



# **Banking and Financial Awareness Digest March 2019**

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## BANKING AND FINANCIAL AWARENESS DIGEST: MARCH 2019

### AIIB APPROVED USD 455 MILLION LOAN FOR THE ANDHRA PRADESH RURAL ROADS PROJECT

- Its objective is to improve road transport connectivity in previously unserved communities by providing them with all-weather rural roads in all 13 Districts of Andhra Pradesh.
- This is the third project in Andhra Pradesh signed by AIIB after the projects in Power sector and Water sector.

### DCB BANK HAS LAUNCHED OPEN BANKING PLATFORM FOR NEXT GENERATION BANKING SOLUTIONS

- It will provide seamless integration of banking services by improving the existing banking technology infrastructure and at the same time it will also meet the growing demand for innovative solutions from new-age customers.

### RBI HAVE BUNDLED NBFCS INTO A SINGLE TYPE TO OFFER OPERATIONAL FLEXIBILITY

- RBI as announced in last bi-monthly policy decided to create a single category for the NBFCs (non-banking financial companies) by bundling their present three-tier structure.
- The step has been undertaken to provide greater operational flexibility to the NBFCs, reducing the number of categories into which they are divided, on the principle of regulation by activity and not regulation by entity.

## **RESERVE BANK INDIA HAS FORMALISED USD 75-BILLION SWAP PACT WITH BANK OF JAPAN**

- The pact would act as a cushion against any sharp swings in the local currency whenever the international financial markets turn volatile.
- It will enable availability of USD 75-billion in foreign capital for use as and when the need arises, bringing greater stability to the foreign exchange and capital markets in India
- It will also serve as a second line of defence as India has about USD 398 billion foreign exchange reserves to cushion sudden dollar outflows.
- The BSA would provide an access of 75 billion US dollars to India whereas the earlier BSA had provided for USD 50 billion.
- It will be effective from February 28, 2019.
- With this BSA, India can access the agreed amount of USD 75 billion for its domestic currency, for the purpose of maintaining an appropriate level of balance of payments or short-term liquidity.

## **RS 300 CRORE WOMEN'S LIVELIHOOD BOND HAS BEEN LAUNCHED BY WORLD BANK, UN AND SIDBI**

- It will enable individual women entrepreneurs in sectors like food processing, agriculture, services and small units to borrow around Rs 50,000 to Rs 3 lakh at an annual interest rate of around 13% to 14% or less and have a tenure of 5 years.
- Thus they will be unsecured, unlisted bonds and offer fixed coupon rate of 3% per annum to bond investors.

## **BANK OF BARODA HAVE JOINED HANDS WITH GERMAN KFW FOR USD 130M TO REFINANCE SOLAR UNITS**

- It will refinance the solar projects at a cost of 113 million USD.
- The tie-up is part of an Indo-German Solar Energy Partnership which was signed in 2015.
- The KfW which formerly was known as KfW Bankengruppe (banking group) and is a German government-owned development bank with headquarters in Frankfurt.

## **RBI HAS EXTENDED KYC DEADLINE FOR DIGITAL WALLETS BY SIX MONTHS**

- Earlier they were asked to complete their KYC process by the end of February, 2019.

- Now an additional time of 6 months has been provided because of difficulties in undertaking Aadhaar e-KYC and time necessary to put in place other systems for completing the KYC process.

## **THREE BANKS NAMELY CORPORATION BANK, ALLAHABAD BANK AND DHANLAXMI BANK ARE OUT OF PCA FRAMEWORK**

- The Board for Financial Supervision (BFS) of the Reserve Bank of India has removed 2 public sector banks- Corporation Bank and Allahabad Bank and 1 private sector bank – Dhanlaxmi Bank from PCA (Prompt Corrective Action) framework.
- Allahabad Bank and Corporation Bank had received Rs 6,896 crore and Rs 9,086 crore respectively which led to increase in their capital funds and also increased their loan loss provision.
- Dhanlaxmi bank was found to be not breaching any of the risk threshold of the PCA Framework, hence was removed out of the PCA Framework.

## **RBI WILL INFUSE RS. 37,500 CRORE INTO THE SYSTEM THROUGH OMO**

- The infusion will be made through three auctions of Rs 125 billion each during the 2nd, 3rd and 4th week. The aggregate amount auctioned will be Rs 375 billion.

## **PNB HAS BEEN RANKED AS THE HIGHEST IN IMPLEMENTATION OF 'REFORMS AGENDA'**

- The index measured Banks on 140 objective metrics across 6 themes including customer responsiveness, credit off-take and digitalization.
- The EASE (Enhanced Access and Service Excellence) report has shown significant enhancement in PSB performance on the back of Government's 4R's strategy- recognition, recovery, recapitalisation and reforms.

## **ZIMBABWE HAS STARTED TRADING NEW CURRENCY RTGS DOLLAR**

- The new currency has replaced electronic bank savings called digital dollars and the bond notes.
- It has been started as a measure to try and resolve a chronic monetary crisis.

## **CENTRE AND ASIAN DEVELOPMENT BANK HAS SIGNED USD 926 MILLION LOAN AGREEMENT TO OPERATIONALIZE TWO LINES OF MUMBAI METRO RAIL SYSTEM**

- It is the single largest infrastructure project loan in ADB history approved by ADB board.
- When operational in 2022, it is estimated that 2 million passengers a day will use the two new lines.

## ADB AGREED TO GRANT USD 926 MILLION LOAN FOR MUMBAI METRO RAIL PROJECT

- The loan agreement of USD 926 Million has been signed in order to operationalize two lines for the Mumbai Metro Rail System.
- This is the Single Largest Infrastructure Project Loan provided by ADB in history.
- It will fund Metro lines totalling about 58km which includes 2A (Dahisar to D. N. Nagar), 2B (D. N. Nagar - Bandra - Mandale) and 7 (Dahisar (E) to Andheri (E)).

## RBI HAS CONSTITUTED A PANEL UNDER USHA THORAT ON OFFSHORE RUPEE MARKETS

- It will be a 8 member task force.
- Its aim will be to ensure stability of the external value of the domestic currency.
- The motive is to develop deep and liquid on-shore financial markets that will act as a price setter of the Rupee globally.

## PSBLOANSIN59MINUTES.COM HAS EMERGED AS THE LARGEST FINTECH LENDING PLATFORM

- The portal PSBloansin59minutes.com was launched in November 2018 by PM Narendra Modi.
- The portal provides loans amounting up to Rs 1 crore to micro, small and medium enterprises (MSMEs) in just 59 minutes.
- Loans worth Rs. 300 billion have been provided and disbursements of around Rs. 250 billion have also been done.
- Loan disbursal time reduced to 7-8 working days.
- The average ticket size (ATS) for new borrowers is Rs 27 lakh and which is Rs 34 lakh for repeat borrowers.

## RBI SLAPPED PENALTY OF RS. 11 CRORES ON FIVE BANKS FOR NON-STRENGTHENING OF 'SWIFT' RELATED CONTROLS

- The penalty has been slapped on four PSUs and one private sector bank.
- The penalty for PSUs is as follows:
  - Union bank - Rs 3 crores
  - Dena bank - Rs 2 crores
  - IDBI bank - Rs 1 crore
  - Karnataka bank - Rs 4 crores

- The penalty has been imposed for the delay caused in following the guidelines mentioned in Time bound implementation and strengthening of SWIFT related controls which was issued by the Reserve Bank of India on 20th February 2018.

## **INDIA HAS SIGNED A LOAN AGREEMENT WITH THE WORLD BANK FOR USD 25.2 MILLION.**

- It has been signed between Government of India, the state Government of Chattisgarh and the World Bank.
- The support would cover expenditure planning, investment management, budget execution, public procurement and accountability.

## **IDBI BANK GOT GOVT NOD TO HANDLE IMPORT AND EXPORT TRANSACTIONS WITH IRAN**

- It has been done in order to boost the trade between India and Iran amidst US sanctions on Iran.
- Earlier UCO bank used to handle the payments during previous sanctions.

## **RBI HAS NOTIFIED 2% INTEREST SUBSIDY THROUGH “INTEREST SUBVENTION SCHEME” FOR SHORT-TERM CROP LOANS**

- RBI has decided to offer guaranteed financial support of 2% per annum for short term crop loans upto Rs.3 lakhs for farmers at an interest rate of 7%.
- For those farmers who are repaying loans promptly will get an additional 2% interest subvention under the scheme. Then the effective rate of short term crop loans to be 4% per annum.

## **AU SMALL FINANCE BANK HAS PARTNERED WITH THE ACKO GENERAL INSURANCE**

- The first India's digital insurer, AU Small Finance Bank Ltd. has announced its partnership with a new age insurance company, Acko General Insurance Limited and is now able to provide customized insurance products to its customers.

## **UNITED BANK AND HDFC LIFE HAS SIGNED BANCASSURANCE DEAL**

- Through this partnership, United bank's customers will be able to take advantage of HDFC life's expertise in life insurance products, distribution and customer services.

## INDIA HAS SIGNED A LOAN AGREEMENT WITH THE WORLD BANK FOR UTTARAKHAND DISASTER RECOVERY PROJECT

- The agreement of 96 million US dollars has been signed with the World Bank for the additional financing of Uttarakhand Disaster Recovery project.

## INDIA AND ADB HAS SIGNED A LOAN AGREEMENT

- The loan agreement of 26 million US dollars has been signed to provide additional financing for improving drainage infrastructure in Dibrugarh town of Assam under the ongoing Assam Urban Infrastructure investment program.

## KOREA EXIM BANK HAS EXTENDED LOAN WORTH RS. 4,100 CRORES FOR VIZAG METRO

- The State government had sent a proposal to Central government for asking KEXIM Bank to provide loan at 8-10% rate of interest.
- The estimated cost of the project is Rs. 8300 crores and it constitutes 3 corridors spread over 42 km.

## INSOLVENCY AND BANKRUPTCY BOARD HAS INKED COOPERATION AGREEMENT WITH IFC

- The agreement will enable IFC to assist IBBI further build the capacity of insolvency professionals, and insolvency professional agencies for the purposes of the code.

## SBI LINKED SAVINGS ACCOUNT, SHORT-TERM LOAN INTEREST RATES TO RBI REPO RATE

- The bank will link savings accounts with balance greater than Rs. 1 lakh to repo rate at current effective rate of 3.5% (2.75 percentage points lower than the current repo rate of 6.25%).
- A risk premium, above 8.5%, will be charged on these loans on the basis of the risk profile of the borrower.
- All cash credit accounts and overdrafts having limits greater than Rs. 1 lakh shall also be linked to the benchmark policy rate, plus a spread of 2.25%—amounting to 8.5%.
- The interest rate on home loans will continue to be determined by MCLR (marginal cost of funds-based lending rate).

## PUNJAB NATIONAL BANK HAS SANCTIONED LOANS OF WORTH RS 689 CR TO 1600 MSMES VIA ONLINE PORTAL



- It has sanctioned through psbloanin59minutes.com as a part of its effort to promote such industries.
- Under the Pradhan Mantri Mudra Yojana (PMMU), the bank has sanctioned loan to over 17.16 lakh accounts with total amount of Rs. 21,019 crores from the starting of the scheme till December 31, 2018.

## **BANK OF BARODA BECAME THE FIRST PSBS TO LAUNCH CRECHE/DAY-CARE FACILITY FOR EMPLOYEES' CHILDREN**

- It has been launched at its Mumbai corporate office in Bandra Kurla Complex and is being mulled further on being implemented at the head office in Vadodara, Gujarat.
- The bank will bear 60% of the cost incurred every month and rest 40% will be borne by the parents.

## **HDFC BECAME THE THIRD INDIAN COMPANY TO ACHIEVE A MARKET VALUE OF MORE THAN RS.6 TRILLION**

- It became the only third Indian firm after Tata Consultancy Services Ltd (TCS) and Reliance Industries Limited (RIL).
- The banks share have risen in each of the last five trading sessions, capping a 6% jump to a record high of Rs. 2,227.40.
- The bank has witnessed a 20% growth in profits and a bad loan ratio of less than 1.5%.

## **INDIA HAS PROVIDED FINANCIAL SUPPORT OF USD 250 MILLION TO NEPAL FOR RECONSTRUCTION OF INFRASTRUCTURES AFTER EARTHQUAKE**

- It has been provided to reconstruct infrastructure in fields of housing, education, health and cultural heritage, which had been ruined by the earthquake that took place on April 2015.
- India would also provide a supporting hand in reconstructing 72 education facilities in Nepal that were ruined due to earthquake.

## **FRESH LIQUIDITY INFUSION THROUGH FOREX SWAPS ANNOUNCED BY RBI**

- The Reserve Bank of India (RBI) has decided to use a new tool for the first time to enhance liquidity in the system
- Banks will have to deposit dollar funds with RBI with the condition of buying them back from RBI after 3 years.
- The first-ever auction of this kind involving US dollar buy/sell swap will happen on 26th March 2019.

## **BANK OF INDIA HAVE RAISED RS. 660 CRORES VIA SALE OF SHARES TO EMPLOYEES**

- It has been raised under Employee Share Purchase Scheme (ESPS).
- 6,25,52,188 shares worth Rs 10 each were issued by the bank to its eligible employees.
- A discount of 24.28% on the applicable price was offered by the bank to its employees.
- The scheme witnessed a participation of around 94.70% of total employees.
- The shares have been issued with a lock-in period of one year.

## **DOORSTEP BANKING FOR SENIOR CITIZENS, DIFFERENTLY-ABLED AND INFIRM PERSONS HAS BEEN INTRODUCED BY SBI**

- The person to avail the benefit should have a KYC-compliant account, having one's mobile number registered with the bank, and being domiciled within a five-kilometer radius of one's home branch.
- Cost for availing these services would be Rs 100 for each financial transaction and Rs 60 for each non-financial transaction. Those aged above 70 years would be treated as senior citizens for the facility.
- Cash pickup and delivery, cheque pickup, cheque book requisition slip pickup, delivery of drafts and term deposit advice, life certificate pick-up and pickup of form 15H which is used for Income tax reasons will be provided at doorstep.

## **IDBI BANK HAS BEEN CATEGORIZED AS PRIVATE SECTOR LENDER BY RBI**

- The Reserve Bank of India has categorized IDBI Bank as a Private Sector Bank with effect from January 21, 2019 following Life Insurance Corporation of India (LIC) is acquiring 51 per cent of the total paid-up equity share capital of the bank.

## **KARUR VYSYA BANK HAVE RAISED RS 487 CRORE THROUGH PRIVATE PLACEMENT OF TIER II BONDS**

- The decision was taken in the Capital Raising Committee of the board.
- The committee allotted 48,700 BASEL-III compliant unsecured, redeemable, non-convertible tier-II bonds of Rs 1,00,000 each, totalling to Rs 487 crore and the capital raising was done on private placement basis.
- The instrument would be listed on NSE.

## **SBI, ICICI AND HDFC HAS BEEN NAMED AS SYSTEMICALLY IMPORTANT BANKS BY RBI**

- D-SIB inclusion indicates that the failure of these banks would have a steep fall on Indian financial system.
- The banks are required to set aside more capital for their continued operation as per the norms by April 1.
- It will give more comfort to investors as the borrowing cost of these banks from the markets are cheaper than its peers.

## **SBI HAS INTRODUCED “YONO CASH” FOR CARDLESS ATM WITHDRAWAL**

- The facility is available over 16,500 of its ATMs through the You Only Need One (YONO), mobile app platform for the first time in the country.
- The ATMs enabled for this service will be called as YONO Cash Point.
- Customers can initiate the cash withdrawal process on the YONO app and set a six-digit YONO Cash pin for the transaction. They will get a six-digit reference number for the transaction on their registered mobile number via SMS, which has to be used within 30 minutes at the nearest YONO cash point.
- Transactions using YONO will be secured with two-factor authentication and will also eliminate the risk of skimming and cloning, at the same time it also maximizes convenience and enhances the banking experience for its customers.

## **IMPLEMENTATION OF INDIAN ACCOUNTING STANDARDS HAS BEEN DEFERRED BY RBI**

Reserve Bank of India has postponed the implementation of the Indian Accounting Standards (Ind AS) by banks until further notice for the reason of requisite legislative amendments, which are still under consideration of the government.

It would impact public sector lenders to boost “substantial” amounts of extra capital, beyond the estimated 1.9 trillion rupee infusion which government had committed for the two-year period to the end of March.

## **RESERVE BANK OF INDIA (RBI) HAS APPOINTED A FIVE-MEMBER COMMITTEE UNDER THE CHAIRMANSHIP OF NANDAN NILEKHANI**

- A five member committee under the chairmanship of Nandan Nilekani has been appointed to strengthen digital payments and to boost financial inclusion through financial technology.
- The decision for the formation of committee was taken during the first event of Financial Technology (Fintech) Conclave, which was organized by NITI Aayog in New Delhi.

## **RBI SLAPPED RS 2 CRORE PENALTY ON PNB FOR VIOLATION OF SWIFT NORMS**

- Society for World Wide Interbank Financial Telecommunication (SWIFT) is a network which enables the financial institutions worldwide to send and receive information about the financial transactions in a secure manner.
- The misuse of SWIFT messaging software has led to the massive Rs.14000 Cr fraud in the PNB which attracted the penalty.

## **ICICI PRUDENTIAL BHARAT CONSUMPTION SCHEME HAS BEEN LAUNCHED**

- It is launched by ICICI Prudential Mutual Fund.

- It is launched to get advantage from Indian consumption market.
- Nifty India Consumption Index is the benchmark for the Scheme.
- The scheme will be managed by Rajat Chandak, Dharmesh Kakkad and Priyanka Khandelwal will manage the overseas investments.
- Minimum investment for the scheme is Rs 5,000 and it is in multiples of one rupee thereafter.
- Penalty for leaving the scheme is 1 percent if investments are redeemed within 12 months from the date of allotment.

## **BANK OF BARODA IS GOING TO DEVELOP DIGITAL AGRI PLATFORM "BARODA KISAN"**

- BOB has signed MoU with six firms namely Skymet Weather Services, Weather Risk Management Services, BigHaat, Agrostar India, EM3 Agri Services and Poorti Agri Services.
- Baroda kisan will provide solutions for agricultural requirements.
- The execution of the platform will be done by IT Centre of Excellence (ITCoE) of Bank of Baroda in partnership with IBM India.

## **GOVERNMENT HAS DECIDED TO INFUSE RS 5042 CR INTO BANK OF BARODA**

- The capital infusion has been decided ahead of its merger with two other public sector lenders Dena Bank and Vijaya Bank, with Bank of Baroda which would be effective from 1st April 2019.

## **PUNJAB NATIONAL BANK HAS SOLD 13.01% STAKE IN HOUSING FINANCE ARM FOR RS 1851.60 CR**

- Stake has been sold to General Atlantic Group and VardePartners for Rs 1851 cr at Rs 850 per share.
- PNB would still hold a strategic stake of 19.78% in the housing finance company.

## **INTEREST RATE ON SMALL SAVING SCHEMES REMAINED UNCHANGED**

- Finance Ministry has decided to keep IR unchanged on SSS for three month period beginning April 1.
- It covers Post Office Saving Account, Post Office Time Deposits, national Saving Certificate, PPF, Kisan Vikas Patra and Sukanya Samriddhi.
- Based on Shyamala Gopinath panel, IR on these schemes are reviewed before end of every quarter and new rates are announced for the next quarter.