



**BANKING
AND
FINANCIAL
AWARENESS
DIGEST:**



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MONTHLY BANKING AND FINANCIAL AWARENESS DIGEST: DECEMBER 2018

MANDATORY HEDGING CUT TO 70% FROM 100% FOR FOREIGN LOANS BY RBI

- Relaxed norms will apply to the ECBs (external commercial borrowings) with a maturity period between 3 and 5 years.
- Relaxation in hedging is for Indian companies raising foreign currency-denominated ECBs under Track I which means to medium-term borrowings with average maturity.
- Aimed at reducing hedging costs for foreign loans, comes at a time when the economy faces liquidity issues, particularly for the non-banking financial companies (NBFC).
- **Hedging -**
 - Risk management instrument which is used for reducing probability of loss from changing price of commodity, stocks, securities, etc.
- **Reserve Bank of India**
 - Headquarters: Mumbai
 - Governor: Urjit Patel
 - Founded: 1st April 1935

GOVERNMENT OF INDIA AND ASIAN DEVELOPMENT BANK (ADB) SIGNED \$200 MILLION LOAN

- To finance widening and upgrading of State Highways in Bihar to all-weather standards with road safety features.
- **Improved roads will contribute to savings in**
 - vehicle operating cost and travel time,
 - reduce vehicle emissions,
 - improve road safety.
- **Under the Project -**
 - A State-level Road Research Institute will establish to improve technical and management capacity of the Road Agency Staff.
 - Also, for road design and maintenance, build institutional capacity of the State and incorporate appropriate new technologies in the State's road sub-sector.
- **Asian Development Bank (ADB)**
 - Headquarters: Mandaluyong, Philippines
 - Founded: 19 December 1966
 - Membership: 67 countries

GOVERNMENT OF INDIA AND ASIAN DEVELOPMENT BANK (ADB) INKED \$75 MILLION LOAN

- For improving Urban Services in 4 coastal towns and Mangalore in Karnataka.
- Strengthen institutions for improving water use efficiency, water resource planning, monitoring and service delivery.
- Also, 24 x7 water supply will be provided in Karnataka's four coastal towns of Kundapura, Mangalore Puttur and Udupi and improve sanitation infrastructure for Mangalore town.

- It will be tranche 2 loan agreement.

RBI MOVES TO MAKE MORE LIQUIDITY FOR NON-BANKING FINANCE FIRMS

- To avail more liquidity available to non-banking finance firms, the Reserve Bank of India has relaxed the securitisation norms by relaxing the minimum holding period requirement.
- This move will follow a demand from the government for a special window for NBFCs, to provide them liquidity support.
- RBI relax the Minimum Holding Period (MHP) requirement for originating NBFCs.
- When the NBFC retains 20% of the book value relaxation on the minimum holding period will be allowed of these loans.
- NBFC sector is facing liquidity shortage after Infrastructure Leasing & Finance Services, a core investment company, started defaulting on loans.

20-CHARACTER LEI CODE MANDATORY FOR MARKET PARTICIPANTS: RBI

- To improve the quality and accuracy of financial data systems for better risk management post the global financial crisis Reserve Bank of India (RBI) has decided to make Legal Entity Identifier (LEI) code mandatory for market participants.
- LEI is a 20-character unique identity code assigned to entities who are parties to a financial transaction.
- **Participants of the implementation include -**
 - Government securities markets,
 - Money markets
 - Non-derivative forex markets.

NET STABLE FUNDING RATIO (NSFR) NORMS FOR BANKS TO BE OPERATIONAL FROM APRIL 2020: RBI

- For maintaining a stable funding profile in relation to the composition of their assets and off-balance sheet activities.
- **NSFR -**
 - amount of available stable funding relative to the amount of required stable funding defined as NSFR.
- Guidelines are in line with global norms prescribed by the Basel Committee.
- Applicable for Indian banks at the solo as well as consolidated level whereas for foreign banks operating as branches in India, on stand-alone basis (for Indian operations only).

INDIA POST INTRODUCES INTERNET BANKING SERVICES FOR SAVINGS ACCOUNT HOLDERS

- Taking a step towards Digital India Programme, India post payment bank India Post Payments Bank has launched internet banking services for all the post office savings bank account holders.

BENEFITS

- Under India Post internet banking facility users will now be able to make deposits to their recurring deposit (RD) account, public provident fund (PPF) account, etc, from their respective savings bank account

IRDAI ALLOWS SINGLE PERSONAL ACCIDENT COVER FOR MULTIPLE VEHICLES

- Insurance regulator IRDAI has decided to unbundle the compulsory personal accident (CPA) cover and allow the issuance of a standalone CPA cover for owner-driver effective from January 2019
- Currently, a vehicle buyer has to buy a CPA for every vehicle he or she purchase.
- In September this year, the Insurance Regulatory and Development Authority of India (Irdai) had raised the minimum insurance cover for owner-driver to Rs 15 lakh for an annual premium of Rs 750.
- Earlier, the capital sum insured (CSI) for two-wheelers and private cars/commercial vehicles was Rs 1 lakh and Rs 2 lakh, respectively.

SIPRI REPORT : FOUR INDIAN PSUS FEATURE IN WORLD'S TOP 100 ARMS PRODUCERS

- In the recently released rankings by Stockholm International Peace Research Institute (SIPRI) four Indian Public Sector Undertakings have been placed among world's top 100 arms producers.
- These companies are as follows:
 - Indian Ordnance Factories (37th Rank)
 - Hindustan Aeronautics (38th Rank)
 - Bharat Electronics (64th Rank) Bharat Dynamics (94th rank)

GOVT ADDS KOREAN WON, TURKISH LIRA IN LIST OF CURRENCIES FOR EXCHANGE RATES

- The government has included two currencies -- Korean Won and Turkish Lira -- in the list of currencies for which it notifies the exchange rate for assessing the value of imports and exports.
- Currently, the Central Board of Indirect Taxes and Customs (CBIC) notifies exchange rates for 20 currencies for the purpose of valuation of imported and exported goods and it has been now become 22 with the induction of Won and Lira.

KEY POINTS:

- Bilateral trade between India-South Korea grew to \$16.36 billion during 2017-18 from \$12.59 billion in 2016-17 and it is \$7.2 billion during 2017-18 between India and Turkey.
- Notifying Korean Won (WON) and Turkish Lira (TKY) by CBIC will facilitate trade and business by easing the process of conversion of these currencies into rupee and vice versa.
- It will also help the exporters claim the benefits of Merchandise Export Incentive Scheme (MEIS) easily, as the rates of TKY and WON will be readily available on the realisation date of remittances.

SEBI EASES NORMS AROUND CYBER SECURITY OPERATIONS FOR SMALL SECURITY OPERATIONS FOR SMALL MARKET INTERMEDIARIES

SEBI has eased the guidelines pertaining to setting up cyber security operations centre for small market intermediaries as they lack knowledge in cyber security.

- Small intermediaries can utilise services of market security operations center (SOC), which is proposed to be set up by market infrastructure institutions (MIIs) with the objective to provide cyber security solutions to such intermediaries.
- The intermediaries' membership in market SOC is non-mandatory
- SOC will be set up as a separate entity and MIIs will have at least 51 per cent stake in the new entity.
- Intermediaries, which do not have the capability to set up such centre on their own, can opt for market SOC. Market SOC would provide only technology perspective for cyber security

OBOPAY PARTNERS WITH FEDERAL BANK, MASTERCARD FOR PREPAID CARDS

Obopay has launched a new generation pre-payment instrument in partnership with Federal Bank and Mastercard with an aim to provide enterprises with a disbursement and payments solution

FEATURES OF THE CARD:

- Multi-wallet facility that allows dedicated payments and allocation of money for various purposes
- Card to card money transfer
- making online payments
- withdrawing cash at ATMs

AMAZON INDIA SIGNED MOU WITH FISME TO EMPOWER MSME SECTOR

- Amazon India has partnered with FISME (The Federation of Indian Micro and Small & Medium Enterprises) to empower Micro, Small & Medium Enterprises (MSMEs) to leverage growth opportunities in the e-commerce sector.
- As per the MoU, Amazon.in will conduct various events and workshops across the country that will enable and encourage the MSMEs in India to sell their products to millions of consumers from India and across the globe by leveraging e-commerce marketplace solutions.
- Through the collaboration, MSMEs will get access to experts from Amazon, FISME and various service providers to help them understand the procedures and requirements related to areas such as logistics, cataloging, imaging and taxation.

RBI GRANTS 40 BRANCH LICENSES TO BANDHAN BANK

- Reserve Bank of India has allowed Bandhan Bank to open as many as 40 more branches,
- RBI has come down heavily on Bandhan Bank in the last week of September for its failure to bring down promoters' stake to 40% as per the licensing agreement.

SEBI relaxes startups listing norms

Ajay Tyagi, Chairman of SEBI announced the facility known as side-pocketing will be available to mutual funds based on credit events.

- 'Side pocketing' is a tool to separate distressed, illiquid and hard-to-value assets from other more liquid assets in a portfolio.

- It prevents the distressed assets from damaging the returns generated from more liquid and better-performing assets.

SEBI has also renamed the Institutional Trading Platform as Innovators Growth Platform. Under the new regulations, a firm seeking listing

- Should be engaged in the intensive use of new-age technologies,
- 25 per cent of its pre-issue capital be held by qualified institutional buyers or family trusts with over Rs.500 crore net worth or
- A Category III foreign portfolio investor or a pooled investment fund with minimum assets of \$150 million or an accredited investor with gross income of at least Rs. 50 lakh annually

SHAKTIKANTA DAS TAKES CHARGE AS 25TH GOVERNOR OF THE RBI

Shaktikanta Das assumed charge as the 25th Governor of the Reserve Bank of India.

- Shaktikanta Das is former economic affairs secretary at the Finance Ministry
- He worked closely with the central bank and oversaw Prime Minister Narendra Modi's controversial plan to ban high-value notes in late 2016
- He is currently a member of the Finance Commission of India, and serves as the government's representative at the Group of 20 summits.
- Das is seen as someone who can ease tensions with the state, prompting a mixed reaction from markets

RBI TO IMPLEMENT AN OMBUDSMAN SCHEME FOR DIGITAL TRANSACTIONS

- The Reserve Bank of India (RBI) will implement an 'Ombudsman Scheme for Digital Transactions covering services provided by entities falling under Reserve Banks regulatory jurisdiction.
- The scheme will be notified by the end of January 2019.
- RBI has also issued instructions on limiting customer liability in respect of unauthorised electronic transactions involving banks and credit card issuing non-banking financial companies (NBFCs).

RBI SHORTLISTS SIX COMPANIES FOR SETTING UP PUBLIC CREDIT REGISTRY

- The Reserve Bank of India has shortlisted six major IT companies to set up a wide-based digital Public Credit Registry (PCR) for capturing details of all borrowers and wilful defaulters.
- These companies are: TCS, Wipro, IBM India, Capgemini Technology Services India, Dun & Bradstreet Information Services India, and Mindtree

PAISABAZAAR.COM, KARNATAKA BANK IN PARTNERSHIP TO OFFER HOME LOAN PRODUCTS

- Paisabazaar.com, online marketplace for financial products and Karnataka Bank have announced a partnership to offer the bank's home loan product to customers on the Paisabazaar platform.
- This partnership will allow consumers to choose and apply for a home loan from Karnataka Bank, directly through the Paisabazaar platform.

RBI LIMITS TOTAL OUTSTANDING ECBS TO 6.5 PC OF GDP

- The Reserve Bank of India (RBI) has decided to put a cap for funds raised via external commercial borrowing (ECB) at 6.5% of the country's GDP.
- ECBs refer to commercial loans in the form of bank loans, securitised instruments buyers' credit, suppliers' credit availed of from non-resident lenders with a minimum average maturity of three years.