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BANKING AND FINANCIAL AWARENESS DIGEST

February 2019

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CONTENTS

India attracted massive FDI worth \$ 239 billion in last 5 years	2
KisanSuidha loan by Ujjvan Small Finance Bank	2
Two RRBs To Be Merged To Form Tamil Nadu Grama Bank.....	2
ICICI Bank, SBFC Joined Hands To Provide Loans	2
Syndicate Bank And SBI Life Insurance Signed Bancassurance Pact	2
Pallavan Grama Bank and Pandyan Grama Bank merged to form TN Grama Bank.....	3
RBI Penalised a total of Rs.5.2 Crore on Axis Bank, UCO Bank and Syndicate Bank for violation of norms.....	3
Asian Development Bank bought 14% stake in Annapurna Finance.....	3
6th Bi-monthly Monetary policy released by RBI	3
Indian Banking Association has issued Advisory to waive off various charges for Kisan Credit Card	4
Fino Payments Bank partners with Suryoday SFB to offer Sweep Account Facility	4
Reserve penalized SBI for Rs 1 crore	4
Asian Development Bank raised \$100 million in international market	4
Reserve Bank of India doubled the limit of bulk deposits from Rs 1 crore to Rs 2 crore	4
Reserve slapped Rs 1.5 crore fine on Allahabad Bank.....	4
Insurance Regulatory and Development Authority has imposed a fine of Rs 9 lakh on state-owned United India Insurance.	5
Reserve Bank of India MSME package to help recast 1 lakh crore loan for 700k accounts	5
NTPC has signed a pact with SBI for Rs. 5,000 Crore Term Loan	5
Yes Bank has been cleared of Divergence charges imposed by RBI.....	5
\$40 million loan agreement signed between Centre, Himachal Pradesh and World Bank for Shimla water supply	6
JP Morgan became First US Bank with Cryptocurrency	6
Reserve Bank of India lifted cap on Foreign Portfolio Investment in Corporate Bonds	6
RBI slapped a penalty of Rs 3.5 crore on PNB, OBC and Bank of India	6
Life Insurance Corporation (LIC) launched a new microinsurance plan 'Micro Bachat'	6
Finance Ministry announced a capital infusion of Rs 48,239 crore in 12 public sector banks (PSBs)	7
Merger of Vijaya Bank and Dena Bank with Bank of Baroda to be effective from April 1.....	7
HDFC ERGO launched first of its kind Trip Protector policy.....	7
Reserve Bank of India to pay Rs 28000 crore as Interim Dividend to government	7

BANKING AND FINANCIAL AWARENESS DIGEST: FEBRUARY 2019

INDIA ATTRACTED MASSIVE FDI WORTH \$ 239 BILLION IN LAST 5 YEARS

- As per the interim budget of 2019-20, India has received massive foreign direct investment worth USD 239 billion in the last five years
- Sectors which received the maximum foreign investment are services, computer software and hardware, telecommunications, trading, construction, automobile, and power.
- The top sources of FDI include Mauritius, Singapore, Netherlands, the US and Japan.

KISANSUVIDHA LOAN BY UJJAVAN SMALL FINANCE BANK

- Ujjivan Small Finance Bank launched 'Kisan Suvidha loan' for small and marginal farmers with an attempt to reach the bottom of the pyramid with products and services.
- This loan can be used by farmers for both agriculture and allied activities.
- It caters to the needs of customers for various allied and agricultural activities. It provides loans to individuals with an amount ranging from Rs. 60000 to Rs. 2 Lakh to fulfill the customized needs of the mass market segment.

TWO RRBS TO BE MERGED TO FORM TAMIL NADU GRAMA BANK

- Two regional rural banks; Pallavan Grama Bank and Pandyan Grama Bank will be merged to form the Tamil Nadu Grama Bank
- The new Tamil Nadu Grama Bank will be under the sponsorship of Indian Bank with head office in Salem.

ICICI BANK, SBFC JOINED HANDS TO PROVIDE LOANS

- ICICI Bank has signed a Memorandum of Understanding (MoU) with Small Business FinCredit India Pvt. Ltd. (SBFC) to jointly provide credit worth up to Rs 1 crore to MSMEs for a tenure of 15 years. Under this arrangement, ICICI Bank will co-originate loan against property with SBFC at a mutually agreed ratio.

SYNDICATE BANK AND SBI LIFE INSURANCE SIGNED BANCASSURANCE PACT

- Syndicate Bank and SBI Life Insurance signed a bancassurance pact to offer a comprehensive financial planning solution to its customers

- Syndicate Bank will provide penetration in the market with its 3,000 branches and SBI Life's diverse range of protection, wealth creation and savings insurance products will be brought to the table to the customers.

PALLAVAN GRAMA BANK AND PANDYAN GRAMA BANK MERGED TO FORM TN GRAMA BANK

- The consolidation will be effective from April 1, 2019.
- It has been conferred by Ministry of Finance under Regional Rural Banks Act 1976.
- Pallavan Grama Bank is sponsored by Indian Bank and Pandyan Grama Bank is sponsored by Indian Overseas Bank.
- The newly integrated bank will be sponsored by Indian Bank and will have its head office located at Salem, Tamil Nadu.

RBI PENALISED A TOTAL OF RS.5.2 CRORE ON AXIS BANK, UCO BANK AND SYNDICATE BANK FOR VIOLATION OF NORMS

- Axis and UCO Bank has been imposed with a Penalty of Rs.2 Crore each for their not committing with the norms related to payment through cheques.
- Axis Bank has also imposed a Penalty of 20 Lakhs for the detection and impounding of counterfeit notes.
- Syndicate Bank is imposed with a Penalty of Rs.1 Crore for contradicting the norms in Checking norms and Risk Management.

ASIAN DEVELOPMENT BANK BOUGHT 14% STAKE IN ANNAPURNA FINANCE

- ADB has bought a 14% stake in micro-financier Annapurna Finance for Rs 137 crore.
- ADB believes that India's microfinance sector is on course to attract long-term funds from global lenders and investors.
- The expansion of equity will help firm expand its loan portfolio in asset classes such as MSME and affordable housing, beyond its bread and butter finance.

6TH BI-MONTHLY MONETARY POLICY RELEASED BY RBI

- This is the first bi-monthly policy under Shaktikanta Das.
- It reduced 0.25 basis points in policy rates with immediate effects.
 - Repo Rate 6.25%
 - Reverse Repo Rate 6.00%
 - MSFR 6.50%
 - Bank Rate 6.50%
 - Cash Reserve Ratio 4%
 - SLR 19.25%

INDIAN BANKING ASSOCIATION HAS ISSUED ADVISORY TO WAIVE OFF VARIOUS CHARGES FOR KISAN CREDIT CARD

- IBA issued an advisory to waive off the processing, documentation, inspections and all other service charges for KCC and crop loans up to 3 lakhs.
- There are 21 crore small and marginal farmers.

FINO PAYMENTS BANK PARTNERS WITH SURYODAY SFB TO OFFER SWEEP ACCOUNT FACILITY

- The partnership will help to address the issue of deposit limits that all the payment banks face at the moment.
- It would allow customers to seamlessly transfer the excess amount from their account in FPB to SSFB account.

RESERVE PENALIZED SBI FOR RS 1 CRORE

- RBI in the exercise of powers under section 47A of the Banking Regulation Act, 1949 has levied a penalty of Rs 1 crore on SBI.
- It has been levied for not monitoring the end use of funds in respect of one of its borrowers.

ASIAN DEVELOPMENT BANK RAISED \$100 MILLION IN INTERNATIONAL MARKET

- ADB has raised \$100 million from peso-linked bonds in the international market.
- It was there maiden issue of Philippine Peso.
- The move will help to reduce foreign exchange risk for ADB's borrowers and support its growing local currency lending operations in Philippines.

RESERVE BANK OF INDIA DOUBLED THE LIMIT OF BULK DEPOSITS FROM RS 1 CRORE TO RS 2 CRORE

- RBI decided to treat deposits to over Rs.2 crore as 'bulk' as they doubled the limit for the same from the earlier Rs.1crore.
- The move will enhance operational freedom of Banks.
- RBI also proposed banks would maintain their bulk deposits interest rate cards in the core banking system for supervisory review.

RESERVE SLAPPED RS 1.5 CRORE FINE ON ALLAHABAD BANK

- The penalty has been imposed for not monitoring end use of funds, delay in classification and reporting of fraud and non-adherence with RBI guidelines.

INSURANCE REGULATORY AND DEVELOPMENT AUTHORITY HAS IMPOSED A FINE OF RS 9 LAKH ON STATE-OWNED UNITED INDIA INSURANCE.

- IRDAI imposed a sum of 5 lakh for violation of regulations such as assigning of surveyors and submitting reports, insurer offering a settlement to the insured as well as paying the claim to the insured.
- The balance 4 lakh – 1 lakh each was for violations of circular and guidelines on rates and discounts an insurer can offer.

RESERVE BANK OF INDIA MSME PACKAGE TO HELP RECAST 1 LAKH CRORE LOAN FOR 700K ACCOUNTS

- It must be implemented by every bank before March 2020.
- MSME package would enhance job opportunities in the industry.
- It is a one-time scheme wherein a loan tenor and interest rate can be revised without classifying the asset as an NPA.
- This facility is available for standard advances of up to Rs 25 crore.

NTPC HAS SIGNED A PACT WITH SBI FOR RS. 5,000 CRORE TERM LOAN

- The agreement was signed by NTPC's General Manager (Finance), Masood A. Ansari, and Deputy General Manager of SBI, Neelabh Sinha.
- The loan facility is extended at an interest rate linked to 3-month MCLR of the bank and has a door to door tenure on 15 years, which will be utilised to part finance the capital expenditure of NTPC.

YES BANK HAS BEEN CLEARED OF DIVERGENCE CHARGES IMPOSED BY RBI

- Divergence charges mean disparity in reporting bad loans and provisioning numbers for the year ended March 2018.
- The final report observed nil divergence in the bank's asset classification and provisioning from the norms of the RBI.
- In FY16, in its first assessment, Yes Bank was found divergence of Bad loans by RBI at Rs. 4,176 crores higher than the reported gross NPA of Rs. 748.9 crore.
- In FY17, the bank was found to be divergence again at Rs. 6,355 crores and reported gross NPA of Rs. 2,018 crore lower than RBI's estimation of Rs. 8,373 crore.

\$40 MILLION LOAN AGREEMENT SIGNED BETWEEN CENTRE, HIMACHAL PRADESH AND WORLD BANK FOR SHIMLA WATER SUPPLY

- The loan has been signed for bringing clean and reliable drinking water to citizens of Greater Shimla, who have been facing severe water shortage and water-borne epidemics in the last few years.
- Shimla Water Supply and Sewerage Service Delivery Reform Programmatic Development Policy Loan 1 is expected to improve Water Supply & Sanitation (WSS) services in and around Shimla.

JP MORGAN BECAME FIRST US BANK WITH CRYPTOCURRENCY

- J P Morgan will use the cryptocurrency to see its potential in using digital coins to reduce risk and for enabling instant transfers.
- It is not for retail customers and will be used internally by bank to enable instant transfers of payments between institutional accounts.
- The bank stressed that all the information required by the regulators will be tracked and that only with the approval of regulators and clearing money laundering, clients can use the blockchain network.

RESERVE BANK OF INDIA LIFTED CAP ON FOREIGN PORTFOLIO INVESTMENT IN CORPORATE BONDS

- RBI has withdrawn the 20% limit on investments by FPIs in corporate bonds of an entity.
- It was withdrawn with a view to encourage more foreign investments.

RBI SLAPPED A PENALTY OF RS 3.5 CRORE ON PNB, OBC AND BANK OF INDIA

- The penalty was imposed due to deficiencies in regulatory compliance with the directions issued by RBI on monitoring end use of funds, information exchange with other banks and on restructuring of accounts.
- Oriental Bank of Commerce was fined Rs 1.5 crore, Punjab National Bank Rs 1 crore and Bank of India Rs 1 crore.

LIFE INSURANCE CORPORATION (LIC) LAUNCHED A NEW MICROINSURANCE PLAN 'MICRO BACHAT'

- It is the first micro-insurance plan to do so and provides a coverage of up to 2 lakhs.
- It also provides both protection and savings and is also a regular premium, non-linked, participating endowment micro insurance plan.
- The new insurance plan can be availed only by standard healthy citizens who are in the age group of 18-55 years without undergoing any medical examination.
- The plan will be eligible for loyalty additions after 5 years, the decision of which will lie with the organisation.
- People can also avail the loans from this plan provided that premiums have been paid for three full years.

FINANCE MINISTRY ANNOUNCED A CAPITAL INFUSION OF RS 48,239 CRORE IN 12 PUBLIC SECTOR BANKS (PSBS)

- Its done to meet their regulatory capital requirements and to increase availability of credit for stronger lenders.
- **The beneficiaries are as follows:**
 - Corporation Bank - Rs. 9086 crores
 - Allahabad Bank - Rs. 6896 crores
 - Bank of India - Rs. 4,638 crores
 - Bank of Maharashtra - Rs. 205 crores
 - Punjab National Bank - Rs. 5,908 crores
 - Union Bank of India - Rs. 4,112 crores
 - Andhra Bank - Rs. 3,256 crores
 - Syndicate Bank - Rs .1,603 crores
 - CBI, United Bank, UCO Bank and IOB - Rs. 12,535 crores
- The infusion takes total government infusion to Rs 100958 crore out of total Rs 1.06 lakh crore.

MERGER OF VIJAYA BANK AND DENA BANK WITH BANK OF BARODA TO BE EFFECTIVE FROM APRIL 1

- The scheme has been named as Amalgamation of Vijaya Bank and Dena Bank with Bank of Baroda Scheme, 2019.
- The shareholders of Vijaya Bank will get 402 equity shares and that of Dena Bank will receive 110 equity shares of Bank of Baroda for every 1,000 shares held.

HDFC ERGO LAUNCHED FIRST OF ITS KIND TRIP PROTECTOR POLICY

- India's third-largest non-life insurance provider in the private sector HDFC ERGO launched Trip Protector policy, a pioneering policy in non-life insurance segment.
- In the event of a cancellation, either a flight or hotel booking, the policy will safeguard travellers financially against the cost of cancellation levied by hotels or airlines.

RESERVE BANK OF INDIA TO PAY RS 28000 CRORE AS INTERIM DIVIDEND TO GOVERNMENT

- RBI will transfer an interim surplus of Rs 28000 crore to the central government for half-year ended 31st December 2018.
- Thus government will get a total fund of Rs 68000 crore from the central bank for the current financial year.