has raised the forecast due to weak revenue collections resulting from sluggish economic growth and government's sweeping corporate tax rate cut.

ASIAN DEVELOPMENT BANK WILL PROVIDE \$451MN LOAN FOR CHENNAI-KANYAKUMARI INDUSTRIAL CORRIDOR

- The Asian Development Bank (ADB) will provide a loan of \$451mn to strengthen power connectivity along the Chennai-Kanyakumari Industrial Corridor.
- The total cost of this project is \$653.5 million and the total amount will be divided between ADB and Indian Government. So, \$451 million will be provided by ADB and rest \$202.5 million will be provided by the government of India.
- This project is estimated to be completed by the end of the year 2024.

INDIA'S ECONOMY TO GROW 6.6% IN 2020-24: OECD

- According to the Organisation for Economic Co-operation and Development (OECD), India's GDP grow 6.6% in 2020-24.
- This will be lower than the country's 2013-17 average of 7.4%.
- The organisation has also predicted a regional GDP growth of 5.7% over 2020-24 as compared to 6.7% in 2013-17.

GEM SIGNED MOU WITH INDIAN BANK AND CANARA BANK

- Government e-Marketplace (GeM) has signed MoU with Indian Bank and Canara Bank for payment-related services.
- Under this MoU, customers will get a paperless, cashless, and transparent payment system on the GeM portal.
- This MoU will also create an efficient procurement system for government entities.
- The MoU will also provide an opportunity both the banks to offer various services like advising of Performance Bank Guarantees (e-PBG), fund transfer through GeM Pool Accounts (GPA), Payment Gateway to the registered users on the portal and Earnest Money Deposit (EMD).

FINANCE MINISTER LAUNCHES IT INITIATIVES ICEDASH, ATITHI

- Finance Minister Nirmala Sitharaman has launched two new IT Initiatives - ICEDASH and ATITHI for improved monitoring and pace of customs clearance of imported goods and facilitating arriving international passengers.
- ICEDASH is an Ease of Doing Business monitoring dashboard of the Indian Customs which will help the public to see the daily Customs clearance times of import cargo at various ports and airports.
- ATITHI app will provide hassle-free and speedy clearance by Customs at the airports and will also enhance the experience of international tourists and other visitors at the airports.

THE WITHDRAWAL LIMIT OF PUNJAB AND MAHARASHTRA COOPERATIVE (PMC) BANK HAS BEEN INCREASED UPTO RS.50000 PER ACCOUNT BY RBI

- This announcement has been made by Central Bank after checking the liquidity position of the bank.
- This will allow the depositors to withdraw their entire account balance.

THE CENTRAL GOVERNMENT IS GOING TO INFUSE A FUND OF RS.10000CRORES FOR THE STALLED REAL ESTATE

- The aim is to boost the real estate sector which was struggling due to liquidity crisis.
- Apart from Government's fund, SBI and LIC will also contribute Rs.15000crore to boost the sector.

GOVERNMENT E MARKETPLACE (GEM) HAS SIGNED A MOU WITH CENTRAL BANK OF INDIA

- This will enable Central Bank to provide an array of services including the transfer of funds through GeM pool accounts to the users.
- This will promote paperless, contactless and cashless transactions.
- GeM has signed MoU with 18 public and private sector banks.

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RBI HAS INCREASED THE HOUSEHOLD INCOME LIMITS FOR THE BORROWERS OF NON-BANKING FINANCIAL COMPANIES (NBFC) AND MICROFINANCE INSTITUTIONS (MFIS)

- It has been increased from Rs.1 lakh to Rs.1.25 lakh.

- This will strengthen the credit system in rural areas.
- For urban and semi-urban areas, the limit has been increased from Rs.1.6 lakh to Rs.2 lakh.

KARNATAKA GRAMIN BANK HAS LAUNCHED MOBILE ATMS IN KALABURAGI, KARNATAKA

- It aims to create awareness among farmers about the use of digital ATMs and also about bank schemes.
- The project has been assisted by NABARD.
- It will boost digitization in rural areas.

AMAZON HAS INTRODUCED 'PROJECT ZERO' IN INDIA

- The aim is to ensure that customers receive authentic goods.
- This will block the selling of counterfeit goods on the platform of Amazon.
- Project Zero is a combination of three powerful tools-Automated protection, self service and product serialization.

A GLOBAL PILOT DEMO OF BHIM-UPI QR BASED PAYMENT WAS PRESENTED AT THE SINGAPORE FINTECH FESTIVAL ON 13TH NOVEMBER, 2019

- It is an achievement of Fintech Cooperation between India and Singapore.
- Under this pilot run, the first transaction was demonstrated by the High Commissioner of India to Singapore-Jawed Ashraf.
- This project is being developed by the National payment corporation of India (NPCI) in collaboration with Singapore's Network for Electronic Transfer.

RBI HAS ENHANCED THE SCOPE OF SPECIAL NON-RESIDENT RUPEE (SNRR)

- Persons who are residing outside India will be allowed to open accounts for external commercial borrowing and trade credit in INR.
- Credit of amount payable to a non-resident nominee from the account of a deceased account holder to Non-resident external account will be also permitted through normal banking channels.

J& K GRAMIN BANK HAS GOT THE TOP POSITION IN TERMS OF ACHIEVEMENT OF RUPAY CARD TRANSACTION TARGETS (POS)

- Bank has secured 1st position among 56 RRBs across India.
- According to the survey of National Payment Corporation of India (NPCI), J& K Bank has achieved a 94.91% target for POS transaction for FY-2018-19.
- There are six regional offices and 217 branches of this bank throughout India.

GOVERNMENT OF INDIA IS GOING TO LAUNCH INDIA'S FIRST FIXED INCOME EXCHANGE TRADED FUND (ETF)

- It will comprise debt securities of large central public sector enterprises (PSUs).
- It will be launched by mid-December of 2019.
- The expected size of the project is Rs.15000crore to Rs.20000crore.

- It will help to improve liquidity in corporate bond market.

5TH INDIA-EUROPE 29 BUSINESS FORUM WAS HELD IN NEW DELHI FROM 20-21 NOVEMBER, 2019

- Industrial Body Confederation of India (CII) in collaboration with Union Ministry of External Affairs organized this forum.
- 400 delegates from 29 European countries participated in this forum.
- Smart cities, IT, Renewable energy and Artificial Intelligence were the main focus of the discussion in the forum.

IRCTC HAS SIGNED AN MOU WITH KARNATAKA STATE TOURISM DEVELOPMENT CORPORATION (KSTTDC)

- The MoU has been signed to run and operate the Golden Chariot train.
- Main aim of this MoU is to promote tourism in tourist destinations of Karnataka, Kerala, Puducherry and other South Indian states.

WORLD BANK HAS DEVELOPED A 300 MILLION USD PLAN FOR THE DEVELOPMENT OF LOGISTIC INFRASTRUCTURE IN KOLKATA

- It will focus on the construction of rail, road and industrial parks.
- The main aim of this plan is to improve employment opportunities.
- It will help to develop Kolkata as the hub of North-eastern region.

ASIAN INFRASTRUCTURE INVESTMENT BANK (AIIB) HAS PROPOSED TO INVEST 100 MILLION USD IN INDIA FOR SOLAR AND WIND PROJECTS

- Head Quarter of this bank is in Beijing, China.

ADB, INDIA SIGN \$91 MILLION LOAN

- Government of India signed a \$ 91 million loan with the Asian Development Bank (ADB) for Comprehensive Water Management in Karnataka.
- The first project is helping the modernization of the Gondi irrigation system and the second Project to modernize Vijayanagara Channel.

SEBI ISSUED STRICTER DISCLOSURE NORMS FOR LISTED COMPANIES

- SEBI Chairman Ajay Tyagi announced the changes focuses on the need to build trust among whistle-blowers after a whistle-blower approached the US watchdog, Securities and Exchange Commission with a complaint against IT major Infosys instead of SEBI.
- Portfolio Managers (PM) Regulations, 2019 have been amended following which net worth requirement of portfolio managers has been enhanced from 2 crores to 5 crore rupees.

ASIAN DEVELOPMENT BANK HAS SIGNED A \$451MILLION LOAN AGREEMENT WITH GOVERNMENT OF INDIA

- The main objective of this agreement is to strengthen the power connectivity between southern and the northern parts of the Chennai-Kanyakumari Industrial Corridor (CKIC) in Tamil Nadu.
- It will develop CKIC as a manufacturing center.
- It will also help in the development of renewable energy based power generation through wind and solar resources.

INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (IBBI) HAS AMENDED THE 2016 INSOLVENCY AND BANKRUPTCY CODE

- This amendment came into force from 29th November, 2019.
- This code envisages the Corporate insolvency resolution process for the insolvency and reorganization of the corporate debtors.

INSTITUTE OF FINANCIAL MANAGEMENT HAS BEEN ESTABLISHED BY INDIAN RAILWAYS IN HYDERABAD, TELANGANA

- This project has been developed by Rail Vikas Nigam Ltd. (RVNL) @ Rs.85crore.
- It has 10 different functional blocks and also a green building which is capable of generating 90% of its own power needs through solar installation.

A WEB PORTAL HAS BEEN INAUGURATED FOR THE EXCHANGE OF INFORMATION ON INFORMATION TECHNOLOGY BY THE CENTRAL BOARD OF DIRECT TAXES (CBDT)

- The portal will facilitate the access by public and financial institutions.
- It will provide link to import circulars and guidelines issued by the regulatory authorities in India as well as International bodies.

DEWAN HOUSING FINANCE CORPORATION LTD. (DHFL) HAS BEEN REFERRED AS THE FIRST FINANCIAL SERVICE FIRM TO BE TAKEN TO THE NATIONAL COMPANY OF LAW TRIBUNAL (NCLT)

- It has a debt of Rs.83873crore.
- Under section 227 of Insolvency and Bankruptcy Code 2016, RBI has filed an application of corporate insolvency resolution against DHFL.

THE NON-BANKING FINANCIAL COMPANY, ADITYA BIRLA FINANCE LTD. (ABFL) HAS BECOME THE 1ST COMPANY TO LIST ITS COMMERCIAL PAPERS ON STOCK EXCHANGE

- The date of listing the paper is 28th November 2019 and its maturity date is 7th February, 2020.
- The maturity period of commercial papers is from 7 days to 1 year from the date of issue.
- It provides effective information about corporate borrowing and liquidity position.

RBI NOTIFICATIONS: SEPTEMBER 2019

CUSTOMER PROTECTION – LIMITING LIABILITY OF CUSTOMERS IN UNAUTHORISED ELECTRONIC PAYMENT TRANSACTIONS IN PREPAID PAYMENT INSTRUMENTS (PPIS)

Customer liability in case of unauthorized electronic payment transactions through a PPI

S. No.	Particulars	Maximum Liability of Customer
(a)	Contributory fraud / negligence / deficiency on the part of the PPI issuer, including PPI-MTS issuer (irrespective of whether or not the transaction is reported by the customer)	Zero
(b)	Third party breach where the deficiency lies neither with the PPI issuer nor with the customer but lies elsewhere in the system, and the customer notifies the PPI issuer regarding the unauthorised payment transaction. The per transaction customer liability in such cases will depend on the number of days lapsed between the receipt of transaction communication by the customer from the PPI issuer and the reporting of unauthorised transaction by the customer to the PPI issuer -	
	i. Within three days#	Zero
	ii. Within four to seven days#	Transaction value or Rs. 10,000/- per transaction, whichever is lower
	iii. Beyond seven days#	As per the Board approved policy of the PPI issuer

- In cases where the loss is due to negligence by a customer, such as where he / she has shared the payment credentials, the customer will bear the entire loss until he / she reports the unauthorised transaction to the PPI issuer. Any loss occurring after the reporting of the unauthorised transaction shall be borne by the PPI issuer.
- PPI issuers may also, at their discretion, decide to waive off any customer liability in case of unauthorised electronic payment transactions even in cases of customer negligence.

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TRADE CREDIT POLICY - REVISED FRAMEWORK

ELIGIBLE BORROWER

- Person resident in India acting as an importer
- Amount under automatic route
- Up to USD 150 million or equivalent per import transaction for oil/gas refining & marketing, airline and shipping companies.
- For others, up to USD 50 million or equivalent per import transaction.

RECOGNIZED LENDERS

1. **For suppliers' credit:** Supplier of goods located outside India.
2. **For buyers' credit:** Banks, financial institutions, foreign equity holder(s) located outside India and financial institutions in International Financial Services Centres located in India.

PERIOD OF TC

- The period of TC, reckoned from the date of shipment, shall be up to **three years for import of capital goods.**
- For **non-capital goods, this period shall be up to one year or the operating cycle whichever is less.**

- For shipyards / shipbuilders, the period of TC for import of non-capital goods can be up to three years.

ALL-IN-COST CEILING PER ANNUM

- Benchmark rate plus 250 bps spread.
- **All-in-Cost:** It includes rate of interest, other fees, expenses, charges, guarantee fees whether paid in foreign currency or INR. Withholding tax payable in INR shall not be a part of all-in-cost

EXCHANGE RATE

- **FCY denominated TC:** Change of currency of FCY TC into INR TC can be at the exchange rate prevailing on the date of the agreement between the parties concerned for such change or at an exchange rate, which is less than the rate prevailing on the date of agreement, if consented to by the TC lender.
- **INR denominated TC:** For conversion to Rupee, exchange rate shall be the rate prevailing on the date of settlement.

PRIORITY SECTOR LENDING (PSL) UPDATE

CLASSIFICATION OF EXPORTS UNDER PRIORITY SECTOR

- Incremental export credit over corresponding date of the preceding year, upto 2 per cent of ANBC or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher, effective from April 1, 2015 **subject to a sanctioned limit of up to Rs.250 million per borrower to units having turnover of up to Rs.1 billion**

NOTIFICATION

- Enhance the sanctioned limit, for classification of export credit under PSL, from Rs.250 million per borrower to Rs.400 million per borrower.
- Remove the existing criteria of 'units having turnover of up to Rs.1 billion'

HARMONISATION OF TURN AROUND TIME (TAT) AND CUSTOMER COMPENSATION FOR FAILED TRANSACTIONS USING AUTHORISED PAYMENT SYSTEMS

The principle behind the TAT is based on the following :

- If the transaction is a 'credit-push' funds transfer and the beneficiary account is not credited while the debit to originator has been effected, then credit is to be effected within the prescribed time period failing which the penalty has to be paid to the beneficiary;
- If there is delay in initiation of a transaction at the originator bank's end beyond the TAT, then penalty has to be paid to the originator.

FAILED TRANSACTION

- A 'failed transaction' is a transaction which has not been fully completed due to any reason not attributable to the customer such as failure in communication links, non-availability of cash in an ATM, time-out of sessions, etc. Failed transactions shall also include the credits which could not be effected to the beneficiary account on account of lack of full information or lack of proper information and delay in initiating a reversal transaction.

Incident	Timeline for auto-reversal
Automated Teller Machines (ATMs) including Micro-ATMs: Customer's account debited but cash not dispensed.	T + 5 days.
Card to card transfer: Card account debited but the beneficiary card account not credited.	T + 1 day
Point of Sale (PoS): Account debited but confirmation not received at merchant location	T + 5 days
Immediate Payment System (IMPS): Account debited but the beneficiary account is not credited.	T + 1 day
Unified Payments Interface (UPI) : Account debited but the beneficiary account is not credited (transfer of funds).	T + 1 day
Unified Payments Interface (UPI) : Account debited but transaction confirmation not received at merchant location	T + 5 days
Aadhaar Enabled Payment System (including Aadhaar Pay): Account debited but transaction confirmation not received at merchant location. Or Account debited but beneficiary account not credited.	T + 5 days
Aadhaar Enabled Payment System (including Aadhaar Pay): Delay in crediting beneficiary's account.	T + 1 day
National Automated Clearing House (NACH): Delay in crediting beneficiary's account or reversal of amount.	T + 1 day
Prepaid Payment Instruments (PPIs) – Cards / Wallets Beneficiary's PPI not credited. PPI debited but transaction confirmation not received at merchant location.	T + 1 day

COMPENSATION

- Customers who do not get the benefit of redress of the failure as defined in the TAT, can register a complaint to the Banking Ombudsman of Reserve Bank of India.
- 100/- per day of delay beyond the prescribed time limit

CONCURRENT AUDIT SYSTEM

- Concurrent audit aims at shortening the interval between a transaction and its independent examination.
- Reserve Bank of India (RBI) revised the guidelines on concurrent audit system following the recommendations by an **expert committee under Y.H. Malegam**.

APPOINTMENT OF AUDITORS

- The option to consider whether concurrent audit should be done by bank's own staff or external auditors (which may include retired staff of its own bank) continues **to be left to the discretion of individual banks**.
- **The head of internal audit in the bank should participate in selection** of concurrent auditors where such function is outsourced and should be responsible for **the quality review (including skills of the staff employed)** of the work of the concurrent auditors reporting to her/him.
- It may, however, be ensured that if any partner of a **Chartered Accountant firm is a Director on the Board of a bank**, no partner of the same firm should be appointed as concurrent auditor in the same bank.
- In case the bank has engaged its own officials as concurrent auditors, **they should be experienced, well trained** and sufficiently senior.

TENURE

- ACB/ LMC of the bank shall decide the maximum tenure of external concurrent auditors with the bank.
- Generally, tenure of external concurrent auditors with a **bank shall not be more than five years on continuous basis**.
- Further, the age limit for retired staff engaged as concurrent auditors may be **capped at 70 years**.
- No concurrent auditor shall be allowed to continue with a branch/business unit for a period of more than three years.
- Audit Committee of the Board of Directors (ACB)/Local Management Committee(LMC)

ACCOUNTABILITY

- If external firms are appointed and any serious acts of omission or commission are noticed in their working, their appointments may be cancelled after giving them reasonable opportunity to be heard and the fact shall be reported to ACB/ LMC of the bank, RBI and ICAI.

BHARAT BILL PAYMENT SYSTEM EXPANSION OF BILLER CATEGORIES

- The **Bharat bill payment system** is a Reserve Bank of India (RBI) conceptualised system driven by National Payments Corporation of India (NPCI). It is a one-stop ecosystem for payment of all bills providing an interoperable and accessible “Anytime Anywhere” bill payment service to all customers across India with certainty, reliability and safety of transactions.

FEATURES OF BBPS

ABOUT BHARAT BILL PAYMENT CENTRAL UNIT (BBPCU)

- **National Payments Corporation of India (NPCI)** has been authorized by RBI as the Bharat Bill Payment Central Unit (BBPCU) and is responsible for setting business standards, rules and procedures for technical and business requirements for all participants. The BBPCU undertakes clearing and settlement activities related to transactions routed through Bharat BillPay.

About Bharat Bill Payment Operating Unit (BBPOU)

- **Bharat Bill Payment Operating Unit** aka BBPOU is the entity that is authorized by Reserve Bank of India. It can be a Bank or a Non-Bank. BBPOU may choose to integrate either with the customers.
 - Billers available as of now
 - Direct to Home (DTH)
 - Electricity
 - Gas
 - Telecom
 - Water.
 - Expansion
 - It has been decided to expand the scope and coverage of BBPS to include all categories of billers who raise recurring bills (except prepaid recharges) as eligible participants, on a voluntary basis.
 - As per BBPS website, the facility would be expanded to include other types of repetitive payments like insurance premium, mutual funds, school fees, EMIs, and municipal taxes, among others.

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GUIDELINES FOR 'ON TAP' LICENSING OF SMALL FINANCE BANKS IN THE PRIVATE SECTOR

- The small finance bank shall be registered as a public limited company under the Companies Act, 2013. It will be licensed under Section 22 of the Banking Regulation Act, 1949 and governed by the provisions of the
 - Banking Regulation Act, 1949;
 - Reserve Bank of India Act, 1934;
 - Foreign Exchange Management Act, 1999;
 - Payment and Settlement Systems Act, 2007;
 - Credit Information Companies (Regulation) Act, 2005;
 - Deposit Insurance and Credit Guarantee Corporation Act, 1961.

ELIGIBILITY CRITERIA:

- Resident individuals/professionals (Indian citizens), singly or jointly, each having at least **10 years of experience in banking and finance** at a senior level; and
- Companies and Societies in the private sector, that are owned and controlled by residents and having **successful track record of running their businesses for at least a period of five years**, will be eligible as promoters to set up small finance banks.
- Existing **Non-Banking Finance Companies (NBFCs), Micro Finance Institutions (MFIs), and Local Area Banks (LABs) in the private sector, that are controlled by residents and having successful track record of running their businesses for at least a period of five years**, can

also opt for conversion into small finance banks after complying with all legal and regulatory requirements of various authorities and if they conform to these guidelines.

'FIT AND PROPER' CRITERIA

- Promoters / Promoter Groups should be 'fit and proper' in order to be eligible to promote small finance banks.

CAPITAL REQUIREMENT

- The minimum paid-up voting equity capital for small finance banks shall be **Rs.200 crore**(increased from Rs.100 cr.), except for such small finance banks which are converted from Primary (Urban) Co-operative Banks (UCBs) for which the capital requirement will be as prescribed in the following paragraph:-
- **Primary (Urban) Co-operative Banks:** The minimum net worth of such small finance banks shall be Rs.100 crore from the date of commencement of business. However they will have to increase their minimum net worth to Rs.200 crore within five years from the date of commencement of business.

PROMOTERS' CONTRIBUTION

- Promoter should hold a minimum of **40% of the paid-up voting equity capital for five years**. If the initial promoter shareholding is above 40%, it should be brought down to 40% within a period of five years, 30% within 10 years, and 15% in 15 years.
- Voting rights and transfer / acquisition of shares
- Any shareholder's voting rights in private sector banks are currently capped at 26 per cent of the total voting rights of all the shareholders of the banking company.
- Any acquisition of 5 per cent or more of paid-up share capital in a private sector bank or voting rights therein will require prior approval of RBI.
- These provisions will apply to the small finance banks also.

PRUDENTIAL NORMS

- The newly set up small finance banks should ensure that they put in place a robust risk management framework. The small finance bank will be subject to **all prudential norms and regulations of RBI as applicable to existing commercial banks including requirement of maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)**.
- In view of the objectives for which small finance banks are set up, the bank will be required to extend **75 per cent of its Adjusted Net Bank Credit (ANBC)** to the sectors eligible for classification as **priority sector lending (PSL)** by RBI.

LARGE EXPOSURE FRAMEWORK

- The maximum loan size and investment limit exposure to a **single and group obligor** would be restricted to **10 per cent and 15 per cent** of its capital funds.

- In order to ensure that the bank extends loans primarily to small borrowers, at least **50 per cent of its loan portfolio should constitute loans and advances of up to Rs.25 lakh** on an ongoing basis.

RISK WEIGHT FOR CONSUMER CREDIT EXCEPT CREDIT CARD RECEIVABLES

RISK WEIGHTED ASSETS (RWA)

- The Risk Weighted Assets (RWA) refer to the fund based assets such as Cash, Loans, Investments and other assets. They are the total assets owned by the Banks, however, the value of each asset is assigned a risk weight.

Asset	Weighted Risk
Cash	0%
Balance with Reserve Bank of India	0%
Central/ state Government Guaranteed advances	0%
SSI advances up to CGF guarantee	0%
Loans against FD (Fixed Deposits), LIC Policy	0%
Government approved Securities	2.50%
Balance with Banks other than RBI which maintain the 9% CRAR	20%
Secured Loan to the Staff Members	20%
Housing Loans	50%
Housing Loans >Rs. 30 Lakhs	75%
Loans against Gold and Jewellery	50%
Retail Lending up to Rs. 5 crore	75%
Loans Guaranteed by DGCGC / ECGC	50%
Loans to Public Sector Undertakings	100%
Foreign Exchange and Gold in Open Position	100%
Claims on unrated corporates	100%
Commercial Real estate	100%
Consumer Credit	125% (reduced to 100% as per Risk Weight for Consumer Credit except credit card receivables on 12-09-2019)
Credit Cards	125%
Exposure to Capital Markets	125%
Venture Capital Investment as a part of Capital Market exposure	150%

TIER 1 AND 2 CAPITAL

- Tier I Capital** consists mainly of share capital and disclosed reserves. Since this capital is fully available to cover the core losses, it is also called Core Capital. For this reason this is considered as the highest quality capital.

- **Tier 2 capital** includes revaluation reserves, hybrid capital instruments and subordinated term debt, general loan-loss reserves, and undisclosed reserves. Tier 2 capital is supplementary capital because it is less reliable than tier 1 capital.

LARGE EXPOSURE FRAMEWORK (UPDATE)

- RBI on increased loan exposure limit of banks to a single NBFC (excluding gold loan companies) from 15% to 20% of its capital base, a move that will help increase credit supply to the crisis-ridden shadow banking sector.

REPORT OF THE COMMITTEE ON THE DEVELOPMENT OF HOUSING FINANCE SECURITISATION MARKET

'HOUSING FOR ALL' BY 2022

- Housing development and democratised home ownership are important economic and social policy objectives in India. Economic development and rising per capita income has created a new aspirational India. Owning a home is an essential part of Indian aspirations.
- Despite policy focus and sustained government efforts, India still suffers from housing shortage that could increase with rising population. Analyst and Government of India estimates suggest that India will need anywhere between 8 Cr to 10 Cr additional housing units by 2022; the costs of building these additional units could be Rs 100 Lakh Cr to Rs 115 Lakh Cr. To meet the ambitious target of 'Housing For All' by 2022, enhanced efforts will be needed on issues that relate to housing as also those that relate to finance for housing

ASSET LIABILITIES MISMATCH

- Home loans have long maturity that can go up to 30 years. Most of the funding sources of banks and HFCs have maturity of up to five years. Growth of home loans, thus, presents a growing, structural asset liability management (ALM) challenge for the lenders.

SECURITISATION

- Securitisation involves pooling of loans and selling them to a special purpose vehicle (SPV) which then issues securities called pass-through certificates (PTCs) backed by the loan pool. For lenders of home loans securitisation would involve pooling of home loans. Securitisation is a mechanism to convert illiquid loans on the lenders balance sheet into tradeable securities. Creation of tradeable securities allows wider pools of capital.

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INDIA'S MORTGAGE-TO-GDP RATIO

- A report by an RBI committee on development of housing finance securitisation market has noted that India's mortgage-to-GDP ratio, which remains low at present, is expected to grow significantly in the next few years. India's mortgage-to-GDP ratio is currently at 9.6 per cent, compared to 18 per cent in China, 20 per cent in Thailand, 31 per cent in Korea, 34 per cent in Malaysia, 38 per cent in Taiwan, 52 per cent in Singapore and 56 per cent USA. This ratio for India's is estimated to rise to 12 per cent by 2022 as per various analysts estimates, the RBI report said.

MINIMUM HOLDING PERIOD GUIDELINES

- In respect of loans of original maturity above 5 years, the minimum number of instalments to be paid before securitisation is now six monthly instalments (12 earlier) or two quarterly instalments (four).
- Minimum Retention Requirement (MRR) for such securitisation/assignment transactions shall be 20% of the book value of the loans being securitised/20% of the cash flows from the assets assigned.
- Setting up an intermediary for mortgage-backed securitisation
- the primary tool used by National Housing Board (NHB) today for market development is refinance.
- The panel recommendaed to set up intermediary to promote housing finance securitisation with the primary functions of standard-setting and market making should be established by NHB.

CAPITAL STRUCTURE OF NEW ENTITY

- The entity will start with Rs. 500 Cr of initial capital. As noted above, the government ownership in the intermediary through NHB is recommended to be 51% initially, to be gradually brought down to 26% over a period of 5 years.
- The intermediary would be allowed to invest in each pool it securitizes to the extent of 5 percent of the pool or 5 percent of its own capital base, whichever is lower

FUNCTIONS OF THE INTERMEDIARY

- Establish criteria for assessment of asset quality of loan pools receiving support from intermediary
- Structure transactions according to investor requirements and ensure all legal and regulatory conditions are complied with
- Enable trades on an existing platform
- Set up a repository of all pool/loan level information for securitisations
- Ensure standardisation of process

MASTER CIRCULAR - DISBURSEMENT OF GOVERNMENT PENSION

GOVERNMENT ORDERS ON DR, ETC. ON WEBSITES

- It has been decided to discontinue the procedure of forwarding government orders in respect of dearness relief etc.
- All agency banks are advised to scrupulously follow all the guidelines /instructions contained in various notifications of Government (Central as well as States) and take necessary action immediately without waiting for any further instructions from RBI.

STAGGERING OF PENSION PAYMENTS

- Payment of pension only on the last day of the month causes much hardship to pensioners as they have to wait in queue for a long time to collect their pension. As per instructions issued in 1995, agency banks were advised to spread disbursal of pension over the last four working days of the month, except for the month of March, which will continue to be credited on or after the first working day of April.

RECOVERY OF EXCESS/WRONG PAYMENT MADE TO A PENSIONER

- As soon as the excess/wrong payment made to a pensioner comes to the notice of the paying branch, the branch should adjust the same against the amount standing to the credit to the pensioner's account to the extent possible including lumpsum arrears payment.
- If the entire amount of overpayment cannot be adjusted from the account, the pensioner may be asked to pay forthwith the balance amount of overpayment.

- In case the pensioner expresses his inability to pay the amount, the same may be adjusted from the future pension payments to be made to the pensioners. For recovering the overpayment made to pensioner from his future pension payment in instalments 1/3rd of net (pension + relief) payable each month may be recovered unless the pensioner concerned gives consent in writing to pay a higher instalment amount.
- If the overpayment cannot be recovered from the pensioner due to his death or discontinuance of pension, then action has to be taken as per the letter of undertaking given by the pensioner under the scheme.

WITHDRAWAL OF PENSION BY OLD/ SICK/ DISABLED/ INCAPACITATED PENSIONERS

In order to take care of problems/ difficulties faced by sick and disabled pensioners in withdrawal of pension / family pension from the banks, agency banks may categorise such pensioners as under:

1. Pensioner who is too ill to sign a cheque / unable to be physically present in the bank.
2. Pensioner who is not only unable to be physically present in the bank but also not even able to put his/her thumb impression on the cheque/ withdrawal form due to certain physical defect / incapacity.

With a view to enabling such old/sick/incapacitated pensioners to operate their accounts, banks may follow the procedure as under:

1. Wherever thumb or toe impression of the old/sick pensioner is obtained, it should be identified by two independent witnesses known to the bank, one of whom should be a responsible bank official.
2. Where the pensioner cannot even put his/her thumb/ toe impression and also would not be able to be physically present in the bank, a mark can be obtained on the cheque/withdrawal form, which should be identified by two independent witnesses, one of whom should be a responsible bank official.

DIRECTIONS

- Pension paying banks should compensate the pensioner for delay in crediting pension/ arrears thereof at a fixed interest rate of **8 per cent per annum for the delay** after the due date of payment and the compensation shall be credited to the pensioner's account automatically without any claim from the pensioner on the same day when the bank affords credit for revised pension/ pension arrears, in respect of all delayed pension payments made since October 1, 2008.
- Pension paying banks have been advised **to put in place a mechanism to obtain immediately the copies of pension orders from the pension paying authorities directly and make payments without waiting for receipt of instructions** from the Reserve Bank of India so that pensioners should get benefits announced by the Governments in the succeeding month's pension payment itself.
- All agency banks disbursing pension are advised to provide considerate and sympathetic customer service to the pensioners, especially to those pensioners who are of old age.

EXTERNAL BENCHMARK BASED LENDING

- The Reserve Bank of India has decided in favour of external benchmark linked lending rates over the existing marginal cost of funds-based lending rate (MCLR) system.
- The Reserve Bank of India (RBI) has made it mandatory for banks to link all floating personal or retail loans to external benchmark from 1 October 2019

DIRECTIONS

(a) All new floating rate personal or retail loans (housing, auto, etc.) and floating rate loans to Micro and Small Enterprises extended by banks from October 01, 2019 shall be benchmarked to one of the following:

- Reserve Bank of India policy repo rate
- Government of India 3-Months Treasury Bill yield published by the Financial Benchmarks India Private Ltd (FBIL)
- Government of India 6-Months Treasury Bill yield published by the FBIL
- Any other benchmark market interest rate published by the FBIL.

(b) Banks are free to offer such external benchmark linked loans to other types of borrowers as well.

(c) In order to ensure transparency, standardisation, and ease of understanding of loan products by borrowers, **a bank must adopt a uniform external benchmark within a loan category**; in other words, the adoption of multiple benchmarks by the same bank is not allowed within a loan category.

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SPREAD UNDER EXTERNAL BENCHMARK

- Banks are free to decide the spread over the external benchmark. However, credit risk premium may undergo change only when borrower's credit assessment undergoes a substantial change, as agreed upon in the loan contract.
- Reset of Interest Rates under External Benchmark
- The interest rate under external benchmark shall be reset at least once in three months

TRANSITION TO EXTERNAL BENCHMARK FROM MCLR/BASE RATE/BPLR

- Existing loans and credit limits linked to the MCLR/Base Rate/BPLR shall continue till repayment or renewal, as the case may be.
- **Provided** that floating rate term loans sanctioned to borrowers who, in terms of extant guidelines, are eligible to prepay a floating rate loan without pre-payment charges, shall be eligible for switchover to External Benchmark without any charges/fees, except reasonable administrative/legal costs. The final rate charged to this category of borrowers, post switchover to external benchmark, shall be same as the rate charged for a new loan of the same category, type, tenor and amount, at the time of origination of the loan.
- **Provided** that other existing borrowers shall have the option to move to External Benchmark at mutually acceptable terms.
- **Provided** that the switch-over shall not be treated as a foreclosure of existing facility.

DEVELOPMENT OF SECONDARY MARKET FOR CORPORATE LOANS

- The Reserve Bank of India had constituted a Task Force on Development of Secondary Market for Corporate Loans under the Chairmanship of **Shri T. N. Manoharan, Chairman, Canara Bank, on May 29, 2019.**
- The terms of Reference of the Task Force were to review the existing state of market for loan sale/transfer in India as well as the international experience in loan trading and to make recommendations for the development of secondary market for corporate loans in India.

CHALLENGES

- lack of a sufficient number of active participants,
- lack of an effective, reliable and diligent price discovery mechanism,
- absence of a systematic loan sales platform,
- lack of standardisation in loan and transfer documentation,
- information asymmetry,
- Issues in registration process,
- Regulatory restrictions

THE KEY RECOMMENDATIONS OF THE TASK FORCE ARE AS FOLLOWS:

- Setting up of a **Self-Regulatory Body of participants** which will finalise detailed modalities for the secondary market for corporate loans including standardisation of documentation;

- setting up a **Central Loan Contract Registry**;
- setting up an **online loan sales platform** to conduct auctions/sale process of the secondary market loans;
- amending the existing regulations applicable to, inter-alia, securitization and assignment of loans, asset reconstruction, Foreign Portfolio Investment and External Commercial Borrowings; and
- **amendments in regulations issued by SEBI, IRDA and PFRDA** to enable participation of non-banking entities such as mutual funds, insurance companies and pension funds.

PARTIAL CREDIT GUARANTEE OFFERED BY GOVERNMENT OF INDIA (GOI) TO PUBLIC SECTOR BANKS (PSBS) FOR PURCHASING HIGH-RATED POOLED ASSETS FROM FINANCIALLY SOUND NON-BANKING FINANCIAL COMPANIES (NBFCs)/HOUSING FINANCE COMPANIES (HFCs)'

- Finance Minister Nirmala Sitharaman in the Budget announced support for fundamentally sound NBFCs in getting continued funding from banks.
- "For purchase of high-rated pooled assets of financially sound NBFCs, amounting to a total of **Rs 1 lakh crore** during the current financial year, the government will provide one-time six months' partial credit guarantee to public sector banks for first loss of up to 10 per cent," she had said.

PARTIAL CREDIT GUARANTEE

- **Name of the Scheme:** 'Partial Credit Guarantee offered by Government of India (GoI) to Public Sector Banks (PSBs) for purchasing high-rated pooled assets from financially sound Non-Banking Financial Companies (NBFCs)/Housing Finance Companies (HFCs)'.
- **Objective:** To address temporary asset liability mismatches of otherwise solvent NBFCs/HFCs without having to resort to distress sale of their assets for meeting their commitments.
- **Validity of the scheme:** The window for one-time partial credit guarantee offered by GoI will open **from the date of issuance of the Scheme by the Government for a period of six months, or till such date by which Rupees One lakh crore assets get purchased by banks, whichever is earlier.**

OPERATIONAL GUIDANCE:

- i. The assets shall be purchased by banks at fair value.
- ii. Assets to be assigned by NBFCs/HFCs must be **rated by Credit Rating Agencies (CRAs)** accredited by Reserve Bank of India (RBI).
- iii. One-time guarantee provided by the GoI on the pooled assets will be **valid for 24 months** from the date of purchase and **can be invoked on the occurrence of default as outlined under heading 'D' below.**
- iv. The guarantee shall cease earlier if the purchasing bank sells the pooled assets to the originating NBFC/HFC or any other entity, before the validity of the guarantee period.

Operational Guidance:

- v. The purchasing banks may have **service level agreements** with the originating NBFCs/HFCs for **servicing**, including administration of the individual assets.
- vi. The NBFCs/HFCs can have the **option to buy back their assets after a specified period of 12 months** as a repurchase transaction, on a right of first refusal basis.

ELIGIBLE ASSETS:

- Assets **originated up to 31.3.2019** will only be eligible under this scheme.
- Assets should be **standard in the books of NBFCs/HFCs** on the date of sale.
- The pool of assets should have **minimum rating of 'AA'** or equivalent at fair value prior to the partial credit guarantee by GoI.
- Each account under the pooled assets **should have been fully disbursed** and security charge should have been created in favour of the originating NBFCs/ HFCs.
- NBFCs/HFCs can sell up to a **maximum of 20% of their standard assets** as on 31.3.2019 subject to a **cap of Rs. 5,000 crore at fair value**. Any additional amount above the cap of Rs. 5,000 crore will be considered on pro rata basis, subject to availability of headroom.
- The **underlying assets** should represent the debt obligations of a homogeneous pool of obligors and **individual asset size in the pool is capped at Rs. 5 crore**.

ORIGINATING NBFCs/HFCs CANNOT ASSIGN THE FOLLOWING ASSETS UNDER THIS SCHEME:

- a) Revolving credit facilities (CC Limits);
- b) Assets purchased from other entities; and
- c) Assets with bullet repayment of both principal and interest

INVOCATION OF GUARANTEE:

- The purchasing bank can invoke the GoI guarantee if the interest and/or instalment of principal remains overdue for a period of more than 90 days (i.e. when liability is crystallised for the underlying borrower) during the validity of such guarantee, subject to the condition that the guarantee is for the first loss up to 10 per cent.

GUARANTEE FEES:

- NBFCs/HFCs will pay a fee equivalent to 0.25% per annum of the fair value of assets being purchased by the bank under this Scheme to GoI (must be routed through the purchasing bank).

CASH WITHDRAWAL AT POINTS-OF-SALE (POS) DEVICES

- As a step towards enhancing the customer convenience in using the plastic money, it has been decided to permit cash withdrawals at POS terminals debit cards/open loop prepaid cards issued by banks.

The instructions outlined therein, limit –

- Cash withdrawal to Rs.1000/- per day in Tier I and II centres and Rs.2,000/- per day in Tier III to VI centres
- Customer charges, if any, on such cash withdrawals to not more than 1% of the transaction amount.
- Classification of centres(tier-wise) Population(as per 2001 Census)
- Tier 1 - 1,00,000 and above
- Tier 2- 50,000 to 99,999
- Tier 3- 20,000 to 49,999
- Tier 4- 10,000 to 19,999
- Tier 5- 5,000 to 9,999
- Tier 6- Less than 5000
- The instructions issued in the above circulars are, therefore, reiterated with a view to provide for cash withdrawals at PoS by card-holders.

RBI NOTIFICATIONS: OCTOBER 2019

LENDING BY BANKS TO INVITS

WHAT ARE INVITS?

- Infrastructure investment trusts, or InvITs, are instruments that work like mutual funds. InvITs are designed to pool small sums of money from a number of investors to invest in assets that give cash flow over a period of time. Part of this cash flow would be distributed as dividend back to investors.
- Often, infrastructure projects such as roads or highways take some time to generate steady cash flows. Meanwhile, the infrastructure company has to pay interest to banks for the loans taken by it. An InvIT essentially gives the company the leeway to fulfil its debt obligations quickly.

CIRCULAR

- Banks and other stakeholders have been seeking clarity on provision of credit facilities to InvITs. The matter has been examined and it has been decided that banks may be permitted to lend to InvITs subject to the following conditions:

CONDITIONS

- Banks shall put in place a Board approved policy on exposures to InvITs
- Without prejudice to generality, banks shall undertake assessment of all critical parameters including sufficiency of cash flows at InvIT level to ensure timely debt servicing. The overall leverage of the InvITs and the underlying SPVs put together shall be within the permissible leverage as per the Board approved policy of the banks. Banks shall also monitor performance of the underlying SPVs on an ongoing basis as ability of the InvITs to meet their debt obligation will largely depend on the performance of these SPVs.

- Banks shall lend to only those InvITs where none of the underlying SPVs, which have existing bank loans, is facing 'financial difficulty' as defined in Prudential Framework for Resolution of Stressed Assets
- Bank finance to InvITs for acquiring equity of other entities shall be subject to the conditions given in Master Circular on Loans & Advances – Statutory & Other Restrictions.
- The Audit Committee of the Board of banks shall review the compliance to the above conditions on a half yearly basis.

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EXPANDING AND DEEPENING OF DIGITAL PAYMENTS ECOSYSTEM

- With a view to expanding and deepening the digital payments ecosystem, it has been decided that all State/ UT Level Bankers Committees (SLBCs/ UTLBCs) shall identify one district in their respective States/ UTs on a pilot basis in consultation with banks and stakeholders. The identified district shall be allotted to a bank having significant footprint which will endeavour to make the district 100% digitally enabled within one year, in order to enable every individual in the district to make/ receive payments digitally in a safe, secure, quick, affordable and convenient manner. This would, inter alia, include providing the necessary infrastructure and literacy to handle such transactions.

REVISION IN PROFORMA AND REPORTING OF BANK / BRANCH DETAILS UNDER THE CENTRAL INFORMATION SYSTEM FOR BANKING INFRASTRUCTURE (CISBI)

- The Reserve Bank of India has overhauled the daily reporting system at cooperative banks after the collapse of Punjab and Maharashtra Bank following the uncovering of Rs.4000 crore fraud at the Mumbai based cooperative bank. Reserve Bank has asked all such lenders to replace the existing system of email-based reporting at the branches to a web-based central system.
- RBI has released a new reporting system – Central Information System for Banking Infrastructure (CISBI) for all co-operative banks.
- Under CISBI, co-op banks will submit information related to the opening/closing/conversion of branches, non-administratively independent offices (extension counters, satellite offices), and ATMs in a single proforma online.
- Bank Branch Statistics Division (BBSD) in the Department of Statistics and Information Management (DSIM), RBI will act as the nodal agency for CISBI.
- The information relating to opening, closure, merger, shifting and conversion of bank branches/offices should be submitted immediately (in any case not later than 1 week).

RBI NOTIFICATIONS: NOVEMBER 2019

QUALIFYING ASSETS CRITERIA - REVIEW OF LIMITS

- In the wake of the Andhra Pradesh micro finance crisis in 2010, a Sub-Committee of the Central Board of the Reserve Bank was constituted to study issues and concerns in the MFI sector.
- Based on the recommendations of the Committee, it was decided to create a separate category of NBFC, viz., Non-Banking Financial Company-Micro Finance Institution (NBFC-MFI) and a detailed regulatory framework for NBFC-MFIs was put in place in December 2011.
- **The income and loan limits to classify an exposure as eligible asset were last revised in 2015. Taking into consideration the important role played by MFIs in delivering credit to those in the bottom of the economic pyramid and enable them to play their assigned role in a growing economy, it is proposed to revise these criteria:**
 - Increase the household income limit for borrowers of NBFC-MFIs from the current level of Rs 1 lakh for rural areas and Rs 1.60 lakh for urban/semi urban
 - Raise the lending limit from Rs 1 lakh to Rs 1.25 lakh per eligible borrower.

LIQUIDITY RISK MANAGEMENT FRAMEWORK FOR NON-BANKING FINANCIAL COMPANIES AND CORE INVESTMENT COMPANIES

- The Reserve Bank of India has extended its liquidity coverage rules to All non-deposit taking NBFCs with asset size of Rs.100 crore and above, systemically important Core Investment Companies and all deposit taking NBFCs irrespective of their asset size, shall adhere to the set of liquidity risk management guidelines.
- The regulator has exempted the non-operating financial holding companies from the liquidity framework.

KEY HIGHLIGHTS OF DRAFT

- Liquidity Coverage Ratio (LCR): All non-deposit taking NBFCs with asset size of Rs.10,000 crore and above, and all deposit taking NBFCs irrespective of their asset size, shall maintain a liquidity

buffer in terms of LCR which will promote resilience of NBFCs to potential liquidity disruptions by ensuring that they have sufficient High Quality Liquid Asset (HQLA) to survive any acute liquidity stress scenario lasting for 30 days.

- **The stock of HQLA to be maintained by the NBFCs shall be minimum of 100% of total net cash outflows over the next 30 calendar days.**
- **(A)** The LCR requirement shall be binding on NBFCs from December 1, 2020 with the minimum HQLAs to be held being 50% of the LCR, progressively reaching up to the required level of 100% by December 1, 2024, **as per the time-line given below:**

From	December 1, 2020	December 1, 2021	December 1, 2022	December 1, 2023	December 1, 2024
Minimum LCR	50%	60%	70%	85%	100%

- **(B)** All non-deposit taking NBFCs with asset size of Rs.5,000 crore and above but less than Rs.10,000 crore shall also maintain the required level of LCR starting December 1, 2020, as per the time-line given below:

From	December 1, 2020	December 1, 2021	December 1, 2022	December 1, 2023	December 1, 2024
Minimum LCR	30%	50%	60%	85%	100%

- **(C)** Core Investment Companies, Type 1 NBFC-NDs, Non-Operating Financial Holding Companies and Standalone Primary Dealers are exempt from the applicability of LCR norms.
- **Asset-Liability Management Committee (ALCO):** would consist of NBFC's top management and should be responsible for ensuring adherence to risk tolerance and limits set by Board and for implementing NBFC's liquidity risk management strategy.
- **Contingency Funding Plan (CFP):** should be formulated by NBFC for responding to severe disruptions which may affect NBFC's ability to fund some or all of its activities in a timely manner and at a reasonable cost.

NON-RESIDENT RUPEE ACCOUNTS (REVIEW OF POLICY)

SPECIAL NON-RESIDENT RUPEE ACCOUNT (SNRR ACCOUNT)

With a view to promote the usage of INR products by persons resident outside India, it has been decided, in consultation with the Government of India, to expand the scope of **Special Non-Resident Rupee Account (SNRR account)** by permitting person resident outside India to open such account for:

- External Commercial Borrowings in INR;
- Trade Credits in INR;
- Trade (Export/ Import) Invoicing in INR; and
- Business related transactions outside International Financial Service Centre (IFSC) by IFSC units at GIFT city like administrative expenses in INR outside IFSC, INR amount from sale of scrap,

government incentives in INR, etc. The account will be maintained with bank in India (outside IFSC).

CHANGES MADE

- Remove the restriction on the tenure of the SNRR account
- Apart from Non-Resident Ordinary (NRO) Account, permit credit of amount due or payable to non-resident nominee from account of a deceased account holder to Non-Resident External (NRE) Account or direct remittance outside India through normal banking channels.

GUIDELINES FOR 'ON TAP' LICENSING OF SMALL FINANCE BANKS IN THE PRIVATE SECTOR

REGISTRATION, LICENSING AND REGULATIONS

The small finance bank shall be registered as a public limited company under the Companies Act, 2013. It will be licensed under Section 22 of the Banking Regulation Act, 1949 and governed by the provisions of the

- Banking Regulation Act, 1949;
- Reserve Bank of India Act, 1934;
- Foreign Exchange Management Act, 1999;
- Payment and Settlement Systems Act, 2007;
- Credit Information Companies (Regulation) Act, 2005;
- Deposit Insurance and Credit Guarantee Corporation Act, 1961.

ELIGIBILITY CRITERIA:

- Resident individuals/professionals (Indian citizens), singly or jointly, each having at least **10 years of experience in banking and finance** at a senior level; and
- Companies and Societies in the private sector, that are owned and controlled by residents and having **successful track record of running their businesses for at least a period of five years**, will be eligible as promoters to set up small finance banks.
- Existing **Non-Banking Finance Companies (NBFCs), Micro Finance Institutions (MFIs), and Local Area Banks (LABs) in the private sector, that are controlled by residents and having successful track record of running their businesses for at least a period of five years**, can also opt for conversion into small finance banks after complying with all legal and regulatory requirements of various authorities and if they conform to these guidelines.

'FIT AND PROPER' CRITERIA

- Promoters / Promoter Groups¹ should be 'fit and proper' in order to be eligible to promote small finance banks.

CAPITAL REQUIREMENT

- The minimum paid-up voting equity capital for small finance banks shall be **Rs.200 crore**(increased from Rs.100 cr.), except for such small finance banks which are converted from Primary (Urban) Co-operative Banks (UCBs) for which the capital requirement will be as prescribed in the following paragraph:-
- **Primary (Urban) Co-operative Banks:** The minimum net worth of such small finance banks shall be Rs.100 crore from the date of commencement of business. However they will have to increase their minimum net worth to Rs.200 crore within five years from the date of commencement of business.

PROMOTERS' CONTRIBUTION

- Promoter should hold a minimum of **40% of the paid-up voting equity capital for five years**. If the initial promoter shareholding is above 40%, it should be brought down to 40% within a period of five years, 30% within 10 years, and 15% in 15 years.

VOTING RIGHTS AND TRANSFER / ACQUISITION OF SHARES

- Any shareholder's voting rights in private sector banks are currently capped at 26 per cent of the total voting rights of all the shareholders of the banking company.
- Any acquisition of 5 per cent or more of paid-up share capital in a private sector bank or voting rights therein will require prior approval of RBI.
- These provisions will apply to the small finance banks also.

PRUDENTIAL NORMS

- The newly set up small finance banks should ensure that they put in place a robust risk management framework. The small finance bank will be subject to **all prudential norms and regulations of RBI as applicable to existing commercial banks including requirement of maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)**.
- In view of the objectives for which small finance banks are set up, the bank will be required to extend **75 per cent of its Adjusted Net Bank Credit (ANBC)** to the sectors eligible for classification as **priority sector lending (PSL)** by RBI.

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LARGE EXPOSURE FRAMEWORK

- The maximum loan size and investment limit exposure to a **single and group obligor** would be restricted to **10 per cent and 15 per cent** of its capital funds.
- In order to ensure that the bank extends loans primarily to small borrowers, at least **50 per cent of its loan portfolio should constitute loans and advances of up to Rs.25 lakh** on an ongoing basis.