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# BANKING AND FINANCIAL AWARENESS

## MARCH 2<sup>ND</sup> WEEK

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### **SBI HIKES LENDING RATE TO 8.15%:**

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- The State Bank of India has increased its lending rates by 20 basis points to 8.15 percent, with immediate effect, fixing the tone for the banking sector to follow suit.
- This is possible to make home and car loans expensive. This is the first lending update by the bank since April 2016 and comes a day after it massively increased the retail and bulk deposit rates.

### **RBI ALLOWS HIGHER POSITION LIMIT FOR FPIS IN INTEREST RATE FUTURES:**

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- The Reserve Bank of India has raised position limit in Interest Rate Futures (IRFs) for international securities investors or FPIs.
- The banking governor has approved a limit of 5,000 crores for FPIs to go high in IRFs. An Interest Rate Futures contract is an arrangement to buy or sell a debt instrument at a defined future period at a value that is fixed today.
- The underlying security for Interest Rate Futures is either a Government Bond or a Treasury bill.

### **CITI LAUNCHES TREASURY BILLS-LINKED HOME LOANS:**

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- US bank Citi has started India's first market benchmark rate-linked lending product. The bank has launched a home loan product that will be connected to the rate of treasury bills, which is used by the government authority for its short-time borrowings that is 3-month.
- The T-Bill-linked home loan is based on the 3-month T-Bill rates declared on the 12th of each month by Financial Benchmarks India Pvt Ltd (FBIL) and is open to all new and existing home loan customers. FBIL is approved by the RBI as an independent Benchmark administrator.
- The interest rate resets on the T-Bill linked home loan is on March 1, June 1, September 1 and December 1.

### **RBI LIFTS PER-BORROWER LOAN CAP FOR MSMES:**

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- Reserve Bank of India has determined to do away with per borrower loan limits to Micro/ Small and Medium Enterprises (Services) for classification under priority sector lending.

- Earlier, Loan limit to Micro/ Small and Medium Enterprises (Services) is up to Rs 5 crore and Rs 10 crore, respectively, was recognized priority sector lending (PSL). Presently the limits have been lifted by RBI.
- So, all bank loans to MSMEs that are included in services as defined in terms of investment in equipment under the MSMED Act, 2006, will be viewed priority sector lending without any credit limit.

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#### **HDFC, HAPPAY PARTNER TO HELP FIRMS MANAGE T&E EXPENSES:**

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- Happay, a business expense management solution provider, in collaboration with HDFC bank, launched a new prepaid card-linked Travel and Entertainment (T&E) expense management solution to facilitate Indian enterprises to efficiently manage their business travel expenditure.
- Through Happay-HDFC Bank prepaid cards and Happay mobile app, employees of the companies will be enabled to seek trip advances, get trip itineraries pre-approved by management, do trip bookings and even file trip expenses

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#### **RBI TO CONDUCT ADDITIONAL REPO OPERATIONS TO GIVE LIQUIDITY SUPPORT TO BANKS:**

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- The Reserve Bank of India said it will transfer additional variable rate repo operations for longer tenors up to 31 days every Tuesday this month (March 2018) for 25,000 crores each to give extra liquidity support to banks.
- It means is that the central bank is ready to give liquidity aggregating Rs 1 lakh crore to the banking system in the current month (March 2018).
- A repo operation requires the provision of liquidity by the Reserve Bank of India to banks to overcome short liquidity problem.

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#### **EUROPEAN DEVELOPMENT BANK APPROVES INDIA'S MEMBERSHIP:**

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- India becomes the 69th member of the European Bank for Reconstruction and Development (EBRD) after shareholders of the international financial institution to give their acceptance to the country's candidature.
- Purchase of shares by India at an approximated cost around €1 million.

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#### **RBI SLAPS RS3 CRORE PENALTIES ON AXIS BANK, RS2 CRORE ON INDIAN OVERSEAS BANK:**

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- The Reserve Bank of India (RBI) has imposed a penalty of 3 crores on Axis Bank for breach of non-performing asset (NPA) and for non-compliance with the regulations issued by RBI on Income Recognition and Asset Classification (IRAC) criteria.

- RS 2 crore on Indian Overseas Bank (IOB) for not complying with the Know Your Customer (KYC) norms.

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### **SIDBI, CSC PARTNER TO OFFER MSMEs BETTER CREDIT ACCESS:**

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- The Small Industries Development Bank of India (SIDBI) has signed a memorandum of understanding with CSC e-governance Services (CSCeGS) to take Udyami Mitra portal to the unserved and the underserved MSMEs.
- It is a portal to increase the convenience of credit to the MSMEs. It enables entrepreneurs to apply for a loan without physically visiting bank branches.
- The MoU is intended to give financial support to the upcoming CSCs through bank financing.

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### **RBI SLAPS RS. 40 LAKH PENALTY ON SBI OVER COUNTERFEIT NOTES:**

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- The Reserve Bank has hit a penalty of Rs 40 lakh on SBI for not complying with its regulations on detection and impounding of counterfeit notes.

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### **PNB AND ICICI BANK INCREASES MCLR RATES**

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- The Punjab National Bank (PNB) and ICICI Bank increased the MCLR rates for loan borrowers. Taking a lead from SBI, country's second-largest private sector lender ICICI Bank also fostered the one-year MCLR from 8.2% to 8.3%.
- The PNB, which is at the centre of Nirav Modi scam, has also raised one-year MCLR to 8.3% from 8.15%.