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In this issue

CELEBRATING 33 YEARS OF PUBLICATION SINCE 1988

"Our strategy to diversify our business model towards linear sources of earnings continues to show results. Our housing finance business is set for new beginning as all legacy issues are behind with incremental focus on profitable growth."

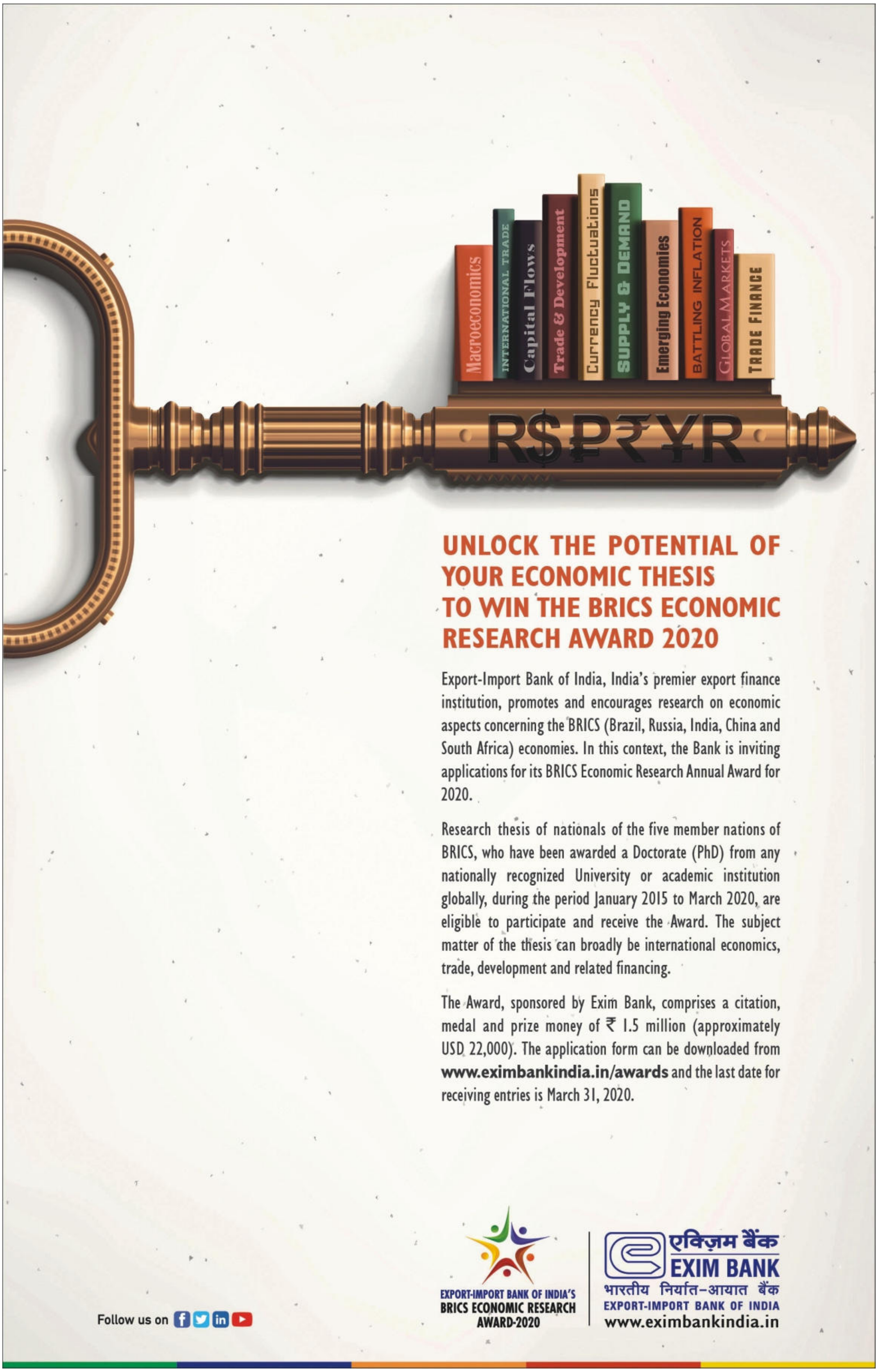
Motilal Oswal
MD & CEO
Motilal Oswal Financial Services

"The Kerala Bank network can protect the interests of the state. Hence, the target of a threefold increase in the present Rs 1 crore business is not overambitious."

Pinarayi Vijayan
Chief Minister of Kerala

"Our emphasis on providing affordable, flexible and easy EMI options on a range of products gives our customers the power to fulfil their dreams."

Ambuj Chandna
Sr Executive Vice President
Kotak Mahindra Bank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From The Desk Of
Editor-in-Chief

Finally Central Govt. has come up with the proposal of 100% sale off for the Air India, a loss making unit of Central Govt. with the tag of Air India & Indian Airlines to boost the new operator to sustain in the market and improve the health of carrier.

Countries across the globe including India have issued advisory to Citizens for travelling to China where the Corona Virus has left 132 dead and infected more than 5000 people. However despite measures to limit its spread the virus has now infected people in 20 countries around the world.

Indian Govts Budget for 2020-21 F.Y. will be significant in the backdrop of slowing economy. The Finance Minister should take into account few suggestions:-

- Boost demand among the consumers
- Enable Investment revival
- More focus on training in various sectors
- Focus on Manufacturing activities
- Remove difficulties of small businessman and streamline taxation
- More coordination with Centre and States
- Regard and recognize honest taxpayers
- Startups should be given easier norms on listing as well as taxation.

The Govt. on 27th January appointed three PSU Bank Chiefs namely Canara Bank, Bank of India and Bank of Baroda while announcing a new managing Director and a Deputy Managing Director for State Bank of India.

The Finance Ministry on 28th January, 2020 announced that the heads of the PSM's will no longer be personally responsible for compliance with various timelines that have been laid down for reporting large value frauds.

Contents

BANKING NEWS

SBI announces external benchmark rate cut by 25 bps

State Bank of India (SBI) has recently

announced a 25 basis points cut in its external benchmark rate. The move comes after RBI maintained status quo on policy rates.

As per SBI's press release, the revised effective benchmark lending rate (EBR) of 7.8% (down from 8.05 percent) has come into effect from January 1, 2020. New home buyers will get loans at an interest rate starting from 7.9% a year.

However, it must be noted that as per RBI's circular, banks can add a risk premium to EBR before dispersing loans to customers. So, far this year, SBI has cut one-year MCLR on loans by 65 bps. From October 1, 2019, any personal, housing or auto loan etc. taken by customers from a bank will be linked to any one of the 4 external benchmarks specified by the Reserve Bank of India (RBI).

India can achieve $5-tn economy but timeframe uncertain: SBI Chairman

Rajnish Kumar, chairman of State Bank of India, has recently said the country can become a USD 5-trillion economy. However he was skeptical as to whether the government can achieve it by 2014-2025. He further said that he said private investment was necessary for achieving the target.

"USD 5 trillion. We will definitely achieve, there is no doubt. Timeframe, I am not certain. Whether we'll achieve in five years, it is like, a very diicult question to answer. But USD 5trillion, we will achieve for sure and again I'm saying that it will come on the back of private sector investments revival," Kumar said.

In accordance to him, the envisaged $5-tn trillion economy cannot be achievable through only the government investments. There is a need for huge investments in the infrastructure sector which would result in boosting the GDP.

3 PSBs get new MD & CEOs

The government has recently appointed heads of three public sector banks - Bank of Baroda, Bank of India and Canara Bank for three years. The Appointments Committee of the Cabinet (ACC) appointed Sanjiv Chadha as the managing director and chief executive of Bank of Baroda, Lingam Venkat Prabhakar as MD & CEO of Canara Bank and Atanu Kumar Das as MD & CEO of Bank of India.

Chadha was the deputy managing director at State bank of India in charge of SBI Capital Markets. He will replace P.S. Jayakumar whose term came to end after his one-year extension ended in October last year. Prabhakar was the executive director of Punjab National Bank and he will be replacing RA Sankara Narayanan who will retire end of this month.

Das was the ED at Bank of India who will be promoted to the post of MD& CEO in the same bank following its vacancy since July last year. Among the three state-owned banks, Bank of Baroda has already been merged with two smaller state-run banks - Dena Bank and Vijaya Bank. Canara Bank is in the process of merging Syndicate Bank with itself.

Uco Bank plans to on board new-age fintech firms

Uco Bank is planning to on-board new-age fintech firms with the aim of improving under-writing standards and credit quality. The bank will soon migrate to a new loan origination platform for retail loans, agriculture loans and MSME loans, which taken together contributes 45% share of the bank's Rs 1.17 lakh crore outstanding loan.

The new platform will be API (application programme interface) based and allow fintech companies provide inputs on borrowers. This platform will cover all loans except corporate loans. Uco has decided to rope in five to 10 firms which will give relevant third party information to the system on matters related to customer information report, GST, financial statements, analysis of balance sheet, analysis of bank statements, income tax return analysis and legal reports, said executive director Ajay Vyas.

"The new platform will enable the bank to take credit calls in a shorter period with more information about the borrower. The new system also has feature for co-origination of loan," Vyas said.

The platform also has inbuilt document management system which will enable seamless flow of documents from branch to loan process hubs which will improve turn-around time to process a loan application.

Kerala Bank gets nod for merger with 13 district cooperative banks

In its general body meeting, Kerala State Cooperative Bank has approved its merger with 13 district cooperative banks in the state. The new brand name 'Kerala Bank and its logo have been finalized in the meeting, along with the vision document and business plan for the next three years.

The bank expects a three-fold increase in the present business in the next three years. Of the 1,685 members of the Kerala Bank, a total of 987 representatives attended the meeting. Around 100 service cooperative bank office-bearers who owe allegiance to the UDF were also in attendance, despite the Front having asked them to boycott the meeting.

The UDF leaders who attended the meeting included VJ Poulose, former Ernakulam DCC president and former district cooperative bank president; N K Abdul Rahman, president of Karassery Service Cooperative Bank; TU Udayan, president of Edamuttam Service Cooperative Bank; Siddique, president of Ariyoor Service Cooperative Bank and Kallingal Padmanabhan, president of Taliparamba Service Cooperative Bank.

Chief Minister Pinarayi Vijayan said, "The Kerala Bank network can protect the interests of the state. Hence, the target of a threefold increase in the present Rs 1 crore business is not overambitious. The bank will increase lending agricultural loans in phases,"

"Instead, cooperative nature will be strengthened. Because the bank will comply with cooperative laws and rules strictly. With financial discipline the bank can achieve more heights in a short period," he added.

Indian Bank-Allahabad merger: Indian Bank to retain its name

After the merger with Allahabad Bank, Indian Bank is likely to retain its name, informed an official source. The concerned team is also working on preparing a new logo and tagline to capture the identity of both the banks

"Our name has a pan-India appeal," said Indian Bank managing director Padmaja Chunduru. "A series of discussions took place. Both banks engaged consultants to examine how the branding and logo can be made after the merger," she added.

Chunduru further said, "There have been a lot of overlap and a lot of good fit in logo and tagline of both the lenders. We are looking at how to blend these. The branding will be done through consensus. We have almost reached there. But our board needs to approve it.

A senior executive at Allahabad Bank said, "effective branding can be done in so many ways."

IBA seek fund instead of zero MDR

Indian Banks Association (IBA) has approached finance ministry for an acceptance

development fund (ADF) to be managed by the central bank.

The move to a zero MDR regime, bankers claim, would result in an annual loss of Rs 5,000 crore given the costs relating to such transactions would need to be incurred. Finance minister Nirmala Sitharaman had announced in the Budget for 2019-20 that no charge would be levied on UPI and Rupay transactions. Banks typically charge merchants a fee called the merchant discount rate (MDR) for use of the payments infrastructure. As of now Visa and MasterCard cards are permitted to charge MDR although there have been reports this would be discontinued.

The Nandan Nilekani Committee on deepening of digital payments had recommended an ADF for improving the acquiring infrastructure in Tier IV, V and VI locations. As per the committee's report, issuers would be required to contribute to this fund from interchange fees, matched by funds from the RBI.

The proposal has gained fresh relevance at a time when two modes of merchant payments have gone MDR-free. While the RBI had said, at its October 2019 monetary policy review, the framework for an ADF would be operationalised by December 2019, there has been no announcement on the matter. "

UBI, Andhra Bank and Corporation Bank likely to be merged by 1 April

Union Bank of India, Andhra Bank and Corporation Bank are likely to complete

the process of the merger by 1 April. As per the consolidation plan for state-run banks unveiled by the finance minister announced in August, the merger of Union Bank of India, Andhra Bank and Corporation Bank would create the fifth-largest bank in India.

Under the PSU banks recapitalisation plan, Union Bank of India will get Rs11,700 crore in fresh funding, helping the merged entity to reduce losses and improve credit flow. Post-merger, PNB will be the second-largest PSB, Oriental Bank of Commerce third, Canara fourth, UBI fifth Andhra Bank sixth and Allahabad seventh biggest lenders.

Kotak partners with Pine Labs to enable EMI payments via Kotak Debit cards

Kotak Mahindra Bank (Kotak) has recently partnered with Pine Labs, one of country's leading merchant-focused companies, to enable EMI payments via Kotak Debit Cards. Through this tie-up, the Kotak's more than 10 million debit card customers will be able to pay for their purchases in easy installments via the Pine Labs POS terminals.

Venkat Paruchuri, Chief Product Officer, Pine Labs, said, "EMI continues to be one of our key growth engines. Our EMI business registered a 179 pc Y-o-Y growth in October 2019. During the recent festive season, EMI-led transactions grew by 300pc during Diwali days alone as against other days. Over the last year, debit card EMIs is being increasingly preferred by consumers. We are really excited to forge this alliance with Kotak Mahindra Bank for their debit card customers and look forward to taking our affordability product to millions of new customers. This also helps merchant partners increase their turnover and revenue. Thus, the entire value chain of the Indian consumer market is a winner."

Ambuj Chandna, Senior Executive Vice President & Head – Consumer Assets, Kotak Mahindra Bank said, "We are a consumer-focused bank, growing our retail loan book at a robust rate year-on-year. Our emphasis on providing affordable, flexible and easy EMI options on a range of products gives our customers the power to fulfil their dreams – be it buying a home, the latest electronics or going on a holiday.

By extending our EMI offering to debit cards, our customers can now seamlessly break their high-value purchases into affordable instalments at no extra cost with just a swipe of their Kotak Debit Card. We are pleased to announce a tie-up with Pine Labs, which gives our customers a wide network of new merchants for our EMIs on Debit Card offering." The minimum purchase value to avail EMIs on Kotak Debit Cards facility is Rs 8,000 and customers have the flexibility to repay the loan over a tenure of 3 months to 12 months.

RESERVE BANK NEWS

RBI conducts 3rd open market operation

The third special open market operation (OMO) has been conducted by the RBI. With the aim of correcting the yield spread the central bank has bought the long-term bonds and sold short-term tenure bonds.

The cut-off yield for the de-facto 10-year bond (9-year now) came at 6.54%, three basis points lower than the market close on the paper. The central bank bought three papers maturing between 2024 and 2029. The total amount offered by the participants was Rs 64,505 crore for a purchase plan of Rs 10,000 crore.

In its third OMO, the central bank sold its full quota of Rs 10,000 crore in short-term bonds. The long-term bond yields have come down by about 20 basis points since the first OMO was announced last month. The main aim is to bring down long-term yields, through which transmission can be happened and the government can find it helpful in borrowing at a cheaper rate.

Michael Patra appointed as RBI Deputy Governor

The government has appointed Michael Debaprata Patra as the deputy governor of the Reserve Bank of India (RBI). After the six months of Viral Acharaya's pre-mature resignation, Patra was has been appointed.

Patra will serve as the deputy governor for three years from the time of his appointment. The Reserve Bank currently has three deputy governors-NS Vishwanathan, BP Kanungo and MK Jain. Patra will be the fourth among the deputy governors. Shaktikanta Das is the governor of RBI.

UCB receives licence from RBI to convert into Small Finance Bank

The RBI has given an "in-principal" approval to UP headquartered multi-state urban co-operative bank (UCBs) -Shivalik Mercantile Co-operative Bank Limited- to transition into a Small Finance Bank. Shivalik Mercantile Co-operative Bank, which has business operations in Uttar Pradesh, Uttarakhand and Madhya Pradesh has a total business size of Rs 1766 crore and a net worth of Rs 77 crore as of March, 2019, states the bank's annual report.

The RBI in its release said that the "in-principle" approval will be valid for 18 months to enable the applicant to comply with the requirements under the scheme. The "in-principal" approval will be proposed in September 2018 with the aim of ensuring better supervision and regulation of the banking sector. Through this "in-principal" approval will be allowing better performing UCBs to convert into Small Finance Banks subject some conditions.

"Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector", Urban Co-operative Banks (UCBs), desirous of voluntarily transiting into Small Finance Banks (SFBs) initial requirement of net worth shall be at Rs 100 crore, which will have to be increased to Rs 200 crore within five years from the date of commencement of business.

Distressed private banks likely to be on the auction block

In an aim of adopting a differentiated regulatory regime for private and public banks, the central bank is planning to put distressed private banks on the auction block. The RBI is taking the move under the Prompt Corrective Action (PCA) framework.

Banks are put under PCA framework in case they violate the thresholds in terms of non-performing assets and capital adequacy. Six banks are there under the PCA framework of RBI of which IDBI Bank and Lakshmi Vilas Bank are private banks. The RBI is focusing on an early exit mechanism for private banks following the PCA framework. Therefore, the RBI has adopted the merging option in order to address distressed private banks.

"The regulator is empowered to do so [auction private banks] under existing laws. Earlier, the RBI would use its discretion to address the fragile health of private banks through forceful mergers. But it didn't include a plan to auction banks. This seems to be a progressive approach followed by the RBI, as the shareholders will be able to extract the best value of the failing bank. It's good for the system," Ashvin Parekh, managing partner at consulting firm Ashvin Parekh Advisory Services.

RBI gives banks category–I permits to trade in forex

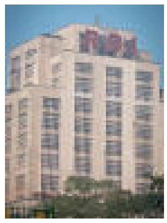
The RBI has recently permitted category–I banks to foreign exchange prices to users at all times, out of their Indian books, either by a domestic sales team or through their overseas branches. The move comes in the context of helping traders hedge their bets on the domestic front, said according to the market experts.

"Authorised dealers may undertake customer (persons resident in India and persons resident outside India) and inter-bank transactions beyond onshore market hours. Transactions with persons resident outside India, through their foreign branches and subsidiaries may also be undertaken beyond onshore market hours," RBI said in a release.

"Lots of derivatives products have moved out of India, and a lot of hedging happens outside India," said Ashutosh Khajuria, executive director and CFO, Federal Bank.

Rate of Interest on GOI Floating Rate Bonds 2035 shall be 6.58%: RBI

The RBI noted in its latest update, the rate of interest on the Government of India Floating Rate Bonds, 2035 (GOI FRB 2035) applicable for the period January 25, 2020 to January 24, 2025 shall be 6.58% per annum.



The GOI FRB 2035 was issued on January 25, 2005 by the Government of India to the Reserve Bank of India on private placement basis against the transfer of subordinated debt of IDFC.

The rate of interest of the bonds shall be reset by the Bank every five years at the prevailing 5-year yield on Government of India securities as on the last working day prior to commencement of each period of five years. Accordingly, the coupon of the GOI FRB 2035 has been fixed on the basis of secondary market transactions in Government of India securities as on January 24, 2020.

Govt demands Rs 10,000-cr interim dividend from RBI to bridge fiscal gap

In a bid to bridge the fiscal gap, the central government has demanded Rs 10,000 crore as interim dividend from the Reserve Bank of India (RBI) for financial year 2019-20 (FY20) to bridge the fiscal gap, according to the information from sources. This is the third consecutive year when the government has demanded interim dividend.

This demand comes at a time when the government is falling short of its revenue targets due to dwindling tax and low disinvestment receipts. It could account for the dividend in the upcoming Union Budget on February 1. RBI is, however, yet to take a final call on the government's demand.

GST NEWS

Govt to increase use of AI, data analytics in tracking down GST evaders

With the aim of tracking down tax evaders and improve compliance with the GST to augment revenue, the government is planning to increase the use AI and data analytics.

Top tax officials are supposed to take part in a brainstorming session, which will be chaired by revenue secretary Ajay Bhushan Pandey to go ahead the plan. "The revenue secretary will hold a day-long meeting on January 7 with tax commissioners to discuss ways to streamline the GST system and plug leakages due to fraud," according to a source.

The discussions will include the assessment of extended use of data analytics and AI in the process of enforcement and red-flagging tax evaders and fake refund claimants without overreach or harassment to genuine taxpayers.

The meeting comes on the heels of the government notifying changes to GST rules to prevent frauds and fake invoicing, besides setting up grievance cells to ensure that genuine taxpayers are not harassed and the overall tax base increases.

FinMin to block ITC for entities availing credit fake invoices

In a bid to plug revenue leaks, the Central Goods & Services Tax (CGST) administration has started blocking input tax credit (ITC) for entities, who availed credit against fake invoices, or against invoices without the receipt of goods or services, or both.

In the first nine months of FY20, the department collected over Rs 9.08-lakh crore, against Rs 8.71-lakh crore during the corresponding period last fiscal. Though there was an increase it did not meet the average monthly collection expectation of Rs 1.10 lakh crore.

The Directorate General of GST Intelligence (DGGI), under the Finance Ministry, has dispatched a letter to all the 26 field formations urging them to make a list of entities that availed fake credit and block ITC for those located in their respective jurisdictions. If the formations have data on such entities located outside their jurisdictions, they have been asked to forward a list of those, along with their GSTN particulars, to the concerned field formation with a request to block the input tax credit immediately, the letter added.

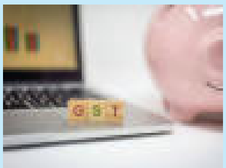
Chandigarh to impose GST on commercial establishments of bar association

The UT excise and taxation department has directed Punjab and Haryana High Court bar association to submit information in regard to the revenue being generated by the bar from its commercial establishments, including shops and paid-parking being run by it.

18% GST is applicable on parking-lot services and rental income. "An assessment is being made whether the bar's revenue is covered under GST and the quantum of tax to be levied. If the receipts are more than Rs20 lakh, the bar association must have a GST number. The contractor charging the parking fee will have to collect the stipulated GST from users and pay it to authorities," a department official said.

Courier companies want relief on GST E-way bill regulations

Courier companies like FedEx, DHL and UPS are in a bind over delivering imported goods to customers because of a goods and services tax rule that bars defaulters from issuing e-waybills. The document is mandatory for transport of goods worth over Rs 50,000.



On the other hand, the customs department will not hold such goods in its storage once they're cleared. The companies, including local ones such as DTDC, Safe Express, Gati and Delhivery, have petitioned the government to seek a way out of the dilemma.

GST Rule 138E, which took effect in November, does not allow an entity that hasn't filed returns for two straight months to generate an e-waybill. While the rule won't impact direct deliveries to e-commerce customers, business-to-business (B2B) orders from overseas will likely get hit.

"As per customs regulations, goods may not be retained in the customs premises post clearance," Vijay Kumar, chief executive officer of the Express Industry Council of India lobby group. "But moving the goods outside the customs premises without e-waybill would result in non-compliance from a GST standpoint."

"The task itself would be monumental given the volume of transactions and number of clients," Kumar said. "Tracking such compliances would lead to operational challenges... delay in delivery of goods and reduction in operational efficiency."

GST authorities start sending notices for departmental audit

Goods & Services Tax (GST) authorities have begun sending notices for audit of assessees in order to ensure righteousness of tax paid and credit claimed.

The notices have been sent for the first year of GST, 2017-18. There are three types of audit under the GST regime. The first is a turnover based audit where a taxpayer is needed to get his/her accounted audited by a Chartered Accountant or Cost Accountant and submit the report as part of GSTR 9C returns form, if his/her annual turnover is Rs2 crore or more. The second is a special audit where a Chartered Accountant or Cost Accountant, nominated by the Commissioner, does the audit on the order of Deputy/Assistant Commissioner, if there is apprehension of wrong declarations at big level.

The third category is the general audit where authorities undertake audit of any taxpayer. According to Rajat Mohan, Senior Partner with AMRG & Associates, the era of departmental audits has begun. Authorities would summon taxpayers to produce detailed documents justifying correctness of the output taxes and claim of the input tax credit.

"This being the first audit in the GST regime, tax officers are expected to take little extra time reconciling financial information from various sources including financial statements, directors' reports, GST filings, income tax filings, tax audit report, cost audit report, internal audit report, agreements, purchase orders and many more," he said.

Oil Ministry urges to include natural gas under GST

Ahead of the Union Budget, the Oil Ministry has pitched for including natural gas under GST in order to promote the use of the environment-friendly fuel by reducing multiplicity of taxes as well as improving business climate.

"Currently natural gas is taxed under the VAT regime with VAT ranging from 3% to 20% across States," the Ministry said in a booklet. If brought under GST, natural gas will attract a uniform rate of tax at the consumption point anywhere in the country after doing away with current rates of excise duty and VAT.

It further said "the result in an increase in State domestic product and socio-economic development owing to increased economic activities" which will lead to improved employment opportunities.

Also, it would lead to improved investor confidence and attract more investment in natural gas infrastructure in the country, the booklet said, adding that a positive impact on environment and health due to reduction in carbon emissions across major cities was another advantage.

"As gas is not under the ambit of GST, there is no input tax credit available. Further, the downstream industries are not able to claim the benefit of the tax credit of VAT paid on purchases of natural gas which is available for alternate fuels/feedstocks," the booklet said.

INDUSTRY NEWS

Customers can recharge NETC FASTags through BHIM UPI: NPCI

National Payments Corporation of India (NPCI) has recently said that customers can recharge NETC FASTags through BHIM UPI. Any BHIM UPI-enabled mobile app would give vehicle owners the opportunity to recharge their FASTags on the go and avoid queues at toll plazas, NCPI said in a release.

The National Electronic Toll Collection (NETC) offers an interoperable nationwide toll payment solution inclusive of clearing house services for settlement and dispute management. "Customers can now recharge their FASTag account hassle free through BHIM UPI enabled mobile applications just by logging into the BHIM app," NPCI said.

FASTag has been made mandatory on national highways throughout the country from December 15, 2019. "Consumer experience with NETC FASTag is our primary focus. We believe that this facility would give them a smooth, secure and transparent toll payments experience just by using any of the UPI enabled mobile applications," Praveena Rai, Chief Operating Officer, NPCI said.

Labour ministry issues pension commutation under EPFO from Jan 1

The labour ministry has issued a notice soon to restore pension commutation, or improve partial withdrawal, under the Employees' Pension Scheme of the Employees' Provident Find Organisation (EPFO) from January 1, 2020.

After 10 years of the withdrawal of the provision, the move comes following a decision at a recent meeting of the EPFO's central board of trustees and it will benefit around 630,000 pensioners. According to a an official source, these pensioners had opted for commutation of their pension and received a lump sum amount at the time of retirement from their pension accumulations or fund before 2009, when the provision for commutation of pension was withdrawn by the EPFO.

"The labour ministry has issued a notification to implement the EPFO's decision to restore commutation, or advance part-withdrawal, under the Employees' Pension Scheme," said a source. Under the commutation, onethird of the monthly pension used to be cut for the next 15 years and the reduced amount was given in lump sum. After 15 years, pensioners were entitled to get the full pension.

Companies to compensate workers if sacked due to prolonged illness

Companies will soon have to pay compensation to workers retrenched because of prolonged illness. In the current law, there is no retrenchment protection for workers. The proposal is a part of the Industrial Relations (IR) Code Bill, 2019, which was referred to the Standing Committee on Labour by the National Democratic Alliance (NDA) government in December. The IR Code Bill will consolidate three labour laws: the Trade Unions Act, 1926; the Industrial Employment (Standing Orders) Act, 1946; and the Industrial Disputes Act, 1947.

CBDT extends PAN-Aadhaar linking till March 31, 2020

The Central Board of Direct Taxes (CBDT) has extended the deadline for individuals to link PAN with Aadhaar again for the eighth time.

The CBDT has extended the last date for the mandatory linking of the Permanent Account Number (PAN) with Aadhaar till March 2020, said the CBDT.

"The due date for linking of PAN with Aadhaar as specified under sub-section 2 of section 139AA of the Income-tax Act, 1961 has been extended from December 31, 2019 to March 31, 2020," the department said on its official Twitter handle.

The Supreme Court, in September last year, had declared the Centre's flagship Aadhaar scheme as constitutionally valid and held that the biometric ID would remain mandatory for the filing of I-T returns and allotment of the PAN.

Section 139 AA (2) of the Income Tax Act says that every person having PAN as on July 1, 2017, and is eligible to obtain Aadhaar, must intimate his Aadhaar number to tax authorities. Aadhaar is issued by the Unique Identification Authority of India (UIDAI) to a resident of India and PAN is a 10-digit alphanumeric number allotted by the I-T department to a person, firm or entity. The CBDT, that frames policy for the tax department, said a notification numbered 107 has been issued in this context.

Railways introduces single helpline number by dialing 139 for Grievances, Enquiries

Now you can get all assistances from the Indian Railways by dialing only 139.

The Railways has recently integrated its helpline numbers into a single number, 139, for quick grievance redressal and enquiries by passengers during their train journeys, according to a statement by the Indian Railway.

It further stated that the new helpline number 139 will replace all existing helpline numbers (except 182) and it will be easy for passengers to remember this single number to connect with railways for all their needs during train travel, it said. However, the helpline number 182 will be in use for railway security. The helpline 139 will be available in 12 languages and will be based on the Interactive Voice Response System (IVRS). Anyone can make calls from any mobile phones, providing easy access to all mobile users.

Passengers will have to press 1 for security and medical assistance, which will immediately connect the callers to call centre executives; for enquiries, passengers will need to press 2 which will connect to a sub-menu depending on the requirements. While passengers can press 3 for catering complaints, 4 will have to be pressed for general complaints.

The digit 5 will have to be pressed for vigilance-related complaints; for queries during accidents, passengers will need to press 6; for status of complaints, passengers should press 9 and then press * to talk to a call centre executive.

Indian Railways increases fare, new rates effective from Jan 1

The Indian Railways has announced an increase in passenger fare with effect from January 1. The journey costs have been increased by 1-4 paise per kilometre in different classes after a gap of over five years.

For all AC classes, the hike is 4 paise per kilometre travelled, while non-AC classes and the unreserved segment will see a 1 paisa per kilometre hike. On long-distance mail/express trains, the hike will be 2 paise per kilometre.

With the hope of mopping up Rs 2300 crore in a year via the increase, the Railways has decided to increase. The increase means that a journey from Delhi to Mumbai, which is approximately 1500 km, will set a passenger back by Rs 60 in AC classes on Rajdhani-type trains, Rs 15-20 on Shatabdi-type trains and around Rs 55-60 on other mail/express trains.

For the same distance, in the unreserved segment, the increase will be in the range of Rs 25. At the same time, the non-suburban passenger trains, like intercity express trains, the hike will be around Rs 5 for travelling a distance of around 500 km, which is more or less the average distance travelled on these trains. The fare-rationalisation proposal, sources said, had been awaiting clearance from the political dispensation for the past six months or so.

HOUSING NEWS

Tata Capital Housing Finance aims to raise up to Rs 2,000 crore through NCDs

Tata Capital Housing Finance said that it is planning to raise up to Rs 2,000 crore through non-convertible debentures. The base size of the issue is of Rs 500 crore with an option to retain an oversubscription up to Rs 1,500 crore. The company is offering four bonds maturing in three, five, eight and 10 years, with coupon ranging between 7.92% to 8.70%.

The bonds are giving a monthly and annual interest payment options to the subscribers. Around 75% of the fund raised through these bonds will be used for on lending, financing, repayment/ payment of debt and the balance for general corporate purposes.

"With a sharper focus on the affordable housing segment, we will seek growth opportunities in tier-II and III markets. We will continue to grow profitably," Tata Capital Housing Finance MD Anil Kaul said.

LIC Housing Finance announces limited period offers to push sale of completed units

A pair of limited-period offers has been announced by LIC Housing Finance to push sale of under-construction and unsold residential units. The offers will apply to purchases of units for which the potential borrower has received the occupancy certificate (OC). Under the 'pay when you stay' scheme, the borrower will be required to commence payment of principal only after they receive possession of the house or after 48 months from the date of first disbursement, whichever is earlier. Only interest on the disbursed amount will have to be paid during the period.

As for borrowers buying a ready-to-move house, LIC Housing will waive up to six equated monthly instalments (EMIs) during the loan tenure. The waiver will be in the form of two EMIs each at the end of the fifth, 10th and 15th years, provided the borrower is regular with repayments and makes no pre-payment for the first five years. The offers will be available till February 29 for disbursements made before March 15.

MD & CEO Siddhartha Mohanty said, "With this move, we are confident to serve the purpose of boosting the real estate sector and bring about improvement in the sentiments of the home buyers."

PNB Housing Finance incorporates subsidiary, Pehel Foundation

In order to implement various CSR programs PNB Housing Finance & PHFL Home Loans & Services, PNB Housing Finance has incorporated a wholly owned subsidiary named as Pehel Foundation (CIN: U85320DL2019NPL356152). Pehel Foundation has been incorporated, primarily, to implement various CSR programs of PNB Housing Finance and its subsidiary PHFL Home Loans & Services.

L&T Finance Holdings reports 2% growth in Q3 profit

L&T Finance Holdings has registered around 2% rise in consolidated December quarter PAT at Rs 591 crore against Rs 580 crore reported for the same quarter a year ago.

The diversified non-banking financial company (NBFC) continued to maintain steady net interest margin and fee income, growing it to 7.29% in Q3FY20 against 6.79% a year ago. Pre-provisioning operating profit (PPOP) stood at Rs 1,334 crore for Q3FY20, up 12% year on year.

The NBFC said it continued to deliver top quartile return on equity at 16.51 per cent and its focused lending book expanded 14% year on year and it serviced over 1.19 crore customers through 223 branches and 1,450 meeting centres during the quarter.

“The company remained on the path of consistent financial performance with steady profit margins, stable asset quality and growth in focused businesses,” it claimed.

The company raised more than Rs 10,000 crore in long-term borrowing during the quarter, which was its highest quarterly borrowing since FY17. It also sold a public issue of secured NCDs, which was oversubscribed 3.01 times the base issue size of Rs 500 crore and the issue was closed on the second day.

Motilal Oswal Financial reports four-fold growth in Q3 profit

Motilal Oswal Financial Services (MOFS) reported an over four fold growth in its consolidated net profit at Rs 165 crore in the quarter ended December, driven by healthy growth in broking and asset management businesses.

"Our strategy to diversify our business model towards linear sources of earnings continues to show results. The capital markets businesses that include broking and investment banking, and asset management businesses showed good progress during the quarter leading to healthy profit," said the company's Managing Director and CEO Motilal Oswal.

Profit after tax grew 196% to Rs 437 crore from Rs 148 crore for the nine month period. Asset management business (AUM) across mutual fund, portfolio management services (PMS) and alternative investment fund (AIF) grew 7% to Rs 40,096 crore. Its asset management business reported a 22% jump in its net profit at Rs 41 crore in the quarter under consideration from Rs 34 crore in the year-ago period.

Capital markets businesses that comprises of retail broking, institutional equities and investment banking reported a net profit of Rs 47 crore in the third quarter compared to Rs 34 crore last year same period. Its housing finance business's profit stood at Rs 16.1 crore in October-December quarter compared to a loss of Rs 94 crore in the year ago period.

PNB won’t sell shares to housing finance unit

Punjab National Bank has recently decided not to sell shares in its subsidiary PNB Housing Finance and maintain a minimum 26% shareholding as a promoter.

"PNB has confirmed that its stated objective is to continue to hold a minimum 26% shareholding in the company and continue to be the promoter," PNB Housing said in a statement.

"PNB does not plan to sell any of its current holding. PNB Housing Finance Ltd shall continue to use the PNB brand," the mortgage lender said after a board meeting which also reviewed its financials. The lender has reported a 22% drop in net profit at Rs 237 crore for December quarter amid lower credit growth despite easing interest rate cycle and comfortable liquidity for it.

The lender's net interest margin, a key profitability ratio, shrunk to 2.98% for the December quarter, the lowest in the last five quarters. Outstanding loan book degrew to Rs 69194 crore from Rs 74023 crore in March 2019. Its net interest income at Rs 566 crore vs Rs 558 crore registered a growth of 1.4%. Gross non-performing assets ratio stood at 1.75% of the Loan Assets at the end of December 2019 against 0.47% a year back.

MUTUAL FUND NEWS

PhonePe to allow users in investing in 'liquid funds'

In a partnership with Aditya Birla Sun Life Mutual Funds, Phonepay has announced that it will let users in investing in 'liquid funds' so that the customers will be enabled to earn yields on savings lying idle in their wallet accounts. The all-digital product will help users grow their savings by earning higher short-term FD-like returns with the ease and liquidity of a Savings Account, the company said in a press note.

"There are a lot of customers across the country who have idle money in the tune of Rs.5000 to Rs.15000 lying in their accounts. We want these customers an option to invest digitally in a risk-free mutual fund offering." said Hemant Gala, Head Payments, Banking & Financial Services at PhonePe.

The product which will be integrated into PhonePe's mobile application will need customers to authenticate themselves through a KYC process before they can start investing. The minimum limit has been set at Rs.500. This will allow customers to track their savings grow in real-time.

Finance Ministry exempts mutual funds from foreign investor

The finance ministry has recently allowed exemptions to mutual funds from being categorized as foreign investors. The status would have subjected them to foreign direct investment (FDI) sectoral caps and various Foreign Exchange Management Act (Fema) rules.

In a circular, the finance ministry had categorized mutual funds with more than 50% foreign shareholding as investment vehicles. This would come as a change forcing some equity asset managers to freeze investment activity and even sell their holdings.

The ministry through a notification amended and removed the requirement, exempting mutual funds from the circular. The foreign funds will need to make additional disclosures on their activities in terms of investment. A source said that mutual funds are not treated as foreign entities under Fema.

UTI Mutual Fund receives payment worth Rs 20.50 crore from distressed Altico Capital

UTI Mutual Fund has officially remarked that it has received payment worth Rs 20.50 crore from troubled non-bank lender Altico Capital. Since September, the payment remained unpaid. Certain UTI Mutual Fund schemes invested in debt instruments of Altico that were downgraded to below investment grade by credit rating agencies in September 2019. Subsequently, UTI Mutual Fund schemes marked down their respective exposures to such instruments by 75%.

In December, Altico Capital, a Non-Banking Finance Company (NBFC), distributed available cash to lenders in proportion to their respective overdue aggregate principal amount outstanding and along with applicable interest. In regard to that, some UTI Mutual Fund schemes had received an amount of Rs 20.50 crore from Altico Capital, the fund house said in a statement. UTI Credit Risk Fund had an exposure of about Rs 200 crore in debt security of Altico Capital.

Tata Mutual Fund's new AI & ML powered 'Tata Quant Fund' launched

Tata Mutual Fund has introduced

Tata Quant Fund, which is a mutual fund scheme powered by Artificial Intelligence (AI) and Machine Learning (ML). The fund house in a press release said that the scheme employs a proprietary quant framework. The framework combines several rule engines and predictive models in order to create investment portfolios.

Under the management of Sailesh Jain, the scheme closed for subscription on January 17. The minimum application amount required is Rs 5,000 and in multiples of Re 1 thereafter and additional investment of Rs 1,000 and in multiples of Re 1 thereafter. As per the press release, the predictive engines use more than the past 20 years of market and macro-economic data to analyse relationships and patterns. These correlations along with prevailing market and macro-economic data are then used by the engines for making monthly predictions.

"Tata Mutual Fund has developed intelligent machine-driven strategies keeping in mind the appetite of long-term equity investors. This framework crunches massive amounts of data, recognises patterns and leverages the power of technology. The future of investing is in the use of quants and with us entering a new decade, we believe that the Indian market is now ready for tech-based investing," said Sailesh Jain, Fund Manager, Tata Asset Management.

Axis Mutual Fund announces launch of ESG fund

Axis Mutual Fund has announced the launch of its Environment, Social and Gov-

ernance (ESG) Fund, joining the ranks of mutual funds cottoning on to this trend. Axis ESG Fund will invest up to 30% of its corpus in foreign stocks. Its partial allocation to foreign stocks places the fund in a unique basket of hybrid India-international combo funds which benefit from equity taxation while participating in foreign markets.

The fund will be managed by Jinesh Gopani who also runs Axis Long Term Equity Fund, a large ELSS fund from the Axis stable. The New Fund Offer (NFO) for the fund will run from 22 January to 5 February 2020. As an open ended fund, it will be available for subscription thereafter on an ongoing basis.

The AMC will follow a three-stage process while selecting stocks for the fund. First, it will exclude problematic sectors like tobacco and alcohol. Second, it will screen out stocks which attract ESG red flags. Third, it will carry out a qualitative ESG analysis of each company, complementing its fundamental research on the company. Schroeders, a global asset manager, will advise on the foreign portion of the fund. ESG factors will include issues such as climate change, natural resource use, product safety, business ethics and transparency.

Dismissing concerns about ESG fund having a high level of stocks in common with regular diversified funds of Axis AMC, Chandresh Nigam, CEO, Axis Mutual Fund said "Some overlap is natural since ESG compliant companies also tend to be rewarded by the market. Although there is some commonality, you will find differences in stocks once you go down the list of holdings in the portfolio,"

Axis Mutual Fund introduces new open-ended fund, 'Axis All Seasons Debt Fund of Funds'

Axis Mutual Fund has announced a new open-ended fund, namely, 'Axis All Seasons Debt Fund of Funds'. The fund is aimed at investing in debt-oriented mutual fund schemes.

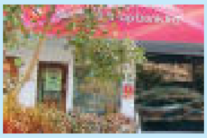
The All Season Debt Fund of Funds will invest in funds from all over fund houses and across different categories of the debt market. The purpose behind the investment would be to generate an optimal return over the medium term.

The new fund offers (NFO) opened for subscription on 10th January and closed on 22nd January. The minimum application amount for this fund is Rs 5,000 and in multiples of Re 1, with an additional investment of Rs. 1,000 and in multiples of Re 1 thereafter.

Mr. R. Sivakumar at Axis Mutual Fund holds the responsibility of managing the fund. The fund mainly targeted adequate diversification across fund houses and schemes to manage its portfolio risk, while aiming to help investors by offering a convenient and efficient alternative to the traditional approach of investors trying to identify the trend and allocate to different segments over time.

CO-OPERATIVE BANK NEWS

New India Co-operative Bank shareholders decides to convert it into small finance bank



The New India Co-operative Bank (NICB) said its shareholders have decided to convert it into a small finance bank. The move comes after some regulatory changes by the RBI came into effect. NICB shareholders passed the resolution at a special general body meeting.

The decision has been taken under Voluntary Transition of Primary (Urban) Co-operative Banks (UCBs) into Small Finance Banks (SFBs), it said. Its vice chairman Hiren Bhanu said has a net worth of Rs 230 crore as compared to the Rs 200 crore required under regulations, and also has sound financial indicators like less than 0.5% net non-performing assets and capital adequacy of over 12%.

The bank, which operates in Maharashtra and Gujarat, said it is well placed from a technological platform perspective and exuded confidence of meeting all the criteria to get itself converted into a small finance bank.

RBI asks 52 co-op banks in Pune to comply with RBI guidelines to boost cyber security

Amid the rising number of online theft being reported all over the city, the RBI has directed 52 cooperative banks in Pune to enhance their cyber security. In order to provide protection to the deposits of several thousand bank investors, the regulator has issued the direction. The directive has made it mandatory for the cooperative sector banks to comply with the guidelines mentioned within three months, i.e., March 31.

Meanwhile, the banks have also been asked by the city police to strengthen their critical cyber security infrastructure and maintain compliance with the directions. As per the officials, any delay in compliance of the directives will lead to stern action by the RBI and concerned agencies.

The RBI has suggested a four-step security structure to be put in place by the banks. The first being creation of basic cyber security infrastructure; second, the banks must take extra precaution and care of the account holders using netbanking transactions and third, there should be very strict security arrangement for those banks engaged in high internet usage and ATM switch facilities and the fourth being those banks engaged in sharing data centres with other banks, who must concentrate on strengthening their security.

Police Inspector Jayram Paigude of the cyber crime police station said, “The banks must immediately update their security so that online predators don’t target and siphon off the money. It is seen that co-op banks don’t pay attention towards cyber security and hence, this is a very vital component of their security which must be addressed at the earliest. We have also issued directions to them. The cooperative banks must immediately comply with the RBI order.”

Maharashtra Urban Co-operative Bank Federation President Vidyadhar Anaskar said, “The directives issued by the apex bank are mandatory and all banks must comply with the same. This will bring down the attacks on the banking security and interests of the depositors can be protected at all times.”

PMC bank scam: Virtual bail to 2 HDIL directors stayed

HDIL directors Rakesh and Sarang

Wadhawan, the two accused in the PMC bank scam, reportedly owed Rs 4,635 crore to PMC Bank. A bench of Chief Justice S A Bobde and Justices B R Gavai and Surya Kant has granted a stay on the order. The SC has directed the Arthur Road jail authorities to take the accused to their residence along with two guards.

The central government moved to the apex court challenging validity of the "unusual" order by the High Court, saying it granted virtual bail to the two accused in Rs 7,000-crore PMC Bank scam, acting on a PIL for recovering due from them.

In his plea, the solicitor said there was a defalcation of public money. The HC directed for the disposal of the properties of the accused in judicial custody and for the purpose. This is a scam of Rs 7,000 crore and the accused can't be granted virtual bail in this manner, he said. The HC had also appointed a committee headed by a former judge, Justice S Radhakrishnan, for speedy disposal of properties of the Housing Development and Infrastructure Ltd, a borrower to the crisis-hit Punjab and Maharashtra Cooperative Bank.

The SC has further directed the HDIL directors Rakesh and Sarang Wadhawan to cooperate in this process. The PIL in the HC claimed the real estate developer owed Rs 4,635 crore to the PMC.

Panic spreads among co-op bank depositors after RBI puts curb on withdrawal

Panic-stricken depositors gathered in front of Sri Guru Raghavendra Sahakara

Bank Niyamita (SGRSBN), following the RBI curb on withdrawals from the cooperative bank. The RBI had restricted withdrawals only up to Rs 35,000 to account holders of the bank, which has left over 20,000 account holders of the bank worried.

As the bank's staffers were not addressing their concerns, the customers were left more worried. Meanwhile, the bank, which had arranged a meeting with its customers to address their issues, reportedly cancelled the same telling them that they would hold a meeting with RBI officials. They reportedly assured the account holders that they would request RBI officials to modify the order.

Bangalore South MP Tejasvi Surya tweeted, "I want to assure all depositors of Sri Guru Raghavendra Co-operative Bank to not panic. Hon'ble Finance Minister Smt. @nsitharaman is appraised of matter & is personally monitoring the issue.

She has assured Govt will protect interests of depositors. Grateful for her concern." It is said that the RBI put restrictions after the bank's financial position was found in a negative trend and the direction will be in force for the next six months. As per the direction, the bank restricted from granting or renewing any loans and advances, making any investment and incurring any liability.

MSC Bank submits proposal of merger to RBI with Rupee Bank

The Maharashtra State Cooperative (MSC) Bank has submitted a joint proposal for a merger with the Rupee Cooperative Bank. Vidyadhar Anaskar, chairman of the board of directors of the bank said a merger proposal had been submitted to RBI along with the Rupee Bank on January 17.

A board of administrators headed by chartered accountant Sudhir Pandit was looking into the affairs of the bank with RBI extending the banking licence intervals. In the latest of such extensions, the Rupee Bank's licence was extended up to February 20.

Anaskar said the merger proposal was submitted after a thorough and joint discussion with the Rupee Bank. At present, the Rupee Bank has Rs 301.64 crore from 4.74 lakh customers, whose deposits are within Rs 1 lakh, and Rs 981.32 crore from 26,978 customers with deposits more than Rs 1 lakh.

The total deposit in the bank is around Rs 1,290.96 crore. Anaskar said the bank also has 304 employees who will be absorbed within the rolls of the MSC Bank.

The merger proposal has talked about staggered withdrawal of deposits in the Rupee Bank. Thus, customers with less than Rs 1 lakh deposits will be allowed to withdraw every two months in instalments of 20 per cent. For deposits over Rs 1 lakh, the customer will be allowed to withdraw up to Rs 1 lakh in the first year.

LEGAL CASES

Award cannot wait until IBC decision

The Calcutta High Court has stated that an application to set aside an arbitral award under the Arbitration Act could not be kept in abeyance by reason of the provision of the Insolvency and Bankruptcy Code (IBC) being invoked by operational creditors against the debtor. In the judgment, Sirpur Paper Mills vs I K Merchants, the mills prayed for setting aside the award and pointed out that corporate insolvency proceedings under the IBC have been initiated against it as a corporate debtor.

The mill has been taken over by J K paper, which was the Resolution Applicant before the NCLT. The high court ruled that there was no basis for relegating the appeal under the Arbitration Act to the backburner. "In this case, the mills being the corporate debtor/award debtor it cannot be permitted to take refuge under the provisions of the IBC for relegating the claim of the award-holder to limbo for an indefinite period of time," the judgment said.

Indian Bank indicted for negligence

The Supreme Court has directed Indian Bank to pay Rs. 25 lakh as compensation to a DAV Public School in West Bengal for negligence leading to heavy loss to the school. The school's bank accounts were without net banking facility. But when the principal opened a savings net banking account for transferring funds to the three school accounts, it was found that Rs. 25 lakh was unauthorisedly transferred from the school accounts.

The matter was reported to the bank which took one day to check the transactions. By then more money disappeared. Moreover, it was found that a duplicate SIM card was used to transfer money. The state consumer commission and the National Commission found loopholes in the story and granted only Rs. 11 lakh as compensation.

On appeal, the Supreme Court pointed out that the bank linked the school accounts to that of the principal without any request from the school. Therefore, neigher the school nor the principal was responsible for the loss and the bank should compensate the school.

Late-coming landowners lose benefit

Those whose land was acquired for a project cannot slumber over their right to compensation under the Land Acquisition Act and then claim interest on the awarded amount. In this case, Executive Engineer vs State of Maharashtra, while one group of land-losers had received enhanced compensation granted by the Bombay High Court, the other group came forward five-and-a-half year later.

The high Court condoned the delay and then asked the authorities to pay interest on the delayed compensation. The Supreme Court allowed the appeal of the authorities in part. While asking them to pay the enhanced amount it quashed the high court order to pay interest on it. The judgment emphasised: "The project executive, who is a public authority, cannot be saddled whith the liability to pay interest for the period of delay, which is not at all attributed to it.

Earning heirs entitled to compensation

In motor accident claims, even employed sons and married daughters can apply for compensation for the death of their working mother, the Supreme Court ruled in its judgment last week in the case National Insurance Company vs Birender.

Though they are not stictly "dependents" of their employed mother who died in a road accident, they are "legal representatives" according to Sction 166 of the Motor Vehicles Act. The woman, in this case, died when a dumper hit the motorbike while riding pillion ony way to her government office.

The two sons filed a claom petition. The insurance company resisted it on several grounds but the main ground was that the sons were earning wages and were not dependent upon the income of their mother. The case traveled from the tribunal to the Punjab and Haryana High Court to the Supreme Court.

Finally, The apex court declared that even though the sons were earning wages, and married, they were entitled to compensation as legal representatives of their mother. The court asserted that the liability of the insurance company does not cease because of the absence of dependency of the concerned legal representatives. The compensation constitutes part of the "estate" of the deceased. As a result, the legal representatives of the deceased would inherit the estate.

Liquor vendor allowed to shift 650 km

The Supreme Court set aside the judgment of the Madras High Court and allowed a wholesaler in Indian Made Foreign Liquor to shift his business from Mahe on the western coast to Karaikal on the eastern coast 650 km away. The shifting was caught in litigation with some residents in Karaikal objecting to the permission granted by the authorities under the Puducherry excise law. They agued that shifting of the shop was contrary to the public interest of the residents of Karaikal. For about 35 houses in Nedunkadu circle, Karaikal, there were 35 liquor shops already operational. Moreover, they argued that the Supreme Court had banned shops 500 m from highways.

They moved the Madras High Court. The court allowed the petition in its judgment, M/s CEE CEE & CEE vs K. Devamani. The dealer moved the Supreme Court. It ruled that the excise rules of the Union Territory spread over four unconnected places in south India allowed shifting business, wholesale or retail. The judgment listed a number of shops that had shifted to Karaikal from other regions for better revenue. The judgment listed a number of shops that had shifted to Karaikal from other regions for better revenue. The court allowed the relocation subject to the conditions set by the excise authorities. The court added two of its own - there should be a common entrance and exit; the boundary should be properly protected.

Neutrality of arbitrators

The neutrality of arbitrators has again become a point of discord, even after the Arbitration and Conciliation Act was amended in 2015 to remove doubts. Certain executive of disputing parties were barred from acting as arbitrators. They cannot even nominate arbitrators in the dispute. However, the Ministry of Railways modified the General Conditions of Contract (GCC) to walve the statutory conditions in certain cases. This was opposed u one of the railway contractors in the case Central Organisations vs. ECI-SPIC-SMO-MCML (JV). The Allahabad High Court appointed an independent arbitrator, rejecting the railways' nomination of its officers. It set aside the High Court judgement and asked the contractor to choose arbitrators from the panel of names provided by the Railways. According to the Supreme Court, the agreement expressly referred to the modified GCC, which provided for Railways offiecers to act as arbitrators. Therefore, the agreement should be followed, the judgment failed.

Blacklisting must not be endless

Normally, blacklisting of a company has a finite life span, for a few years. But an "indefinite directive" is worse than blacklisting and legal, the Supreme Court stated in its judgement in daffodils Pharmaceuticals vs State of UP. In this case, the pharma company and 56 others bid for a contract to supply medicines to hospitals in the state in 2015. It was disqualified because one of its directors was under CBI lens for maintaining fictitious accounts for personal benefits. However, the company argued before the Allahabad High Court that it was not given an opportunity to present its case. The High Court dismissed the petition, uploading the ban. But the Supreme Court stated that the High Court erred as the indefinite ban could not be legally sustained and the company was not heard before passing the drastic order.

Trade disputes and economic slowdown amongst key challenges for Indian businesses in 2020, report finds

Indian businesses face a range of challenges including trade wars and a global economic slowdown – but few firms are taking steps to mitigate the risk, according to a new study by TMF Group, a leading provider of international business administration services.

The report found that nearly half of Indian respondents (49%) predict that a global economic slowdown will be a key challenge for Indian firms in the coming year. 46% cite trade wars as a danger, with 37% concern about the impact of climate change on business. 34% believe that a EU/US trade dispute will damage India, while 33% of respondents feel that the UK leaving the European Union will have a bad effect on Indian companies.

Despite this, very few companies have taken steps to minimise the impact of geopolitical shocks. A mere 1% of Indian respondents report they have identified new customer target markets that are less affected by trade disputes, and less than 1% said they have identified new markets which are less affected by Brexit. Only 31% of respondents say they plan to reduce their operations in countries that are affected by trade wars.

Shagun Kumar, Managing Director for India at TMF Group, said: "International geopolitics can seem a long way away, but Indian firms – even the smallest ones – are closely connected to the world's economy. 2020 is likely to contain a large number of international business shocks, and these present both a challenge and an opportunity for Indian firms. Given the pace and complexity of changes and enormity of their impact, it is worrying that so few firms are proactively preparing to manage business continuity and growth."

Other statistics from the report included:

- When asked to predict the most likely geopolitical shocks in 2020, Chinese businesspeople were the most likely to mention trade wars, with 53% selecting this option. France was the least at 30%. Likewise, Chinese respondents were most likely to predict a global economic slowdown (51% predicting this). US respondents were the most worried about cyber-crime (cited by 38% of respondents), with Chinese as the least (19%).
- When asked to name challenges for the year ahead, 23% of Indian respondents cited "Creating and building a unified multicultural global workforce". 29% cited "Increased demands by regulators for live data and insights across legal and finance functions"; and 35% cited "Keeping on top of increasingly demanding data protection laws (e.g. the EU's General Data Protection Regulation (GDPR) and Canada's Personal Information Protection and Electronic Documents Act (PIPEDA))".

United Bank of India reduces MCLR by 10 to 45 bps across various tenors

The Marginal Cost of Funds based Lending Rate (MCLR) of the Bank for the month of January, 2020 has been reduced by 10 to 45 bps across various tenors. MCLR for one year is reduced by 10 bps to 8.30% and the Overnight MCLR has been reduced by 45 bps to 7.50 %. This rate is the lowest amongst Public Sector Banks.

The revised MCLR for various tenors is effective from 16.01.2020 till further review/revision. All MCLR linked loans sanctioned on or after 16th January, 2020 will be priced at revised MCLR.

Finance Ministry introduces stamp on DRI

The finance ministry has introduced a special postage stamp to commemorate the distinguished service and contribution of the Directorate of Revenue Intelligence (DRI). The stamp has been unveiled by the Finance Ministry Nirmala Sitaraman.

DRI was constituted on December 4, 1957, to function as an apex intelligence agency of the Central Board of Indirect Taxes & Customs to counter the menace of smuggling.

ICICI Bank launches India's largest API Banking portal with nearly 250 APIs

ICICI Bank announces the launch of an API Banking portal, consisting the maximum number of virtual APIs (application programming interfaces) put together by any Indian bank. It enables partner companies to co- create innovative customer solutions in a frictionless manner and in a fraction of time usually taken for such integration, thereby significantly increasing their productivity. APIs are a set of instructions, which enable third party applications to communicate with the Bank's various technology applications and collaborate to bring in new customer propositions.

The 'ICICI Bank API Banking portal', which consists of 250 APIs, enables developers of prospective partner companies across the globe to seamlessly sign up on it, create an application, select the application, test it out and get the sample code. With this, businesses, fintechs, corporates and e-commerce start-ups can easily partner with the Bank and co- create innovative customer solutions in a frictionless manner, all from the convenience of a single portal. The usage of 'ICICI Bank API Banking Portal' simplifies the process of digital collaboration for a partner company with the Bank and reduces the time taken to develop a business solution to a few days. This significantly raises productivity for partner companies. Typically, an API integration would take a few months.

The APIs are available across an array of categories including payments & collections like IMPS, UPI payment/ collection, accounts & deposits and cards & loans. After testing the solution on the sandbox environment, developers can upgrade to the UAT environment for end to end real-time testing, post signing an NDA with the Bank. Additionally, the portal incorporates a detailed workflow for conveniently moving the API solution to the final production stage, thereby eliminating the hassles of manual to and fro.

The 'ICICI Bank API Banking portal launch is a step towards bringing in the benefits of 'Open Banking' in the industry, which is regarded as a key enabler to drive speedy tie ups and digitisation in the country.

Speaking on the initiative, Mr. Anup Bagchi, Executive Director, ICICI Bank said "ICICI Bank has a legacy of leveraging new technology to bring in path-breaking solutions for the banking industry. The API Banking portal is yet another initiative in this direction. It is envisioned to be the gateway for several prospective partner companies to tie-up with the Bank in a quick and frictionless manner. The portal offers the largest array of instant APIs by any bank in one single place. We believe that the 'ICICI Bank API Banking Portal', will help foster rapid innovation and co-creation with partner. It will also boost productivity for businesses, as they can now partner with us in a short span of time ranging from just a few weeks to few days as compared to the few months taken earlier. We are happy to note the encouraging interest in the partnering with the Bank, with hundreds of developers already cocreating on the portal."

Bank of Maharashtra Slashes MCLR by 45 bps

Bank of Maharashtra (BoM), a premier public sector bank in the country, has slashed its benchmark lending rates i.e. marginal cost of funds based lending rates (MCLR) across various tenors. The MCLRs have been reduced upto 45 bps below the existing levels in MCLR tenors w.e.f 7th January, 2020.

The Bank's overnight, one month & three months MCLR have been reduced to 7.60% (from 8.05%), 7.70% (from 8.15%) & 7.75% (from 8.20%) in these tenors. For six months, MCLR rates has been revised to 7.90% (down from 8.30%) and one year MCLR to 8.25% (down from 8.40%).

The reduction in Bank's MCLR is aimed to support economic growth and industrial development and ensure rate transmission. Bank has also revised its Base Rate by 10 bps from existing rate to 9.40%

Emerging Markets have to Manage their Finances, so they are not Overexposed to Change

CFA Society India, in collaboration with CFA Institute, the global association of investment professionals, hosted its 10th India Investment Conference in Mumbai with the theme of 'Preparing for a new normal'. The conference brought together many leading local and global investment management practitioners, experts, and economists to discuss the latest trends in the global investment management industry. This year's conference included sessions on economic challenges, global trends and disruptions, portfolios for the future, bad credit analysis, taming uncertainty and more, with practical advice for investment practitioners.

"This is the 16th anniversary of CFA Society India and the 10th year we have hosted the India Investment Conference. We started the society with 50 members, and we have grown to over 3000 members this year. Our members in India have been working to build a committed and dedicated network of investment professionals who strongly believe that finance must be for the greatest benefit of the society and will truly abide by that principle," said Navneet Munot, CFA, Chairman, CFA Society India and CIO, SBI Funds Management Pvt. Ltd.

Nouriel Roubini, Professor of Economics at Stern School of Business, New York University shared his insights on global economic challenges in a session entitled 'Global economic challenges of our times'. He noted that the short-term outlook for advanced economies and emerging markets are mixed, but there are long-term economic challenges that most countries may face. He discussed how markets may be under-pricing geopolitical risks associated with the US election in November and the toxic political environment resulting from the impeachment process. He also pointed to the escalation of tensions in the Middle East which could result in an increase in global oil prices. More pointedly, he spoke of how India's growth potential can be affected and increased by opening to interactions with the global economy.

Sir Howard Davies, Chairman, Royal Bank of Scotland shared his views on changes in the global finance industry in his presentation 'Global trends and disruptions for financial institutions of tomorrow'. He noted that emerging markets must manage their finances so they are not overexposed to changes in the US while balancing in a low-trend growth period following an intense period of growth. This is all coupled with significant trade creation happening outside the banking sector.

Virginie Maisonneuve, CFA, Former CIO, Eastspring Investments spoke about the portfolios for the future in her session 'Portfolios for the future - The new normal is here'. She shared her views on how clients of the future will challenge their investment advisors in new ways, including ESG. She gave examples of how the new generation of investors will ask managers about the carbon footprint of portfolio, because they will be younger and more environmentally conscious. This will lead to a new paradigm – more sustainable growth and financial inclusion, wherein assessing risk will be increasingly important.

Speaking on the 10th India Investment conference, Vidhu Shekhar, CFA, CIPM, Country head, India, CFA Institute said, "We are a big community around the world with more than 170,000 CFA charterholders. This annual conference has been held every January and it is a great way to kick off the year. We are delighted by the success of our conference and having such a great line-up of speakers."

The 10th India Investment Conference had over 700 investment management professionals attending the event which provided them with a unique opportunity to improve their understanding of key issues that will drive investment decision-making. The conference featured a stellar line-up of global and Indian speakers including Satish Betadpur, CFA, Managing Director, Head of Investments - India, State Street Global Advisors; Sunil Singhania, CFA, Founder, Abakkus Asset Management, LLP; Ridham Desai, Managing Director, Morgan Stanley; Madhu Veeraraghavan, Director, T.A. Pai Management Institute, Manipal among others.

Namaste Credit Wins Jury Special Fintech Award at Amazon AI Conclave 2019

Namaste Credit, India's leading AI-based credit discovery and assessment platform, announced that it won the Jury Special Fintech Award at the recently held Amazon AI Conclave 2019 in Bangalore.

The Amazon AI Conclave Awards is designed to honour and encourage innovative players who are proving to be real game-changers with ideas that are creating a significant impact. The awards witnessed participation from over 370 startups across genres like Retail-tech, Health-tech, Media and Entertainment, Enterprise & Industrial IT, Fintech, Social Innovation and more.

Namaste Credit also made it to the top three finalists in the fintech category. The Amazon AI Conclave recognized the fintech for its AI-based credit assessment solution, iCAM for banks and NBFCs, which allows them to facilitate faster loan approvals.

Lucas Bianchi, co-founder & Director of Namaste Credit, says, "With our continuous innovation and investment in AI & ML, we have been able to bring in sea-changes in making lending faster and smoother for MSMEs and Financial Institutions alike. We will continue to bring in further innovation. This win is also recognition of the untiring efforts our excellent team. Namaste Credit will continue to innovate its offerings, and make a bigger mark in Indian and International markets."

Namaste Credit's core USP is getting higher approval rates for MSMEs using its technology. Its AI-powered SaaS solution enables matchmaking of SMEs with most suitable lenders, facilitating highest loan approval rates.

Its proprietary technology enables automated credit underwriting to analyze 100x more data points than the underwriting process zero manual errors and comprehensive fraud detection.

The startup also helps micro-enterprises seek a pre-approved loan through its Neo-banking services. The company has raised $3.8 million USD in Series A from Nexus Venture Partners in 2018.

'Saving more' continues to be the top financial goal of Indians in 2020

YouGov's latest research reveals that 'Savings'- either starting to save or increasing one's current savings is the main financial goal of more than a third of urban Indians (37%) in 2020. Following this, 'Starting or increasing investment' (28%) and 'Securing self or family through insurance' (22%) were ranked as the main goals by many.

Among the genders, a higher number of women than men categorised saving as their key target (42% vs 32%) while more men than women considered investment to be an important focus area (31% vs 24%) in the new year.

Saving was stated as the most important financial goal in 2019 as well (by 32%) and continues to remain a priority in 2020. When it came to rating themselves on their performance towards this goal, 63% said they were satisfied with their efforts. However, satisfaction was the highest among those who chose securing family through insurance (with 77% saying they were satisfied) as well as those who chose investment (74%) as their main financial objective for 2019.

In the new year, most people are looking for new financial opportunities to increase their income in order to fulfil their monetary goals. The data shows that there seems to be an eagerness among men and women to enhance their knowledge and educate themselves about the various financial tools. Half of those who said saving is their main goal for 2020 are likely to increase their knowledge about personal savings in order to meet their objective. The same is true for almost half (47%) of those who chose investment as their key target and around half (45%) of those who want to secure themselves or their family through insurance.

Thinking about the future, people seem optimistic about their finances. Two in five (40%) are more likely to say, "I'm financially better off now than I was a year ago" at the end of 2020. Those who chose savings as their financial goal for 2020 were most likely to say this.

CONCURRENT AUDIT, AS A TOOL OF FRAUD RISK MANAGEMENT

Deregulation and globalization of financial services, together with the growing sophistication of financial technology are making the activities of the bank and their risk profiles more complex. Development of banking practices suggest that there can be substantial risks the banks have to address other than credit risk, interest rate risk and market risks. However, efficiency of the bank depends on how effectively it is managing the risks.

For this, it is essential to have in place effective risk management and internal control systems to prevent fraud risk. These controls must be supplemented by an effective Audit Function that independently evaluates operational effectiveness, efficiency and adherence to the Internal Control systems within the organization. Concurrent audit is the one of the strong layers to prevent and protect the policy guidelines of bank supporting sound ethical banking practices.

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Purpose of concurrent audit

The purpose of concurrent audit is to ensure that the transactions are audited on a day-to-day basis and shortcomings/deficiencies brought out are rectified immediately. It is expected of Concurrent Audit to act as a monitoring mechanism at the branch/Centralized Processing Units and at critical Central Office Departments to ensure on an ongoing basis that different divisions at Branches / Centralized Processing Units and Central Office Critical Departments function within the prescribed parameters and procedures.

Scope of audit coverage

The main role of concurrent audit is to supplement the efforts of the bank in carrying out simultaneous internal check of transactions by an independent person and other verifications and compliance with the laid down procedures including checking/verification of AML/KYC, TDS as per RBI and Ministry of finance (MOF) latest guidelines. Concurrent Auditors should check the compliance of various latest guidelines issued by RBI and MOF from time to time. A concurrent auditor may not sit in judgment of the decision taken by a branch manager or an authorized official. This is beyond the scope of concurrent audit.

The concurrent auditor will necessarily have to see whether the transactions or decisions are within the policy parameters laid down by the Central Office. They should not .violate the instructions or policy prescriptions of the RBI. In very large branches, which have different divisions dealing with specific activities, concurrent audit is a means to the in-charge of the branch to ensure on an ongoing basis that the different divisions function within laid down parameters and procedures.

Concurrent Audit shall cover certain fraud - prone areas like handling of cash; deposit, advances, safe custody of securities, investments, overdue bills, exercise of discretionary powers, sundry and suspense accounts, inter-bank reconciliation, clearing difference, foreign exchange business including Nostro accounts, Off-Balance Sheet items like Letter of Credit and Bank Guarantee, treasury functions and Credit Card business, internet banking, Mobile Banking, POS etc.

The focus of Concurrent Audit shall be on substantive checking in key areas/high risk areas like:

a) Credit Risk.

b) Regulatory/Statutory Compliance Risk

c) Fraud Risk.

d) Revenue Risk.

e) Forex Risk.

f) KYC/AML/FEMA guidelines adherence

In determining the scope, importance should be given to checking high-risk transactions having large financial implications as opposed to transactions involving small amounts.

While there are no detailed RBI or Govt. guidelines on the scope of concurrent audit, the detailed scope of Concurrent Audit has evolved over a period of time. It covers key areas of Branch functioning. Banks are in the process of shifting to Web Based Audit Management Solutions (WBAMS) covering all audit functions in the Bank including Concurrent Audit. Accordingly, all procedures and functions of Concurrent Audit starting from conduct of audit and submission of reports and closure of Audit Reports shall be done through WBAMS package during the regular Regional Audit Committee (RAC) meeting.

Coverage of Business / Branches & Type of Activities

Concurrent audit at branches should cover at least 50% of the advances and 50% of deposit of a bank. The following Branches, Business activities/Verticals of the Bank are subjected to Concurrent audit:

1. Branches rated as High Control Risk or above in the last Risk Based Internal, Audit (RBIA) where serious deficiencies were found in Internal Audit.

2. .All specialized branches like Large Corporate (IFB), Mid Corporate, SME, Exceptionally large/Very large branches (ELBs/VLBs).

3. All Centralized Processing Units like Loan Processing Units (LPUs), SARALs, Service Branches, Centralized Account Opening Divisions, Central Pension Processing Centre (CPPC) etc.

4. Any specialized activities such as ATM, Credit and Debit Card Division, Cash Management Services, Digital Banking, Back office functions. Data Centers. Integrated Treasury/branches handling Foreign Exchange business, investment banking, etc. and bigger Overseas Branches as considered by top management. Departments e.g. Corporate Communication, Terminal

Benefits, Support Services, CP & MSME, Large Corporate Vertical etc.

5. Any other branches or departments where in the opinion of the bank, Concurrent Audit is desirable.

The Bank shall Endeavour to cover 70% of Deposits and 70% of Advances under Concurrent Audit. Minimum essential activities to be covered by the concurrent auditors are as per RBI guidelines.

Selection of Audit Firms:

As per Government guidelines, the concurrent audit assignments may be undertaken internally by Bank's Officers and also outsourced to external audit firms. The appointment of concurrent auditors for various concurrent audit assignments needs to be done from the RBI panel as per the gradation based on the size of the Branch with the approval of delegated authority in Central Audit & Inspection Department. Suitable firms shall be identified for each assignment and shall be approved taking into account their experience and exposure in similar activity carried out for the Bank or other Banks, availability of adequate trained resources, location of the audit unit etc.

The Government guidelines have also provided the following criteria be applied for selection of Concurrent Auditors:

- It should be a partnership, firm of Chartered Accountants.
- The firms should have qualified Information System Auditor (CISA/DISA) with necessary exposure to systems audit since all functions of bank are computerized and therefore IS audit should form an integral part of audit of banks.
- Weightage to be given to firms where the partners themselves were ex-bankers or the firm has got tie-up with ex-bankers with requisite experience and exposure.
- The audit firm or its associate concerns should not be conducting statutory audit of the Bank or any of its branches.
- The firm should have necessary office set-up, adequate personnel to ensure proper deployment and timely completion of assignments. Also should ensure deployment of only authorized personnel of concurrent audit firm for conducting audit.
- The firm should not sub-contract the audit work

assigned to any outside firm even if they are qualified chartered accountants.

- With a view to ensure that Concurrent auditors are well-versed with the subject, it is proposed to make it mandatory that the Chartered Accountant should have "Certificate course on Concurrent Audit of Banks" conducted by ICAI and certificate for the same is submitted to the Branch Head / Department Head (it is learned that Institute is imparting the 'above course spanning 6 days covering all major topics connected with Concurrent Audit of the bank/branch).
- With regard to Government guidelines for appointment of Concurrent Auditors from RBI Panel as per Gradation, RBI awards grades to CA firms undertaking Statutory Audit. Presently branch Statutory Auditors are appointed based on grade awarded by RBI depending upon size of the branch which is as under :-

Sr. No	Grade of Auditor	Eligible for Audit of branch
1	I	Branches with advances of Rs. 75.00 crore & above
2	II	Branches with advances between Rs. 50.00 crore to Rs. 75.00 crore
2	III	Branches with advances between Rs. 25.00 crore to Rs. 50.00 crore
4	IV	Branches with advances below Rs. 25.00 crore

All efforts shall be made to assign Concurrent audit to C.A. firms as per above grade and suggested level of advances of the Branch. However, in case of non-availability of suitable C.A. firms of any particular grade and in case of exigency, C.A. firms with a higher or lower grade shall also be assigned Concurrent Audit work. Such deviation shall be put up to General Manager (CA&ID) for approval. In all cases, the fees payable shall depend upon the level of advances of the Branch.

Appointment of Concurrent Auditors and Accountability

1. A suitable firm to be indentified for each assignment from the RBI Panel and to be approved, taking into account their experience and exposure, having experience of audit carried out for Bank or other Banks. Bank can also appoint its retired staff as concurrent auditors.
2. At any one point of time, not more than one audit assignment shall be awarded to any single firm. An audit assignment that needs to be carried out across the branches/units at different locations shall be considered as a single assignment for this purpose.
3. Concurrent auditors shall not undertake any other activities on behalf of the branch without obtaining the concurrence of Central Audit and Inspection Department, in writing.
4. No out of pocket expense or travelling allowance / halting allowance shall be paid to Concurrent Auditors for carrying out the assignment. However, the service tax, shall be paid as applicable from time to time in addition to basic fees. The payment to concurrent auditors shall be subject to deduction of tax at appropriate rates. The firm shall execute undertaking of fidelity and secrecy on its letterhead in the prescribed format.
5. In order to avoid conflict of interest, an undertaking

shall be obtained from the concurrent auditors that they do not have any professional or commercial relationship with the borrowers of the branch/Department which they are auditing.
6. The Auditors shall sign the Do's and Don'ts statement in order to have proper arms-length relationship with the Branch/Department of which they are conducting Audit.
7. A declaration shall be furnished by the firm that credit facilities availed by the firm or partners or firms in which they are partners or directors including any facility availed by a third party for which the firm or its partners are guarantors have not turned or are existing as non-performing assets as per prudential norms of RBI. In case the declaration is found incorrect, the assignment shall get terminated besides the firm being liable for any action under ICAI / RBI guidelines.
8. All the necessary certificates including quarterly/half yearly/annual closing of books of accounts that need to be given by audit firm as a part of Concurrent Audit assignment shall be given by the audit Firm under its letterhead without any additional certification fee.
9. A detailed checklist and other latest operating guidelines, view ID, required Menus for verification of details shall be provided to the concurrent auditors.
10. Appointment of Concurrent Auditor shall be purely at discretion of the Bank and no rights whatsoever accrue to the firm for such appointment.
11. Audit firms shall submit monthly/quarterly/half-yearly reports in structured formats within stipulated period i.e. within 10 days of the completion of month /quarter /half-year. Any persistent delay shall be viewed negatively at the time of review of CA firm.
12. Bank/Branch shall monitor the performance of audit firms closely. Performance of the Firm shall be evaluated every month on the basis of their quality and coverage of reporting. In case CA firm is not attending audit work properly, continuous delay in submission of reports, non reporting of serious irregularities/deviations, non-detection of fraud, non-detection of Leakage of income in branches where they are conducting concurrent audit, Bank reserves the right to terminate the assignment, without assigning any reason. In case of termination of assignment, the remuneration for the incomplete month shall not be payable by the bank.

13. Concurrent Auditors shall not be permitted to mobilize any credit related proposals to any of the Branches of the Bank during their period of assignment.
14. The Bank may also formulate suitable incentives to be paid to concurrent auditors for detecting frauds, revenue leakage etc. as well as disincentives for not detecting them in time and which was subsequently detected during some other audit. Details of such deterring provisions, incentives, disincentives etc. shall be got approved by the Executive Director, if required. Likewise any bonafide reporting of serious irregularities by Concurrent Auditors shall be duly recognized by Central Audit and Inspection Department.
15. Suitable deterring provisions shall be incorporated in the engagement letter of concurrent auditors for delayed submission of reports, unsatisfactory performance etc. If external firms are appointed and any serious acts of omission or commission are noticed in their working, their appointments may be cancelled and the fact may be reported to RBI and ICAI.

Process and Procedure for Selection of Concurrent Auditor for Branches/Offices

1. Central Audit and Inspection Department (CA&ID) will identify the branches for which concurrent auditors need to be appointed afresh-either due to completion of tenure of earlier auditor or due to identification of additional branches to be brought under concurrent audit.
2. CA&ID will undertake the concurrent auditor appointment exercise twice in a year as hitherto i.e. March and September from the empanelled list. In case of any exigency like midterm termination on account of non-performance/resignation by the auditor, new firm can also be appointed from the panel.
3. Concurrent Auditors empanelment is done once in a year. A detailed document for empanelment containing general terms and conditions for empanelment, eligibility criteria, documents to be submitted, undertaking from CA firms, fees payable, performance evaluation criteria and details of DO's and Don'ts are to be provided to the firm..
4. Online web based application will be hosted in corporate website. Interested CA firms can submit the application only during the application submission period which will be usually three weeks. However, this can be increased or reduced depending upon the requirement.
5. The General Manager, CA&ID will form a committee of minimum three executives for evaluation of CA firm. The committee will recommend empanelment/ appointment of CA firms as per the eligibility criteria and General Manager, CA&ID will be the competent authority to approve the empanelment/appointment.
6. Initial allotment will be for one year and thereafter will be extended for another 2 (1+1) years, if performance of CA firms remains satisfactory. CA&ID will extend the contract based on the recommendation of respective Zonal Audit Offices.
7. While selecting CA firm for Concurrent Audit of Branches having Advances of above Rs.100 crores preference shall be given to those firms having more than one Chartered Accountant partner at the location where the Concurrent Audit Assignment is to be allotted.

Tenure of Concurrent Auditors:

Tenure of concurrent audit shall be initially for one year and shall be extended for a further period of two years, overall three years, based on the performance of the auditor in the first year/Second year. After completion of specific period, the firm may be considered for audit assignment in other location or areas after completion of cooling period. Cooling period of one year shall be observed for a firm to become eligible for re-appointment. At any point of time, not more than one audit assignment shall be awarded to any single firm.

Conduct and Follow Up of Concurrent Audit:

1. Each branch/audit unit shall identify Nodal Officer as a single point contact for coordinating the concurrent audit work.
2. Bank shall provide the concurrent auditor with requisite initial information of the branch activities and further support to conduct audit.
3. Minor irregularities pointed out by concurrent auditors are to be rectified on the spot. The audit unit should ensure rectification of deficiencies without any Loss of time so as to achieve the very purpose of concurrent audit.
4. Pending issues of previous reports shall continue to be mentioned as persisting irregularity / deficiency in the subsequent reports till such time the same are conclusively dealt with.
5. A formal wrap up discussion with the branch / units shall be arranged before submission of report by the concurrent auditor. In case of any difficulty in interpretation of existing guidelines of the Bank by the Branch/Concurrent Auditor, the same shall be referred to the Controlling Office/Concerned Audit Office before finalization of the report.
6. Quality of compliance with the concurrent audit reports shall be covered and commented upon by the internal auditors.
7. Zonal Audit Office shall ensure that deficiencies pointed out in concurrent audit report are rectified and concurrent audit reports are closed within a quarter. Regional Office shall be responsible for follow up with the branches to ensure compliance.
8. Zonal Audit Heads shall interact with Concurrent Auditors at least once in a quarter. Such interaction could be either through personal meetings or web conference.
9. Open items which are not resolved for more than a quarter to be reported to CAID by Zonal Audit Office for placing the same before Audit Committee of Board.

Submission of Reports

1. Copies of Monthly / Quarterly / Half-yearly Concurrent Audit report and Quarterly status reports on advances accounts with exposure of Rs.1.00 crore and above shall be submitted by 10th day of the succeeding month to the respective authority as defined by individual bank.
2. In case Concurrent Auditors detects any serious irregularities or malpractices, which may result in loss or jeopardize interest of the Bank, they shall submit "Preliminary Report" to Central Audit and Inspection Department at Head office, as well as respective Zonal Audit Office. The ZAO on receipt of such preliminary report from the concurrent auditor shall forward the same to CA&ID with its recommendation. The CA&ID shall vet the report and if deemed fit, advise Zonal Audit Office to submit Special Report with all observations to concerned branch under copy to CA&ID and concerned RO for further course of action. The Concurrent Auditor shall also be informed suitably.
3. Whenever fraudulent transactions are detected, same should be immediately reported to RO, FGMO, ZAO and CA&ID and also to the Chief Vigilance Officer through RO/ZAO as well as Branch Manager concerned unless the Branch Manager is involved.

Compliance of Audit Reports and Reporting To ACB:

1. The concerned branches shall submit the compliance/ replies along with certificate of rectification (COR) to their Controlling Offices within a maximum period of 30 days. The Controlling Offices shall check rectifications and compliance of audit reports and shall close the reports in RAC (Regioanl Audit Committee).
2. Before closing audit report, ZAO shall verify on test check basis whether actual rectification is done in respect of serious irregularities i.e. Non creation of

mortgage, non renewal of high value accounts, non adjustment of excesses, etc.

3. Review of significant observations of the Concurrent Audit along with the compliance thereof shall be placed before the Audit Committee of Board on quarterly basis. Reporting shall be done on Zone/ Area-wise basis. Any serious observation requiring attention of Audit Committee of Board shall be placed before them at the first available opportunity. Review of compliance of audit reports with respect to adherence to KYC/ AML guidelines at Branches shall be placed before ACB on quarterly basis by Compliance Department. Annual Appraisal / Report of the Concurrent Audit System shall be prepared and placed before the Audit Committee of Board.

4. Follow-up action on the concurrent audit reports shall be given high priority by the Controlling Office / Zonal Audit Office.

Performance Review:

1. As per the Government Guidelines, the tenure of concurrent audit could be extended based on the performance of the auditor in the 1st year. The performance of concurrent auditor shall be reviewed on annual basis.

2. Performance of concurrent audit firm is subject to review after one year of the appointment by Central Audit and Inspection Department. It is proposed to continue with this arrangement of review of performance of Concurrent Auditor after every year.

3. With a view to ensure that concurrent auditors carry out their job efficiently and effectively, bank shall follow the a Performance Evaluation Matrix designed by individual Bank. Based on the performance evaluation, the audit firm shall be rated as under:-

Grade/Rating	Proposed Marks
A	80 and above
B	70 - 79
C	60 - 69
D	Below 60

The contract with audit firm falling in Grade 'D' shall be terminated even before completion of audit term.

Challenges in Implementation of Some Of Government Of India/RBI Guidelines:

As per Government Guidelines, following functions are also required to be carried out by Concurrent Auditors:

❖ Certification work, presently being carried out by Statutory Auditors, should be assign to Concurrent Auditors.

❖ Stock Audit function is to be shifted to Concurrent Auditors.

❖ Conversion of existing transaction-based concurrent audit into Risk - based concurrent audit.

Conclusion

Concurrent Audit system is compliance to the RBI / Government guidelines. It supplements the efforts of the internal audit department to strengthen the internal control system of the bank. The concurrent audit system shall be a part of Bank's early-warning system to detect irregularities and lapses. It helps checking repeated / recurring violations of the internal and regulatory guidelines in controlling risks and in preventing fraudulent transactions.

Concurrent Audit attempts to shorten the interval between a transaction and its examination by an independent person not involved in its execution/documentation. The emphasis is in favor of substantive checking in key areas rather than test checking. This audit is essentially a management process integral to the establishment of sound internal accounting functions and effective controls so as to preclude the incidence of serious errors and fraudulent manipulations. ❑

PCR- PUBLIC CREDIT REGISTRY

(To promote financial inclusion, improve credit culture and control loan defaults)

Introduction:

Access to detailed information related to borrower's credit history and behavior is very much essential for the development of an efficient credit market. Such access helps lenders in the process of borrower selection, effective credit assessment & decision. With the help of detailed and complete credit information about borrower, lenders can distinguish the different shades of borrowers; good borrower, bad borrower etc. and observes the risk associated in different borrowers.

This will lead to creation of an optimum credit market, where lender can price the loan appropriately as per the risk associated with borrower and lend at more attractive rates when they are confident about borrower's ability to pay. Thus existence of detailed credit information system will enables lenders to take objective credit decisions and may help them to shift from pure collateral based lending policies to more information based lending policies.

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The sharing of credit information is also important in the public interest from a financial stability, supervisory, financial inclusion as well as economic policy perspective. Because of this reason, in many countries, the task of organizing the collection and distribution of credit data through public credit registry (PCR) is assigned to a public authority by the regulation.

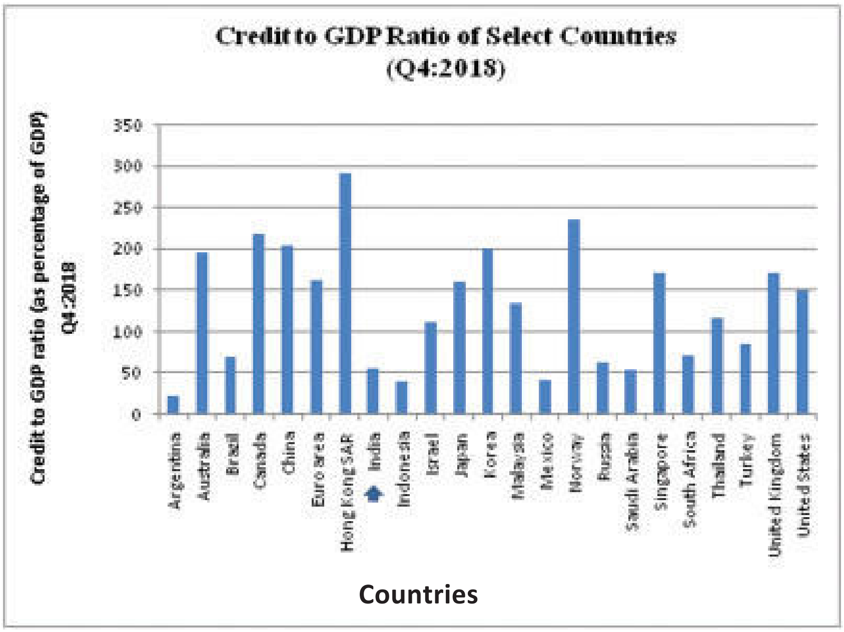
In India at present, credit information is available in bits and pieces across multiple systems. So it was felt that in our country there should be an extensive database of credit information for all the credit products- formal as well as informal from origination to its termination without any threshold limit. With this thought process in mind, Reserve Bank of India (RBI) came up with the concept of PCR (Public Credit Registry).

What is the need of PCR?

Background

It is a known fact that a large part of Indian economy is still informal. As per the data, less than 1% of firms account for around 35-40% of total turnover, 85% of exports and around 60% of GST liability. These firms are being considered as formal sector for the purpose of tax and social security net. Data also suggest that the informal part of economy nearly contributes around 50% in employment generation. The earning of some of these firms which are under informal sector may be at par with their formal counterparts, but due to its informal nature, people and business in this part of the economy is not able to access the formal credit or full benefit of formal banking system. This adversely affects their growth and ability to grow their current income.

So it is not a surprise that the India's Credit to GDP ratio stands at a modest 56.10%, compared to China's 204.20%, United States 150.60%, United Kingdom 170.70%. In other words, there is financial under-penetration in India. The following chart depicts the position of financial penetration of some of the countries:



Source: Bank of International Settlements, Q4 2018 data

In this context, one very important initiative is being undertaken by Reserve Bank of India that will help India to move towards more equitable and timely access to credit, especially to the unorganized sector like Micro & Small Enterprises. This initiative can democratise and formalise credit in India. This is Public Credit Registry (PCR).

In October 2017 Reserve Bank of India (RBI) constituted a 10-member High-level Task Force (HTF) which was chaired by YM Deosthalee, former CMD of L&T Financial Holdings Ltd to develop a roadmap for Public Credit Registry (PCR) in India. Based on the recommendation of HTF, in June 2018, RBI had announced to set up PCR for India.

Moving forward, in October 2018, RBI had invited expression of interest (EOI) for developing the registry from companies with a turnover of over Rs 100 Crore in the last three years.

Consequent to the publication of EOI, the Reserve Bank had received responses from several vendors for implementation of end to end solution for PCR. After evaluating the responses of the interested vendors, RBI on 22nd December 2018, has shortlisted six major IT companies, including TCS, Wipro and IBM India, to set up a wide-based digital Public Credit Registry (PCR). The other three shortlisted vendors are: Capgemini Technology Services India, Dun & Bradstreet Information Services India, and Mindtree Ltd.

Why PCR?

Currently, the structure for collection and maintenance of credit data in our country is highly fragmented. There are many agencies that are collecting credit information in the country. The main agencies which collect credit data in the country include Reserve Bank of India, Credit Information Companies e.g. Credit Information Bureau (India) Limited (CIBIL), Equifax, Experian & CRIF Highmark, CERSAI, Information Utility, MCA etc. Within RBI itself, CRILC is borrower level supervisory dataset with threshold in aggregate exposure of Rs 5 crore, whereas the BSR-1 return is a loan level statistical dataset without any threshold limit of the outstanding amount which mainly focus on the distribution aspects of the credit disbursal. The RBI has mandated all its regulated entities (banks, non-banks and other credit providing agencies) to submit credit information individually to all CICs. All are collecting the data and maintaining the same with each having somewhat distinct objectives and coverage.

All these bureaus providing credit scores and allied reports and services to the member credit institutions and borrowers, for commercial purpose. The bureaus are regulated by the RBI under the Credit Information Companies Regulation Act 2005. There are other agencies also who collecting data which is important for credit decision making, These agencies are Reserve Bank of India (RBI), Central Registry of Securitisation Asset Reconstruction and Security Interest (CERSAI), a central online security interest registry of India Information Utility, Ministry of Corporate Affairs (MCA), Securities and Exchange Board of India (SEBI), The National Stock Exchange of India Limited (NSE), Bombay Stock Exchange BSE, Goods and Service tax Network (GSTN), the Insolvency and Bankruptcy Board of India (IBBI) etc.

But lenders of Indian financial systems face various challenges for using the available credit information while taking credit decisions because all the information are not available on a single platform. Some of the challenges faced by lenders in the existing credit information system are as under:

Lack of comprehensive data:

Credit information is not available on one platform; it is currently available across multiple systems in bits and pieces. There is certain key information which is essential for making effective credit decisions but is not reported currently. Many a times, lenders are dependent upon the borrower for providing key information. Currently the complete debt snapshot of a borrower is not available with the lenders. As financing is also happening from non-bank funding sources; viz. NBFCs, mutual funds, alternative investment funds etc., complete debt details are not currently available in any system.

Some systems like MCA only have data of companies and limited liability partnerships (LLPs). Data for other entities; viz. trusts, societies, partnerships, sole proprietorships etc. is currently not available in any system. In short currently the data for all individual and non-individual clients is not available at one place and right now this is not possible for any lender to access the entire credit related information of any clients.

Information available in fragmented manner:

At present, the data across the system is available in a scattered manner and non-uniform basis. The various sources from where such data can be accessed are the credit information companies, CICs, CERSAI Registry, MCA, NSE, BSE, Information Utility etc. These databases provide different inputs and may be not updated on timely basis, thereby providing different information for the same client. Thus it becomes difficult to rely upon and verify the information provided by these clients. So a single repository across these agencies capturing entire database of such clients, will help in the due diligence process. Comprehensive information of borrower would help the lenders in making better credit decisions and also support sound risk management. It would also enable the regulator in better governance controls through enhanced monitoring.

Dependency on Self Disclosures by borrowers:

At present, there is a lot of self-certified data taken from customers and relied upon e.g. client KYC details, Income details, financial details (assets & liabilities), net worth, contact numbers, nationality etc. These details particularly the financial details are important parameters for lending. In case of companies these details are available through audited financials uploaded on MCA portal; however the same does not provide a holistic view regarding the paying capacity of the client. For that many other details are also required. With respect to the clients like individuals, HUF, Trusts, Partnerships the information is further limited with a lot of dependency on the client.

Authenticity and Reliability:

The various pieces of information provided by the borrower is usually cross checked by lenders with the information available on MCA, Income Tax, Exchange website for listed company disclosures, Regulator's website for regulated entities, CERSAI Portal, Judicial websites (for litigation) etc. However in many cases, the information is either not updated or inaccurate entries are passed. There is no reliable validation tool for lender while taking credit decisions for a potential borrower. For example, in scenarios where a lender is extending fund based facilities against guarantees/ letter of undertaking of other banks, the lender should be able to validate if the non-fund based facility has actually been assisted to the borrower. Inconsistencies in data cannot be easily identified and there is a high dependence on the information submitted by the borrower itself.

Multiple Reporting:

At present, multiple reporting to multiple agencies are being made which contain similar information pertaining to borrower details like borrower KYC, loan amount, details of security, charge creation etc. As each agency has its own process and time lag to upload the information and make it available to the users, hence due to multiple inputs and time lag there are difficulties to ascertain which one is the up-to-date information. In the present reporting framework, banks have to provide more than 300 reports to various authorities and agencies. Since there are many systems with data in bits and pieces, a lot of overlap also happens. Therefore a comprehensive data registry would not only simplify but also streamline and consolidate reporting and improve the quality of reporting.

In view of the challenges present in the existing credit information system, banks are struggling with poor credit quality of portfolio and at the same time many entities epically micro and small enterprises not getting loans from formal banking channel. Hence, there is a need of comprehensive Public Credit Registry (PCR) to enable any stakeholder, who has access to the PCR, to obtain comprehensive information of the borrower, through a single portal. This will not only lead to sound credit decisions but would ultimately lead to development of a flow based lending.

Access to credit information, including debt details and repayment history would drive innovation in lending. For

example, currently most banks focus on large companies for loans and consequently the micro, small and medium enterprises are left with limited options for borrowing. With satisfactory payment history and validated debt details made available, it will increase the credit availability to micro, small and medium enterprises along with deepening of the financial markets. This will also support the policy of financial inclusion.

What is PCR?

A public credit registry is an information repository that collates all loan information of individuals and corporate borrowers. The PCR will be an extensive data base of credit information for India and will work as a financial information infrastructure providing access to various stakeholders and enrich the existing credit information ecosystem. The public credit Registry will also allow borrowers to access their own credit information and seek corrections to the credit information reported on them.

It will capture all details of borrowers, including willful defaulters and also pending legal suits in order to check financial delinquencies. It will include data from entities like Banks, market regulator SEBI, Corporate Affairs Ministry, Goods and Service Tax Network (GSTN) and Insolvency and Bankruptcy Board of India (IBBI), NBFCs, Corporate Bonds, External Commercial Borrowing, Inter-corporate Lending, Masala Bonds etc. to enable banks and financial institutions to get 360 degree profile of existing and prospective borrowers on real-time basis. It seeks to serve as single point of mandatory reporting for all material events for each loan, notwithstanding any threshold in the loan amount or type of borrower.

The PCR will help banks to distinguish between a bad and a good borrower and accordingly offer attractive interest rates to good borrowers and higher interest rates to bad borrowers.

High Level Information Architecture of the PCR

The PCR information architecture consist of 4 layers:

1. **The Core credit information processing module:** This module will be used for receipt of credit information from the credit institutions. After receipt of information, it would pass through appropriate granular validation checks and the errors captured if any would be transmitted back to the reporting entity. Then the reporting entity would in turn make necessary corrections and re-submit the information in a time bound manner. After completion of this feedback cycle and with achievement of acceptable data quality, the information would be finalized and passed on to the main repository.

2. **The linked information layer:** This module would be the layer of linkage with other existing information systems. Some of the information sources that the PCR could link to in order to increase the potential of the credit information and help decision making could be - MCA, RBI, CERSAI, IBBI, SEBI, FIU, ECGC, GSTN, Utility / statutory bill payments database, Legal database etc. In order to facilitate the linkages, separate sub systems may be maintained by the respective organisations as mutually agreed between the PCR authority and the organisation - like MCA (balance sheet information), RBI (willful defaulter's list, CFR, Caution List), SEBI (shareholding pattern, Company bonds issuance), ECGC (ECGC caution list), IBBI (IBBI listing status) etc.

3. **Ancillary / Auxiliary Information Layer:** The credit institutions may also submit ancillary information to PCR like stock statements of borrowers and project inspection reports which can be made accessible to all relevant stakeholders through the PCR platform. However, it is imperative that the formats of these statements be standardised across board before such submissions can be allowed to PCR. Initiative in this regard has to be taken by the association of the credit institutions, namely IBA.

4. **The Main Repository (Golden Layer):** This data warehousing layer would contain the final, authentic information - and the assorted linked information and ancillary information, as applicable- and would be used for report generation purpose. The reports could be credit reports for individual borrowers, credit reports for each borrower of a particular credit institution highlighting their system wide exposure for the use of that particular credit institution, ad-hoc reports for the regulators and so on. The layer could provide value-added services like mapping of connected lending for the use of credit institutions. However, PCR would not provide any credit scoring or subjective value added services. Only factual and objective information, based on the data as reported by the credit institution will be provided.

With regard to the linking of information available within other information systems, this would be one of the key strengths of the envisioned modular PCR structure, the sources to link to, the information to be linked and the related arrangements may be worked out in collaboration between the regulators and the stakeholders under the aegis of the RBI.

And after that all credit information reporting to PCR will centralised and then all stakeholders will be allowed to access the information as per the allowed access level. The long term view for the PCR would be to establish itself as a single window for the lenders to access all factual credit information stored within PCR and other linked subsystems.

Benefits of Public Credit Registry:

Improve Credit Flow to Informal & MSME sector: PCR, by having a registry of all loans, the credit delivery system can be tuned more efficiently so that the Indian populace not having access to formal credit, or with limited or no credit history, can be brought within its ambit. The resulting increase in credit flow to the MSME sector and to the underserved populace could propel the Indian economy to a higher growth path, improve access to credit and strengthen the credit culture among customers.

Improve the Data Quality: PCR, as the single point of mandatory reporting of credit information, would not only reduce the reporting burden on the credit institutions, especially for the small sized credit institutions, but will also automatically lead to removal of inconsistencies at the aggregate level stemming from multiple reporting, which will lead to improvement in data quality.

Remove information asymmetry: Since PCR will have full coverage of the credit market by mandate, including related ancillary credit information available outside the banking system, it can result in effective removal of information asymmetry. This would address the issue of 'adverse selection' in credit market leading to fair pricing of loans. Thus 'good' borrowers can be actually distinguished and rewarded accordingly. Moreover, as the information in PCR would work as 'reputation collateral' for the borrowers, it could prevent the 'moral hazard' in credit market to a great extent.

Effective supervision and help lenders to take timely corrective steps to prevent delinquencies wherever possible: From a regulation or supervision, policy making and financial stability point of view, the value of having a granular repository for the credit market in the form of a PCR is undeniable. With a PCR in place, the bottlenecks in effective transmission of policy recommendations can be identified and addressed accordingly. Transparent credit information is a necessity for sound risk management and financial stability. A PCR, with linkage to ancillary credit information systems, can help in effective supervision and help lenders to take timely corrective steps to prevent delinquencies wherever possible.

Help India to improve its ranking in ease of doing business Index: The World Bank ranks economies on their 'ease of doing business', where the rankings are determined by sorting the aggregate distance to frontier scores on ten topics, each consisting of several indicators, giving equal weight to each topics. One of the ten topics considered in the exercise is 'getting credit', where the efficiency of the credit information systems in the country is measured by four indicators.

These are strength of legal rights, depth of credit information, percentage of adults covered in Public credit registry and in credit bureaus. As India does not have a PCR, performance in one of the four indicators of 'getting credit' stands at zero. With a PCR in place, and with full coverage ensured by mandatory reporting, performance in the 'getting credit' topic would improve and in turn the ranking of India in "ease of doing business index" would definitely improve.

PCR - some bottlenecks:

For implementing PCR there are some bottlenecks in terms of legal angles. These are:

Organisation: The PCR is initially being set up within the existing RBI infrastructure. The Reserve Bank, being a statutory corporation, can do only those activities which are permitted by the Reserve Bank of India Act, 1934 or other legislations. In addition to its core central banking functions, the Reserve Bank also performs certain promotional functions. However, this promotional activity is limited to 'financial institution' only. Since no financing activity is contemplated for the proposed PCR, it might be difficult to label PCR as a 'financial institution'. This takes it out of the purview of a promotion under the Reserve Bank of India Act, 1934.

Another option is to promote an organization for a matter incidental to the functions of the Reserve Bank as part of the Reserve Bank of India Act, 1934 or Banking Regulation Act, 1949 or any other enactment. Collection of information, including credit information, from its regulated entities is an important aspect of the regulatory and supervisory functions of the Reserve Bank. One can find many provisions in different enactments which enable the Reserve Bank to collect such information. If the scope of collection of information for PCR can be deemed to be reasonably incidental to the expressly permitted activities of the Reserve Bank, a subsidiary or a Department for the purpose of setting up and hosting the PCR would be justified. Otherwise, the Reserves Bank of India Act, 1934 can be suitably amended conferring the Reserve Bank powers to conduct the business of PCR. Such a specific conferment of power, with clear enumeration of the functions of PCR, would remove the limitations of incidental powers mentioned above.

Confidentiality constraints: An important issue in connection with the setting up of PCR is the overriding of confidentiality provisions in many enactments, which directly or indirectly bar sharing of information, including credit information, except in manner specifically permitted. As the PCR will have to get information from different sources, the inability of the sources to share such information can be a constraint. To this end, the PCR will have a consent-based architecture.

The notice and choice framework to secure an individual's consent is fundamental to data processing practices in a digital economy. It is based on the act of an individual providing consent for certain actions pertaining to his/ her data. It is essential that users provide consent to an entity sharing data (the data provider) before they share data with an entity requesting access (the data consumer). The consent based architecture of the PCR will strengthen privacy of data subjects by ensuring that the data is accessible only to the data consumer, only for stipulated period of time and only for a stipulated purpose, as consented to by the user.

PCR Act: Having regard to the complexities discussed above, it is desirable to have a special comprehensive legislation, overriding the prohibitions contained in all other legislations on sharing of information required for the PCR. Otherwise, all such legislations will have to be amended separately, providing an exemption for sharing of information with PCR. It is to be noted that almost everywhere, PCRs are backed by a specific enactment of a PCR Act. In India, a PCR Act can enable us transparently address the entire gamut of governance issues, including data acquisition and its dissemination through access rights by various users.

PCR- Way Forward:

The Government of India is committed to enhance inclusion without compromising prudential lending norms. For that as per news in prominent daily, the central bank is in advanced stages of finalising the company that would set up the proposed repository, known as the Public Credit Registry (PCR), from an earlier shortlist of six IT majors. They include Tata Consultancy Services, Dun and Bradstreet, Wipro, IBM India, Capegemini and Mindtree.

As per RBI annual report "The selection of an agency to develop the technical platform, drafting of a comprehensive PCR Act, and consultation with the MCA and CBIC toward linking of corporate database and GST data under the ambit of the PCR are in progress." RBI said in annual report that " under the guidance of implementation Task Force for setting up a PCR, the business requirements, information structure and high-level technical design were finilised."

As per latest news, the central bank intends the Act to be passed within the next one year, allowing it to access data from ten ancillary sources such as Ministry of Corporate Affairs, Goods and Service Tax Network, Capital Market regulators SEBI, Insurance regulators IRDAI, utility billers, CERSAI and Department of Telecommunications under the ambit of PCR. Significant developments have been made toward setting up the registry and if all goes well, the PCR may be set up by the end of next year will regulatory and systematic details in place.

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RESERVE BANK OF INDIA (RBI)'S SURPLUS PROFITS TRANSFER: WHAT, WHY, HOW

1. Introduction:

The Reserve Bank of India (RBI), established under Reserve Bank of India Act, 1934 on 1st April, 1935 is the central bank of India. As central bank to Indian economy, RBI has to perform a wide range of supervisory, regulatory and monitoring functions to help central government to make monetary and financial policies for smooth running of whole Indian economy.

It is fully owned by Government of India and acts as a banker, debt manager and advisor to the central government. It is also a custodian and manager of cash and reserves, both Indian Rupee and foreign exchange and it has to act to help the government in any financial or monetary crisis or adverse state of economic affairs.

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2. RBI's Surplus Profit / Fund Transfer:

Section 47 of RBI Act, 1934, which deals with allocation of surplus profits, empowers RBI to pay or transfer its surplus profits / funds to central government after making required provisions.

It has been advised earlier also by many economists and committees to reduce and maintain the reserves / funds of RBI, like many central banks around the world (like US and UK) around 13% to 14% of their assets as compared to RBI's 27%.

There has earlier been transfer of surplus profits/funds by RBI to central government in month of August almost every year during last decade as detailed below :

Table: Surplus paid by RBI to the Government of India

Date of Transfer	Fund Transfer Amount (₹ Crore)	Surplus Profit for RBI FY
13-Aug-09	25,009	2008-09
12-Aug-10	18,759	2009-10
11-Aug-11	15,009	2010-11
9-Aug-12	16,010	2011-12
8-Aug-13	33,010	2012-13
10-Aug-14	52,679	2013-14
13-Aug-15	65,896	2014-15
11-Aug-16	65,876	2015-16
10-Aug-17	30,659	2016-17
27-Mar-18 08-Aug-18	10,000* 40,000	2017-18

* RBI transferred fund of ₹10,000 crore to the Central Government on 27.03.2018 as interim surplus, out of the total surplus of ₹50,000 crore for F.Y. 2017-18.

3. Bimal Jalan Expert Committee on Economic Capital Framework (ECF):

On 26 December 2018, the Central Board of RBI, in consultation with Government of India constituted an Expert Committee to review the extant Economic Capital Framework under chairmanship of Dr. Bimal Jalan, former RBI Governor. With other things, the Committee was to review and suggest a suitable profit distribution policy after taking into account whether higher or lower provisions required under section 47 of RBI Act i.e. policy on transfer of surplus profit to Central Government after making provisions, ' which are usually provided by bankers'.

On 14th August 019, the Bimal Jalan Committee submitted its report on Economic Capital Framework (ECF) of RBI to the Governor of RBI. On the basis of recommendations of the Committee, the Central Board of the Reserve Bank of India (RBI) decided on 26th August 2019 to transfer a sum of ₹1,76,051 crore to the Government of India.

This huge fund transfer amount of ₹1,76,051 crore to the government was ₹86000 crore more than the expected surplus transfer of ₹90,000 crore announced in budget. It includes ₹1,23,414 crore of surplus profit / income and ₹52,637 crore of excess provision identified under revised Economic Capital Framework (ECF). Out of total transfer amount, ₹28,000 crore has already been paid to government as interim dividend. The remaining fund transfer amount of ₹1,48,051 crore is still to be paid to government. The huge surplus transfer amount is around 0.8% of GDP and 252% of the previous surplus transfer of Rs. 50,000 crore in 2018.

28,000 cr
Interim Dividend Paid
1,48,051 cr
To be Paid

1,76,051 cr
Fund Transfer to Government

1,23,414 cr
(Surplus Profit)
52,637 cr
(Excess Provisions)

> 86,000cr plus on the announced 90,000 cr
> 0.8% of GDP
> 252% of previous surplus transfer in 2018

4. Mechanism of Economic Capital Framework (ECF):

The Economic Capital Framework (ECF) was firstly introduced and developed in 2014-15 for determining the appropriate level of risk provisioning and surplus distribution under Section 47, RBI Act 1934.

The ECF committee was formed primarily for following key points :

❖ To review status, need and justification of various provisions, reserves and buffers presently provided for by the RBI;

- To suggest an adequate level of risk provisioning that the RBI needs to maintain;
- To determine whether the RBI is holding provisions, reserves and buffers in surplus / deficit of the required level of such provisions, reserves and buffers; and
- To suggest a suitable profits distribution policy as per the situations of RBI holding more provisions than required or RBI holding less provisions than required.

The intent of the review of key points of economic capital framework was to free surplus capital lying with RBI and make productive use of it by transferring it to the government.

i) Economic Capital:

Economic capital basically denotes the risk capital required by RBI to safeguard against different risks like market risks, operational risk, credit risks etc. The economic capital or risk capital also refers to the RBI reserves and holding of provisions and buffers required to cover unforeseen risks or contingencies or losses in the future.

ii) RBI Reserves:

These Reserves are called inter generational equity which is built up over several years saved from annual surplus by the RBI. These are country's savings for a 'Rainy Day', which is monetary or financial crisis. It has following components:

- **Currency & Gold Revaluation Account (CGRRA)** reflects the unrealized / notional gains / losses in values of foreign currencies and gold. It has been gone up substantially since 2010 at compounded annual growth rate (CAGR) of 25% to Rs. 691,641 crore in 2017-18.
- **Investment Revaluation Account (IRA)** it reflects the unrealised gain or loss on the Mark to Market of foreign securities (IRA-FS) and of Rupee securities (IRA-RS).
- **Asset Development Fund (ADF)** reflects the internal capital expenditure and investments in subsidiaries and associated institutions.

The ECF committee decided to not to touch and keep a major portion of Revaluation Reserves locked up and out of the reach of the government. The Currency & Gold Revaluation Account (CGRRA), which stood t Rs. 6.92 trillion at the end of June 2018 was decided not to be distributable to the government as these Reserves can not be used to bridge shortfalls in other reserves.

iii) Contingency Fund (CF) or Contingent Risk Buffer (CRB):

The Contingency Fund (CF), which is also known as Contingent Risk Buffer (CRB) reflects the savings and profits which are retained to meet unexpected contingencies. It is built up from retained earnings, which are kept as side over the years with a view to meet risks or losses in future. The level of CF was Rs. 232,108 crore around 6.9% in 2017-18.

iv) Realised Equity or Risk Provisioning :

The Realized Equity is the risk provisioning made primarily from retained earnings referred to as Contingent Fund (CF). The Realised Equity level stood 6.8% as on June 2018, above the range of 5.5% - 6.5% for Contingent Risk Buffer (CRB) recommended by the Committee.

5. ECF Committee's Surplus Distribution Policy Recommendations:

The ECF Committee decided a Surplus Distribution policy, based on target level of realized equity to be maintained by RBI within the overall level of it economic capital. The surplus distribution policy is formula based and so very transparent. The Contingent Risk Buffer (CRB) is calculated on formula based, which helps to decide the level of risk provisioning.

Following are the recommendations of the ECF Committee:

i) Range of risk provisioning or CRB 6.5 to 5.5 %

The committee recommended to maintain the risk provisioning or Contingent Risk Buffer (CRB) within the range of 6.5% to 5.5%.

As on 30th June 2019, the risk provisioning (Realized Equity) stood at 6.8% of balance sheet, which was excess of risk provisioning i.e. ₹11,608 crore at the upper bound of CRB and ₹52,637 crore at the lower bound of CRB.

Out of range of 6.5% - 5.5%, the Central Board of RBI decided to maintain the realized equity level at 5.5% and to write back the excess risk provisioning of ₹52,637 crore and transferred the amount to the Government.

ii) Range of economic capital level as 24.5% to 20%

The committee recommended to maintain the economic capital level within the range of 24.5% to 20%.

As on 30th June 2019, the economic capital level stood at 23.3% of balance sheet, which was within the desired range (24.5% to 20%), therefore the entire net income of ₹1,23,414 crore for the year 2018-19 was decided by Central Board of RBI to transfer to the Government of India.

Following both the above recommendations of the ECF Committee, RBI decided to transfer a total surplus amount of ₹1,76,051 crore (52,637 + 1,23,414), out which an amount of ₹28,000 crore was already paid to the Government. The remaining amount of ₹1,48, 051 crore will be transferred to the Government in coming months.

6. Conclusion :

This unprecedented surplus fund transfer to Government not only gives huge additional funds to use but also lay lot of responsibility for optimum or best use of these funds. Government can use these surplus funds to productive and economic purposes to have a sustainable overall growth of India Economy. These additional funds can be prudently on investments instead of consumption so that developmental or economic growth can be achieved.

These funds can also be utilized to meet the probable shortfall or deficit in tax or revenue collection in FY 2020 as well as to meet the current fiscal deficit and provide fiscal stimulus to a sagging economy. It will also help to reduce the balance sheet as well as off balance sheet borrowings. Besides, government budget and balance sheet, Government is also required to take care of RBI's balance sheet. It also requires to manage debt, financial and monetary market carefully and to ensure RBI to have same or higher rise in interest income and total income as well as increase in RBI Reserves and Contingent Funds so that higher earnings can be retained for future years too. ❑

Ajay Patel elected again as Chairman of Gujarat State Co-op Bank

Ajay Patel has been elected again as the Chairman of Gujarat State Cooperative (GSC) Bank for the 5th term as the Chairman. Banas Dairy Chairman and BJP leader Shankar Chaudhary has also been declared as the Vice-Chairman of the Bank.

"Ajaybhai Patel-the cooperator from Gujarat and Chairman of Ahmedabad District Cooperative (ADC) Bank has been elected unopposed as the Chairman of GSC Bank", announced J B Desai, Deputy Collector, Ahmadabad.

Ajay Patel said, "We are in the process to launch prepaid card and digital wallet in the span of three months. We will upgrade our UCBs with the latest technology to compete with the other players in the market.

He added, "In the span of one year the two training centers for the sector will be set-up in Gujarat. The two centers would have a world class facility and would be setup at the temple town of Ambaji in Banaskantha district in North Gujarat and at a place near the Statue of unity in Narmada district."

The board consists of more than 22 directors representing several district cooperative banks of the state. Gujarat Congress Committee President and Kheda District Central Cooperative Bank Chairman Amit Chavda has been elected as a director on the board of the bank. Gujcomasol Chairman and IFFCO Vice-Chairman Dileep Sanghani has also been re-elected as the director of the bank.

DIGITISATION GAINING MOMENTUM IN COOPERATIVE BANKS

Digitisation is rapidly changing the banks and the banking. The modern techno prone banking are leading new stiff challenges to Cooperative Banks. The cooperative banks, community banks have to muscle hard to continue with their legacy , to keep on rolling in their strength based area.

The horizon and number of co operative number have declined during the decade mainly the financially weak Urban Cooperative Banks (UCBs) vanished, speaks the losing their pie to others. The giant leaps in technology taken by the new era banks, PSU Banks and the advent of fintech companies are in all way pushing cooperative banks to gearup to march ahead with technology. To remain effective, vibrant and to keep on doing business these banks need technology support. The technology and innovation is competing with traditional financial methods in the delivery of banking services. The sooner the shift to technology the better it is for cooperative banks.

From Government also their is a major thrust to modernize the Urban Cooperative Banks .Their is a allocation of Rs 1900 crore in Union Budget 2017-18 to modernize credit societies and district cooperative banks through Nabard. The RBI is the regulator and NABARD is the supervisor for the cooperative banks. Nabard is playing key role in transforming their services to IT platform.

Indian Banks and financial institutions are investing heavily on Information Technology and to upgrade them technically. The ideation of shifting to digitisation and innovation is catching high to many of UCBs. But their will be various challenges of different frequencies to catch the race.

It is a expensive affair and a big capital expenditure which is tough to executive. Limitations are their to develop in house cloud-based solutions or possessing such solutions for them . Hosting supported by the IT companies can be a way.

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Rather than developing software , taking software as a paid service can be a less costly affair. The IT Company can host the solutions and these bank will pay for transaction and the model they deploy. In this way the requirement for own servers and data centre will not be their, a costing measure without compromising the matched IT platform/services. For small cooperative banks it will be fantastic approach.

In fact the journey towards digitisation for cooperative banks have already started and at present they represent good share out of 144 banks that are live on the Unified Payments Interface (UPI), a promising step. The number of banks becoming live in AePS (Aadhaar Enabled Payment) and IMPS (Immediate Payment Service) is increasing. Paving the way to their customers to pay digitally by using UPI apps like Bhim, Paypal, Google Pay, PhonePe.

Establishing ATM and Infrastructure for it, is the another area where these entities have started invested . Andaman and Nicobar Sate Coop Bank has taken lead in this and have established more than 50 ATMs. Only once they become part of interoperable payment networks their visibility among customers will penetrate and new avenues will arise.

Training the employees and scarcity of talent are breaking the speed of digitisation. In coordinating with leading banks and IT companies training can be propelled nicely. And on contract basis talent can be hired to accelerate the journey of digitisation.

Maintenance and continuous upgrading the IT Platform and software is necessary for smooth and hassle free sailing. The cooperative banks have to mark up profit chunk on regular basis for the same.

Tie-up with fintech companies can keep on floating the cooperative banks with time and innovation in products & services can some how to be addressed. The time is for Robotics and Artificial Intelligence and for many new alternates.

The cooperative banks are controlled by the state government and RBI and some how effected by political influence. This hampers the governance and effects the time needed steps for technology transformation.

Creating a strong wall of cyber security to protect IT infrastructure is no more less important. Today Hackers are well equipped with latest technology and unfortunately through dark webs advanced systems are available to hackers. Their is wide variation in security framework among the cooperatives banks. Their is need for standardised framework. Observing wide variations in the sector, the Banking Regulation last year outlined cyber security framework for them. Much more to be done by the regulators and the cooperative banks.

Cooperative banks in localized patches enjoys the legacy of customers and relationship is a strong bonding, the beauty of digitisation will add flying colours to their journey in today's techno savy banking. And off course would also help deep penetration of financial inclusion.

(Sources - The Economics Times)

Model Co-op Bank launches series of “Customers Meets” programme

In order to improve customer communication, Model Co-operative Bank is currently organizing Customer Meet in different parts of Mumbai. While the first such meet was organized in Andheri(E), the second one was held at Borivli. These meets invariably organize interactive sessions where customers are encouraged to speak about their experience.

More than 250 customers attended at the second customer meet in Borivli. The inaugural address was given by Albert W. D’Souza, Chairman of the UCB. He spoke on the current banking scenario and in particular the performance of Model Co-op Bank over the years. He elaborated that FSWM (Financially Sound & Well Managed) status and the overall good performance of the Bank has been recognised by the various associations for all Co-operative Banks, at all levels as was evident from the fact that the Bank has won 11 awards in the last 5 years for their stellar performance.

“The Bank continues to grow from strength to strength and launches new products from time to time, the Bank is launching ‘Mobile Banking’ for the benefit of its customers, which will attract the younger generations to the Bank”, said the Chairman.

BANK SERVICE CHARGES YOU SHOULD KNOW ABOUT

From this year, you would be paying no charges for bank transfers through NEFT (National Electronic Funds Transfer) or RTGS (Real-time Gross Settlement). The Reserve Bank of India (RBI) announced just after its July monetary policy review that processing charges levied on NEFT and RTGS transactions will not apply starting January 2020.

But this news may have come as a surprise for customers who are not aware of the charges banks levy on various services. We list a few such charges.

Cash handling

These are levied by many banks on cash deposits beyond a certain limit of transactions. In most cases, the first few transactions are free.

Typically, the rules are more relaxed for transactions made at your home branch. "Cash handling charges form a significant part of charges levied by the bank. While transacting from your home branch allows you higher limits, you still have to pay charges of Rs50-150 per transaction, if you exceed that limit," said Navin Chandani, chief business officer, BankBazaar.com, an online financial services marketplace.

Fund transfer

While NEFT and RTGS will no longer carry a charge, IMPS (Immediate Payment Service) transactions are still chargeable. The charge depends largely on the amount being transferred and the policy of the bank carrying out the transfer. It's usually in the range of Rs1 to Rs25.

Lack of minimum balance

Almost all banks insist on maintaining a monthly or quarterly average balance in your savings account. For instance, State Bank of India (SBI) customers holding savings accounts in metros and urban centre branches are required to maintain an average monthly balance of Rs3,000. The requirement drops to Rs2,000 for customers in semi-urban branches and Rs1,000 for rural branches. The bank charges Rs5-15 for non-maintenance of the required account balance. While this seems nominal, some banks can charge as much as Rs200-500.

While maintaining a minimum balance in your bank account might not sound like a challenge, the trouble begins when you have too many bank accounts to keep track of. Think of all the salary accounts opened by different employers. These may cease to be zero balance accounts when you quit your job, and may start accruing a compounding fee as your balance dwindles.

To avoid paying this fee, keep track of your account balance or open accounts that have no such requirement.

ATM, debit card and cheques

According to the RBI mandate, banks are allowed to charge customers for more than five transactions made at ATMs in a month. The charges can vary from Rs8-20 depending on the type of transaction. For instance, SBI allows its regular savings bank account holders eight free transactions, including five at SBI ATMs and three at other banks' ATMs. In non-metros, such account holders get 10 free transactions, including five at SBI ATMs and five at other banks' ATMs. The regulator has also stated that banks can't charge customers for failed transactions.

"If you can't do without cash, withdraw larger amounts at a time to avoid paying more," said Chandani. Another idea is to take a card for each holder in a joint account. That way the number of free ATM visits would be higher.

If you misplace your card, your bank will charge you a fee of Rs50-500 to replace it. If you forget your ATM PIN, you might also be charged for each time you reset it.

Unfortunately, it's impossible to avoid paying the charges altogether. "Several of these charges are interlinked. For instance, several banks allow only three to five free transactions even at their own ATMs. Then there will also be additional annual debit card charges to the tune of Rs100-1,500 depending on the card and account type. Even if you want to switch from cash to cheque, you would have to pay for the issuance of a cheque book," said Chandani.

RBI does not allow banks to charge more than Rs150 per cheque for speed clearing of cheques worth over Rs1 lakh; there are no charges for values up to Rs1 lakh. Keep in mind that you will also have to pay a fee of Rs100-150 if your cheque bounces, whether you are the issuer or the depositor. If you give a "stop payment" instruction on a cheque you have already issued, you will again have to pay a fee.

Alerts and instructions

SMS alerts started out as a security feature designed to keep you up to speed about transactions happening from your accounts. This is supposed to help identify cases of fraud immediately. However, the security measure comes at a cost. Banks charge around Rs15 per quarter for SMS alerts.

Standing instructions given to your bank can make life easier, as your EMIs and bill payments happen automatically. But some banks charge a one-time fee for setting up standing instruction and a recurring fee for processing it every time. For instance, SBI charges a one-time fee of Rs50 for setting up a standing instruction.

Documentation

Banks can also charge you for issuing documents. "Banks charge Rs50-150 for issuing duplicate physical passbooks and account statements. However, email statements are not charged," said Chandani. It's wiser to keep track of your accounts using net banking. If you do need a printed statement, take a printout yourself and get it attested by the bank. But some banks charge for attestation too. For instance, SBI charges Rs150 for signature verification.

If you want to avoid shelling out unnecessary fees and charges, keep track of your accounts and cards, and use chargeable bank services only if you really need them. *(Source: Livemint)*

INDIA'S 2020 AGENDA

The year 2020 promises to be critical for the Indian economy. GDP growth slowed from 5.8 per cent in the January-March 2019 quarter to 4.5 per cent in July-September 2019. Growth in October-December 2019, judging by recent data on industrial output, is likely to remain well below 5 per cent.

And yet amidst the doom and gloom, positive signs are emerging. Foreign exchange reserves are at a record high of over $450 billion. Stock markets remain buoyant with strong foreign portfolio investment (FPI) inflows. Industrialists are beginning to say cautiously that the worst could be over and economic growth will pick up next year.

Globally too sentiment has turned mildly positive in the wake of a ceasefire in the trade war between the United States and China as well as British Prime Minister Boris Johnson's landslide election victory. An orderly Brexit and a more salubrious trade climate in Europe and beyond could revive India's comatose exports.

The year has been dominated in India by political churn. The BJP's victory in the 2019 Lok Sabha election emboldened it to revoke Jammu & Kashmir's special status and legislate the Citizenship (Amendment) Act. Meanwhile, the Supreme Court's verdict in favour of building a Ram Temple in Ayodhya set to rest one of the most combustible issues within India's complex politico-religious framework.

As 2020 and new decade dawn, India is confronted by a raft of challenges. Prime Minister Narendra Modi, following the BJP's electoral loss in Jharkhand, must be mindful of issues that could affect India's economic growth trajectory, its expanding geopolitical footprint and social cohesion.

The 2020-21 Union Budget on February 1, 2020, will be crucial. The BJP-led NDA government has delivered seven consecutive Union Budgets (two in 2019 and one each from 2014 to 2018). Every one of them, without exception, has lacked imagination. Will the eighth be any different? With the fiscal deficit under pressure and tax revenue collection below par, Finance Minister Nirmala Sitharaman has limited options.

Finance Ministry officials write the Union Budget. They are among the most powerful but unaccountable policymakers in the country. They won't be in the finance ministry a year or two down the line to see the economic wreck they often leave behind. Sitharaman must take ownership of the Union Budget from the time its planning begins this month. Bureaucrats write the fine print where the devil in the detail often lurks.

To spur weak demand, which is the key ailment in the economy, cutting personal tax is imperative, even at the cost of the fiscal deficit going up to 3.6-3.8 per cent of GDP. The Fiscal Responsibility and Budget Management (FRBM) Act provides for flexibility in the fiscal deficit of up to 0.5 per cent of GDP in special circumstances.

The Goods and Services Tax (GST) meanwhile needs an overhaul. A parallel system of fake invoicing has developed, creating a "black GST economy", effectively limiting monthly tax revenue to around Rs. 1,00,000 crore. Raising GST rates will worsen the situation, sending more small businesses underground.

The key to boosting GST revenue is compliance. And compliance, as empirical evidence globally, has shown, increases when the average tax rate decreases. The opposite is equally true. Raising GST rates instead of lowering them could cripple India's GST experiment.

The Narendra Modi government has used political instruments to further its social agenda. That agenda is nationalistic which is good as long as the nationalism is defined correctly: inclusive and non-discriminatory. The moment it ceases to be both, it will become divisive and harm India's long-term interests. Divide and rule work in the short term, never in the long term. The collapse of the British Empire, which ruled by dividing people in the countries it colonised, is an example no national leader should ignore.

Geopolitically, the Modi government has proved more nimble than it has in its stewardship of the economy. India has strengthened its relationships in a wide global arc from the United States in the west to China in the east. And yet, in 2020 the China question will hover overhead as a dark geopolitical cloud. Fortunately, Beijing has woken up to the dangers of Islamist terror groups operating at its doorstep.

As Khaled Ahmed, consulting editor of Newsweek Pakistan wrote recently: "On October 26, columnist Irfan Husain asked in Dawn. 'So why the deafening silence across the Islamic world when around 1.5 million Muslims in China's Xinjiang province have been forced into a vast a re-education centre? It is indeed unforgivable that the world should abandon the Uighur Muslims. The tragic fact is that the Uighur, a small Muslim community in China, have responded to the stimulus of al Qaeda in the region and come to Pakistan in gangs to attack the country's 'deviation' from true Islam.

'China's largest oil company has won the rights to exploit the first oil field to be tendered in northwestern Afghanistan. This could bring the Chinese into a confrontation with the Uighur in Afghanistan. China knows what is in store for its Belt and Road project in the region. With the Americans gone, the Taliban will oust India from Kabul, penetrate a vulnerable Pakistan and look to conquering the Xinjiang region to 'raise the Uighur from slavery'. Pakistan is not too clear about what will happen next. It is fencing its western border but is not capable of pushing back the religious radicalism of its middle-class and the army. That China is worried is clear from the FATF decisions under its presidency. China is using strong-arm methods to control the Uighur on its territory and forcibly change their minds – something that has not worked historically. Pakistan is scared too and has succumbed to China's persuasion inside FATF to control its own homegrown terrorists who are used as non-state actors in its proxy war with India.'"

This emerging commonality of interests between Beijing and New Delhi in confronting radical Islam is a positive sign. The Modi government should ensure that its social and political agenda over Jammu & Kashmir, the Ram Temple in Ayodhya and the Citizenship (Amendment) Act does not divert its attention from competent economic governance. 2020 could be the tipping year for the Indian economy – for better or for worse. *(Source: Businessworld)*

How to prevent your Credit/Debit card from being cloned

1. Never let your card out of your sight

One of the biggest security risks is when you let your card out of your sight, especially in restaurants when paying the bill. The waiter takes it away to the billing desk, swipes it, and brings the charge slip back to you to sign. What's to prevent him from swiping it through a card-cloning scanner on the way? Instead insist on the restaurant bringing a mobile point-of-sale device to your table for the payment or walk over to the billing desk and offer the card yourself.

2. Don't share your PIN

Never share your PIN number with anyone. That would be fairly easy to crack or guess. Keep changing the number every few months.

3. Sign on the back of the card

When you get a new credit or debit card, remember to sign on the rear of the card. This will help a seller verify that the card being used belongs to you. It will help prevent fraud if a merchant is suspicious and asks the user to sign on the charge slip.

4. Insist on 'Chip' cards

Most banks now issue credit cards and debit cards with chips in them. The chip-based cards require a PIN (personal index number) to be entered on the point-of-sale (POS) terminal. They are less likely to be cloned.

5. Insist on two-step authentication for online transactions

Every time you enter your card details online, you will be sent a OTP (one time password) on your mobile phone. This is an additional layer of security to authenticate transactions. However, this can be bypassed if the fraudster knows your card's PIN.

BANKING PROMOTIONAL EXAM SAMPLE QUESTIONS – SERIES 19

1. Section 9 of the Banking Regulation Act prohibits the banking Companies from holding any immovable property except for its own use for a period of not more property. The RBI may extend this period for a further period of ________:

a. 2 years b. 4 years
c. 5 years d. 6 years

2. Which of the following stock exchange is derecognized by SEBI on 19.11.2014 on the allegations of serious irregularities in its functioning?

a. Bombay Stock Exchange
b. Delhi Stock Exchange
c. Calcutta Stock Exchange
d. Bangalore Stock Exchange

3. Which of the following is not a function of General Insurance?

a. Cattle Insurance b. Crop Insurance
c. Fire Insurance d. Medical Insurance

4. Liability- side of the balance-sheet comprises:

a. Capital and reserve b. Long-term liabilities
c. Current liabilities d. All of the above

5. Minimum cash reserves fixed by law constitute ___

a. A percentage of aggregate deposits of the bank
b. A percentage of aggregate loans and advances of the bank
c. A percentage of capital & reserves of the bank
d. None of these

6. Which of the following organizations/ agencies has sought an emergency fund of Rs.1000 crore from banks to tackle acute liquidity crisis, which is coming in the way to give loans to micro borrowers?

a. Regional Rural & Cooperative Banks
b. RBI
c. Micro Finance Institutions
d. NABARD

7. Which of the following types of accounts are known as "Demat Accounts"?

a. Zero Balance Accounts
b. Accounts which are opened to facilitate repayment of a loan taken from the bank. No other business can be conducted from there
c. Accounts in which shares of various companies are traded in electronic form
d. Accounts which are operated through internet banking facility

8. Mortgage is a:

a. Security on movable property for a loan
b. Security on immovable property for a loan
c. Concession on immovable property
d. Facility on immovable property
e. Security on loan sanctioned against fixed deposits

9. _______ assumed charge as the Minister of State for Micro, Small & Medium Enterprises (MSME) on 11th November 2014.

a. Gopal Singh b. Veerabhadra Singh
c. Manoj Tiwari d. Giriraj Singh

10. Identify the well known person related to Banking field in India from the following?

a. Mrs. Meira Kumar b. Mrs. Kiran Shaw
c. Mr. Arun Jaitley d. Dr. D Subbarao

11. Currency notes deposited in the currency chest are the property of ____?

a. Respective bank b. RBI
c. SBI d. Government of India

12. A fixed deposit receipt is kept with the bank for its safety, is known as ___?

a. Safe custody b. Safe deposit
c. Locker d. Valid safe deposit

13. Who among the following is the primary regulator of Banking business?

a. Reserve Bank of India b. Central Government
c. State Government d. Parliament

14. The main business of banks is to accept deposits from the public. However, a bank can refuse to permit opening an account on behalf of _______:

a. Undesirable persons b. Artificial persons
c. Arrested persons d. Convicted persons

15. Banks are required to monitor transactions of suspicious nature for reporting to the authorities under anti- money laundering measures. The purpose of reporting is:

a. Combating finance of terrorism
b. To check hawala transactions
c. To check the inflow of crime money
d. To check inflow of the money earned out of sale of narcotics
e. All the above

16. Acceptance of deposits by non - banking financial companies is regulated by RBI under:

a. Non - banking financial companies acceptance of public deposits (Revenue Bank) directions 1998
b. Non - banking financial companies acceptance of government deposits (Revenue Bank) directions, 1998
c. Non - banking financial companies acceptance of private deposits (Revenue Bank) directions, 1998
d. Non- banking financial companies acceptance of deposits money lenders (Revenue Bank) directions, 1998

17. If a company, which is not a non - banking financial company wants to collect public deposits, it is governed by ___ Act

a. RBI Act 1934
b. Banking companies Act
c. Companies Act 1956
d. Central Government

18. Companies whose main business is not financing or lending are permitted to accept deposits under section 45(s) of RBI Act only from:

a. Public
b. Relatives in the form of loans
c. Friends
d. None of these

19. Every Banking company is required to use the word Bank in its name and no company other than a Banking company can use the words Bank, Banker or Banking as a part of its name as per:

a. Section 7 of Banking Regulation Act
b. B. Section 7 of RBI Act
c. C. Section 7 of SEBI Act
d. D. Section 7 of Nationalization Act

20. In India, it is necessary to have license from the RBI for opening a new branch. This is a requirement under ____ Act

a. Section 22 of banking Regulation Act
b. Section 22 of RBI Act
c. Section 22 of NABARD
d. KYC Guidelines by RBI

21. Section 6(A) of B.R. Act has given the list of ancillary services which can be rendered by a Bank under the Banking Regulation Act. in the event that a Bank wants to undertake any other services (other than the list):

a. The bank can seek authority from the RBI
b. Board of directors of that Bank can decide the business suitable to the bank
c. It can be decided by the Bank in the shareholders meeting
d. Bank can do so if that business is notified by the Central Government as the lawful business of a Banking company

22. Banking Companies are prohibited under Sec 8 of banking Regulation Act to sell and purchase securities. Yet Banks are selling securities (of the customer) which are under pledge as permitted by:

a. Indian Contract Act
b. SARFAESI Act
c. Government Notification
d. Banking Regulation Act

23. Cryptocurrency is a _______ .

a. Plastic Money.
b. Digital Medium of Exchange
c. Digital payment
d. Both A & B

24. Computer Emergency Response Team India comes under _________.

a. Ministry of Communications and Information Technology
b. Ministry of Commerce.
c. RBI
d. Department of Information & Technology.

25. Which country did not participated in the 44th World Economic Forum ?

a. India b. Israel
c. Iran d. None of these

Ans on Page 54

RBI CIRCULAR

Investment by Foreign Portfolio Investors (FPI) in Debt

RBI/2019-20/150

January 23, 2020

1. Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified vide Notification No. FEMA. 396/2019-RB dated October 17, 2019, as amended from time to time, and the relevant directions issued thereunder. A reference is also invited to the A.P. (DIR Series) Circular No. 31 dated June 15, 2018 (hereinafter, Directions) read with A.P. (DIR Series) Circular No. 19 dated February 15, 2019.
2. On a review, the following changes are made to the Directions: -
   a) In terms of paragraph 4(b) (i) of the Directions, short-term investments by an FPI shall not exceed 20% of the total investment of that FPI in either Central Government Securities (including Treasury Bills) or State Development Loans. This short-term investment limit is hereby increased from 20% to 30%.
   b) In terms of paragraph 4(b) (ii) of the Directions, short-term investments by an FPI shall not exceed 20% of the total investment of that FPI in corporate bonds. This short-term investment limit is hereby increased from 20% to 30%.
   c) FPI investments in Security Receipts are currently exempted from the short-term investment limit (paragraph 4 (b)(ii)) and the issue limit (paragraph 4(f)(iii)). These exemptions shall also extend to FPI investments in the following securities:
      i) Debt instruments issued by Asset Reconstruction Companies; and
      ii) Debt instruments issued by an entity under the Corporate Insolvency Resolution Process as per the resolution plan approved by the National Company Law Tribunal under the Insolvency and Bankruptcy Code, 2016
3. The updated Directions are attached.
4. These directions are issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

(Saswat Mahapatra)
Deputy General Manager (O-i-C)

Implementation of Section 51A of Unlawful Activities Prevention Act (UAPA), 1967- Updates to ISIL (Da'esh) & Al-Qaida Sanctions List

RBI/2019-20/149

January 22, 2020

1. Please refer to Section 51 of our Master Direction on Know Your Customer dated February 25, 2016 as amended on January 09, 2020, in terms of which

"Regulated Entities (REs) shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967, they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC)."

2. In this regard, Ministry of External Affairs (MEA) has now forwarded a press release SC/14078 dated 14 January 2020 titled 'Security Council ISIL (Da'esh) and Al-Qaida Sanctions Committee Amends 85 Entries on Its Sanctions List', issued by the United Nations Security Council (UNSC).

   The UNSC press releases concerning amendments to the list are available at URL: https://www.un.org/securitycouncil/sanctions/1267/press-releases

3. Updated lists of individuals and entities linked to ISIL (Da'esh), Al-Qaida and Taliban are available at:

   https://www.un.org/securitycouncil/sanctions/1267/aq_sanctions_list

   https://www.un.org/securitycouncil/sanctions/1988/materials

4. In view of the above, Regulated Entities (REs) are advised to ensure meticulous compliance with the aforementioned instruction pertaining to UAPA and ensure that they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, circulated by the UNSC.

(Dr. S. K. Kar)
Chief General Manager

Setting up of IFSC Banking Units (IBUs) – Permissible activities

RBI/2019-20/147

January 21, 2020

1. Please refer to RBI circular DBR.IBD.BC.14570/23.13.004/2014-15 dated April 01, 2015, as modified from time to time, setting out RBI directions relating to IFSC Banking Units (IBUs).

2. The Task Force (TF) on Offshore Rupee Markets chaired by Smt. Usha Thorat had recommended introduction of non-deliverable Rupee Derivatives in IFSCs in a phased manner, starting with exchange traded currency derivatives (ETCD) to be followed by Over the Counter (OTC) derivatives at a later stage.

3. RBI's decision to accept the above recommendation and permit Rupee derivatives (with settlement in foreign currency) to be traded in IFSC was announced in para 2 of the Statement on Developmental and Regulatory policies issued on October 04, 2019. Accordingly, a new paragraph No.2.6 (xiv), has been added to Annex I and II of the aforesaid circular dated April 1, 2015, which reads as under:

   "IBUs are allowed to participate in exchange traded currency derivatives on Rupee (with settlement in foreign currency) listed on stock exchanges set up at IFSCs. Banks shall ensure that their IBUs have necessary expertise to price, value and compute the capital charge and manage the risks associated with the products / transactions intended to be offered and should also obtain their Board's approval for undertaking such transactions. IBUs shall follow all other risk mitigation and prudential measures as applicable and detailed in this circular while participating in these products. Further, IBUs may also be guided by A.P (DIR Series) Circular No. 17 on "Introduction of Rupee derivatives at International Financial Services Centres (IFSCs)" dated January 20, 2020."

4. Further, the existing paragraph 2.6(vii) of Annex I and II of the aforesaid circular dated April 01, 2015, is amended by adding the following at the end thereof:

   "This is subject to the provisions of paragraph 2.6(xiv)."

5. All other terms and conditions contained in the aforementioned circular remain unchanged.

6. An updated copy of the RBI circular on IBU dated April 01, 2015 incorporating the amendments made hitherto is available on RBI's website.

(Saurav Sinha)
Chief General Manager-in-Charge

Introduction of Rupee derivatives at International Financial Services Centres (IFSC)

RBI/2019-20/145

January 20, 2020

1. Attention of Authorised Dealers is invited to the Foreign Exchange Management (International Financial Services Centre) Regulations, 2015 (Notification No. FEMA. 339/ 2015-RB dated 2nd March, 2015).
2. As announced in the statement on Developmental and Regulatory Policies dated October 4, 2019, it has now been decided to allow Rupee derivatives (with settlement in foreign currency) to be traded in International Financial Services Centres (IFSCs), starting with Exchange Traded Currency Derivatives(ETCD).
3. Currency futures contracts may be listed on recognised stock exchanges at IFSCs subject to the Currency Futures in International Financial Services Centre (Reserve Bank) Directions, 2020 (Notification No.FMRD.FMD.01/ED(TRS)-2020 dated January 20, 2020), issued by the Reserve Bank of India, a copy of which is annexed (Annex I).
4. Currency options contracts may be listed on recognised stock exchanges at IFSCs subject to the Currency Options in International Financial Services Centre (Reserve Bank) Directions, 2020 (Notification No.FMRD.FMD.02/ED(TRS)-2020 dated January 20, 2020), issued by the Reserve Bank of India, a copy of which is annexed (Annex II).
5. Necessary amendments to the Foreign Exchange Management (International Financial Services Centre) Regulations, 2015 (Notification No. FEMA. 339/2015-RB dated 2nd March, 2015) have been notified in the Official Gazette vide Gazette Id no.CG-DL-E-17012020-215530 dated January 16, 2020 a copy of which is annexed (Annex-III).
6. Amendments to Currency Futures (Reserve Bank) Directions, 2008 (Notification No.FED.1/DG(SG) - 2008 dated August 6, 2008), as amended from time to time, and Exchange Traded Currency Options (Reserve Bank) Directions, 2010 (Notification No. FED.01/ED(HRK) - 2010 dated July 30, 2010), as amended from time to time, is annexed as Annex IV & V respectively.
7. The above Directions have been issued under Section 45W of the Reserve Bank of India Act, 1934 and the above Regulation have been issued under Section 47 of the Foreign Exchange Management Act, 1999 (42 of 1999).
8. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions /approvals, if any, required under any other law.

(Saswat Mahapatra)
Deputy General Manager (O-i-C)

Banking Promotional Exam sample questions-Series 19

1. c. 5 years
2. b. Delhi Stock Exchange
3. d. Medical Insurance
4. d. All of the above
5. a. A percentage of aggregate deposits of the bank
6. d. NABARD
7. c. Accounts in which shares of various companies are traded in electronic form
8. b. Security on immovable property for a loan
9. d. Giriraj Singh
10. d. Dr. D Subbarao
11. b. RBI
12. a. Safe custody
13. a. Reserve Bank of India
14. a. Undesirable persons
15. e. All the above
16. a. Non - banking financial companies acceptance of public deposits (Revenue Bank) directions 1998
17. c. Companies Act 1956
18. a. Public
19. a. Section 7 of Banking Regulation Act
20. a. Section 22 of banking Regulation Act
21. d. Bank can do so if that business is notified by the Central Government as the lawful business of a Banking company
22. d. Banking Regulation Act
23. b. Digital Medium of Exchange
24. a. Ministry of Communications and Information Technology
25. d. None of these

NET RESOURCES MOBILISED BY MUTUAL FUNDS

(₹Crore)

Year	UTI	Bank-sponsored mutual funds	FI-sponsored mutual funds	Private sector mutual funds	Total (2 to 5)
1	2	3	4	5	6
1990-91	4553	2352	604	-	7509
1991-92	8685	2140	428	-	11253
1992-93	11057	1204	760	-	13021
1993-94	9297	148	238	1560	11243
1994-95	8611	766	576	1322	11275
1995-96	-6314	113	235	133	-5833
1996-97	-3043	7	137	864	-2035
1997-98	2875	237	204	749	4065
1998-99	170	-89	547	2067	2695
1999-00	4548	336	296	16938	22118
2000-01	322	249	1273	9292	11136
2001-02	-7284	863	406	16134	10119
2002-03	-9434	1033	861	12122	4582
2003-04	1050	4526	787	41510	47873
2004-05	-2467	706	-3384	7933	2788
2005-06	3424	5365	2112	41581	52482
2006-07	7326	3033	4226	79477	94062
2007-08	10678	7597	2178	138224	158677
2008-09	-4112	4489	5954	-30538	-24208
2009-10	15653	9855	4871	47968	78347
2010-11	-16636	1304	-16988	-16281	-48600
2011-12	-3179	389	-3098	-39525	-45413
2012-13	4629	6708	2241	65284	78862
2013-14	401	4845	2572	46761	54579
2014-15	-1278	-1148	-994	106300	102880
2015-16	15416	27421	1388	87533	131758
2016-17	20146	42577	6406	274289	343418
2017-18	-1261	41890	-2675	234272	272226
2018-19	-2496	53657	-4635	61083	107609

Notes : 1. Data for 2018-19 are provisional.

2. For Unit Trust of India (UTI), data are gross values (with premium) of net sales under all domestic schemes. Data from 1977-78 to 1990-91 for UTI relate to July-June period. Data for the year 1996-97 excludes re-investment sales. Data for net sales at face value (excluding premium) during 1993-94, 1994-95, 1996-97, 1997-98, 1998-99, 1999-2000,2000-01 and 2001-02 are ₹ 7453 crore, ₹ 6800 crore, ₹ 2877 crore, ₹ 855 crore, ₹ 2592 crore, ₹ 1300 crore, ₹ 5762 crore, ₹ 1201 crore and ₹ 6119 crore, respectively.

3. Data for UTI for 2003-04 relates to UTI Mutual Fund for the period from February 1, 2003 to March 31, 2004, being the first year in operation after the bifurcation of the erstwhile UTI into UTI Mutual Fund and Specified Undertaking of the Unit Trust of India. Subsequent annual data (from 2004-05 onwards) pertain to UTI Mutual Fund only.

Also see notes on Tables.

Source : UTI and Respective Mutual Funds.

MACRO-ECONOMIC AGGREGATES

(Base Year: 2011-12 At Current Prices)

(Amount in Rs. Crore)

Item/Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
1	2	3	4	5	6	7	8
Population(in Lakhs)	12350	12510	12670	12830	12990	13160	13320
GVA at Basic Prices	9202692	10363153	11504279	12574499	13935917	15482715	17199815
Net taxes on products	741321	870369	963680	1197376	1426469	1612290	1810349
Gross Domestic Product	9944013	11233522	12467959	13771874	15362386	17095005	19010164
Consumption of Fixed Capital	1060905	1195975	1342291	1449697	1590725	1781718	1979318
Net Domestic Product	8883108	10037547	11125668	12322177	13771661	15313286	17030846
Primary income receivable from ROW (net)	-116763	-139884	-147430	-159779	-176400	-184813	-193626
Gross National Income	9827250	11093638	12320529	13612095	15185986	16910192	18816538
Net National Income	8766345	9897663	10978238	12162398	13595261	15128474	16837219
Other current transfers (net) from ROW	350081	395918	405154	413083	379438	405740	421405
Gross National Disposable Income	10177331	11489556	12725683	14025178	15565424	17315933	19237943
Net National Disposable Income	9116426	10293581	11383392	12575481	13974699	15534214	17258624
Gross Saving	3369202	3608193	4019957	4282259	4648421	5216022	---
Net Savings	2308297	2412218	2677666	2832562	3057696	3434303	---
Gross Capital Formation	3847122	3794135	4179779	4422659	4741385	5526853	---
Net Capital Formation	2786217	2598160	2837487	2972962	3150660	3745135	---
Per Capita GDP	80518	89796	98405	107341	118263	129901	142719
Per Capita GNI	79573	88678	97242	106096	116905	128497	141265
Per Capita NNI	70983	79118	86647	94797	104659	114958	126406
Per Capita GNDI	82408	91843	100439	109315	119826	131580	144429
Per Capita PFCE	45461	51764	57201	63339	70175	76619	84760

Notes : 1. Data for 2015-16 are Third Revised Estimates, for 2016-17 are Second Revised Estimates and for 2017-18 are First Revised Estimates.

2. Data for 2018-19 are Provisional Estimates.

3. Population figures relates to mid-financial year.

Also see Notes on Tables.

Source : National Statistical Office (NSO)

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