



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

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# BANKING AND FINANCIAL AWARENESS DIGEST: DECEMBER 2019

## NOVEMBER GST REVENUE COLLECTION

- Rs 1,03,492 crore is the amount of gross GST revenue collected in the month of November, 2019.
- The total revenue earned by Central Government and the State Governments after regular settlement in the month of November, 2019 is Rs 44,742 crore for CGST and Rs 44,576 crore for the SGST.
- GST has witnessed a recovery growth of 6% in Nov 19 over Nov 18.

## NCLT ADMITS BANKRUPTCY RESOLUTION FOR DHFL

- The Mumbai bench of National Company Law Tribunal (NCLT) has admitted an RBI petition seeking bankruptcy resolution for Dewan Housing Finance (DHFL) under the Insolvency and Bankruptcy Code (IBC), 2016.
- RBI filed a plea under Rule 5 (a)(i) and Section 227 of IBC for bankruptcy proceedings to resolve the credit and liquidity crisis of the company.
- Rule 5 (a) (i) of the Insolvency and Bankruptcy Rules, 2019 prescribes that Corporate Insolvency Resolution Process (CIRP) can be initiated against Financial Service Providers (FSP) committing default upon an application made by the Appropriate Regulator.

## RBI 5TH BI-MONTHLY MONETARY POLICY

- The MPC voted unanimously to keep the policy rate unchanged at 5.15%.
- The MPC revised the CPI inflation projection upwards to 5.1-4.7 % for H2:2019-20 and 4.0-3.8 % for H1:2020-21.
- Real GDP growth for 2019-20 is revised downwards from 6.1 % in the October policy to 5.0 % – 4.9-5.5 % in H2 and 5.9-6.3 per cent for H1:2020-21.

### **RBI TO AMEND REGULATORY GUIDELINES FOR UCBS**

- The Reserve Bank of India has announced that it is mulling to amend regulatory guidelines for primary Urban Co-operative Banks (UCBs).
- The guidelines would primarily relate to Exposure norms for single and group/interconnected borrower, promotion of financial inclusion and priority sector lending.
- RBI has also decided to bring UCBs with assets of 500 crore rupees and above under the Central Repository of Information on Large Credits - CRILC reporting framework to strengthen off-site supervision and early recognition of financial distress.

### **RBI TIGHTENS NORMS FOR ARCS**

- The Reserve Bank of India (RBI) has to tighten norms for asset reconstruction companies (ARCs) to acquire financial assets.
- RBI has put restriction on the ARCs from buying financial assets from its sponsor firms and lenders (bank or financial institution) on a bilateral basis.
- Asset Reconstruction Company (India) (Arcil), which is sponsored by State Bank of India (SBI), ICICI Bank, Punjab National Bank (PNB) and IDBI Bank is likely to be affected the most.

### **AVAILABILITY OF NEFT ON A 24X7 BASIS**

- All provisions of NEFT procedural guidelines will be applicable for NEFT 24x7 transactions as well.
- The existing discipline for crediting beneficiary's account or returning the transaction (within 2 hours of settlement of the respective batch) to originating bank will continue.
- NEFT transactions would be done through automated transactions initiated using 'Straight Through Processing (STP)' modes, after the usual banking hours of banks.

### **RBI IMPOSED MONETARY PENALTY ON ANDHRA BANK**

- The Reserve Bank of India (RBI) has imposed a monetary penalty of Rs 25 lakh on Andhra Bank by an order dated 5th December 2019.
- Deficiencies in regulatory compliance of the bank were found in an examination of current accounts opened by two entities in Andhra Bank.
- RBI came to the conclusion of imposing a monetary penalty after considering the reply from the bank and personal hearing as to why penalty should not be imposed for non-compliance with the directions.

### ICAR AND NABARD SIGNS AN MOU

- The Indian Council of Agricultural Research (ICAR) has signed an MoU with the National Board of Agriculture and Rural Development (NABARD) to make the action research and up-scaling of the various technologies and innovative farmer models easier.
- The MoU was signed in New Delhi between the Secretary (DARE) & Director General (ICAR) Dr. Trilochan Mohapatra and the Chairman of NABARD, Harsh Kumar Bhanwala.
- The MoU is basically aimed at taking up site-specific transfer of technologies under integrated farming system, sustainable agriculture, agro-forestry, animal sciences, etc., including post-harvest technologies.

### RBI PROVIDES INTRADAY LIQUIDITY WINDOW FOR NEFT

- The Reserve Bank of India has announced to provide an intraday liquidity (IDL) window or facility for the National Electronic Funds Transfer (NEFT) transactions.
- This facility will help in the smooth operation of NEFT system on 24x7 basis.
- All the banks will be eligible for this facility. However, the time limit for such a facility will be set by the RBI from time to time.
- This liquidity adjustment facility will be beneficial for settlement purposes and will also reduce the pressure of the banks.

### 'BHARAT BOND ETF', INDIA'S FIRST CORPORATE BOND LAUNCHED

- Edelweiss Asset Management Company (AMC) has launched the 1st Corporate Bond Exchange Trade Fund (ETF) of India. It is called as the Bharat Bond ETF.
- Edelweiss AMC is a subsidiary of Edelweiss Capital Limited (ECL).
- Edelweiss said that it aims to raise an initial amount of Rs 3,000 crore through this bond from institutional players with a greenshoe option of Rs 2,000 crore in a maturity period of 3-year (2023).
- It also aims to raise amount of Rs 4,000 crore with a greenshoe option of Rs 6,000 crore in a maturity period of 10-year (2030).

### MASTERCARD SIGNS AN MOU WITH FEDERAL BANK FOR ADDITIONAL DIGITAL SECURITY CALLED 'MASTERCARD IDENTITY CHECK'

- American multinational financial services corporation Mastercard has tied-up with private sector Federal bank to provide an additional layer of security function for digital transactions done by cardholders of the bank. This facility is called 'Mastercard Identity Check'.

- This new security function will be provided by using EMV 3-D Secure (3DS). This security function will provide an easy and safe way to authenticate cardholders without using passwords.
- EMV 3-D Secure is a messaging protocol that will promote easy consumer authentication and will allow the consumers to authenticate themselves with their card issuer while making purchases without card or card-not-present (CNP) e-commerce purchases.

### **MOODY'S LOWERS INDIA'S GDP GROWTH FORECAST TO 5.6% FOR 2019**

- American credit rating agency, Moody's Investors Service has lowered the Gross Domestic Product (GDP) growth forecast of India for the year 2019 to 5.6%.
- This is very less from the growth forecast of 7.4% in 2018.
- This forecast has been done in the Global Macro Outlook 2020-21 of Moody's.
- The major cause of lowering the growth forecast is the slow growth rate of employment.
- Moody's has also projected that India's GDP growth may improve later and become 6.6 % and 6.7 % in 2020 and 2021 respectively.

### **ADB LOWERS INDIA'S GDP GROWTH FORECAST FOR FY20**

- Asian Development Bank (ADB) has lowered the Gross Domestic Product (GDP) growth forecast of India for the financial year 2019-20 to 5.1% from 6.5% projected earlier.
- ADB projected earlier in September 2019 that India's GDP growth will be 6.5% in 2019-20 and 7.2% in 2020-21.

### **MORE THAN 10 LAKH CRORE LOANS SANCTIONED UNDER MUDRA YOJANA**

- The ministry of Labour and Employment released an information regarding loans sanctioned under MUDRA Yojana.
- According to the ministry, loans of an amount of Rs. 10.24 lakh crore have been sanctioned under the Pradhan Mantri MUDRA Yojana (PMMY) as on November 1, 2019.
- Also, these loans were sanctioned to 20.84 crore account holders.
- MUDRA Yojana was by the Prime Minister Narendra Modi on April 8, 2015.

### **NATIONAL SMALL INDUSTRIES CORPORATION (NSIC) SIGNS AN MOU WITH SUADI ARAMCO**

- National Small Industries Corporation (NSIC) has signed an MoU with Saudi Aramco (Asia) for the development of Micro, Small and Medium Enterprises (MSME) in India in the Oil & Gas Sector.

- The MoU will help the Indian MSMEs to make place as vendors in the Global space.
- NSIC is a Mini Ratna PSU that works under the Ministry of MSME.
- Saudi Aramco is a Saudi Arabian national petroleum and natural gas company.

### **NTPC SIGNS RS 5,000-CRORE TERM LOAN AGREEMENT WITH SBI**

- National Thermal Power Corporation Limited has signed a term loan agreement for Rs. 5,000 crore with State Bank of India.
- This loan facility by SBI has been extended at an interest rate linked to 3-month MCLR (Marginal Cost of Funds based Lending Rate) of the bank.
- Additionally, the loan facility has a door-to-door tenure of 15 years.

### **EXIM BANK PROVIDES USD 500 MN CREDIT TO BANGLADESH**

- Export-Import Bank of India (Exim Bank) has provided a Line of Credit of \$500 million (Rs 3561 crore) to Bangladesh for defence-related procurement.
- The agreement was signed with Bangladesh's Armed Forces Division.
- Under the loan agreement, financing of export of eligible goods and services from India would be allowed subject to the Foreign Trade Policy (FTP).

### **ADB AND INDIA SIGNED \$ 490 MILLION LOAN FOR MADHYA PRADESH**

- The Asian Development Bank (ADB) and the Government of India have signed a loan of \$490 million for public-private partnership (PPP) project in order to upgrade about 1,600 km of state highways and major district roads (MDRs) from single-lane to two-lane in the state of Madhya Pradesh.
- In addition to this, an investment of \$286 million will also be mobilized through private sector participation under the partnership.
- The project will upgrade 750 km of state highways and 850 km of MDRs to two-lane widths.

### **HDFC BANK CROSSED \$100 BN MARKET CAPITALISATION**

- HDFC Bank Ltd crossed \$100 billion market capitalization in intraday trading.
- With this, the bank became the third company in India to achieve this milestone.
- The bank now ranks 26th among most valued banks and financial companies around the world which have a market capitalization of more than \$100 billion.

### **SBI AND GERMAN BANK SIGN A LOAN AGREEMENT**

- State Bank of India (SBI) and German development bank KfW have signed a loan agreement of USD 277 million in order to establish an energy-efficient housing programme in India.
- In addition to this, KfW will also provide a grant of 1.5 million euros (about Rs 12 crore) as a technical assistance package.

### **RBI WAIVES OFF NEFT, RTGS TRANSFER CHARGES FOR SAVINGS ACCOUNT HOLDERS**

- The Reserve Bank of India has waived off the charges of NEFT and RTGS transactions for savings bank account holders.
- RBI instructed all the banks to not to charge any fee for all online payments done through RTGS and NEFT from savings bank account holders.
- It will be effective from January 1, 2020.

### **BANK OF BARODA JOINS HANDS WITH GUJARAT GOVT TO PROVIDE MSME LOANS**

- Bank of Baroda has signed an MoU with the Gujarat government for providing loans to the Micro, Small and Medium Enterprises (MSME) sector.
- According to the agreement, the bank will provide loans to the MSME sector for Start-Ups, Greenfield Projects, Women Entrepreneurs and Entrepreneurs from backward areas of the state under the Gujarat Single Window Clearance Act 2017 & Ordinance No.1 of 2019 dated 24th October 2019.

### **RBI TO FOLLOW US-STYLE 'OPERATION TWIST' TO REDUCE LONG-TERM INTEREST RATES**

- The Reserve Bank of India (RBI) will conduct simultaneous sale and purchase of government bonds under the Open Market Operations (OMO) mechanism to reduce long-term interest rate.
- The central bank has brought this concept on the basis of "Operation Twist" that was last adopted by the US (United States) Federal Reserve in 2013.
- Thus, RBI will buy bonds worth Rs 10,000 crore of 6.45% maturing in the year 2029 and issuing bonds worth Rs 10,000 crore maturing in the year 2020.



### GEM INKS MOU WITH UCO BANK & BOM FOR PAYMENT-RELATED SERVICES

- Government e-Marketplace (GeM) has signed an MoU with Bank of Maharashtra (BoM) & UCO Bank to provide a paperless, cashless, and transparent payment system on its portal.
- GeM is a portal to facilitate online procurement of Goods & Services required by various government departments.

### NDB COMMITS \$100 MILLION TO INDIA'S NIIF

- New Development Bank (NDB) will provide \$100 million to India's National Investment and Infrastructure Fund's (NIIF) Fund of Funds (FoF).
- NIIF FoF aims to raise about \$1 billion in order to invest in up to 10 private equity funds managed by fund managers in India.
- ADB has already granted Rs 667 crore to NIIF-FoF.

### CABINET APPROVED ORDINANCE TO FURTHER AMEND IBC

- The ordinance has been approved to help remove certain ambiguities in **the Insolvency and Bankruptcy Code, 2016**.
- The amendment passed would **ring-fence successful bidders from criminal proceedings** against offences committed by previous promoters.
- The bill with a proposed amendment in IBC was introduced in the Lok Sabha earlier on 12th December but it was not passed by the Parliament as the winter session ended on 13th December.

### CENSUS OF INDIA 2021

- The approval has been made for conducting the census 2021 at a cost of **Rs. 8,754.23 crore** and NPR at a cost of **Rs. 3,941.35 crore**.
- The Census of India will cover the **entire population in the country** while NPR will also cover all the population **except in the state of Assam**.
- The Indian Census is the **largest administrative and statistical exercise in the world**.

### RBI INTRODUCED NEW PAYMENT INSTRUMENT

- **An annual limit of Rs 1.2 lakh** has also been fixed by the RBI, that can be recharged on these accounts.
- **The banks and existing non-bank PPI players** can issue the new payment instrument and would verify the credentials of customers.

- The verification process involves the **use of an OTP sent to the user's verified mobile number** and a digital **identification document** recognized by the **Department of Revenue**.

### CBIC ISSUES SOP FOR GST NON-FILERS

- Central Board of Indirect Taxes and Customs (**CBIC**), **Ministry of Finance** has issued Standard Operation Procedure (SOP) to deal with **non-filers of GST returns**.
- 5 days later a notice will be issued in **Form GSTR 3A** asking the **GST payer to file the return or make payment within 15 days**.
- After 15 days, if the return is not filed, the proper officer may proceed to **assess the tax liability of the person to the best of his judgment** and would issue an order under **Rule 100 of the CGST Rules in Form GST ASMT-13**.

### SEBI PENALISED RATING AGENCIES OVER LACK OF PROPER DUE DILIGENCE IN IL&FS

- The Securities and Exchange Board of India (SEBI) has penalised rating agencies for lack of proper due diligence while rating non-convertible debentures of Infrastructure Leasing and Financial Services Ltd (IL&FS).
- SEBI levied a penalty of Rs 25 lakh each on three rating agencies ICRA Ltd, India Ratings & Research and Credit Analysis and Research Limited (CARE) Ratings Ltd.
- The rating agencies were also found guilty for not noticing disparities in public disclosures made by IL&FS.

### RBI DIRECTION FOR LARGE CO-OP BANKS

- The Reserve Bank of India (RBI) has directed (**Urban**) **Co-operative Banks (UCBs)** to report all **exposures of Rs 5 crore and more to the CRISIL**.
- The Co-operative Banks (UCBs) having **total assets of Rs 500 crore and above as on 31st March of the previous financial year** shall report credit information, including classification of an account as **Special Mention Account (SMA)**, on all borrowers having aggregate exposures of Rs 5 crore.
- The RBI had announced to bring UCBs with assets of Rs 500 crore and above under the CRILC reporting framework in its **fifth Bi-monthly Monetary Policy Statement, 2019-20** announced on December 05, 2019.

### 20TH FINANCIAL STABILITY REPORT: RBI

- **Persistence of the risks** arising out of global or domestic economic uncertainties and geopolitical developments like a delay in the Brexit deal, trade tensions, whiff of an impending recession, oil-market disruptions and geopolitical risks.

- Scheduled commercial banks' (SCBs) gross non-performing assets (GNPA) ratio remained unchanged at 9.3% between March and September 2019 and predicted that SCBs' GNPA ratio may increase from 9.3 % in September 2019 to 9.9 % by September 2020.
- The size of the inter-bank market continued to shrink with inter-bank assets amounting to less than 4 % of the total banking sector assets as at end-September 2019.

### FINMIN ANNOUNCED NO MDR ON TRANSACTIONS THROUGH RUPAY AND UPI

- The step is taken to promote digital payments along with indigenously developed digital payment medium like RuPay and BHIM UPI over the payment gateway promoted by foreign companies.
- The MDR is the cost paid by a merchant to a bank for accepting payment from their customers via digital means.
- Now, all companies with a turnover of Rs 50 crore or more will be mandated to provide the facility of payment through RuPay Debit card and UPI QR code to their customers.

### FINMIN LAUNCHED EBKRAY, A COMMON E-AUCTION PLATFORM

- The Union Finance Minister, Nirmala Sitharaman has launched eBkray, a common e-auction platform on 28th Dec 19, for online auction of assets attached by banks.
- The step has been taken for transparent and clean online auction by banks of an attached asset, for the improved realisation of value.
- Public Sector Banks (PSBs) have attached assets worth over Rs. 2.3 lakh crore over the last three financial years.

### RBI BUYS RS 10,000 CRORE WORTH LONG-TERM GOVT SECURITIES IN 2ND SPECIAL OMO

- Last week, the RBI had announced to purchase and sell simultaneously government securities under Open Market Operations (OMO) for Rs 10,000 crore each.
- The RBI received Rs 25,698 crore worth of bids in the OMO purchase of 6.45 percent GS 2029, the 10-year benchmark security but accepted Rs 10,000 crore of bids.
- It accepted only Rs 8,501 crore worth of bids for the three securities as against Rs 38,551 crore bids it received in for four securities in the OMO sale auction.

## CBIC PAID RS 1.12 LAKH CRORE AS IGST REFUND TO EXPORTERS

- The release also said that refunds of **only Rs 3,604 crore are pending with Customs** and about **3.4% of total exporters including “Star exporters”** have been identified as **Risky i.e. Red flagged**.
- **Risky exporters** are those who suspected to claim excessive **input tax credit (ITC)** based on fake invoices.
- **Star exporters** are certified by the government on the basis of export performance and extended certain benefits including customs clearance on self-certification basis and exemption from furnishing bank guarantee under certain schemes.

