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# BANKING AND FINANCIAL AWARENESS

## AUGUST 2019: WEEK III

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### RBI PROPOSED EASING OF RULES FOR SANDBOX

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- Sandbox is an infrastructure that helps **FinTech companies** live to test their products or solutions, before getting the necessary regulatory approvals for the actual launch.
- RBI has proposed to grant regulatory relaxation for board composition, financial soundness and track record, liquidity requirements and management experience in its final '**Enabling Framework for Regulatory Sandbox**'.
- RBI has said that as per the latest audited balance sheet, the entity should have a minimum net worth of **Rs 25 lakh**.

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### DEBT WAIVER FOR 'SMALL DISTRESSED BORROWERS'

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- The Corporate affairs secretary **Injeti Srinivas** said that the waiver would be given as part of individual insolvency for small distressed borrowers from the **economically weaker section (EWS) only**.
- The proposed waiver would be offered as part of '**Fresh Start**' provisions under the IBC Code.
- IBC consists of various thresholds for 'Fresh Start', including that the gross annual income of the debtor does not exceed **Rs 60,000**.

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### GOVT REMOVED DRR FOR HFCS, NBFCs AND LISTED FIRMS

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- The Government has removed the **Debenture Reserve Requirement (DRR)** for issuance of debentures by **HFCS, NBFCs and listed firms** to reduce the cost for raising capital.
- The finance ministry has removed the requirement for a **DRR of 25 per cent of the value of outstanding debentures** issued by NBFCs, listed firms and Housing Finance Companies (HFCS)
- For **unlisted companies**, the DRR requirement has been **reduced from 25% to 10%** of the outstanding debentures.

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### SEBI PUTS PENALTY ON VIOLATION OF DISCLOSURE NORMS

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- SEBI has put a penalty of **Rs 20,000** per day on companies for violating certain provisions of **Issue of Capital and Disclosure (ICDR) Regulations**.
- In the case where **shareholders' approval** for making the bond issue is **not required**, the fine will be applied if the bond issue is delayed beyond **15 days** (from date of approval) after the board of directors have issued.
- In the case where **shareholders' approval** for making the bond issue is **required**, the fine will be applied if the bond issue is delayed beyond **2 months** from the date of the meeting of the board of directors.

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## FINMIN CONDUCTS “BOTTOM-UP CONSULTATIVE PROCESS” FOR PSBS

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- Some of the **national priorities to which banks need to align include** Jal Shakti Mission, doubling farm income, housing for all, ease of living, corporate social responsibility, education loans, and financial inclusion.
- The **State-level Bankers’ Committee** will discuss the issues received from the feedback and it will be followed by a **national-level interaction** in September.
- The exercise, termed as “**bottom-up consultative process**” for PSBs, will also provide a direction to the banks for the next five years.

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## CREDIT SUISSE REPORT

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- **As per the Credit Suisse Report**, Growth in loans by non-banking finance companies (NBFCs) and private banks has slowed down due to a slump in economic growth, consumption demand, etc.
- A dip of **11% y-o-y** has been seen for **NBFCs** and **15% y-o-y dip** for **private banks** loan’s growth.
- RBI to encourage banks to lend more in these sectors has recently reduced the risk weight on unsecured personal loans and individual vehicle loans from **125% to 100%**.

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## DIRECT TAX CODE (DTC) REPORT

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- The Income Tax Act was enacted in **1961**, and the proposal for a new DTC is to modernise India’s direct tax system.
- The task force was under **Arbind Modi initially** and was expected to submit its report by 31st May, which was later extended by then FM Arun Jaitley for 2 months.
- The Finance Ministry has appointed the **Akhilesh Ranjan** who is the member (Legislation) of the Central Board of Direct Taxes in **November 2018**, as the convenor of the task force.