How to prepare for Interview - TIPS FOR INTERVIEW and Latest Developments (Updated up to 10/02/2022)

Bank Promotions

Rakesh Khare 2/11/22 Ex-AGM, Union Bank of India

TIPS FOR INTERVIEW (Updated up to 10/02/2022)

Look professional. Dress in a appropriate manner

He	She
Be comfortable (wear formals)	
Light shirt (Sky blue or White) with dark trouser	Normal traditional dresses like saree, kameez, etc. Avoid bright /dazzling c
Wear formal shoes (preferably black with lace) with matching socks.	Good quality footwear / shoes.
Belt should match with shoe colour. Avoid big buckles.	Any formal footwear. Wear matching possible.
Wear a tie.	Keep ornaments/Jewellery at minima
Carry one additional dress if you are traveling a long distance.	

General :
Work on non-verbal communication (take care of your posture and gesture). Practice ar them with someone else or in front of a mirror.
Reach venue well in advance (at least 1 Hour before scheduled time)
Reach the venue city one day before Interview date
Enhance your communication ability
Write down expected questions and your possible replies. Rehearse yourself. **Make a list of questions that you would like to ask during the interview.**
Build your confidence level high, Avoid over confidence. **Display confidence during the interview**
Your communication with panel should reflect Leadership and Managerial quality.

In Interview Room/Hall :
Before you enter into room/hall, seek permission and greet every panel members. (e.g. madam & Good morning sirs. Maintain eye contact with every panel member). Sit only af members ask to do so. Say thank you. Bring your sense of humour and SMILE!
Avoid bluffing or guessing. Do not get emotional or nervous even if a question is asked to you, try to maintain your cool. If you don‘t remember answer say —Sorry Sir/Madam, I ar to recollect right now. ‖ OR if you don‘t know the answer, say —Sorry Sir/Madam followed by I don‘t know the a **Don't talk too much.** If you don't understand a question, ask for it to be repeated or clar You don't have to rush, but you don't want to appear indecisive.

How to prepare for Interview - TIPS FOR INTERVIEW and Latest Developments (Updated up to 10/02/2022)

Do not carry Purse / Papers / Mobile with you.
Listen carefully.Welcome all questions, even the difficult ones, with a smile.
Give your answers precise and to the point. Give honest, direct answers. **Answer questions using the STAR method** ▫ **Situation:** Describe a specific challenge you faced. ▫ **Task:** Explain your role in the situation. ▫ **Action:** Detail the steps you took to overcome the challenge. ▫ **Result:** Explain the results you achieved, including anything you learned.
Always maintain perfect eye contact.
End the interview with a good impression. Don't forget to SAY thank-you note after the interview.
Don't give stress to yourself by reading lot of books / study material. 70% interview will be based on your present KRA / profile and rest will be current affairs for which you must prepare yourself on the following topics:- - Budget Highlights 2022-23 - Economic Survey 2022 - Monetary Policy Highlights dt. 10.02.2022 - Know your bank (Take of view of Banks Result as on 31.12.2021) - Know your products (USP of bank's schemes) - Recent RBI Notifications relating to banking sector (last 3 months) - Present Banking Industry Scenario - Recent economic / financial developments. - Latest schemes launched by GOI

WORK SHEET

1 : About Self

Strength	
Weakness	

2. Previous Assignment:

Tenure	Branch	Major Achievements

3 : Branch Performance

	March 2020	March 2021	Dec 2021
Deposits			
Advances			
NPA level			
Net Result			
CASA ratio			
RAM			
Audit rating			
Per Employee Business			
Per Employee Profit			
Other significant parameter, if any.			

4

	Bank Performance		
	March 2020	**March 2021**	**Dec. 2021**
Deposits			
Advances			
NPA level			
Net Result			
CASA ratio			

5. Prepare answers for the following :

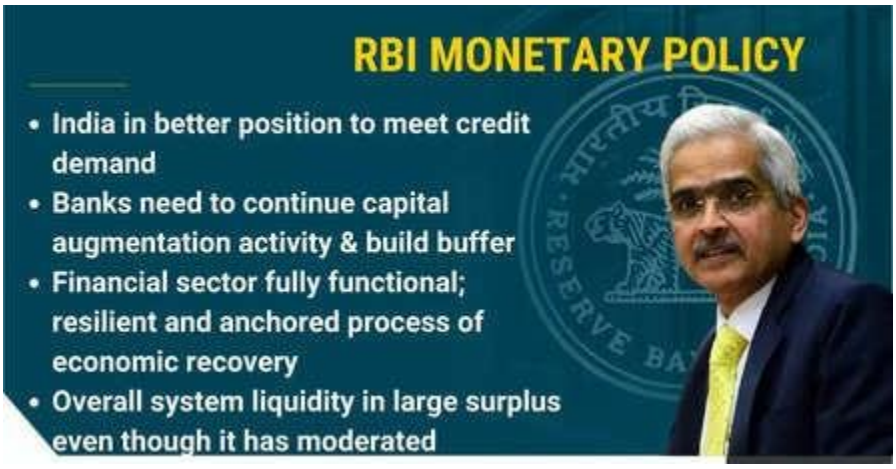
- About yourself
- About your family
- About your native place
- The meaning of your name
- Your hobbies
- About your education
- Your contribution to your branch
- Your contribution after your previous promotion
- Special achievements, if any

KEY POLICY RATES (No Change in MPC dt 10.02.22)	**w.e.f 17.04.20**	**w.e.f 22.05.20**
Repo Rate	*4.40%*	*4.00%*
Reverse Repo Rate	*3.75%*	*3.35%*
Bank Rate	*4.65%*	*4.25%*
Marginal Standing Facility	*4.65%*	*4.25%*
CRR	*3.00%*	*4.00%*
SLR (w.e.f 11.04.2020)	*18.00%*	*18.00%*
Total Reserves (As on 31.12.2021)	*US$ 633.64 billion* INR 4707812 Cr	
Foreign Currency Assets (As on 31.12.2021)	*US$ 569.89 billion* *INR 4234327 Cr*	

Current economic and banking affairs in brief

Monetary policy (Meeting date: 8th Feb 2022 to 10th Feb 2022)

The six-member Monetary Policy Committee headed by Reserve Bank of India Governor Shaktikanta Das started deliberations on the bi-monthly policy review on Tuesday February 8, 2022. The meeting was originally scheduled to take place on 7-9 February 2022. However, it was rescheduled to 8-10 February after Maharashtra Government declared February 7 a public holiday to mourn the death of legendary singer Bharat Ratna Lata Mangeshkar.



The Monetary Policy Committee has kept the benchmark interest rate unchanged at 4 percent and decided to continue with its accommodative stance in the backdrop of elevated level of inflation as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains **within** *the target going forward. It is the tenth consecutive time since the rate remains unchanged. The central bank had last revised the policy rate on May 22, 2020, in an off-policy cycle to perk up demand by cutting interest rate to a historic low. India is charting a different course of recovery from rest of the world. India poised to grow at fastest pace year-on-year among major economies as per projections by IMF. Pandemic continues to hold world hostage, says Guv.This recovery is supported by large scale vaccination & sustained fiscal & monetary support, said RBI Governor in his MPC address.*

Highlights of MPC Meet:

- ***MPC has decided to keep benchmark repurchase (repo) rate at 4 per cent***
- ***The reverse repo rate will continue to earn 3.35 per cent interest for banks for their deposits kept with RBI***
- ***The marginal standing facility (MSF) rate and the Bank Rate at 4.25 per cent.***
- ***RBI retained its growth projection at 9.2 per cent and inflation at 5.3 per cent for the current financial year***
- ***E RUPI digital voucher cap raised from Rs 10,000 to Rs 1 lakh and multiple-use permitted***
- ***Retail inflation rose to a five-month high of 5.59 per cent in December from 4.91 per cent in November***

- *VRR and VRRR of 14 day tenor – will operate as main liquidity management tool*

Here are the key takeaways of the Reserve Bank of India Governor Shaktikanta Das' speech:

- **The MPC has kept both the repo rate and reverse repo rate unchanged at 4 percent and 3.35 percent respectively. MPC panel continued with the 'accommodative' stance in the backdrop of elevated level of inflation.**
- **The MPC voted unanimously for keeping interest rate unchanged and decided to continue with its accommodative stance as long as necessary to support growth and keep inflation within the target.**

RBI's growth and inflation outlook for FY23

FY23 GDP growth seen at 7.8% while CPI inflation is seen at 4.5%

Year	GDP	CPI
Q1FY23	17	5
Q2FY23	7	5
Q3FY23	4	4
Q4FY23	5	4

- **The RBI projected GDP growth for FY23 at 7.8 percent. The central bank retained the growth projection for current financial year at 9.2 percent.**
- **CPI inflation forecast for FY22 has been retained at 5.3 percent. It expected to moderate closer to 4.00 percent target in second half of FY23 and provide room for monetary policy to remain accommodative.**
- **Retail inflation rose to a five-month high of 5.59 percent in December from 4.91 percent in November, mainly due to an uptick in food prices. MPC has been given the mandate to maintain annual inflation at 4 percent until March 31, 2026, with an upper tolerance of 6 percent and a lower tolerance of 2 percent.**
- **There has been some loss of momentum in the economic activity due to Omicron. Considering the outlook for inflation and growth, uncertainty related to global spillovers and Omicron, there's a need for continued policy support is warranted for the economy.**
- **Rupee has shown resilience in the face of global spillovers. Current account deficit (CAD) seen below 2 percent of FY22 GDP.RBI is committed to smooth conduct of the government borrowing program**
- **The cap of e-vouchers has been proposed to be increased from Rs 10,000 to Rs 1 lakh.**
- **Variable rate repo operations of varying tenors will henceforth be conducted as and when warranted. Second, variable rate repos and variable rate reverse repos of 14-day tenors will operate as the main liquidity management tool. Third, these operations will be aided by fine turning operations. Fourth, with effect from March 1, the fixed rate reverse repo and Marginal Standing Facility will only be available from 5:30-11:59PM on all days.**
- **Increasing the NACH mandate limit from Rs 1 Cr to Rs 3 Cr for trade related settlement is proposed.**
- **On Tap Liquidity window for healthcare is extended upto June 30,2022.**
- **Limit for inflows under the Voluntary Retention Scheme hiked to Rs 2.5 lakh cr from Rs 1.5 lakh cr.**

- **All members of the MPC – Dr. Shashanka Bhide, Dr. Ashima Goyal, Prof. Jayanth R. Varma, Dr. Mridul K. Saggar, Dr. Michael Debabrata Patra and Shri Shaktikanta Das – unanimously voted to keep the policy repo rate unchanged at 4.0 per cent.**
- **All members, namely, Dr. Shashanka Bhide, Dr. Ashima Goyal, Dr. Mridul K. Saggar, Dr. Michael Debabrata Patra and Shri Shaktikanta Das, *except Prof. Jayanth R. Varma*, voted to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward. Prof. Jayanth R. Varma expressed reservations on this part of the resolution.**
- **The minutes of the MPC's meeting will be published on February 24, 2022.**
- **The next meeting of the MPC is scheduled during April 6-8, 2022.**

Please click here to read the :Governor's Statement: February 10, 2022
Please click here to read the : Monetary Policy Statement, 2021-22 Resolution of the Monetary Policy Committee (MPC) February 8-10, 2022

Source: https://yourcareerheights.com/?p=4785

Major Highlights of Union Budget 2022-23

Union Budget 2022-23 – Key Highlights and Impact on various sectors

February 1, 2022**FM Nirmala Sitharaman presented Union Budget 2022 in Parliament. While keeping the Income Tax Slabs unchanged, FM announced a major change in taxation as far as virtual digital assets are concerned. Union Finance Minister Nirmala Sitharaman proposed a 30 per cent tax on income from transactions in such assets. Furthermore, FM Also proposed Gati Shakti Programme which will boost infrastructure and create more jobs. On education sector, FM has announced launch of a new Digital University as well as expansion of PM eVIDYA with addition of new TV channels for supplementary education.**

Budget of Amrit Kal
FM Nirmala Sitharaman in term Budget Speech, termed Union Budget 2022 as the foundation for Amirt Kal of Next 25 Years. She said "The Union Budget seeks to lay foundation and give blueprint of the economy over 'Amrit Kal' of next 25 years – from India@75 to India@100."

Budget 2022 - 4 Priorities of Govt
At the onset of her Budget Presentation, FM outlined the 4 Key Priorities that the Government was trying to address through Budget 2022. These are:

- **PM Gati Shakti**
- **Inclusive Development**
- **Optimize Productivity**
- **Financial Investment**

HIGHLIGHTS OF THE UNION BUDGET 2022-23

The Union Budget seeks to complement macro-economic level growth with a focus on micro-economic level all inclusive welfare.

The key highlights of the budget are as follows:

PART A

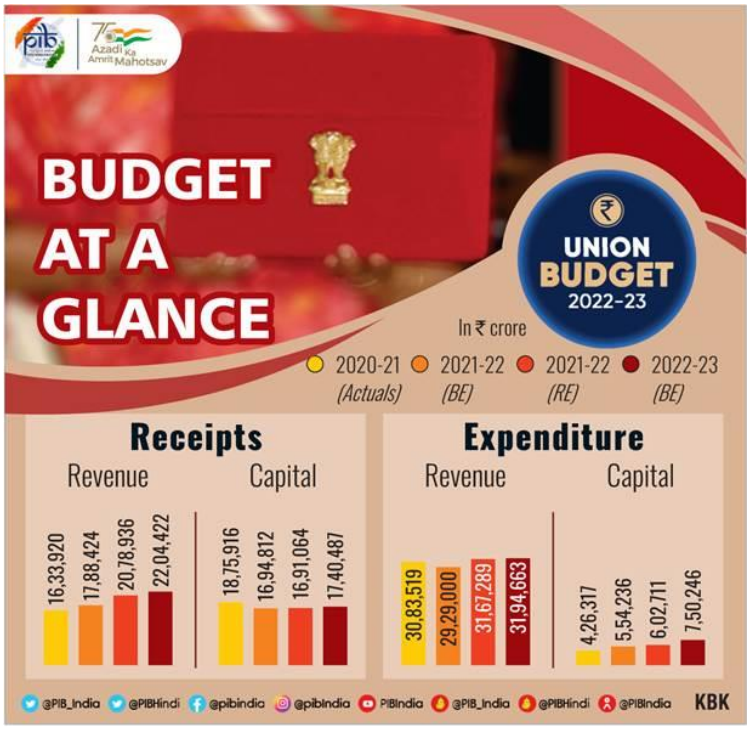
- India's economic growth estimated at **9.2%** to be the highest among all large economies.
- **60 lakh new jobs** to be created under the productivity linked incentive scheme in 14 sectors.
- PLI Schemes have the potential to create an **additional production of Rs 30 lakh crore.**
- Entering Amrit Kaal, the 25 year long lead up to India @100, the budget provides impetus for growth along **four priorities**:
- **PM GatiShakti**
- **Inclusive Development**
- **Productivity Enhancement & Investment, Sunrise opportunities, Energy Transition, and Climate Action.**
- **Financing of investments**

PM GatiShakti

- The seven engines that drive PM GatiShakti are **Roads, Railways, Airports, Ports, Mass Transport, Waterways and Logistics Infrastructure.**

PM GatiShkati National Master Plan

- The scope of PM GatiShakti National Master Plan will encompass the seven engines for economic transformation, seamless multimodal connectivity and logistics efficiency.
- **The projects pertaining to these 7 engines in the National Infrastructure Pipeline will be aligned with PM GatiShakti framework.**



Road Transport

- National Highways Network to be expanded by **25000 Km** in 2022-23.

- **Rs 20000 Crore** to be mobilized for National Highways Network expansion.

Multimodal Logistics Parks

- Contracts to be awarded through PPP mode in 2022-23 for implementation of Multimodal Logistics Parks at four locations.

Railways

- **One Station One Product** concept to help local businesses & supply chains.
- **2000 Km of railway network to be brought under Kavach**, the indigenous world class technology and capacity augmentation in 2022-23.
- **400 new generation Vande Bharat Trains** to be manufactured during the next three years.
- **100 PM GatiShakti Cargo terminals for multimodal logistics** to be developed during the next three years.

Parvatmala

- National Ropeways Development Program, Parvatmala to be taken up on PPP mode.
- Contracts to be awarded in 2022-23 for **8 ropeway projects of 60 Km length**.

Inclusive Development

Agriculture

- **Rs. 2.37 lakh crore direct payment to 1.63 crore farmers** for procurement of wheat and paddy.
- Chemical free Natural farming to be promoted throughout the county. Initial focus is on farmer's lands in 5 Km wide corridors along river Ganga.
- NABARD to facilitate fund with blended capital to finance startups for agriculture & rural enterprise.
- 'Kisan Drones' for crop assessment, digitization of land records, spraying of insecticides and nutrients.

Ken Betwa project

- **1400 crore** outlay for implementation of the Ken – Betwa link project.
- **9.08 lakh hectares** of farmers' lands to receive irrigation benefits by Ken-Betwa link project.

MSME

- **Udyam, e-shram, NCS and ASEEM portals to be interlinked.**
- 130 lakh MSMEs provided additional credit under Emergency Credit Linked Guarantee Scheme (ECLGS)
- ECLGS to be extended up to March 2023.
- Guarantee cover under ECLGS to be expanded by **Rs 50000 Crore to total cover of Rs 5 Lakh Crore.**
- **Rs 2 lakh Crore** additional credit for Micro and Small Enterprises to be facilitated under the Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE).
- **Raising and Accelerating MSME performance (RAMP) programme** with outlay of Rs 6000 Crore to be rolled out.

Skill Development

- **Digital Ecosystem for Skilling and Livelihood** (**DESH-Stack e-portal**) will be launched to empower citizens to skill, reskill or upskill through on-line training.
- Startups will be promoted to facilitate **'Drone Shakti'** and for **Drone-As-A-Service** (DrAAS).

Education

- **'One class-One TV channel' programme of PM eVIDYA** to be expanded to 200 TV channels.
- Virtual labs and skilling e-labs to be set up to promote critical thinking skills and simulated learning environment.
- High-quality e-content will be developed for delivery through Digital Teachers.
- Digital University for world-class quality universal education with personalised learning experience to be established.

Health

- An **open platform** for **National Digital Health Ecosystem** to be rolled out.
- **'National Tele Mental Health Programme'** for quality mental health counselling and care services to be launched.
- A network of **23 tele-mental health centres** of excellence will be set up, with NIMHANS being the nodal centre and International Institute of Information Technology-Bangalore (IIITB) providing technology support.

Saksham Anganwadi

- Integrated benefits to women and children through Mission Shakti, Mission Vatsalya, Saksham Anganwadi and Poshan 2.0.
- **Two lakh anganwadis** to be upgraded to Saksham Anganwadis.

Har Ghar, Nal Se Jal

- **Rs. 60,000 crore** allocated to cover **3.8 crore households** in 2022-23 under Har Ghar, Nal se Jal.

Housing for All

- **Rs. 48,000 crore** allocated for completion of **80 lakh houses** in 2022-23 under PM Awas Yojana.

Prime Minister's Development Initiative for North-East Region (PM-DevINE)

- New scheme PM-DevINE launched to fund infrastructure and social development projects in the North-East.
- An initial allocation of **Rs. 1,500 crore** made to enable livelihood activities for youth and women under the scheme.

Vibrant Villages Programme

- Vibrant Villages Programme for development of Border villages with sparse population, limited connectivity and infrastructure on the northern border.

Banking

- **100 per cent of 1.5 lakh post offices** to come on the **core banking system**.
- Scheduled Commercial Banks to set up **75 Digital Banking Units (DBUs) in 75 districts**.

e-Passport

- e-Passports with embedded chip and futuristic technology to be rolled out.

Urban Planning

- Modernization of building byelaws, Town Planning Schemes (TPS), and Transit Oriented Development (TOD) will be implemented.
- Battery swapping policy to be brought out for setting up charging stations at scale in urban areas.

Land Records Management

- Unique Land Parcel Identification Number for IT-based management of land records.

Accelerated Corporate Exit

- **Centre for Processing Accelerated Corporate Exit (C-PACE)** to be established for speedy winding-up of companies.

AVGC Promotion Task Force

- An **animation, visual effects, gaming, and comic (AVGC) promotion task force** to be set-up to realize the potential of this sector.

Telecom Sector

- Scheme for design-led manufacturing to be launched to build a strong ecosystem for 5G as part of the Production Linked Incentive Scheme.

Export Promotion

- **Special Economic Zones Act to be replaced with a new legislation** to enable States to become partners in **'Development of Enterprise and Service Hubs'.**

AtmaNirbharta in Defence:

- **68% of capital procurement budget earmarked for domestic industry** in 2022-23, up from 58% in 2021-22.
- Defence R&D to be opened up for industry, startups and academia with 25% of defence R&D budget earmarked.
- Independent nodal umbrella body to be set up for meeting testing and certification requirements.

Sunrise Opportunities

- Government contribution to be provided for R&D in Sunrise Opportunities like Artificial Intelligence, Geospatial Systems and Drones, Semiconductor and its eco-system, Space Economy, Genomics and Pharmaceuticals, Green Energy, and Clean Mobility Systems.

Energy Transition and Climate Action:

- Additional allocation of **Rs. 19,500 crore for Production Linked Incentive for manufacture of high efficiency solar modules** to meet the goal of 280 GW of installed solar power by 2030.

- Five to seven per cent biomass pellets to be co-fired in thermal power plants:

-
  - **CO_2 savings of 38 MMT annually**,
  - Extra income to farmers and job opportunities to locals,
  - Help avoid stubble burning in agriculture fields.
  - **Four pilot projects to be set up for coal gasification and conversion of coal into chemicals** for the industry
  - Financial support to farmers belonging to Scheduled Castes and Scheduled Tribes, who want to take up agro-forestry.

Public Capital Investment:

- Public investment to continue to pump-prime private investment and demand in 2022-23.
- **Outlay for capital expenditure(CAPEX) stepped up sharply by 35.4% to Rs. 7.50 lakh crore in 2022-23** from Rs. 5.54 lakh crore in the current year.
- Outlay in 2022-23 to be **2.9% of GDP**.
- **'Effective Capital Expenditure'** of Central Government estimated at **Rs. 10.68 lakh crore in 2022-23**, which is about **4.1% of GDP**.

GIFT-IFSC

- World-class foreign universities and institutions to be allowed in the GIFT City.
- An **International Arbitration Centre** to be set up for timely settlement of disputes under international jurisprudence.

Mobilising Resources

- **Data Centres and Energy Storage Systems** to be given infrastructure status.
- Venture Capital and Private Equity invested more than Rs. 5.5 lakh crore last year facilitating one of the largest start-up and growth ecosystem. Measures to be taken to help scale up this investment.
- **Blended funds to be promoted for sunrise sectors.**
- **Sovereign Green Bonds** to be issued for mobilizing resources for green infrastructure.

Digital Rupee

- Introduction of **Digital Rupee by the Reserve Bank of India starting 2022-23**.

Providing Greater Fiscal Space to States

- **Enhanced outlay for 'Scheme for Financial Assistance to States for Capital Investment'**:

- From Rs. 10,000 crore in Budget Estimates to **Rs. 15,000 crore in Revised Estimates for current year**
- Allocation of **Rs. 1 lakh crore in 2022-23 to assist the states in catalysing overall investments** in the economy: fifty-year interest free loans, over and above normal borrowings.

- **In 2022-23, States will be allowed a fiscal deficit of 4% of GSDP, of which 0.5% will be tied to power sector reforms**

Fiscal Management

- Budget Estimates 2021-22: Rs. 34.83 lakh crore
- Revised Estimates 2021-22: Rs. 37.70 lakh crore
- **Total expenditure in 2022-23 estimated at Rs. 39.45 lakh crore**
- **Total receipts other than borrowings in 2022-23 estimated at Rs. 22.84 lakh crore**
- Fiscal deficit in current year: 6.9% of GDP (against 6.8% in Budget Estimates)
- **Fiscal deficit in 2022-23 estimated at 6.4% of GDP**

PART B

DIRECT TAXES

To take forward the policy of stable and predictable tax regime:

- Vision to establish a trustworthy tax regime.
- To further simplify tax system and reduce litigation.

Introducing new 'Updated return'

- Provision to file an Updated Return on payment of additional tax.
- Will enable the assessee to declare income missed out earlier.
- Can be filed **within two years** from the end of the relevant assessment year.

Cooperative societies

- Alternate Minimum Tax paid by cooperatives brought down from **18.5 per cent to 15 per cent.**
- To provide a level playing field between cooperative societies and companies.
- Surcharge on cooperative societies reduced from **12 per cent to 7 per cent** for those having total income of more than Rs 1 crore and up to Rs 10 crores.

Tax relief to persons with disability

- Payment of annuity and lump sum amount from insurance scheme to be allowed to differently abled dependent during the lifetime of parents/guardians, i.e., on parents/ guardian attaining the age of 60 years.

Parity in National Pension Scheme Contribution

- Tax deduction limit increased from **10 per cent to 14 per cent** on employer's contribution to the NPS account of State Government employees.
- Brings them at par with central government employees.
- Would help in enhancing social security benefits.

Incentives for Start-ups

- Period of incorporation extended by **one year, up to 31.03.2023** for eligible start-ups to avail tax benefit.

- Previously the period of incorporation valid up to 31.03.2022.

Incentives under concessional tax regime

- Last date for commencement of manufacturing or production under section 115BAB extended by **one year i.e. from 31st March, 2023 to 31st March, 2024.**

Scheme for taxation of virtual digital assets

- Specific tax regime for virtual digital assets introduced.
- Any income from transfer of any virtual digital asset to be taxed at the rate of **30 per cent**.
- No deduction in respect of any expenditure or allowance to be allowed while computing such income except cost of acquisition.
- Loss from transfer of virtual digital asset cannot be set off against any other income.
- To capture the transaction details, TDS to be provided on payment made in relation to transfer of virtual digital asset at the rate of 1 per cent of such consideration above a monetary threshold.
- Gift of virtual digital asset also to be taxed in the hands of the recipient.

Litigation Management

- In cases where question of law is identical to the one pending in High Court or Supreme Court, the filing of appeal by the department **shall be deferred** till such question of law is decided by the court.
- To greatly help in reducing repeated litigation between taxpayers and the department.

Tax incentives to IFSC

- Subject to specified conditions, the following to be **exempt from tax**
    - Income of a non-resident from offshore derivative instruments.
    - Income from over the counter derivatives issued by an offshore banking unit.
    - Income from royalty and interest on account of lease of ship.
    - Income received from portfolio management services in IFSC.

Rationalization of Surcharge

- Surcharge on AOPs (consortium formed to execute a contract) capped at **15 per cent.**
- Done to reduce the disparity in surcharge between individual companies and AOPs.
- Surcharge on long term capital gains arising on transfer of any type of assets capped at **15 per cent.**
- To give a boost to the start up community.

Health and Education Cess

- Any surcharge or cess on income and profits **not allowable** as business expenditure.

Deterrence against tax-evasion

- No set off, of any loss to be allowed against undisclosed income detected during search and survey operations.

Rationalizing TDS Provisions

- Benefits passed on to agents as business promotion strategy taxable in hands of agents.
- Tax deduction provided to person giving benefits, if the aggregate value of such benefits exceeds Rs 20,000 during the financial year.

INDIRECT TAXES

Remarkable progress in GST

- GST revenues are buoyant despite the pandemic – Taxpayers deserve applause for this growth.

Special Economic Zones

- Customs Administration of SEZs to be fully IT driven and function on the **Customs National Portal** – shall be implemented by 30th September 2022.

Customs Reforms and duty rate changes

- Faceless Customs has been fully established. During Covid-19 pandemic, Customs formations have done exceptional frontline work against all odds displaying agility and purpose.

Project imports and capital goods

- Gradually phasing out of the concessional rates in capital goods and project imports; and applying a moderate tariff of **7.5 percent** – conducive to the growth of domestic sector and 'Make in India'.
- Certain exemptions for advanced machineries that are not manufactured within the country shall continue.
- A few exemptions introduced on inputs, like specialised castings, ball screw and linear motion guide - to encourage domestic manufacturing of capital goods.

Review of customs exemptions and tariff simplification

- More than **350 exemption entries proposed** to be gradually phased out, like exemption on certain agricultural produce, chemicals, fabrics, medical devices, & drugs and medicines for which sufficient domestic capacity exists.
- Simplifying the Customs rate and tariff structure particularly for sectors like chemicals, textiles and metals and minimise disputes; Removal of exemption on items which are or can be manufactured in India and providing concessional duties on raw material that go into manufacturing of intermediate products – in line with the objective of 'Make in India' and 'Atmanirbhar Bharat'.

Sector specific proposals

Electronics

- Customs duty rates to be calibrated to provide a graded rate structure - to facilitate domestic manufacturing of wearable devices, hearable devices and electronic smart meters.
- Duty concessions to parts of transformer of mobile phone chargers and camera lens of mobile camera module and certain other items – To enable domestic manufacturing of high growth electronic items.

Gems and Jewellery

- Customs duty on cut and polished diamonds and gemstones being reduced **to 5 per cent**; Nil customs duty to simply sawn diamond - To give a boost to the Gems and Jewellery sector
- A simplified regulatory framework to be implemented by June this year - To facilitate export of jewellery through e-commerce.
- Customs duty of at least Rs 400 per Kg to be paid on imitation jewellery import - To disincentivise import of undervalued imitation jewellery.

Chemicals

- Customs duty on certain critical chemicals namely methanol, acetic acid and heavy feed stocks for petroleum refining being reduced; Duty is being raised on sodium cyanide for which adequate domestic capacity exists – This will help in enhancing domestic value addition.

MSME

- Customs duty on umbrellas being raised to 20 per cent. Exemption to parts of umbrellas being withdrawn.
- Exemption being rationalised on implements and tools for agri-sector which are manufactured in India
- Customs duty exemption given to steel scrap last year extended for another year to provide relief to MSME secondary steel producers
- Certain Anti- dumping and CVD on stainless steel and coated steel flat products, bars of alloy steel and high-speed steel are being revoked – to tackle prevailing high prices of metal in larger public interest.

Exports

- To incentivise exports, exemptions being provided on items such as embellishment, trimming, fasteners, buttons, zipper, lining material, specified leather, furniture fittings and packaging boxes.
- Duty being reduced on certain inputs required for **shrimp aquaculture** - to promote its exports.

Tariff measure to encourage blending of fuel

- Unblended fuel to attract an additional differential **excise duty of Rs 2/ litre** from the 1st of October 2022 - to encourage blending of fuel.

Impact on sectors - the winners and losers:

Finance minister Nirmala Sitharaman presented a budget that calls for a bigger spend to fire up growth in Asia's third-largest economy, as it stages a world-beating recovery from the pandemic. Sitharaman proposed increasing the size of the economy's annual spending to 39.5 trillion rupees ($529 billion) to support growth plans.

Here's a list of winners and losers from the federal budget announcements:

WINNERS

EV Battery Makers

Crucial for plans to expand India's ambitions to promote clean transport technology, battery makers will gain from a new swapping policy for electric vehicles announced by Sitharaman. Beneficiaries will include Exide Industries Ltd. and Amara Raja Batteries Ltd.

Transport, Infrastructure
Plans for investments in remote roads, mass transit in cities and 400 new “Vande Bharat" trains in three years will benefit key infrastructure players including Larson & Toubro Ltd., GMR Infrastructure Ltd., KNR Constructions Ltd., IRB Infra Ltd., Container Corporation of India Ltd., Allcargo Logistics Ltd. and Indian Railway Catering and Tourism Corp.

Metals
The government’s 600 billion rupee allocation for piped water to 38 million homes and spending on logistics will benefit India’s metals producers, including Vedanta Ltd., Tata Steel Ltd. and JSW Steel Ltd.Jindal Stainless Ltd. Pipemakers Jain Irrigation Systems Ltd., KSB Ltd., Kirloskar Brothers Ltd. could also benefit.

Solar
Production-linked incentives worth 195 billion rupees for solar modules to boost local manufacturing will turn the focus on growth at leading panel manufacturers, including Tata Power Ltd., Suzlon Energy Ltd., Adani Enterprises Ltd. and Reliance Industries Ltd.

Cement, Construction
The government’s plan to build more homes for low-income earners across cities will mean more contracts for cement and construction majors UltraTech Cement Ltd., Ambuja Cements Ltd, Birla Corp. and ACC Ltd..

Telcos, Data Centers
The launch of 5G auctions in 2022 will help boost telco sector and the classification of data storage as infrastructure spending will benefit companies including Bharti Airtel Ltd., Reliance Industries Ltd., Vodafone Idea Ltd., Mahanagar Telephone Nigam Ltd., HFCL Ltd., Tejas Networks Ltd., Sterlite Technologies Ltd..

Digital Finance
Digital financial services providers in India are set to gain after Tuesday’s budget focused on expanding such services. These include PB Fintech Ltd., the parent of PolicyBazaar, newly listed Paytm’s owner One 97 Communications Ltd., eClerx Services Ltd. and Paisalo Digital Ltd., which provides smaller loans through its app.

Defense Manufacturers
Companies manufacturing defense equipment look to benefit from Sitharaman’s plan to earmark 68% of the sector capex for local companies in the annual budget. Gainers include Larsen & Toubro Ltd., Bharat Forge Ltd. and Paras Defence and Space Technologies Ltd. The drone start ups that could benefit include Zeus Numerix, New Space India Ltd, and BotLab Dynamics.

LOSERS

State-Run Banks
India plans to start a digital currency, shifting the rules for traditional banking in the country as it tries to keep pace with the global move toward virtual financial instruments.

The move will affect India's archaic lenders ***State Bank of India Ltd.***, ***Bank of Baroda***, ***Canara Bank***, ***Union Bank of India***, ***Bank of India and Punjab National Bank***.

Crypto Players

The decision to levy 30% tax on profits from digital asset transactions, including cryptocurrencies and non-fungible tokens, may rule out a blanket ban on such tokens for now but it will make trading in them less profitable. This will also affect crypto exchanges. Players affected include WazirX, Zebpay, CoinDCX and Coinswitch Kuber.

Coal and Thermal Power

The companies to watch after India's incentives for solar power and plans to use biomass pellets in thermal power plants in a bid to rely less on coal include Coal India Ltd. Singareni Collieries Co., Adani Enterprises Ltd. These companies are suppliers of imported coal.

Stainless Steel

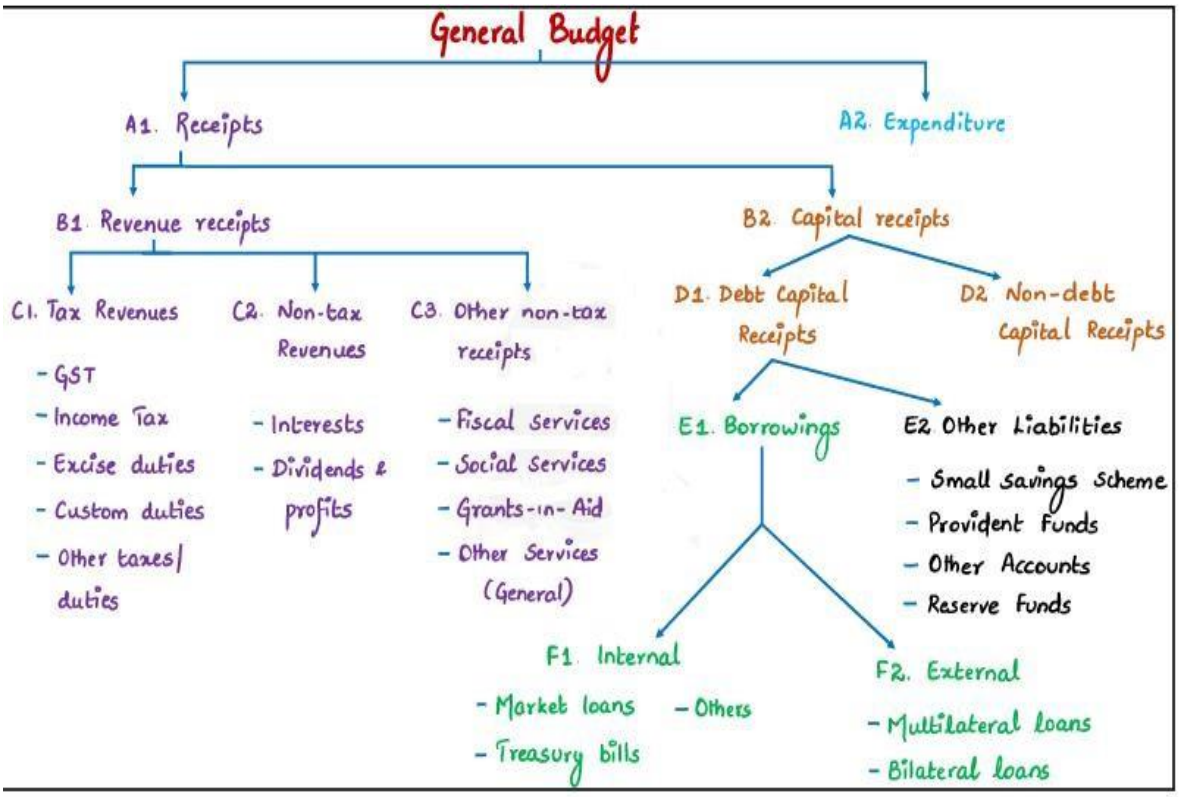
India has made plans to revoke some anti-dumping and countervailing duties on stainless steel, coated steel flat products, bars of alloy steel and high-speed steel, given the rise in metal prices. This is expected to affect the biggest producer Jindal Stainless Ltd. and Tata Metaliks Ltd.

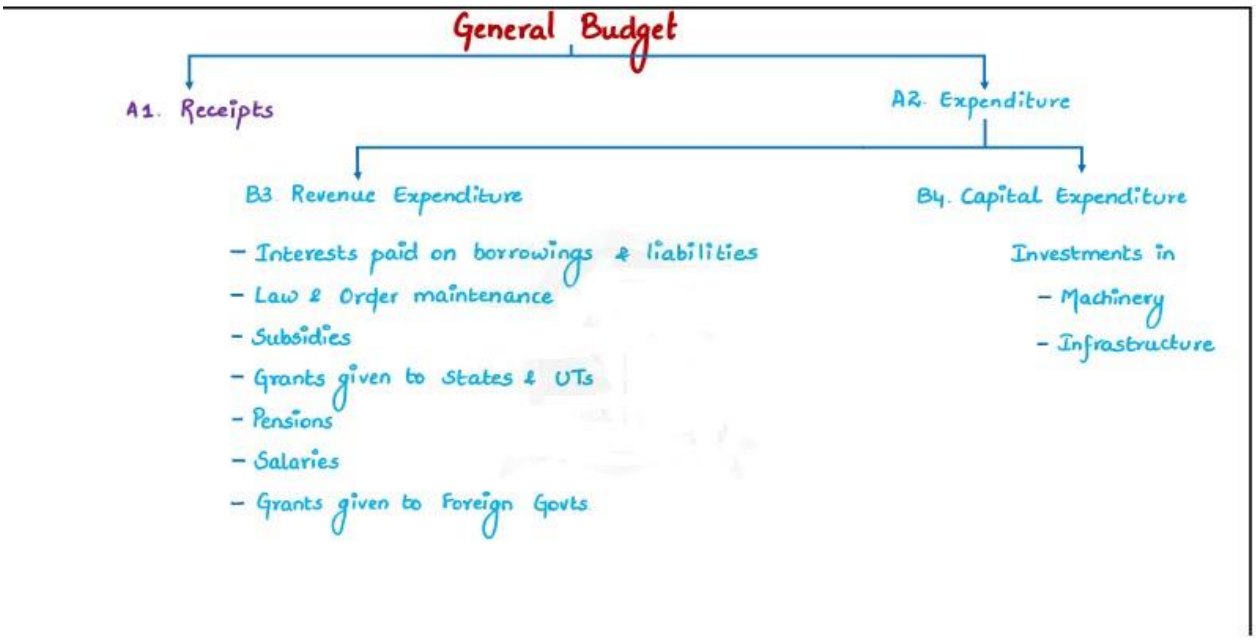
Automobile Makers

Car manufacturers, which received little attention from the finance minister, continue to reel under a global semiconductor crunch. The S&P BSE Auto Index was the worst performer among 19 sectoral gauges after Tuesday's budget announcement. Companies to watch include Maruti Suzuki India Ltd., Tata Motors Ltd, Mahindra & Mahindra Ltd.

Source: https://yourcareerheights.com/?p=4774

Basic Chart of Budget





The Economic Survey of India (Tabled on 31stJanuary2022) Background

ECONOMIC SURVEY 2021-22 – Key Highlights <u>January 31, 2022</u>

The Economic Survey 2021-22 was tabled in Parliament on Monday by Finance Minister Nirmala Sitharaman soon after the President's address to both Houses of Parliament.
The survey, presented a day before the Union Budget, underlines the state of the economy and outlines suggestions for policy actions.

SPECIAL FEATURES OF ECONOMIC SURVEY:

***CENTRAL THEME OF ECONOMIC SURVEY 2021-22 IS THE "AGILE APPROACH".**
***PREFACE TAKES A BIRD'S EYE VIEW OF EVOLUTION OF ECONOMIC SURVEYS SINCE INDEPENDENCE.**
***NEW CHAPTER DEMONSTRATES USE OF SATELLITE & GEO-SPATIAL IMAGES TO GAUGE VARIOUS ECONOMIC PHENOMENON.**
***ECONOMIC SURVEY REVERTS TO A SINGLE VOLUME PLUS A SEPARATE VOLUME FOR STATISTICAL APPENDIX.**

KEY HIGHLIGHTS OF THE ECONOMIC SURVEY 2021-22

- **9.2 PERCENT GROWTH EXPECTED IN REAL TERMS IN 2021-22**
- **GDP PROJECTED TO GROW 8.0-8.5 PERCENT IN 2022-23**
- **PANDEMIC: GOVERNMENT's SUPPLY SIDE REFORMS PREPARING ECONOMY FOR SUSTAINED LONGTERM EXPANSION**
- **CAPEX GROWS BY 13.5 PERCENT (YoY) DURING APRIL-NOVEMBER, 2021**
- **FOREIGN EXCHANGE RESERVES TOUCH US$ 633.6 BILLION ON 31st DECEMBER, 2021**
- **MACROECONOMIC STABILITY INDICATORS SUGGEST ECONOMY WELL PLACED TO TAKE ON CHALLENGES OF 2022-23**
  MASSIVE GROWTH IN REVENUE RECEIPTS
- **SOCIAL SECTOR: EXPENDITURE ON SOCIAL SERVICES AS PROPORTION OF GDP INCREASES TO 8.6 PERCENT IN 2021-22 (BE) AS COMPARED TO 6.2 PERCENT IN 2014-15**
- **WITH REVIVAL OF ECONOMY, EMPLOYMENT INDICATORS BOUNCED BACK TO PRE-PANDEMIC LEVELS DURING LAST QUARTER OF 2020-21**
- **MERCHANDISE EXPORTS AND IMPORTS REBOUND STRONGLY AND SURPASS PRECOVID LEVELS**
- **BANK CREDIT ACCELERATES TO 9.2 PERCENT AS ON 31st DECEMBER, 2021**
- **Rs 89,066 CRORE RAISED VIA 75 IPOs; SIGNIFICANTLY HIGHER THAN IN ANY YEAR IN LAST DECADE**
- **CPI-C INFLATION MODERATES TO 5.2 PERCENT IN 2021-22 (APRIL-DECEMBER)**
- **FOOD INFLATION AVERAGES AT A LOW OF 2.9 PERCENT IN 2021-22 (APRIL-DECEMBER)**
- **EFFECTIVE SUPPLY SIDE MANAGEMENT KEEPS PRICES OF MOST ESSENTIAL COMMODITIES UNDER CONTROL**
- **AGRICULTURE: GVA REGISTERS BUOYANT GROWTH OF 3.9% IN 2021-22**
- **RAILWAYS: CAPITAL EXPENDITURE SEES SUBSTANTIAL INCREASE TO Rs. 155,181 CRORE IN 2020-21; BUDGETED TO FURTHER INCREASE TO Rs. 215,058 CRORE IN 2021-22, A FIVE TIMES INCREASE COMPARED TO 2014 LEVEL**
- **PER DAY ROAD CONSTRUCTION INCREASES TO 36.5 KMS IN 2020-21 – RISE OF 30.4 PERCENT COMPARED TO THE PREVIOUS YEAR**
- **SDGs: OVERALL SCRORE ON NITI AAYOG DASHBOARD IMPROVES TO 66 IN 2020-21**

SUMMARY OF THE ECONOMIC SURVEY 2021-22

- AS PER WORLD BANK, ADB AND IMF PROJECTIONS, INDIA TO REMAIN THE FASTEST GROWING MAJOR ECONOMY IN THE WORLD DURING 2021-24

- INDIAN ECONOMY TO GROW BY 9.2% IN REAL TERMS IN 2021-22

- AGRICULTURE TO GROW BY 3.9 % IN 2021-22 IN COMPARISON TO 3.6% IN THE PREVIOUS YEAR

- INDUSTRIAL SECTOR TO WITNESS SHARP REBOUND FROM A CONTRACTION OF 7% IN 2020-21 TO EXPANSION OF 11.8% IN 2021-22

- SERVICES TO CLOCK 8.2% GROWTH IN 2021-22 AFTER A CONTRACTION OF 8.4% LAST YEAR

- FOREIGN EXCHANGE RESERVES STOOD AT US$ 634 BILLION AS ON 31ST DECEMBER 2021 EQUIVALENT TO OVER 13 - MONTHS OF IMPORTS AND HIGHER THAN COUNTRY'S EXTERNAL DEBT

- INVESTMENT IS EXPECTED TO SEE A STRONG GROWTH OF 15% IN 2021-22

- CONSUMER PRICE INDEX (CPI) COMBINED INFLATION OF 5.6% IN DECEMBER 2021 IS WELL

WITHIN TARGETED TOLERANCE BAND
- FISCAL DEFICIT FOR APRIL-NOVEMBER 2021 CONTAINED AT 46.2% OF BUDGET ESTIMATES
- CAPITAL MARKET BOOMS DESPITE PANDEMIC; OVER RS 89 THOUSAND CRORE RAISED VIA 75 IPO ISSUES IN APRIL-NOVEMBER 2021, MUCH HIGHER THAN IN ANY YEAR IN THE LAST DECADE
- MACRO-ECONOMIC STABILITY INDICATORS SUGGEST INDIAN ECONOMY WELL PL
Please click here for: Key Highlights of Economic Survey 2022 ; Summary of Economic Survey 2022 ; Central Theme of Economic Survey 2022
Source: https://yourcareerheights.com/?p=4765

RBI releases the Financial Stability Report, December 2021

The Reserve Bank released the 24th issue of the Financial Stability Report (FSR), which reflects the collective assessment of the Sub-Committee of the Financial Stability and Development Council (FSDC) on risks to financial stability and the resilience of the financial system.

Financial Stability Report (FSR)

The Financial Stability Report (FSR) is published biannually. It reflects the collective assessment of the SubCommittee of the Financial Stability and Development Council (FSDC - headed by the Governor of RBI) on risks to financial stability and the resilience of the financial system. The report highlights issues relating to development and regulation of the financial sector.

Highlights:

- The global economic recovery has been losing momentum in the second half of 2021 in the face of resurfacing COVID-19 infections, the new variant Omicron, supply disruptions and bottlenecks, elevated inflationary levels and shifts in monetary policy stances and actions across advanced economies and emerging market economies.
- On the domestic front, progress in vaccination has enabled the recovery to regain traction after the debilitating second wave of the pandemic, notwithstanding signs of slowing pace more recently; the corporate sector is gaining strength and bank credit growth is improving.
- The capital to risk-weighted assets ratio (CRAR) of scheduled commercial banks (SCBs) rose to a new peak of 16.6 per cent and their provisioning coverage ratio (PCR) stood at 68.1 per cent in September 2021.
- Macro stress tests for credit risk indicate that the gross non-performing asset (GNPA) ratio of SCBs may increase from 6.9 per cent in September 2021 to 8.1 per cent by September 2022 under the baseline scenario and to 9.5 per cent under a severe stress scenario. SCBs would, however, have sufficient capital, both at the aggregate and individual levels, even under stress conditions.

- Emerging signs of stress in micro, small and medium enterprises (MSME) as also in the micro finance segment call for close monitoring of these portfolios going forward.

RBI Bulletin - January 2022

The Reserve Bank of India released the January 2022 issue of its monthly Bulletin. The Bulletin includes two speeches, four articles and current statistics.

The four articles are: I. State of the Economy; II. Indian Agriculture: Achievements and Challenges; III. The Impact of Covid-19 Pandemic on Consumer Confidence in India; and IV. Changing Dynamics of Foreign Direct Investment in India.

I. State of the Economy

As the world stepped into the new year, the path of the recovery in India as in the rest of the global economy encountered headwinds from a rapid surge in infections due to Omicron. Nonetheless, amidst upbeat consumer and business confidence and an uptick in bank credit, aggregate demand conditions stay resilient, while on the supply front, rabi sowing has exceeded last year's level and the normal acreage. Manufacturing and several categories of services remain in expansion. More recently, expectations that Omicron may turn out to be more of a flash flood than a wave have brightened near-term prospects.

II. Indian Agriculture: Achievements and Challenges

The article highlights significant achievements of the agriculture sector and assesses that new emerging challenges warrant a second green revolution along with next-generation reforms.

Highlights:

- The major achievements of Indian agriculture are marked by record production of food grains, diversification towards horticulture crops, growing importance of allied sectors and changing dynamics of agriculture trade.
- Although the key growth enablers, viz., productivity, mechanisation and irrigation have played an important role, they remain much lower compared to international standards indicating scope for further improvement.
- Alongside, Indian agriculture is confronted with emerging challenges in the form of climate change, agriculture waste management, fragmentation of farm holdings, disguised unemployment and volatility of food prices.
- The empirical analysis identifies significant role of supply-side interventions such as higher public investment, storage infrastructure and promotion of food processing industries for managing food inflation and its volatility.

III. The Impact of Covid-19 Pandemic on Consumer Confidence in India

Most countries witnessed a gradual uptick in consumer confidence after the major slump encountered when the Covid-19 pandemic first hit their shores, though it is yet to return to pre-pandemic levels in most countries. This article analyses the impact of the pandemic on

consumer confidence in India, as gauged by the Reserve Bank's Consumer Confidence Survey (CCS).

Highlights:

- The pandemic severely dented consumer confidence in India, with sentiments of households across strata influenced by the spread of infections and fatalities.
- Sentiments of consumers in severely impacted cities were more affected as compared to that for respondents in other cities.
- While consumers remain concerned about the current situation, their expectations for the year ahead may portend confidence in economic recovery after subsidence of the pandemic.

IV. Changing Dynamics of Foreign Direct Investment in India

Foreign Direct Investment (FDI) plays a significant role in economic development of any country and supports economic growth by meeting the investment requirements of a capital deficit economy by bridging its saving-investment gap. The developed and emerging economies have made significant efforts for augmenting the information base on FDI, where valuation is a critical component. In India, major advancements have been made in this regard with the implementation of the Co-Ordinated Direct Investment Survey (CDIS) of the International Monetary Fund (IMF) and compilation of Foreign Affiliate Trade Statistics (FATS).

Highlights:

- India's Foreign Liabilities and Assets (FLA) census, which is a part of global CDIS initiative has been a major step forward towards estimating foreign investment and provide consistent annual data on FDI (equity and debt) on face value as well as at market value based on complete enumeration.
- The recent trends in FDI flows at the global level and across regions/countries suggest that India has generally attracted higher FDI flows and continued to remain among the top attractive destinations for international investors.
- An empirical analysis of factors influencing inward FDI, considering major countries in terms of their FDI stock position in India shows that inward FDI is significantly influenced by trade openness, economic growth prospects, market size, labour cost and capital account openness of the host countries.

Report on Trend and Progress of Banking in India 2020-21

The Reserve Bank of India released the Report on Trend and Progress of Banking in India 2020-21,on 28th Dec 21. It is a statutory publication in compliance with Section 36 (2) of the Banking Regulation Act, 1949. This Report presents the performance of the banking sector, including co-operative banks, and non-banking financial institutions during 2020-21 and 2021-22 so far.

Highlights of the Report are set out below:

- During 2020-21, the consolidated balance sheet of scheduled commercial banks (SCBs) expanded in size, notwithstanding the pandemic and the resultant contraction in economic activity. In 2021-22 so far, nascent signs of recovery are visible in credit growth. Deposits grew by 10.1 per cent at end-September 2021 as compared with 11.0 per cent a year ago.
- Capital to risk weighted assets (CRAR) ratio of SCBs strengthened from 14.8 per cent at end-March 2020 to 16.3 per cent at end-March 2021 and further to 16.6 per cent at end-September 2021, partly aided by higher retained earnings, recapitalisation of public sector banks (PSBs) and capital raising from the market by both PSBs and private sector banks (PVBs).
- SCBs' gross non-performing assets (GNPA) ratio declined from 8.2 per cent at end-March 2020 to 7.3 per cent at end-March 2021 and further to 6.9 per cent at end-September 2021.
- Return on assets (RoA) of SCBs improved from 0.2 per cent at end-March 2020 to 0.7 per cent at end-March 2021, aided by stable income and decline in expenditure.
- Some of the policy measures taken by the RBI in response to the COVID-19 pandemic reached the pre-announced sunset dates in 2021-22. Certain liquidity measures have been wound down as a result, while other regulatory measures, including deferment of implementation of net stable funding ratio (NSFR), restrictions on dividend payouts by banks, deferment of implementation of the last tranche of capital conservation buffer, have been realigned to avoid extended forbearance and risks to financial stability while providing targeted support to needy sectors.
- Even though initiation of fresh insolvency proceedings under the Insolvency and Bankruptcy Code (IBC) was suspended for a year till March 2021, it constituted one of the major modes of recovery in terms of amount recovered.
- The balance sheet growth of urban co-operatives banks (UCBs) in 2020-21 was driven by deposits, while subdued credit growth led to acceleration in investments. Their financial indicators, including capital position and profitability, improved.
- The profitability of state co-operative banks and district central co-operative banks improved in 2019-20, while their asset quality deteriorated.
- The consolidated balance sheet of NBFCs expanded during 2020-21, driven by credit and investments of non-deposit taking systemically important NBFCs (NBFCs-ND-SI). Their asset quality and capital buffers also improved.
- The Report also offers some perspectives on the evolving outlook for India's financial sector.

Prompt Corrective Action (PCA) framework

The PCA framework is a framework under which banks with weak financial metrics are supervised by the regulator at appropriate times to implement remedial measures for restoring the bank's financial health. Three key areas viz capital, asset quality and leverage are monitored under the revised framework. The PCA Framework is also intended to act as a tool for effective market discipline.

Prompt Corrective Action (PCA) Framework for Scheduled Commercial Banks

Reserve Bank of India had introduced a Prompt Corrective Action Framework (PCA) for Scheduled Commercial Banks in 2002 and the same has been reviewed from time to time based on the experience gained and developments in the banking system. ***The objective of the PCA Framework is to enable Supervisory intervention at appropriate time and require the Supervised Entity to initiate and implement remedial measures in a timely manner, so as to restore its financial health. The PCA Framework is also intended to act as a tool for effective market discipline.*** The PCA Framework does not preclude the Reserve Bank of India from taking any other action as it deems fit at any time in addition to the corrective actions prescribed in the Framework.

The existing PCA Framework for SCBs has since been reviewed and revised.

The provisions of the revised PCA Framework will be effective from January 1, 2022.

PCA Framework for Scheduled Commercial Banks[1]

A. Capital, Asset Quality and Leverage will be the key areas for monitoring in the revised framework.

B. Indicators to be tracked for Capital, Asset Quality and Leverage would be CRAR/ Common Equity Tier I Ratio[2], Net NPA Ratio[3] and Tier I Leverage Ratio[4] respectively.

C. Breach of any risk threshold (as detailed under) may result in invocation of PCA.

PCA matrix – Parameters, indicators and risk thresholds				
Parameter	**Indicator**	**Risk Threshold 1**	**Risk Threshold 2**	**Risk Threshold 3**
(1)	(2)	(3)	(4)	(5)
Capital (Breach of either CRAR or CET 1 ratio)	CRAR - Minimum regulatory prescription for Capital to Risk Assets Ratio + applicable Capital Conservation Buffer (CCB)	Upto 250 bps below the Indicator prescribed at column (2) Upto 162.50	More than 250 bps but not exceeding 400 bps below the Indicator prescribed at column (2)	In excess of 400 bps below the Indicator prescribed at column (2) In excess of

	and/or Regulatory Pre-Specified Trigger of Common Equity Tier 1 Ratio (CET 1 PST) + applicable Capital Conservation Buffer (CCB)	bps below the Indicator prescribed at column (2)	More than 162.50 bps below but not exceeding 312.50 bps below the Indicator prescribed at column (2)	312.50 bps below the Indicator prescribed at column (2)
	Breach of either CRAR or CET 1 ratio to trigger PCA			
Asset Quality	Net Non-Performing Advances (NNPA) ratio	>=6.0% but <9.0%	>=9.0% but < 12.0%	>=12.0%
Leverage	Regulatory minimum Tier 1 Leverage Ratio	Upto 50 bps below the regulatory minimum	More than 50 bps but not exceeding 100 bps below the regulatory minimum	More than 100 bps below the regulatory minimum

D. The PCA Framework would apply to all banks operating in India including foreign banks operating through branches or subsidiaries based on breach of risk thresholds of identified indicators.

E. A bank will generally be placed under PCA Framework based on the Audited Annual Financial Results and the ongoing Supervisory Assessment made by RBI. RBI may impose PCA on any bank during the course of a year (including migration from one threshold to another) in case the circumstances so warrant.

F. Exit from PCA and Withdrawal of Restrictions under PCA - Once a bank is placed under PCA, taking the bank out of PCA Framework and/or withdrawal of restrictions imposed under the PCA Framework will be considered: a) if no breaches in risk thresholds in any of the parameters are observed as per four continuous quarterly financial statements, one of which should be Audited Annual Financial Statement (subject to assessment by RBI); and b) based on Supervisory comfort of the RBI, including an assessment on sustainability of profitability of the bank.

G. When a bank is placed under PCA, one or more of the following corrective actions may be prescribed:

Mandatory and Discretionary actions		
Specifications	**Mandatory actions**	**Discretionary actions**

Risk Threshold 1	i. Restriction on dividend distribution/remittance of profits. ii. Promoters/Owners/Parent (in the case of foreign banks) to bring in capital	Common menu i. Special Supervisory Actions ii. Strategy related iii. Governance related iv. Capital related v. Credit risk related vi. Market risk related vii. HR related viii. Profitability related ix. Operations/Business related x. Any other
Risk Threshold 2	In addition to mandatory actions of Threshold 1, i. Restriction on branch expansion; domestic and/or overseas	
Risk Threshold 3	In addition to mandatory actions of Threshold 1 & 2, i. Appropriate restrictions on capital expenditure, other than for technological upgradation within Board approved limits	

Common menu for selection of Discretionary Corrective Actions

1. Special Supervisory Actions

- Special Supervisory Monitoring Meetings (SSMMs) at quarterly or other identified frequency
- Special inspections/targeted scrutiny of the bank
- Cause a special audit of the bank by the extant Supervisory mechanism and/or through external auditors
- Resolution of the bank by Amalgamation or Reconstruction (Ref. Section 45 of Banking Regulation Act 1949)

2. Strategy related Actions

RBI to advise the bank's Board to:

- Activate the Recovery Plan that has been duly approved by the Supervisor
- Undertake a detailed review of business model in terms of sustainability of the business model, profitability of business lines and activities, medium and long-term viability, etc.
- Review short term strategy focusing on addressing immediate concerns
- Review medium term business plans, identify achievable targets and set concrete milestones for progress and achievement
- Undertake business process reengineering as appropriate
- Undertake restructuring of operations as appropriate

3. Governance related Actions

- RBI to actively engage with the bank's Board on various aspects as considered appropriate
- RBI to recommend to Owners (Government/ Promoters/ Parent of foreign bank branch) to bring in new Management/ Board
- RBI to remove managerial persons under Section 36AA of the BR Act, 1949 as applicable
- RBI to supersede the Board under Section 36ACA of the BR Act, 1949/ recommend supersession of the Board as applicable
- RBI to require bank to invoke claw back and malus clauses and other actions as available in regulatory guidelines, and impose other restrictions or conditions permissible under the BR Act, 1949
- Impose restrictions on directors' or management compensation, as applicable.

4. Capital related Actions

- Detailed Board level review of capital planning
- Submission of plans and proposals for raising additional capital
- Requiring the bank to bolster reserves through retained profits
- Restriction on investment in subsidiaries/associates
- Restriction in expansion of high risk-weighted assets to conserve capital
- Reduction in exposure to high risk sectors to conserve capital
- Restrictions on increasing stake in subsidiaries and other group companies

5. Credit Risk related Actions

- Preparation of time bound plan and commitment for reduction of stock of NPAs
- Preparation of and commitment to plan for containing generation of fresh NPAs
- Higher provisions for NPAs/NPIs and as part of the coverage regime
- Strengthening of loan review mechanism
- Restrictions/reduction in total credit risk weight density (example: restriction/reduction in credit for borrowers below certain rating grades, restriction/reduction in unsecured exposures, etc.)
- Reduction in loan concentrations; in identified sectors, industries or borrowers
- Sale of assets
- Action plan for recovery of assets through identification of areas (geography wise, industry segment-wise, borrower-wise, etc.) and setting up of dedicated Recovery Task Forces, Adalats, etc.
- Prohibition on expansion of credit/ investment portfolios other than investment in government securities / other High-Quality Liquid Investments

6. Market Risk related Actions

- Restrictions on/reduction in borrowings from the inter-bank market

- Restrictions on accessing/ renewing wholesale deposits/ costly deposits/ certificates of deposits
- Restrictions on derivative activities, derivatives that permit collateral substitution
- Restriction on excess maintenance of collateral held that could contractually be called any time by the counterparty

7. HR related Actions

- Restriction on staff expansion
- Review of specialized training needs of existing staff

8. Profitability related Actions

- Restrictions on capital expenditure, other than for technological upgradation within Board approved limits
- Restrictions/reduction in variable operating costs

9. Operations related Actions

- Restrictions on branch expansion plans; domestic or overseas
- Reduction in business at overseas branches/ subsidiaries/ in other entities
- Restrictions on entering into new lines of business
- Reduction in leverage through reduction in non-fund based business
- Reduction in risky assets
- Restrictions on non-credit asset creation
- Restrictions on undertaking businesses as specified.
- Restriction/reduction of outsourcing activities
- Restrictions on new borrowings

10. Other Actions

- Any other specific action that RBI may deem fit considering specific circumstances of a bank.

Prompt Corrective Action (PCA) Framework for Non-Banking Financial Companies (NBFCs)

The Reserve Bank of India has also issued the Prompt Corrective Action (PCA) Framework for Non-Banking Financial Companies (NBFCs). NBFCs have been growing in size and have substantial inter-connectedness with other segments of the financial system. Accordingly, a PCA Framework for NBFCs has also been put in place to further strengthen the supervisory tools applicable to NBFCs. This shall apply to:

1. **All Deposit Taking NBFCs [Excluding Government Companies],**

2. **All Non-Deposit Taking NBFCs in Middle, Upper and Top Layers [Excluding - (i) NBFCs not accepting/not intending to accept public funds; (ii) Government Companies, (iii) Primary Dealers and (iv) Housing Finance Companies].**

The PCA Framework for NBFCs shall come into effect from October 1, 2022, based on the financial position of NBFCs on or after March 31, 2022. A separate circular would be issued in due course with regard to applicability of PCA Framework to Government NBFCs.

The PCA Framework will be reviewed after three years of being in operation.

PCA Framework for NBFCs

A. The PCA Framework is applicable to the following category of NBFCs:

a. All Deposit Taking NBFCs [Excluding Government Companies] (NBFCs-D)

b. All Non-Deposit Taking NBFCs in Middle, Upper and Top Layers[3] (NBFCs-ND);

[Including Investment and Credit Companies, Core Investment Companies (CICs), Infrastructure Debt Funds, Infrastructure Finance Companies, Micro Finance Institutions and Factors]; but

[Excluding – (i) NBFCs not accepting/not intending to accept public funds[4]; (ii) Government Companies, (iii) Primary Dealers and (iv) Housing Finance Companies]

B. For NBFCs-D and NBFCs-ND, Capital and Asset Quality would be the key areas for monitoring in PCA Framework.

For CICs, Capital, Leverage and Asset Quality would be the key areas for monitoring in PCA Framework.

C. For NBFCs-D and NBFCs-ND, indicators to be tracked would be Capital to Risk Weighted Assets Ratio (CRAR), Tier I Capital Ratio and Net NPA Ratio (NNPA). For CICs, indicators to be tracked would be Adjusted Net Worth/Aggregate Risk Weighted Assets, Leverage Ratio and NNPA.

D. A NBFC will generally be placed under PCA Framework based on the audited Annual Financial Results and/or the Supervisory Assessment made by the RBI. However, the RBI may impose PCA on any NBFC during the course of a year (including migration from one threshold to another) in case the circumstances so warrant.

E. The Reserve Bank may issue a press release when a NBFC is placed under PCA as well as when PCA is withdrawn vis-à-vis a NBFC.

F. Breach of any risk threshold (as detailed under) may result in invocation of PCA.

For NBFCs-D and NBFCs-ND (excluding CICs):

Indicator	Risk Threshold-1	Risk Threshold-2	Risk Threshold-3
CRAR	Upto 300 bps below the regulatory minimum CRAR [currently, CRAR <15% but ≥12%]	More than 300 bps but upto 600 bps below regulatory minimum CRAR [currently, CRAR <12% but ≥9%]	More than 600 bps below regulatory minimum CRAR [currently, CRAR <9%]

Tier I Capital Ratio	Upto 200 bps below the regulatory minimum Tier I Capital Ratio [currently, Tier I Capital Ratio <10% but ≥8%]	More than 200 bps but upto 400 bps below the regulatory minimum Tier I Capital Ratio [currently, Tier I Capital Ratio <8% but ≥6%]	More than 400 bps below the regulatory minimum Tier I Capital Ratio [currently, Tier I Capital Ratio <6%]
NNPA Ratio (including NPIs)	>6% but ≤ 9%	>9% but ≤12%	>12%

For CICs:

Indicator	Risk Threshold-1	Risk Threshold-2	Risk Threshold-3
Adjusted Net Worth / Aggregate Risk Weighted Assets	Upto 600 bps below the regulatory minimum ANW/RWA [currently, ANW/RWA <30% but ≥24%]	More than 600 bps but upto 1200bps below regulatory minimum ANW/RWA [currently, ANW/RWA <24% but ≥18%]	More than 1200 bps below regulatory minimum ANW/RWA [currently, ANW/RWA <18%]
Leverage Ratio	≥2.5 times but <3 times	≥ 3 times but <3.5 times	≥3.5 times
NNPA Ratio (including NPIs)	>6% but ≤ 9%	>9% but ≤12%	>12%

G. Exit from PCA and Withdrawal of Restrictions under PCA - Once a NBFC is placed under PCA, taking the NBFC out of PCA Framework and/or withdrawal of restrictions imposed under the PCA Framework will be considered: a) if no breaches in risk thresholds in any of the parameters are observed as per four continuous quarterly financial statements, one of which should be Annual Audited Financial Statement (subject to assessment by RBI); and b) based on Supervisory comfort of the RBI, including an assessment on sustainability of profitability of the NBFC.

H. The menu of corrective actions is as below:

Mandatory and Discretionary actions		
Specifications	**Mandatory actions**	**Discretionary actions**
Risk Threshold 1	• Restriction on dividend distribution/remittance of profits;	Common menu

	• Promoters/shareholders to infuse equity and reduction in leverage; • Restriction on issue of guarantees or taking on other contingent liabilities on behalf of group companies (only for CICs)	• Special Supervisory Actions • Strategy related • Governance related • Capital related • Credit risk related • Market risk related • HR related • Profitability related • Operations/Business related • Any other.
Risk Threshold 2	In addition to mandatory actions of Threshold 1, • Restriction on branch expansion	
Risk Threshold 3	In addition to mandatory actions of Threshold 1 & 2, • Appropriate restrictions on capital expenditure, other than for technological upgradation within Board approved limits • Restrictions/reduction in variable operating costs	

Common Menu for Selection of Discretionary Corrective Actions

1. Special Supervisory Actions

- Special Supervisory Monitoring Meetings (SSMMs) at quarterly or other identified frequency
- Special inspections/targeted scrutiny of the NBFC
- Cause a special audit/inspection of NBFC/Group entities by the extant supervisory mechanism and/or through external auditors
- Restricted and need based regulatory/supervisory approvals to be given by the Reserve Bank
- Resolution of NBFC by Amalgamation/ Reconstruction/ Splitting (Section 45MBA of RBI Act, 1934)
- File insolvency application under IBC (As per the rules dated November 15, 2019 notified under section 239 of the Insolvency and Bankruptcy Code, 2016 (31 of 2016))
- Show Cause Notice for cancellation of CoR and winding up of the NBFC

2. Strategy related Actions

- Activate the Recovery Plan that has been duly approved by the Supervisor

- Undertake a detailed review of business model in terms of sustainability of the business model, profitability of business lines and activities, medium and long term viability, etc.
- Review short-term strategy focusing on addressing immediate concerns
- Review medium-term business plans, identify achievable targets and set concrete milestones for progress and achievement
- Undertake business process reengineering as appropriate
- Undertake restructuring of operations as appropriate

3. Governance related Actions

- RBI may actively engage with the NBFC's Board on various aspects as considered appropriate
- RBI may recommend to promoters/shareholders to bring in new Management/ Board
- RBI may remove managerial persons under the RBI Act, as applicable
- Removal of Director and/or appointment of another person as Director in his place
- RBI may supersede the Board under the RBI Act and appoint an Administrator
- RBI may require the NBFC to invoke claw back and malus clauses and other actions as available in regulatory guidelines, and impose other restrictions or conditions
- Impose restrictions on Directors' or Management compensation, as applicable.

4. Capital related Actions

- Detailed Board level review of capital planning
- Submission of plans and proposals for raising additional capital
- Requiring the NBFC to bolster reserves through retained profits
- Restriction on investment in subsidiaries/associates
- Restriction in expansion of high risk-weighted assets to conserve capital
- Reduction in exposure to high-risk sectors to conserve capital
- Restrictions on increasing stake in subsidiaries and other group companies

5. Credit risk related Actions

- Preparation of time bound plan and commitment for reduction of stock of NPAs
- Preparation of and commitment to plan for containing generation of fresh NPAs
- Strengthening of loan review mechanism
- Restrictions/reduction in total credit risk weight density (example: restriction/ reduction in credit for borrowers below certain rating grades, restriction/reduction in unsecured exposures, etc.)
- Reduction in loan concentrations in identified sectors, industries or borrowers
- Sale of assets

- Action plan for recovery of assets through identification of areas (geography-wise, industry segment-wise, borrower-wise, etc.) and setting up of dedicated Recovery Task Forces, etc.
- Prohibition on expansion of credit/ investment portfolios other than investment in government securities / other High-Quality Liquid Investments
- Higher provisioning for NPAs/NPIs

6. Market risk related Actions

- Restrictions on/reduction in borrowings from the debt market
- Restrictions on extent of ALM mismatch
- Restrictions on accepting/ renewing deposits and escrowing of cash inflows to meet deposit liabilities to protect the interest of the depositors
- Restrictions on investment activities

7. HR related Actions

- Restriction on staff expansion/staff compensation
- Review of specialized training needs of existing staff

8. Profitability related Actions

- Restrictions on capital expenditure, other than for technological upgradation within Board approved limits
- Restrictions/reduction in variable operating costs

9. Operations related Actions

- Restrictions on branch expansion plans; domestic or overseas
- Reduction in business at subsidiaries/ in other entities
- Restrictions on entering into new lines of business
- Reduction in leverage
- Reduction in risky assets
- Restrictions in undertaking businesses, as may be specified
- Restriction/reduction of outsourcing activities
- Restrictions on new borrowings

10. Any other specific action that the RBI may deem fit considering specific circumstances of the NBFC.

RBI EXTENDED THE DEAD-LINE FOR STORAGE OF ACTUAL CARD DATA [i.e. Card-on-File (CoF)]: In terms of RBI guidelines on Regulation of Payment Aggregators and Payment Gateways, the authorized non-bank payment aggregators and merchants onboarded by them were prohibited from storing card data (CoF) from June 30, 2021 and the timeline was later-on extended to December 31, 2021. In light of various representations received in this regard, RBI now advised that; the timeline for storing of CoF data is **extended by six months, i.e.,**

till June 30, 2022; post this, such data shall be purged; and in addition to tokenization, industry stakeholders may devise alternate mechanism(s) to handle any use case (including recurring e-mandates, EMI option, etc.) or post-transaction activity (including chargeback handling, dispute resolution, reward / loyalty programme, etc.) that currently involves / requires storage of CoF data by entities other than card issuers and card networks.

RBI CLARIFIES ON ACQUISITION/TRANSFER OF IMMOVABLE PROPERTY IN INDIA BY OVERSEAS

CITIZEN OF INDIA (OCIs): RBI has clarified that, at present, NRIs/OCIs are governed by provisions of FEMA 1999 and do not require prior approval of RBI for acquisition and transfer of immovable property in India, other than agricultural land/ farm house/ plantation property, as per the terms and conditions laid down in Chapter IX of the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, dated October 17, 2019 (as amended from time to time), issued under Section 46 of FEMA 1999.

RBI EXTENDS RELAXATION FOR PERIODIC UPDATION OF KYC BY THREE MONTHS: Reserve Bank of India has extended the relaxation it provided for operation of customer accounts of regulated entities where periodic updation of KYC (know your customer) is due and pending as on date, from December 31, 2021, till March 31, 2022 in view of the prevalent uncertainty due to new variant of Covid-19.

20-digit LEI mandatory for cross-border deals above `50 crore
Capital or current account cross-border transactions of more than ` 50 crore, will mandate a 20-digit Legal Entity Identifier (LEI), from October 1, 2022. The RBI has stipulated that banks will have to obtain LEI numbers from local companies undertaking such transactions. Firms with LEI will have to mandatorily furnish the LEI number in all transactions of that entity, irrespective of transaction size.

RBI allows scheduled Payment Banks, SFBs to do government agency business
The Government of India and RBI has jointly allowed scheduled payment banks and scheduled small finance banks (SFBs) to start getting involved in the government agency business like tax collection. Any such bank desirous of conducting this business will have to enter into an agreement with RBI, after which it will be appointed as an agent of the RBI for the stated purpose. The bank needs to comply with the prescribed regulatory framework, in order to qualify as an agent for government agency business.

Industrial houses and banking business to be separate: RBI's Deputy Governor
Speaking at the Mint Annual Banking Conclave, RBI deputy governor Shri M. Rajeshwar Rao emphasized the need for banks to strengthen their governance standards by increasing scrutiny of the role of promoters, major shareholders and senior management. He highlighted that the overall responsibility of fostering a culture of good governance in banks rests with their Board of Directors. The Board should set the "tone at the top" and oversee management's role in fostering and maintaining a sound governance, compliance, and risk culture. He finally concluded his speech by saying that RBI believes in keeping

the industrial houses away from banking, given the highly leveraged nature of the banking business. “This separation is expected to avoid spillover risks— where trouble anywhere in the group entity may result in transferring risks onto the depositors, leading, in turn, to claims on deposit insurance, with subsequent ripple effects cascading across the largely interconnected financial systems, creating concerns around financial stability.”, he said.

Financial inclusion can dampen inflation, influence monetary policy: RBI’s Dr. Michael Patra

Speaking at a seminar on financial inclusion held by IIM Ahmedabad, RBI Deputy Governor Dr. Michael Patra averred that financial inclusion increasingly influences monetary policy, which is why, it helps to have a formal system to gauge the same.

“Furthermore, a measurable indicator of financial inclusion can be incorporated into monetary policy rules and reaction functions to examine its correlation with output and inflation and their volatility. For the first time, the influence of financial inclusion on the size and timing of policy rate changes can be gauged,” Dr. Patra said. He further stated that, there is a two-way relationship between monetary policy and financial inclusion, and “it is unambiguous that financial inclusion is able to dampen inflation and output volatility”. As more and more people get included in the formal financial fold, people become increasingly interest-sensitive, and the society becomes intolerant to inflation. This, in turn, helps the monetary policy to achieve its objective in a shorter period.

Economic Wrap Up

Performance of some of the key economic indicators, as per the Monthly Economic Report November 2021 from the Department of Economic Affairs are highlighted below:

- Real GDP in Q2 of FY 2021-22 has grown by 8.4% YoY reflecting the resilience of the Indian economy on the backdrop of Covid-19.
- On the demand side, exports and investment rose by 17% and 1.5% respectively. Private consumption rose by 96% in Q2 of FY2021-22.
- On the supply side, real GVA (Gross Value Added) in agriculture, manufacturing and construction sectors was higher than its pre-pandemic levels
- Index of Industrial Production (IIP) continued to recover in Oct’21.
- CPI Inflation remained stable at 4.5% during Oct’21 while wholesale inflation climbed upto 12.5% in Oct’21.
- PMI Manufacturing and PMI Services have accelerated in Nov’21 to 57.6% and above 58% respectively
- GST collections rose to Rs. 1.31 lakh crores in Nov’21.
- Adoption of digital payments led to increase in UPI transactions of value Rs. 7.68 lakh crore in Nov’21
- Domestic institutional investors invested more than `30,000 crore in the capital market during Nov’21, despite the selloff by foreign portfolio investors.
- Net FDI closed-in on US$ 20 billion mark in the first six months of FY 22 as it did in FY 21.
- Foreign exchange reserves stood comfortably at US$ 640.4 billion on November 19, 2021, enough to finance more than a year of imports

- Bank credit reached 7% growth YoY on the back of comfortable liquidity and declining borrowing costs reflective of full transmission of repo rate cuts.
- The 10-year G-sec yield softened from 6.38% in Oct'21 to 6.33% in Nov'21. Corporate bond yields too declined.

Net Stable Funding Ratio (NSFR)

The NSFR is defined as the amount of available stable funding relative to the amount of required stable funding. "Available stable funding" (ASF) is the portion of capital and liabilities expected to be reliable over the time horizon of 1 year. The amount of stable funding required ("Required stable funding") (RSF) is a function of the liquidity characteristics and residual maturities of the various assets and off-balance sheet (OBS) exposures.

RBI launches Integrated Ombudsman Scheme

In order to make the alternate dispute redress mechanism simpler and more responsive to the customers of entities regulated by the Reserve Bank of India, the three Ombudsman schemes – (i) the Banking Ombudsman Scheme, 2006, as amended up to July 01, 2017; (ii) the Ombudsman Scheme for Non-Banking Financial Companies, 2018; and (iii) the Ombudsman Scheme for Digital Transactions, 2019 have been integrated into the Reserve Bank -Integrated Ombudsman Scheme, 2021. The Scheme covers the following regulated entities:

i. all Commercial Banks, Regional Rural Banks, Scheduled Primary (Urban) Co-operative Banks and Non-Scheduled Primary (Urban) Co-operative Banks with deposits size of Rupees 50 crore and above as on the date of the audited balance sheet of the previous financial year;
ii. all Non-Banking Financial Companies (excluding Housing Finance Companies) which (a) are authorised to accept deposits; or (b) have customer interface, with an assets size of Rupees 100 crore and above as on the date of the audited balance sheet of the previous financial year;
iii. all System Participants as defined under the Scheme

Select NBFCs asked to appoint Internal Ombudsman by RBI

The RBI has directed select NBFCs to appoint an Internal Ombudsman (IO) to deal with complaints that have been already examined by the NBFC but rejected in part or whole. Thus, this IO will not entertain complaints coming directly from customers or members of the public. NBFCs selected to introduce this scheme include Deposit-taking NBFCs (NBFCs-D) with 10 or more branches, and non-deposit taking NBFCs (NBFCs-ND) with asset size of ₹5,000 crore and above and having public customer interface. The NBFCs have been given six months from the date of issue of the direction, to establish the IOs. NBFCs including stand-alone primary dealer, NBFC-Infrastructure Finance Company, core investment company, Infrastructure Debt Fund - NBFC; NBFC – Account Aggregator; NBFCs under Corporate Insolvency Resolution Process; NBFCs in liquidation and NBFCs having only captive customers, have been excluded from the directive.

NPA-classified accounts can be upgraded only after full payment of arrears: RBI

Discovering that a few lending institutions are upgrading NPA-classified accounts to 'standard asset' category based only on payment of interest overdues or partial overdues, the RBI has categorically clarified that such an upgradation should be done only after the entire arrears of interest and principal are paid by the borrower.

Lenders have been instructed to mention exact due dates for repayment of loans, the frequency of repayment, breakup between principal and interest, and examples of SMA/NPA classification dates, in the loan agreements. Borrowers shall be apprised of these details when the loan is sanctioned, along with timely notification of subsequent changes, if any, to the sanctioned terms/loan agreement, till the full repayment of the loan is done. As for accounts that have availed the moratorium facility, the exact date of commencement of repayment shall also be specified in the loan agreements.

For fresh loans, the lenders have been instructed to follow these mandates by December 31, 2021. As for existing loans, the mandates have to be followed as and when such loans become due for renewal or review.

RBI Governor asks banks to remain vigilant to vulnerabilities and take timely steps for mitigation

RBI Governor Shaktikanta Das, along with RBI Deputy Governors M K Jain, M Rajeshwar Rao and T B Rabi Sankar held a spate of virtual meetings with MDs and CEOs of PSBs and few private sector banks. While acknowledging the improved financial and operational resilience of the banking sector that has contributed to financial stability, the Governor asked banks to continue giving the necessary support to revive economic activity. He has also asked banks to remain vigilant to any emerging signs of vulnerabilities and take timely steps to mitigate the risks.

Other topics under discussion in these meetings included, credit flow to micro and small enterprises, outlook for stressed assets and measures for mitigation, pricing of risks, collection efficiencies and engagement of banks with fin-tech entities, regulatory measures for ensuring consumer protection.

Bank should avoid herd mentality; choose their business strategies consciously: RBI Governor

Speaking at the SBI's Banking and Economics Conclave in November 2021, RBI Governor Shaktikanta Das urged bank boards to leave the mechanical, 'follow the market' approach, and instead choose their business models and strategies with robust brainstorming to suit their needs. He further emphasised that banks in pursuit of true growth must avoid the herd mentality, and should rather look for differentiated business strategies. The Governor also emphasised that business priorities should be complemented with responsible governance and ethical actions, through the oversight role of the board, its composition, directors' skill profile, strong risk & compliance structure and processes, more transparency, and a robust mechanism of balancing various stakeholder interests.

Loss of output caused by the pandemic may take several years to recover: RBI Deputy Governor

RBI Deputy Governor Michael Patra has stated that it may take several years for the loss of output of over 1/10th of the annual GDP of a normal year, caused by the pandemic. Moreover, countries moving back to normalisation of policy will involve global spillovers to which India cannot remain immune.

The health crisis aggravated by agglutination of supply disruptions, an unparalleled mass migration and a hostile global environment has caused a considerable loss of output - over 1/10th of the annual GDP of a normal year. "Recovering this lost output may take several years" said Patra while speaking at a conference on 'Growth and Development in the BRICS Economies'.

In 2013, India was one of the fragile five countries as external sector viability deteriorated during the taper tantrum. But today we are comparatively better positioned. Our macroeconomic fundamentals have improved significantly and external sector indicators have highlighted the availability of enough cushions to manage external shocks.

Risk Reward Ratio

The risk/reward ratio is the prospective reward an investor can earn against the risk an investment carries. Risk/ reward ratios are used to compare the expected returns of an investment with the amount of risk an investor has to undertake to earn these returns. An ideal risk reward ratio is anything greater than 1:3.

CD Ratio

Credit-Deposit (CD) Ratio indicates how much of the money mobilized by banks as deposits has been deployed as advances. It is calculated as Total Advances/Total Deposits x 100. Low CD ratio denotes poor credit growth and vice versa.

Grievance redressal system for NBFCs to improve with RBI introducing Ombudsman

Grievance redressal systems in NBFCs having higher customer interface, is set to get bolstered with RBI introducing the Internal Ombudsman Scheme (IOS) for such finance companies, on lines similar to IOS for banks and non-banking payment system participants. In addition to their existing redressal systems, the NBFCs will now appoint an ombudsman to examine complaints about deficiencies in service. This move gains increased importance with many NBFCs adopting digital modes to ensure quick delivery of their financial products and services to a wide spectrum of customers.

RBI's fourth sandbox focusses on prevention of financial frauds

The Reserve Bank of India's (RBI's) fourth cohort under the regulatory sandbox structure will be focussing on 'prevention and mitigation of financial frauds'. RBI says, "The focus would be on using technology to reduce the lag between the occurrence and detection of frauds; strengthening the fraud governance structure; and minimising response time to frauds". Further, in an effort to ensure continuous innovation and engagement to match up to the rapidly-evolving fintech scenario, RBI will also facilitate on-tap applications for themes of cohorts earlier closed.

RBI to introduce countrywide framework for retail digital payments in offline mode

The RBI will soon be introducing a new framework for retail digital payments in offline mode, in order to enhance the reach and adoption of digital payments in areas with low internet connectivity. Further, the apex bank has also given another boost to the country's digital payments ecosystem by raising the daily transaction limit for immediate payment service (IMPS), from `2 lakh to `5 lakh.

Current account opening rules made easy for exposure under `5 crore

The RBI has provided relief to small-size firms by relaxing some rules for opening current accounts with the banking system's exposure of less than `5 crore. Banks have been asked to take an undertaking from borrowers that they will inform lenders when the credit facilities availed reaches ` 5 crore or beyond. As for borrowers with banking system's exposure of `5 crore or more, they can maintain current accounts with any one of the banks with which it has CC/OD facility. Such banks must have at least 10% of the exposure of the banking system to that borrower. Other lending banks may open only collection accounts; that too, on condition that funds deposited in such accounts are remitted within two working days of receiving these to the CC/OD account.

NBFCs to get four-tier scale-based regulatory guidelines

In a bid to ensure tight oversight of the system, NBFCs will be strapped with a four-tiered scale-based regulatory approach from October 1, 2022. The layers, starting from the lowest as base layer, will be created as per factors like size, activity, and perceived risk. The top layer may be allowed to be kept empty. Further, from April 1, 2022, a ceiling of `1 crore per borrower for financing subscriptions to initial public offerings (IPO) will be made applicable by the RBI. The NBFC sector will be free to fix more conservative limits.

The base layer of the four-tiered framework will have non-deposit-taking NBFCs with assets up to `1,000 crore. The middle layer will comprise deposit-taking NBFCs irrespective of asset size; non-deposit-taking firms with assets worth `1,000 crore or more; housing finance firms; standalone primary dealers; infrastructure debt fund investment companies; and infrastructure finance companies. The upper layer will include NBFCs that warrant enhanced regulatory requirements based on a set of parameters and scoring methodology. Irrespective of other factors, the top-10 eligible NBFCs as per asset size will always be in the upper layer. Government-owned NBFCs will be placed in the base or middle layer, until further notice.

The regulatory minimum net-owned fund for finance companies acting as microfinance firms and those factoring business will be increased to ₹10 crore. However, for NBFC-P2P, NBFC-AA, and those with no public funds and no customer interface, the NOF shall continue to be `2 crore.

Premature withdrawal from gold scheme allowed for family of deceased depositor: RBI

RBI has given permission for premature withdrawal of deposits under gold monetisation scheme before the lock-in period in the event of demise of the original depositor. In the case of medium-term gold deposit scheme (MTGD) with lock-in period of three years, no interest

will be paid if the deposits are withdrawn within six months. For a long-term gold deposit scheme (LTGD) with lock-in period of 5 years and applicable interest rate 2.50 %, no interest would be paid for withdrawal within one year of making the deposit. The MTGD and LTGD deposits run for 5-7 years and 12-15 years recpectively. Therefore, even if deposits are withdrawn after the lockin period, they would become premature withdrawals.

Quality, depth of audits need to improve: RBI Governor Shaktikanta Das
RBI Governor Mr. Shaktikanta Das has asked auditors to pay closer attention to undesirable practices and structures, including incorrect assumptions in determining provisioning requirement for financial assets, diversion of funds and/or transfer of profits to connected parties. He has also asked them to focus on real transactions getting camouflaged beneath various layers of IT solutions. Speaking at the National Academy of Audit and Accounts (NAAA), Shimla, the Governor stated that "One of the important roles of audits is to check the so-called smart accounting practices followed by the managements to overstate profits or understate expenses / liabilities. Auditors should test the models used by the entities, challenge the management, and validate the model outputs." The Governor opined that a strong and resilient financial sector can only be built when financial sector entities, the audit community, financial sector regulators, and supervisors work together to take proactive steps to ensure good governance and ethical practices. "Adopting technology tools such as computer-assisted audit tools and techniques (CAATTs) through constant upgradation and integration of new technologies will bring in a lot of efficiency in audits. In parallel, it has to be kept in mind that adoption of such technology tools for auditing cannot replace professional judgment," he said, adding that integration of technology tools in audit should be done with a holistic approach. "The profile of tomorrow's auditor will be that of a critical, yet constructive challenger, with a clear focus on public interest and quality audits. There is a need to be even more professional, qualified, impartial, value-driven, ethical and display awareness and foresight."

RBI Dy. Governor to banks: Be ready for fully convertible capital account
RBI Deputy Governor Mr. T Rabi Shankar has stated that with foreign investors getting full access to India's debt market, our banks must be prepared to meet challenges related to full capital account convertibility.

Speaking at his keynote address at the Foreign Exchange Dealers' Association of India (FEDAI) 5th annual day, he said "The rate of change in capital convertibility will only increase. With that comes the responsibility to ensure that such flows are managed effectively with the right combination of capital flow measures, macroprudential measures and market intervention".

He also said that in the future, the liberalised remittance scheme under which an Indian can send up to $250,000 abroad each financial year, will have to be reviewed. There might also be the need to review whether the limit can remain uniform or can be linked to some economic variable for individuals.

Failure of large NBFCs may prove risky for its lenders: RBI Dy. Governor M Rajeshwar Rao
According to RBI Deputy Governor Mr. M Rajeshwar Rao, the NBFC sector's reputation has suffered a dent in recent times, owing to failure of certain entities due to idiosyncratic factors. Thus, the sector faces an imminent challenge of restoring trust in itself by ensuring

that few entities/activities do not generate vulnerabilities which go undetected, create shocks, and cause systemic risk through their interlinkages with the financial system. NBFCs are the largest net borrowers of funds from the financial system, with banks providing a substantial part of funding to NBFCs and HFCs. As on March 31, 2021, the NBFC sector (including HFCs) had assets worth more than ₹54 lakh crore. This makes it behold 25% of the asset size of the banking sector. Over the last five years, NBFC sector assets have grown at cumulative average growth rate of 17.91%.

Microfinance lenders should balance their profits with social objectives
RBI Deputy Governor Mr. M Rajeshwar Rao has advised lenders in the microfinance space to not mimic mainstream finance strategies, as they need to balance social objectives with their lending operations. Speaking at his inaugural address at the Sa-Dhan National Conference, Rao said "Prioritisation of profitability at the expense of social and welfare goals of microfinance may not be an optimal outcome". Recurring criticisms against microfinance lenders include leading borrowers into debt-trap like situations; charging usurious rates of interest (often disproportionate to their funding and operational costs); and deploying harsh recovery methods that cause distress among borrowers. Rao has advised lenders to introspect and address these issues to eradicate these criticisms.

Fully Accessible Route (FAR)
Certain specified categories of Central Government securities are opened to non-resident investors without any restrictions under a separate route called the Fully Accessible Route. The list of securities eligible for investment are listed by RBI. Further, from FY2020-21, any new G-sec issuances with 5/10/30 year tenors will be eligible securities. However, RBI may add any new tenors or change tenors of new securities from time to time.

INCREASING THE MANDATE LIMIT FOR TReDS:
NPCI has, advised that the current mandate limit of Rs.1 Crore for TReDS category has been revised to Rs.3 Crore with effect from **January 01, 2022**.

SECURITY IN GOVERNMENT CONTRACTS EXTENDED TILL MARCH 2023: According to the rules, a successful bidder awarded a government contract has to deposit a performance security of 5-10 % of the value of the contract with the government. To help commercial entities and contractors tide over the liquidity crunch post the first wave of the COVID pandemic, the finance ministry had in November 2020 reduced this performance security to **3%** for all tenders or contracts issued or concluded till December 31, 2021. Now, Government of India has decided to extend the benefit of reduced performance security of **3 % up to March 31, 2023**, for all central government tenders/contracts issued/concluded till March 31, 2023.

ENABLEMENT OF E-RUPI SERVICES: e-RUPI was launched on 2nd August 2021 with an intent to include consumers on Digital India Platform who may not be enabled on digital payments service. e-RUPI may be issued in two core categories i.e. Person-toPerson (P2P) and Business to Consumer (B2C). The guidelines herein outline for the B2C vouchers.

ENTITIES INVOLVED:

a. *Issuer Bank (Issuer):* Bank who shall initiates request to create e-RUPI.
b. *Sponsor* shall be Corporate, State and Union Government department, business customer of the bank who shall request bank for creation of e-RUPIs.
c. *e-RUPI Beneficiary* shall be the person for whom the e-RUPI is issued and he/she may not be a bank account holder.
d. *Designated Merchant*: These are specific voucher acceptance points where e-RUPI can be redeemed / used.
e. *Acquiring Bank (Acquirer):* Bank who shall be providing facility / capability to the designated merchants to accept the e-RUPI (String / QR) for redemption.

ELIGIBILITY AND CONDITIONS:

- e-RUPI can be issued only by banks, authorized by RBI, to issue Prepaid Payment Instruments (PPI) and who are participating as Payment Service Providers (PSP) in the UPI ecosystem.
- Business, Corporate, State and Union Government department etc. can be the account holder (the "Sponsor") for issuance of e-RUPI.
- Only a full KYC compliant account holders (the Sponsor) can request for creation of such e-RUPIs from their respective accounts.
- **Maximum limit of each e-RUPI shall not exceed INR 10,000** or as defined by regulator.
- e-RUPI once issued, shall not be transferable as per present rules.
- The Issuer shall ensure that the e-RUPI is for OneTime use only and non-reloadable in nature.
- e-RUPI shall be permitted to be redeemed only for the purchase of goods and services from designated merchant bearing valid Merchant Category Code (MCC), as may be defined by the Issuer at the time of issuance of e-RUPI.
- e-RUPI shall not be permitted for cash out or cash back.
- The features of e-RUPI shall be clearly communicated to the "e-RUPI Beneficiary" only by digital mode at the time distribution of such e-RUPI.

e-RUPI ISSUANCE: An Issuer shall ensure to follow below broad guidelines at the time of issuance of eRUPI :

- e-RUPI transactions shall have **Purpose Code as 19 for Private Corporate voucher and 18 for Government voucher**, as an identifier.
- MCC for redemption of the e-RUPI shall be specified at the time of issuance. The Issuer shall use **MCC # 8493** specifically for Covid-19 related healthcare services such as vaccination, medical test etc. For other use cases, Issuer shall ensure redemption of eRUPI for appropriate MCCs as applicable.
- **Up to 10, e-RUPI can be issued on single mobile number for Covid-19 & related health care services**. However, the requirement of issuing multiple e-RUPI on single mobile number shall be configurable as per the scheme requirements.
- The **validity of e-RUPI shall not be permitted beyond one year from the date of issuance**. Validity for e-RUPIs Issued for Covid-19 Vaccination and related health care services purpose shall be 31st March 2022.The Issuer / Sponsor cannot have an option to change the validity date for Covid-19 Vaccination and related health care services purpose.
- e-RUPI shall be shared with the e-RUPI Beneficiary only in digital format i.e. QR code or SMS String (no print / paper format permitted). Issuer / Sponsor shall also ensure to communicate terms & conditions including expiry, redemption process etc., digitally, to the E-RUPI Beneficiary.

- For **unused amount** or upon expiry of e-RUPI, the Issuer shall credit back the Sponsor's account **within T+3 days** (where T is date of expiry of the e-RUPI).
- Upon receiving the validation ID (mobile number or other ID'S as permitted from the Sponsor), the same shall be used by the Issuer for the e-RUPI creation. For the purpose of Covid-19 related healthcare services, Issuer shall mandatorily use mobile number as validation ID for creation of e-RUPI.

e-RUPI REDEMPTION: e-RUPI can be redeemed at a merchant location ("Merchant") which can be acquired to accept an e-RUPI by an acquiring bank (referred to as the "Acquiring Bank"). Acquiring Bank shall ensure to follow below broad guidelines for the acceptance of e-RUPI : -

- Once a redemption request is received, the Acquiring Bank shall check for the correct Merchant Category Code (MCC) and purpose code. Acquiring Bank shall use MCC # 8493 for Covid-19 related healthcare services such as vaccination, medical test etc. Acquiring Bank shall provide app or capability to merchant to scan the e-RUPI or SMS string as displayed by Beneficiary.
- At the time of redemption, the Acquiring Bank shall initiate the request to NPCI system.
- On receiving the success response from NPCI, the Acquiring Bank shall validate the Beneficiary by means of validating the mobile number using Verification Code or other possible offline method as may be prescribed by NPCI. For the purpose of Covid-19 related healthcare services, Acquiring Bank shall mandatorily use Verification Code for e-RUPI Beneficiary validation.
- Acquiring Bank shall be responsible for the reconciliation and settlement process with the Merchant. Bank may refer "Operational and Settlement Guidelines for e-RUPI" for more details.
- The Issuer / Sponsor shall ensure to send SMS / email to intended e-RUPI Beneficiary on creation and redemption of e-RUPIs.

RBI SUPERSEDED RELIANCE CAPITAL BOARD:
RBI superseded the Board of Directors of Reliance Capital Ltd by exercising its power conferred under Section 45-IE (1) of the RBI Act, 1934 and appointed Nageswar Rao Y (Ex-Executive Director, Bank of Maharashtra) as the Administrator of the company.

INTERNATIONAL DAY OF BANKS: 04 DECEMBER:
International Day of Banks is celebrated on December 4 to recognise the importance of multilateral and international development banks in financing sustainable developments and in contributing to the improvement of the standard of living. In 2019, the United Nations General Assembly designated December 4 as the International Day of Banks. It is celebrated for the **first time in 2020**.

IDFC FIRST BANK LAUNCHES INDIA'S FIRST STANDALONE METAL DEBIT CARD: DFC FIRST Bank has launched FIRST Private Infinite, the country's first-ever standalone metal debit card, in partnership with Visa. This is a lifetime free card designed specifically for customers who are part of the Bank's FIRST Private program, premium savings and wealth offering.

NUMBER OF PMJDY ACCOUNTS CROSSES 44 CRORES: The total number of beneficiaries under Pradhan Mantri Jan Dhan Yojana (PMJDY), has crossed the 44 crore mark. The total number of accounts opened under PMJDY stood at 44.05 crores, with a total balance of ₹1,47,812 crore as on December 8. Uttar Pradesh tops the list with the highest number of accounts followed by Bihar. The PMJDY was launched on

August 28, 2014, with an aim to provide universal access to banking facilities to the people in the country. Over 55% Jan Dhan account holders are women.

PUBLIC SECTOR BANKS RECOVERED OVER RS 4.18 LAKH CRORE RELATED TO FRAUDS, DEFAULTS IN LAST THREE FISCALS: Public sector banks recovered over Rs 4.18 lakh crore in the last three financial years from incidents pertaining to frauds and defaults as informed by Govt. in Parliament.

RBI HIKES VRRR LIMIT AS ITS MOVES AWAY FROM OVERNIGHT AUCTIONS : Reserve Bank of India (RBI) has hiked the amount it absorbs from banks through the 14-day variable reverse repo (VRRR) auction as it moves to re-establish the VRRR as the main tool in liquidity management. In a post monetary policy announcement, governor Shaktikanta Das said the central bank will hike the amount it absorbs through VRRR in two auctions to Rs 6.5 lakh crore on December 17 and further to Rs 7.5 lakh crore on December 31, up from the Rs 6 lakh crore, it took from
banks on December 3

BANKS CAN PREPAY TLTRO FUNDS: The Reserve Bank of India will provide banks one more option to prepay the outstanding amount of funds availed under the Targeted Long-Term Repo Operations (TLTRO 1.0 and 2.0). Liquidity availed under the scheme by banks under TLTRO 1.0 (announced on March 27, 2020) had to be deployed in investment grade corporate bonds, commercial paper, and non-convertible debentures over and above the outstanding level of their investments in these bonds as on March 27, 2020.

ICICI BANK SCRAPS BELL CURVE ASSESSMENT: HIKES STANDARDISED, NO MORE TARGETS BASED ON INDIVIDUAL PERFORMANCE: ICICI Bank has scrapped the bell curve assessment for employees which rewards individual outperformers, as part of a human resource (HR) policy overhaul. This means employee targets based on individual performances have been done away with for the first time in its history. Salary hikes and bonuses will now be linked directly to the bank's performance, meaning increases for most staff will be identical and will be directly related to its profitability. (Sourse: economic times)

SBI TO ENGAGE CONSULTANT FOR PERFORMANCE EVALUATION OF DIRECTORS : State Bank of India has decided to engage the services of a consultant to carry out performance evaluation of all the Directors on the Board of the Bank, Central Board and Board Level Committees.

SBI JOIN HANDS WITH ADANI CAPITAL FOR COLENDING TO FARMERS : Country's largest lender SBI has joined hands with Adani Capital as a co-lending partner to provide loans to farmers in the country for purchase of tractor and farm implements.

RBI ISSUES MASTER CIRCULAR ON BANK FINANCE TO NBFCs: Reserve Bank of India on 5th January 2022, has issued master circular consolidating all earlier guidelines on Bank Finance to NBFCs the details of which are as follows;

Bank Finance to NBFCs registered with RBI: The **ceiling on bank credit linked to Net Owned Fund (NOF) of NBFCs has been withdrawn** in respect of all NBFCs which are statutorily registered with RBI and are engaged in principal business of asset financing, loan, factoring and investment activities. Accordingly, banks may extend need based working capital facilities as well as term loans to all NBFCs registered with RBI and engaged in infrastructure financing, equipment leasing, hire-purchase, loan, factoring and investment

activities subject to fulfilment of all relevant guidelines. Banks may also extend finance to NBFCs against second hand assets financed by them.

Bank Finance to NBFCs not requiring Registration: For such NBFCs not needing registration with the Reserve Bank, banks may take their credit decisions on the basis of usual factors like the purpose of credit, nature and quality of underlying assets, repayment capacity of borrowers as also risk perception, etc.

Activities not eligible for Bank Credit: The following activities undertaken by NBFCs are not eligible for bank credit:

- Bills discounted / rediscounted by NBFCs, except for rediscounting of bills discounted by NBFCs arising from sale of Commercial vehicles, Two wheeler and three wheeler vehicles (subject to; the bills should have been drawn by the manufacturer on dealers only for genuine sale transactions)
- Investments of NBFCs both of current and long-term nature, in any company / entity by way of shares, debentures, etc. However, Stock Broking Companies may be provided need-based credit against shares and debentures held by them as stock-in-trade.
- Unsecured loans / inter-corporate deposits by NBFCs to / in any company.
- All types of loans and advances by NBFCs to their subsidiaries, group companies / entities.
- Finance to NBFCs for further lending to individuals for subscribing to Initial Public Offerings (IPOs) and for purchase of shares from secondary market.
- Banks should not grant bridge loans of any nature, or interim finance against capital / debenture issues and / or in the form of loans of a bridging nature pending raising of long-term funds from the market by way of capital, deposits, etc. to all categories of Non-Banking Financial Companies.
- Shares and debentures cannot be accepted as collateral securities for secured loans granted to NBFC borrowers for any purpose. **Leased and Sub-Leased Assets:** As banks can extend financial assistance to equipment leasing companies, they should not enter into lease agreements departmentally with such companies as well as other Non-Banking Financial Companies engaged in equipment leasing.

Bank Finance to Factoring Companies: Banks can extend financial assistance to support the factoring business of Factoring Companies, which comply with the following criteria:

- The companies qualify as factoring companies and carry out their business under the provisions of the Factoring Regulation Act, 2011 and Notifications issued by the Reserve Bank in this regard from time to time.
- They derive at least 50 per cent of their income from factoring activity.
- The receivables purchased / financed, irrespective of whether on 'with recourse' or 'without recourse' basis, form at least 50 per cent of the assets of the Factoring Company.
- The assets / income referred to above would not include the assets / income relating to any bill discounting facility extended by the Factoring Company.
- The financial assistance extended by the Factoring Companies is secured by hypothecation or assignment of receivables in their favour.

FRAMEWORK FOR FACILITATING SMALL VALUE DIGITAL PAYMENTS IN OFFLINE MODE: As per advice of Reserve Bank, pilot testing to enable small value digital transactions in offline mode was undertaken by some entities during 2020-21. With encouraging feedback from the pilots, it was announced in the Statement on Developmental and Regulatory policies dated October 08, 2021, that a framework for carrying out small value digital payments in offline

mode across the country would be introduced. Now RBI issued the detail guidelines for its implementation as mentioned hereunder;

An offline payment means a transaction which does not require internet or telecom connectivity to take effect. Authorised Payment System Operators (PSOs) and Payment System Participants (PSPs) – Acquirers and Issuers (banks and non-banks) – desirous to provide / enable payment solutions that facilitate small value digital payments in offline mode shall comply with the following requirements:

- Offline payments may be made using any channel or instrument like cards, wallets, mobile devices, etc.
- Offline payments shall be made in proximity (face to face) mode only.
- Offline payment transactions may be offered without Additional Factor of Authentication (AFA).
- Payment instruments shall be enabled for offline transactions based on explicit consent of the customer. Such transactions using cards shall be allowed without a requirement to switch on the contactless transaction channel.
- The upper limit of an offline payment transaction shall be **₹200**. The total limit for offline transactions on a payment instrument shall be **₹2,000** at any point in time. Replenishment of used limit shall be allowed only in online mode with AFA.
- The issuer shall send transaction alerts to users as soon as transaction details are received. There is no compulsion to send alert for each transaction; however, details of each transaction shall be adequately conveyed.
- The acquirer shall incur all liabilities arising out of technical or transaction security issues at merchant's end.

GOVT NOTIFIES AMALGAMATION OF PMC BANK WITH UNITY SMALL FINANCE BANK LTD: Govt. of India has notified the Scheme for the amalgamation of the Punjab and Maharashtra Co-operative Bank Ltd with Unity Small Finance Bank from January 25, 2022 all the branches of the PMC Bank will function as branches of Unity Small Finance Bank Ltd. After the amalgamation of PMC Bank with Unity SFB, Unity SFB will pay the customers of PMC Bank the amount it receives from DICGC (maximum up to amount insured by DICGC i.e Rs 5 Lakh) in instalments of 10 years. Section 45 of the Banking Regulation Act, 1949 empowers the Reserve Bank of India to prepare a scheme of reconstruction or amalgamation of banking companies (which include cooperative banks).

RBI ISSUES ELIGIBILITY NORMS FOR ENTITIES HARNESSING CREDIT BUREAU DATA: RBI issued eligibility criteria for entities that harness data from credit information companies (CICs) or credit bureaus. According to that, that a company's net worth must be at least Rs 2 crore and owned and controlled by resident Indian citizens to become a designated user with a credit bureau, which comes amid accusations of lending applications with Chinese ties functioning in India.

IRDAI IDENTIFIES LIC, GIC RE AND NEW INDIA ASSURANCE CO AS SYSTEMICALLY IMPORTANT INSURERS: IRDAI has stated that LIC, GIC Re and New India Assurance Co. continue to be identified as Domestic Systemically Important Insurers (D-SIIs) for 2021-22.D-SIIs refer to insurers of such size, market importance and domestic and global interconnectedness, whose distress or failure would cause significant dislocation in the domestic financial system.

RBI to introduce digital rupee using blockchain tech

What is Digital Rupee all about? How will it help Indians?

A Digital Rupee will be a blockchain-based digital currency (representing INR value) issued by the Reserve Bank of India's monetary system. It will help Indians make faster transactions along with providing other benefits like security and privacy with the help of the blockchain.

How will Digital Rupee get its value? What asset/assets will back the Indian Digital Rupee?

The Digital Rupee will be pegged to the INR value currently traded in the market. It will mostly be pegged to the INR value in the market. However, it may also be backed by gold or other reserves.

How will Digital Rupee get legal backing? What laws will the government need to amend to introduce Digital Rupee as a legal currency?

There is no clarification regarding the legal backing of the Digital Rupee. The government is creating legislation enabling the creation of CBDCs (Central Bank Digital Currency), and the solution will be discovered over time.

What are the 5 most important things every Indian must know about the Digital Rupee?

- It will be powered by blockchain technology.
- Secure transactions
- Easy to keep a track of
- Easily transferable with lower costs
- Efficient payments

What is blockchain technology based on which the Digital Rupee will be designed?

The government is working on building its own blockchain network to support the Digital Rupee, and updates regarding this will be provided in the future.

How can RBI act as an enabler of Digital Rupee?

The Digital Rupee will be issued by the RBI using blockchain and other technologies. It will be the primary source to issue the Digital Rupee and this will give a big boost to the economy and lead to cheaper and more efficient currency management.

How will a sovereign digital currency (Rupee) be different from cryptos?

The government will carefully regulate and monitor the Digital Rupee, and because the currency is supposed to be tied to INR or supported by reserves, we should expect little fluctuation in pricing. However, this is not true with crypto as they are subject to huge price swings and are not regulated by any authority.

How will the Digital Rupee be different in its functionality from the physical rupee or digital payment that is so popular today?

The Digital Rupee will be powered by blockchain technology, and since blockchains are renowned to be safe and fast, this might eventually lead to a new invention of a currency that is entirely secure from cyberattacks while still being fast to transact. As a result, this might have significant advantages as compared to the current physical rupee or digital payment system.

What are the pros and cons of Digital Rupee?

Pros:

- Easy to track
- Lower transaction costs
- Instant transfers

Cons:

- Single point of failure
- Global competition
- Prone to advanced cyber threats

WhatsApp announces **Digital Payments Utsav** for 500 villages in India.
WhatsApp gets NPCI's approval to go live on UPI

- The National Payment Corporation of India (NPCI) has recently permitted the Facebook-backed messaging service WhatsApp to go live on the Unified Payment Interface (UPI) in a multi-bank model.

- WhatsApp has been allowed to expand its UPI user-base in a graded manner.
- To begin with, it has been allowed a maximum registered user base of 20 million.
- Beginning from January 1, 2021, the share of total number of transactions that a thirdparty application can process, has been capped by NPCI at 30% of the total volume of transactions processed in UPI during the preceding three months (on a rolling basis).

IBBI pushes for quicker case closures by allowing transfer of illiquid assets and debt

- In favour of facilitating quick closure of liquidation process, the Insolvency and Bankruptcy Board of India (IBBI) has issued rules allowing a liquidator to assign not readily-realizable assets or illiquid assets to third parties.
- For a creditor not willing to wait for completion of the liquidation process, IBBI has enabled him/her to ―assign or transfer the debt due to it to any other person in accordance with the law.‖
- Such a transfer has to be made in a transparent manner to any person who is eligible to submit a resolution plan for insolvency resolution of the corporate debtor.
- If the liquidator fails to assign the assets, he/she may distribute the undisposed assets amongst stakeholders, with the adjudicating authority‘s approval.

NBFCs can co-lend with banks under revised guidelines: RBI

- The Reserve Bank of India (RBI) has allowed banks to co-lend with all registered NBFCs, including housing finance companies (HFCs), to improve the credit flow to unserved and under-served sectors of the economy.
- However, such a co-lending arrangement cannot be made with an NBFC belonging to the bank‘s promoter group.
- Under the co-lending model, banks have to take their share of individual loans on a back-to-back basis on their books, while NBFCs are required to retain a minimum of 20% share of the individual loans on their books.

- The NBFC shall be the single point of interface for customers and shall enter into a loan agreement with the borrower.
- Any assignment of a loan by a co-lender to a third party will be done only with the consent of the other lender.
- The co-lenders will have to set up a suitable arrangement to resolve any complaint registered by a borrower with the NBFC within 30 days; failing which, the borrower will be allowed to escalate the same with the banking ombudsman concerned

/ombudsman for NBFCs or the RBI's Customer Education and Protection Cell.

RBI allows PAs to maintain additional escrow account.

- Modifying its earlier regulations to diversify the risk and address business-continuity concerns, the RBI has now allowed prepaid payment instrument (PPI) issuers and payment aggregators (PAs) to maintain an additional escrow account with a scheduled commercial bank (SCB), apart from the one where they already have an ongoing account.
- Earlier, these entities could maintain an escrow account with only one SCB.
- PPI issuers and PAs will be permitted to conduct credit and debit transfers from one escrow account to the other.
- However, inter-escrow transfers shall be avoided as far as possible and the auditor's certification shall clearly mention such transactions if they are resorted to.

RBI's 'innovation hub for financial sector' under Kris Gopalakrishnan.

- The RBI has set up an Innovation Hub for the financial sector with Senapathy (Kris) Gopalakrishnan spearheading the entity as the Chairperson of the governing council. Gopalakrishnan has been the co-founder and former co-chairman of the tech-giant Infosys.
- The aim of the Reserve Bank Innovation Hub, aka RBIH, is to create an ecosystem focussing on promoting access to financial services and products towards expanding financial inclusion.

- RBIH will collaborate with financial sector institutions, technology industry and academic institutions.
- It will coordinate efforts for exchange of ideas and development of prototypes related to financial innovations. The apex bank will also be developing internal infrastructure to promote fintech research and facilitate engagement with innovators and start-ups.

RBI announces On Tap TLTRO

- The Reserve Bank of India (RBI) has allowed banks to avail on-tap funds under the targeted long-term repo operations (TLTRO) to invest in papers issued by companies in agriculture, agri-infrastructure, secured retail, micro, small and medium enterprises (MSMEs), drugs, pharmaceuticals and healthcare.
- The scheme will remain operational till March 31, 2021 and all banks will be eligible to participate. Funds will be released every Monday for a 3-year repo contract with the requesting banks who issue a request in the previous week.

SEBI issues framework for debenture trustees signing ICAs

- The SEBI has laid down the framework for debenture trustees (DTs) signing inter-creditor agreements (ICAs) on behalf of investors.
- Accordingly, the resolution plan shall be finalized within 180 days from the end of the review period. If it is not finalized (within this timeframe), the DT(s) shall be free to exit the ICA with the same rights as if it had never signed the ICA and the resolution plan shall not be binding on the DTs.

RBI clarifies about loan recast, OTR, loan against property

- The RBI, in the FAQs for one-time restructuring (OTR), has clarified that outstanding debt on the date of invocation can be restructured under the regulatory scheme for borrowers facing financial stress due to the Covid-19 pandemic.
- Many changes have occurred in the last seven months for borrowers who opted for moratorium, and even for those who did not. For example, in the business unit, working capital levels and amount of interest levied are now different compared to March 2020, thus changing the outstanding amount. Hence, this tweaking was necessary.

- Banks have to invoke restructuring plans not later than December 31, 2020. The resolution plan for personal loans must be implemented within 90 days from the date of invocation; albeit, the lending institutions should strive for early invocation. For corporate debt, the plan must be implemented within 180 days.
- As for loan against properties (LAP), the LAP for business purposes with immovable property as security is not classified as personal loan. So, it can be restructured only under the framework for non-individual borrowers facing stress due to Covid-19.

RBI to banks on not complying with the automation on NPA identification process

- The RBI has told banks to comply with the guidelines on automating the process of identifying non-performing assets (NPA) provisioning, and filing returns with itself, by June 30, 2021. Now the RBI has mandated that all accounts (borrowing), including temporary overdrafts (irrespective of size, sector, or types of limits), as well as, banks‘ investments, should be covered in the automated system within the new deadline.
- **RBI extends time to avail additional market borrowing, OD**
- In order to help state governments tide over the pandemic-induced financial problems, the RBI has extended the additional flexibility provided to states and Union Territories (UTs) in April 2020 by six months, to help raise funds through market borrowing and overdraft.
- Accordingly, the flexibility that was available till September 30, 2020 has been extended till March 31, 2021.

Positive pay system for cheque payments:

- RBI In order to check banking fraud, from January 1, 2021, the RBI will be introducing the _positive pay system‘ for cheques, under which re-confirmation of key details may be needed for payments beyond `50,000.
- While availing this facility may be discretionary for an account holder, however, banks may consider making it mandatory in case of cheques of Rs. 5 lakh and above.

RBI announces co-lending scheme for banks, NBFCs for priority sector

- The RBI came out with a Co-Lending Model (CLM) scheme under which banks can provide loans along with NBFCs priority sector borrowers based on a prior agreement.
- The CLM, which is an improvement over the co-origination of loan scheme announced by the RBI in September 2018, seeks to provide greater flexibility to the lending institutions.
- Under the CLM, banks will be permitted to co-lend with all registered NBFCs (including HFCs based on a prior agreement.
- The co-lending banks will take their share of the individual loans on a back-to-back basis in their books. However, NBFCs shall be required to retain a minimum of 20% share of the individual loans on their books.
- The primary focus of the scheme, rechristened as "Co-Lending Model" (CLM), is to improve the flow of credit to the unserved and underserved sector of the economy and make available funds to the ultimate beneficiary at an affordable cost, considering the lower cost of funds from banks and greater reach of the NBFCs.
- As per a notification by RBI, NBFCs will be the single point of interface for the customers and shall enter into a loan agreement with the borrowers. The agreement should clearly contain the features of the arrangement and the roles and responsibilities of NBFCs and banks.
- The ultimate borrower may be charged an all-inclusive interest rate as may be agreed upon by both the lenders conforming to the extant guidelines applicable to both.
- All transactions (disbursements/ repayments) between the banks and NBFCs relating to CLM have to be routed through an escrow account maintained with the banks, in order to avoid inter-mingling of funds.
- With regard to grievance redressal, RBI said suitable arrangement must be put in place by the co-lenders to resolve any complaint registered by a borrower with the NBFC within 30 days.

- If the complaint is not resolved, the borrower would have the option to escalate the same with the concerned Banking Ombudsman/Ombudsman for NBFCs or the Customer Education and Protection Cell (CEPC) in RBI.

Doorstep banking (Highlights)

As part of the EASE Reforms, Doorstep Banking Services is envisaged to provide convenience of banking services to the customers at their door step through the universal touch points of Call Centre, Web Portal or Mobile App. Customers can also track their service request through these channels.

- At present only non-financial services vis-a-vis pick up of negotiable instruments (cheque / demand draft / pay order, etc.), pick up new cheque book requisition slip, request for account statement, delivery of non-personalized cheque book, delivery of pre-paid instrument / gift card and others are available to customers. Financial services shall be made available from October 2020.
- While doorstep banking was prescribed by Reserve Bank of India a few years ago, the public sector lenders had earlier come together to appoint a common service provider to handle this for all their customers.
- Initially, the doorstep banking facilities were decided to be available to senior citizens and the disabled, who found it difficult to visit branches.
- Now, amid the pandemic, senior citizens aged 70 or more and differently-abled can avail doorstep banking all over India despite the lockdown, RBI notified earlier. According to guidelines from the central bank, banks should offer picking of cash and instruments and dropping of demand drafts.

K.V Kamath committee recommends graded approach to restructuring of stressed accounts

- The committee has identified 26 sectors and also recommended sector specific thresholds
- Only those borrowers which were classified as standard and with arrears less than 30 days as at March 1, 2020 are eligible under the Framework
- The K.V. Kamath committee recommended a graded approach to restructuring of stressed accounts based on severity of the impact on the borrowers. The committee has allowed banks to classify the accounts into mild, moderate and severe as recommended by the committee.

- In line with the mandate given by the RBI, Kamath committee has identified certain financial parameters including total outside liabilities to adjusted tangible net worth, total debt to EBITDA, debt service coverage ratio (DSCR), average debt service coverage ratio (ADSCR).
- —The sector-specific thresholds (ceilings or floors, as the case may be) for each of the above key ratios that should be considered by the lending institutions in the resolution assumptions with respect to an eligible borrower," said the committee.
- The committee has therefore identified 26 sectors and also recommended sector specific thresholds for these sectors. In its report the five-member committee said power, construction, iron and steel, roads, real estate, wholesale trading, textiles, consumer durables, aviation, logistics, hotels, restaurants and tourism, mining are among the sectors that will need restructuring.
- RBI had formed a five member committee under the chairmanship of former ICICI Bank CEO KV Kamath to make recommendations on the financial parameters to be considered for the one-time restructuring of loans impacted by the Covid 19 pandemic. Other members of the committee are former State Bank of India executive Diwakar Gupta, current Canara Bank chairman TN Manoharan, consultant Ashvin Parekh and Indian Banks' Association (IBA) CEO Sunil Mehta who was also a secretary to the committee.

RTGS 24x7

- RBI has made operational RTGS24x7 from December 14th 2020. In order to boost the adoption of digital payments further, the Reserve Bank of India last week allowed the transfer of funds through Real-Time Gross Settlement (RTGS) round-the-clock, 365 days a year from 1 December.
- Experts believe this flexibility will support businesses and help them in managing cash flows more efficiently. RTGS has a minimum transfer limit of ₹2 lakh, with no upper limit, so it‘s generally used by businesses or individuals for making high-value transactions. Money transfer through RTGS is free of cost.

- By making it available 24x7, basically RBI has created an enabling sort of atmosphere for commerce, in general, to operate 24x7 as now money transactions can also happen on a daily basis while earlier businesses had to plan their fund transfer to be made using RTGS keeping in mind Sunday or holidays or the daily time limit of 6pm.

Matsya Sampada Yojana

Key Features of the scheme:

- Under the scheme, total funds allocations to the fisheries sector is Rs 20,050 crores.
- The scheme will be a boost to double the income of fish farmers.
- It is aimed at increasing the fish production to 70 lakh tonnes by 2024-25.
- This is going to reduce the post-harvest losses of fisheries sector to 10%.
- It will also generate 55 lakhs direct and indirect employment in this sector.
- The scheme will also establish finfish hatcheries, biofloc ponds, ornamental fish culture units, ice plants, cages and fish feed plants.

- **E-Gopala Application**
- The application is a comprehensive technique which will be launched with an aim to boost the breed improvement marketplace and information portal for direct use of farmers. It will help fish farmers to manage livestock digitally.
- With this application, the farmers will also be involved in buying and selling of disease-free germplasm and can easily check for availability of quality breeding services for veterinary first aid, artificial insemination and vaccination. The application will also send alerts to farmers about new government schemes.

RBI launches National strategy for Financial Education for 2020-25

- The Reserve Bank of India has come up with the Second National Strategy for Financial Education (NSFE) for the time period of 2020-25.
- The document of the apex bank recommended a _5 C‘ approach with the objective of the circulation of financial education in the country.

- It is a document, published by RBI, that looks forward to developing financial services, financial literacy across the country through the implementation of various targets.
- The NSFE 2020-2025 is the second one of its kind. The first NSFE was documented for 2013-18 by the National Centre for Financial Education.

HDFC Bank launches Shaurya KGC Card

- The largest private sector bank in the country, HDFC Bank, launched _Shaurya KGC (Kisan Gold Credit) Card, a loan product for the armed forces.
- This is the first-of-its-kind scheme meant for the army personnel in the country and is based on the Kisan Credit Card guidelines of the government.

SIDBI, TransUnion CIBIL launch financial knowledge platform for MSMEs

- The Small Industries Development Bank of India (SIDBI), in association with TransUnion CIBIL, has launched a comprehensive financial education and knowledge platform meant for the micro, small and medium enterprises functioning in the country.

RBI Mohanty Panel for Bank License to Large Corporate Houses

- The Reserve Bank of India had earlier constructed an Internal Working Group under P K Mohanty.
- The committee was set up to review ownership guidelines of Indian private sector banks. The committee has submitted a report about the bank licensing in India.

Farm bills 2020

- The Indian Farm Reforms of 2020 refer to the agricultural bills passed by the Indian Parliament on 27 September 2020.The bills collectively seek to provide farmers with multiple marketing channels and provide a legal framework for farmers to enter into pre-arranged contracts among other things. These bills are:
- 1] Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Bill
- 2] Farmers Produce Trade and Commerce (Promotion and Facilitation) Bill; and 3] Essential Commodities (Amendment) Bill.
- As per the government, these three bills will help small and marginal farms by allowing them to sell produce outside mandis; allowing them to sign agreements with agri-business firms; and doing away with stock-holding limits on key commodities.

- On the other hand, the farmers' bodies are of the view that new laws will slowly end the MSP (minimum support price) regime, and will lead to huge loss of revenue to APMCs (Agricultural Produce Market Committees), which come under state governments. They also believe that farmers could lose rights to their own land at the hands of companies if these laws will be implemented.
- Despite several rounds of talks with panel of the government and a few dozen representatives of the farmers' unions, the deadlock has not been broken so far. However, Centre is trying to strike the balance between farmers demand and the provisions of the farm bills through the negotiations and consensus building process.

What is the impact of COVID-19 on the borrowers and banks and finance sector

- The International Monetary Fund (IMF) has observed that the COVID-19 pandemic will lead to a global recession in 2020-2021 that will be at least as severe as the downturn during the economic and financial crisis of 2008.
- The report by the Reserve Bank of India‘s (RBI) expert committee on a resolution framework, headed by former ICICI Bank chief K.V. Kamath, notes that the pandemic —has affected the best of companies‖ and businesses that were otherwise viable before the outbreak
- RBI has taken regulatory initiatives for commercial banks and financial institutions to provide a moratorium till August 31, 2020.
- From the banking sector‘s point of view, offsetting interest from the moratorium period would mean taking a toll on profitability while Net Interest Margin (NIM) would be seriously affected.
- To arrest this downfall, the RBI mooted a special resolution window for COVID-19 related stress that strikes a balance between maintenance of financial stability and preservation of the economic value of viable businesses through provision of suitable relief. Moreover, RBI had already infused liquidity of about
  3.2 per cent of GDP into the system early on in the lockdown period.
- According to the RBI, nearly 50 per cent of the customers, accounting for around half of outstanding bank loans, opted to avail the benefit of the relief measures—loan moratorium—to tackle the lockdown impact.

- Cash flow of companies is squeezed and creditworthiness of borrowers is uncertain. The impact on the banking sector and resultant NPAs may be massive. In a scenario where credit financing and repayment are weak, banks would need to provision for unforeseen NPAs in the near future.
- The gross non-performing asset (NPA) ratio of all commercial banks is likely to increase from 8.5 per cent in March 2020 to 12.5 per cent by March 2021 under the baseline scenario in the wake of the disruption caused by the Covid-19 pandemic.
- The government and RBI are trying to provide support to the banks and monetary stimulus to protect businesses from going bust. Despite the uncertainties and headwinds, the financial sector is well positioned to turn this crisis into an opportunity. After the 23.9 per cent GDP contraction between April-June, economic activities are slowly getting back on its feet.

RBI Proposes Loan Restructuring of MSMEs

- In view of the continued need to support the viable MSME entities on account of the fallout of

  Covid19 and to align these guidelines with the Resolution Framework for COVID 19 – related Stress, RBI announced for other advances, it has been decided by RBI to extend the scheme permitted in terms of the circular DOR.No.BP.BC.34/21.04.048/2019-20 dated February 11, 2020 on the subject.
- Accordingly, existing loans to MSMEs classified as 'standard' may be restructured without a downgrade in the asset classification, subject to the following conditions:
- The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower does not exceed ₹25 crore as on March 1, 2020.
- The borrower‘s account was a _standard asset‘ as on March 1, 2020.
- The restructuring of the borrower account is implemented by March 31, 2021.
- The borrowing entity is GST-registered on the date of implementation of the restructuring. However, this condition will not apply to MSMEs that are exempt from GST-registration. This shall be determined on the basis of exemption limit obtaining as on March 1, 2020.
- Asset classification of borrowers classified as standard may be retained as such, whereas the accounts which may have slipped into NPA category between March 2, 2020 and date of implementation may be upgraded as _standard asset‘, as on the date of

implementation of the restructuring plan. The asset classification benefit will be available only if the restructuring is done as per provisions of this circular.

- As hitherto, for accounts restructured under these guidelines, banks shall maintain additional provision of 5% over and above the provision already held by them.

All other instructions specified in the circular dated February 11, 2020 shall remain applicable.

Nobel Prize in Science of Economics -2020

- The Royal Swedish Academy of Sciences has decided to award the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2020 to Paul R. Milgrom Stanford University, USA and Robert B. Wilson Stanford University, USA —for improvements to auction theory and inventions of new auction formats‖
- by selling government bonds in auctions.
- **Contribution of laureates :**

1]Winners curse

▫ The most optimistic bidder often overestimates the common value of an auctioned object, so that _winning‘ the auction turns out to cause a loss – the winner‘s curse.

2]New auction formats

- Milgrom and Wilson invented an entirely new auction format; the Simultaneous Multiple Round Auction (SMRA).This auction offers all objects (radio frequency bands in different geographic areas) simultaneously. By starting with low prices and allowing repeated bids, the auction reduces the problems caused by uncertainty and the winner‘s curse.
- The first spectrum auction was undertaken by FCC using an SMRA, generally regarded as a huge success. Many countries (including Finland, India, Canada, Norway, Poland, Spain, the UK, Sweden, and Germany) adopted the same format for their spectrum auctions.
- The SMRA format has also been used in other contexts, such as sales of electricity and natural gas.

Artificial Intelligence

- The term Artificial Intelligence (AI) was coined in 1956 by John Mc Carthy, an American computer and cognitive scientist.

- AI in simplest terms refers to the intelligence demonstrated by machines and the term is also used when a machine displays cognitive functions normally associated with human minds such as learning and problem solving.
- AI has evolved to provide many specific benefits in every industry especially in health care, manufacturing, sports and retail. Artificial intelligence makes it possible for machines to learn from experience, adjust to new inputs and perform human-like task

Impact of FinTech companies on banking and financial sectors

- The increasing popularity of FinTech companies is disrupting the way of traditional banking and creates a big challenge for traditional banks to adjust themselves quickly to the changes not just in technology, but also in operations, culture, and other facets of the industry.
- With increasing access to the internet, Indians are taking to digital channels for their banking needs which leads to Cybercrimes like phishing, vishing and social engineering and attacks by organized gangs.
- The biggest challenge is to build capacity at a rate which matches the loss of existing talent and skills due to retirement.
- Technological innovation is considered to be one of the most influential developments affecting the financial sector in the near future.

Block Chain Technology

- Block chain is a distributed, decentralized, public ledger.
- "Blocks" on the block chain are made up of digital pieces of information. Specifically, they have three parts:

  1. Blocks store information about transactions, say the date, time, and currency.
  2. Blocks store information about who is participating in transactions.
  3. Blocks store information that distinguishes them from other blocks.

Quantum Computing

- It is an area of study focused on developing computer technology based on the principles of quantum theory, which explains the nature and behavior of energy and matter on the quantum (atomic and subatomic) level.

- Quantum computers are incredibly powerful machines that take a new approach to processing information.

- They exploit complex and fascinating laws of nature that are always there, but usually remain hidden from view.

- By harnessing such natural behavior, quantum computing can run new types of algorithms to process information more holistically.

Consolidation of Public Sector Banks

- The consolidation proposal of the Indian banking was furnished way back in 1990s by the suggestion of Narasimham Committee Report in 1991 (NC-I).
- The Narasimham Committee Report in 1998 (NC-II) also reiterated the recommendations on NC-I.
- Key reasons for the merger of banks are:

i) Economies of scale and scope,
ii) Efficiency gains,
iii) Cost savings,
iv) Diversification of customers and assets
v) The large banks get international recognition.

Opportunities

- With increasing NPAs, small banks cannot give more loans, but with merger, big banks can better deal with NPAs and may not have to stop giving more loans.
- Consolidation would strengthen the banks bargaining power, save costs and improve
supervision and corporate governance across the banking system.
- Consolidation will help in leveraging the synergies among banks that have diverse portfolios, focus areas and coverage areas.
- From a regulatory perspective, monitoring and control of less number of banks will be easier after mergers.
- Better management of capital, infrastructure and technology of the merged entity will benefit the customer with wider access of new products, technology, better pricing and improved customer service.

Challenges

- Mergers or consolidation can lead to challenges like job cuts, branch closures, reducing the quality and quantity of services offered to customers.
- Systems integration plays an important role as various banks are currently operating on different technology platforms.

Crypto Currency - Future of Money

- Though yet to be popular in India, globally, organizations and countries are slowly adopting.
- Crypto currencies are an acceptable means of commerce, as it is being touted as NEXTGEN currency after plastic money like Credit and Debit cards.
- Crypto currencies cannot be printed or minted, they can only be generated by miners through cryptographic processes and the complexity of mining process limits the amount of currency that could be created e.g. there could be only 21 million Bit coins that can be created.
- Crypto currency funds are locked in a public key cryptography system, almost impossible to break into even with sophisticated hardware and software.
- Every single transaction that ever happened in the network is stored in a huge version of a general ledger, called the block chain.
- There are more than 1500 crypto currencies in circulation, however the more popular ones are Bit coin, Ethereum, Litecoin, Ripple, Dash, Monero, Neo, etc.
- RBI, has cautioned users, holders and traders of crypto currencies by stating that t*he* creation, trading or usage of virtual currencies, as a medium for payment is not authorized by any central bank or monetary authority.
- Government of India has also cautioned the public at large against crypto currencies, mentioning that virtual currencies are not backed by assets and posed risks such as money laundering.

Cyber Crimes

- Cyber Crime can be defined as an economic offence committed using computers and Internet. It includes distributing viruses, illegally downloading files, phishing and pharming and stealing personal information like bank account details.

- Cyber Criminals use different techniques for committing crimes and some of the prominent techniques use by them are:

  i)Wire Tapping: Access to telecommunication network either physically by wiretapping or by picking up data as it flows through wires.

  ii) Denial of Services: This attack is an attempt to make a computer or network resource unavailable to its intended users and it prevents an internet site from functioning temporarily or permanently.

  iii) Phishing: A hybrid technique involving technology and social engineering and the victims are sent links via email and are persuaded to share their personal details.

  iv)Spoofing: The perpetrator impersonates someone else and makes the victim to do something which in normal course would not be done by victim like sharing sensitive information.

  v) V) Malware: Malignant software may serve the purpose of gaining unauthorized access to systems and data and even disrupting computer operations. Malware includes viruses, worms, Trojan horses and spywares.

  Vi) Trojan horse is a program which allows the hacker to take control of system and is used to steal the data from computers.

  Vii) Virus is a self-replicating program which can infect other programs and systems thus slowing them down.

Design Thinking

- Design Thinking is a creative process of problem solving that integrates a designer‘s perspective with a project‘s technological possibility and economic viability.
- The five step Process of Design thinking is Empathise, Define, Ideate, Prototype and Test.
- Design Thinking is complementary to other forms of thinking and other forms of product development.
- Analytical thinking provides us the logic to make a decision whereas design thinking gives us the curiosity to look out into the world and find new solutions to traditional problems.

- Design Thinking is appropriate if a deep understanding of the actual people or users involved is essential.
- Linear analytics methods may be better if there are few human beings involved.

Digital Marketing

- Digital marketing is the promotion of products or brands through one or more forms of electronic media.
- Various formats of digital marketing are Search Engine Optimization, Conversion Rate Optimization, Pay Per Click, Content Marketing, Email Marketing, Mobile Marketing,

  Social Media Marketing, Facebook Marketing, PINTEREST Marketing, Twitter Marketing, Linkedin Marketing, YouTube Marketing, Google AdWords, Google Analytics and User Experience (UX) Design.
- Today's consumers are multi-device and multi-channel, doing the majority of their own research online before they enter into a store or speak to a sales person.
- Google Think Insights found that 48% of consumers start their inquiries on search engines, while 33% look to brand websites and 26% search within mobile applications.
- This will provide depositors a clear picture of the financial health of banks and other institutions where they put their money.
- In case of the risk being high, the corporation will be empowered to take over and resolve issues within the span of one year.

Government Securities (G-Secs) Markets In India

- A Govt security is a tradable instrument issued by the Central Govt or the State Govt which acknowledges the debt obligation of the respective Govt.
- Such securities are short term (usually called treasury bills, with original maturities of less than one year) or long term (usually called Govt bonds or dated securities with original maturity of one year or more).
- Treasury bills are money market instruments which are short term debt instruments issued by the Govt of India and are presently issued in three tenors; 91 day, 182 day and 364 day.

- Cash Management Bills (CMBs) is a short-term instrument to meet the temporary mismatches in the cash flow of the Govt. The CMBs have the generic character of T-bills but are issued for maturities less than 91 days.
- Major players in the G-Sec market include commercial banks and primary dealers besides institutional investors like insurance companies

Investment Portfolio of Banks

- The investment portfolio of the banks are classified under three categories:

  (a) Held to Maturity

  (b) Available for Sale and

  (c) Held for Trading

- The securities acquired by the banks with the intention to hold them up to maturity are classified under HTM category.
- The securities acquired by the banks with the intention to trade (to be sold within 90 days) by taking advantage of the short-term price/interest rate movements are classified under Held for Trading category
- Available for Sale (AFS) portfolios have debt securities that are bought into the portfolio with the intention to sell before reaching the maturity.
- With a view to addressing the systemic impact of sharp increase in the yields on Government Securities, RBI has granted the option to spread provisioning for MTM losses on investments held in AFS and HFT category for the quarters ended December 31, 2017 and March 31, 2018.
- The provisioning for each of these quarters may be spread equally over up to four quarters, commencing with the quarter in which the loss is incurred.

Marketing of Banking Products through Social Media

- Social media marketing (SMM) is a form of Internet marketing that utilizes social networking websites as a marketing tool.
- Both private and public sector banks in India have established a social media fan following that matches that of their global peers.

- Social media marketing helps Banks in achieving their strategic goals and priorities.
- Social Media Marketing has become an inevitable tool today given its ability to cater to the larger audience in a cost effective and quick way.

Sharing Economy Models

- Sharing economy also known as collaborative economy is often based on (Peer to Peer) P2P activity of providing or sharing access to goods and services facilitated by on-line platform.
- Popular sharing economy models are Airbnb, Uber, Ola, Blablacar, etc.
- Sharing Economy has ushered in a new era that alleviates the burden of owning an asset, the burden of cost of maintenance and other such variables.
- The sharing economy can grow in India provided the sharing platforms address key issues like fostering trust and building a platform that provides a transparent pricing, verified listings and assured delivery of goods and services.

Sustainable Banking

- Sustainability is the ability to continue a defined behaviour indefinitely.
- Three pillars of sustainability are Environmental, Economic and Social.
- Sustainable Banking is the pursuit of environmental and social responsibility in a Bank‘s operations.
- Sustainability is achieved by integrating environmental and social considerations into a Bank‘s core businesses.
- Sustainable Banking performs by decreasing exposure to environmental liability and improve risk management.
- Key drivers for sustainable banking are Lender‘s liability, Borrower‘s liability, growing environmental concerns, Business opportunities and changing paradigm.

The Fintech Revolution: Impetus, Opportunities and Risks

- The term FinTech is a contraction of the word finance and technology.

- It refers to the technological startups that are emerging to challenge traditional banking and financial players and covers an array of services, from crowd funding platforms and mobile payment solutions to online portfolio management tools and international money transfers
- Some of the major FinTech products and services currently used in the market place are Peer to Peer (P2P) lending platforms, Crowd Funding, Block Chain Technology, Distributed Ledgers Technology, Big Data, Smart Contracts, Robo advisors, E-aggregators, etc.
- The Indian FinTech software market is forecasted to touch USD 2.4 billion by 2020from a current USD 1.2 billion, as per NASSCOM.

Trade Based Money Laundering: Issues and Challenges

- Trade Based Money Laundering is one of the main methods used by criminal organisations and terrorist financiers to move money for disguising the actual sources
- As much as 80 percent of illicit financial flows from developing countries are now channelled through TBML methods.
- TBML was recognized by the Financial Action Task Force (FATF) in its landmark 2006 study as one of the three main methods used by criminal organizations and terrorist financiers.

Trade Protectionism

- Trade protectionism is defined as a nation, or sometimes a group of nations, creating trade barriers with the specific goal of protecting its economy from the possible perils of international trading
- The objective of trade protectionism is to protect a nation‘s vital economic interests such as its key industries, commodities, and employment of workers.
- Some of the commonly employed methods of trade protectionism include tariffs, quotas, subsidies, local content requirements, anti-dumping laws, exchange rate controls, etc.
- The world‘s top 60 economies have adopted more than 7,000 protectionist trade measures on a net basis since the financial crisis of 2008. The United States and European Union are each responsible for more than 1,000 of the restrictions.

Negative Interest Rates:

What Are Negative Interest Rates?
Negative interest rates occur when borrowers are credited interest rather than paying interest to lenders. While this is a very unusual scenario, it is most likely to occur during a deep economic recession when monetary efforts and market forces have already pushed interest rates to their nominal zero bound.

Typically, a central bank will charge commercial banks on their reserves as a form of non-traditional expansionary monetary policy, rather than crediting them interest. This extraordinary monetary policy tool is used to strongly encourage lending, spending, and investment rather than hoarding cash, which will lose value to negative deposit rates. Note that individual depositors will not be charged negative interest rates on their bank accounts.

KEY TAKEAWAYS

- Negative interest rates occur when borrowers are credited interest rather than paying interest to lenders.
- With negative interest rates, central banks charge commercial banks on reserves in an effort to incentivize them to spend rather than hoard cash positions.
- With negative interest rates, commercial banks are charged interest to keep cash with a nation's central bank, rather than receiving interest. Theoretically, this dynamic should trickle down to consumers and businesses, but commercial banks have been reluctant to pass negative rates onto their customers.

Understanding a Negative Interest Rate
While real interest rates can be effectively negative if inflation exceeds the nominal interest rate, the nominal interest rate is, theoretically, bounded by zero. Negative interest rates are often the result of a desperate and critical effort to boost economic growth through financial means.

The zero-bound refers to the lowest level that interest rates can fall to; some forms of logic would dictate that zero would be that lowest level. However, there are instances where negative rates have been implemented during normal times. Switzerland is one such example; as of mid-2020, its target interest rate was -0.75%.[1] Japan adopted a similar policy, with a mid-2020 target rate of -0.1%.[2]

Negative interest rates may occur during deflationary periods. During these times, people and businesses hold too much money—instead of spending money—with the expectation that a dollar will be worth more tomorrow than today (i.e., the opposite of inflation). This can result in a sharp decline in demand, and send prices even lower.

Often, a loose monetary policy is used to deal with this type of situation. However, when there are strong signs of deflation factoring into the equation, simply cutting the central bank's interest rate to zero may not be sufficient enough to stimulate growth in both credit and lending.

In a negative interest rate environment, an entire economic zone can be impacted because the nominal interest rate dips below zero. Banks and financial firms have to pay to store their funds at the central bank, rather than earn interest income.

Consequences of Negative Rates

A negative interest rate environment occurs when the nominal interest rate drops below zero percent for a specific economic zone. This effectively means that banks and other financial firms have to pay to keep their excess reserves stored at the central bank, rather than receiving positive interest income.

A negative interest rate policy (NIRP) is an unusual monetary policy tool. Nominal target interest rates are set with a negative value, which is below the theoretical lower bound of zero percent.

During deflationary periods, people and businesses tend to hoard money, instead of spending money and investing. The result is a collapse in aggregate demand, which leads to prices falling even further, a slowdown or halt in real production and output, and an increase in unemployment.

A loose or expansionary monetary policy is usually employed to deal with such economic stagnation. However, if deflationary forces are strong enough, simply cutting the central bank's interest rate to zero may not be sufficient to stimulate borrowing and lending.

Example of a Negative Interest Rate

In recent years, central banks in Europe, Scandinavia, and Japan have implemented a negative interest rate policy (NIRP) on excess bank reserves in the financial system. This unorthodox monetary policy tool is designed to spur economic growth through spending and investment; depositors would be incentivized to spend cash rather than store it at the bank and incur a guaranteed loss.

It's still not clear if this policy has been effective in achieving this goal in those countries, and in the way it was intended. It's also unclear whether or not negative rates have successfully spread beyond excess cash reserves in the banking system to other parts of the economy.

The move raises the threat that the central bank will push borrowing costs below zero, turning the lending business on its head by charging depositors to store cash while giving money back to borrowers.

Why Negative Interest Rates is in the news?

Recently in United Kingdom the Bank of England had announced that Banks in UK would have to go the Negative Interest rates. The Bank of England told banks to start getting ready for negative interest rates, while saying that message shouldn't be taken as a signal that the policy is imminent. The central bank's Prudential Regulation Authority said most financial institutions aren't sufficiently prepared, especially as regards to retail products like rate-tracking mortgages, so they should take at least six months to set their systems up without

running undue risks. The BOE made the announcement as it held its key rate at a record low of 0.1 per cent.

The move raises the threat that the central bank will push borrowing costs below zero, turning the lending business on its head by charging depositors to store cash while giving money back to borrowers. The BOE has been studying the case for negative rates for almost a year as a way to pull the UK out of its worst slump in three centuries. So far, it hasn't followed counterparts in Europe and Japan in implementing the policy.

Read more at:
https://economictimes.indiatimes.com/markets/stocks/news/boe-tells-banks-to-get-ready-for-negative-rates/articleshow/80698503.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

..

Read more at:
https://economictimes.indiatimes.com/markets/stocks/news/boe-tells-banks-to-get-ready-for-negative-rates/articleshow/80698503.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Glossary

Key words	Brief note
Operation Twist	Operation Twist describes a form of monetary policy where the central bank buys and sells short-term and long term bonds depending on their objective. The name ―Operation Twist‖ came about due to the visual effect that the monetary policy action is expected to have on the shape of the yield curve. A linear upward sloping yield curve effectively ―twists‖ the ends of the yield curve, hence, the name Operation Twist. To put another way, the yield curve twists when short-term yields go up and long-term interest rates drop at the same time.
Long-Term Repo Operations (LTRO)	Long-term repo operations (LTROs) is a tool announced by RBI to inject liquidity into the banking system through auctions with long term maturity periods at interest rates of one-day repo. This will lead to a decline in the short term lending rates.
ARCS	An asset reconstruction company is a special type of financial institution that buys the debtors of the bank at a mutually agreed value and attempts to recover the debts or associated securities by itself. The asset reconstruction companies or ARCs are registered under the RBI and regulated under the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002 (SARFAESI Act, 2002). The ARCs take over a portion of the debts of the bank that qualify to be 28ecognized as Non-Performing Assets.
GDP	Gross Domestic Product (GDP) is the monetary value of all finished goods and services made within a country during a specific period. GDP provides an economic snapshot of a country, used to estimate the size of an economy and growth rate. GDP can be calculated in three ways, using expenditures, production, or incomes. It can be adjusted for inflation and population to provide deeper insights.

FinancialMarket Infrastructures (FMIS)	Over several years, the Committee on Payments and Market Infrastructures (CPMI) {aka the erstwhile Committee on Payment and Settlement Systems (CPSS), and the International Organisation of Securities Commissions (IOSCO)} have established international riskmanagement standards for Systemically Important Payment Systems (SIPS), Central Securities Depositories (CSDs), Securities Settlement Systems (SSSs), Central Counterparties (CCPs) and Trade Repositories (TRs).These have been collectively termed as Financial Market Infrastructures.
Inflation	Inflation is a quantitative measure of the rate at which the average price level of a basket of selected goods and services in an economy increases over a period of time. Often expressed as a percentage, inflation indicates a decrease in the purchasing power of a nation‘s currency.
Deflation	Deflation is a decrease in the general price level of goods and services. Deflation occurs when the inflation rate falls below 0% (a negative inflation rate). Inflation reduces the value of currency over time, but deflation increases it. This allows one to buy more goods and services than before with the same amount of currency.
Wholesale Price Index (WPI)	A wholesale price index (WPI) is an index that measures and tracks the changes in the price of goods in the stages before the retail level – that is, goods that are sold in bulk and traded between entities or businesses instead of consumers. Usually expressed as a ratio or percentage, the WPI shows the included goods' average price change and is often seen as one indicator of a country's level of inflation.
Strong Currency	A currency when it is worth more relative to other currencies. Because most currencies are floating, their values vary according to market trends. When one unit of a currency trades for more units of another currency, it is known as a strong currency. When a currency is strong, travelers are able to go abroad while spending less of their money, but it makes exports more expensive in other Countries. A strong currency can be disinflationary for currencies pegged to it.
Arbitrage	Buying an asset in one market and simultaneously selling an identical asset in another market at a higher price. Sometimes these will be identical assets in different markets, for instance, shares in a company listed on both the London Stock Exchange and New York Stock Exchange. Often the assets being arbitraged will be identical in a more complicated way, for example, they will be different sorts of financial securities that are each exposed to identical risks.

Balance of Payment	The total of all the money coming into a country from abroad less all of the money going out of the country during the same period. This is usually broken down into the current account and the capital account.
Balanced Budget	When total public-sector spending equals total government income during the same period from taxes and charges for public services.
Bankruptcy	When a court judges that a debtor is unable to make the payments owed to a creditor.
Buyers‘ Market	A market in which supply seems plentiful and prices seem low; the opposite of a seller's market.
Devaluation	A sudden fall in the value of a currency against other currencies. Strictly, devaluation refers only to sharp falls in a currency within a fixed EXCHANGE RATE system.

Flotation	When shares in a company are sold to the public for the first time through an initial public offering. The number of shares sold by the original private investors is called the "float".
Foreign Direct Investments	Investing directly in production in another country, either by buying a company there or establishing new operations of an existing business.
Gold Standards	A monetary system in which a country backs its currency with a reserve of gold, and allows currency holders to exchange their notes and coins for gold.
HAWALA	An ancient system of moving money based on trust. In *hawala*, no money moves physically between locations; nowadays it is transferred by means of a telephone call or fax between dealers in different countries. No legal contracts are involved, and recipients are given only a code number or simple token, such as a low-value banknote torn in half, to prove that money is due. Over time, transactions in opposite directions cancel each other out, so physical movement is minimized. Trust is the only capital that the dealers have.
Hedge	Reducing your risks. Hedging involves deliberately taking on a new RISK that offsets an existing one, such as your exposure to an adverse change in an exchange rate, interest rate or commodity price.
Hot Money	Money that is held in one currency but is liable to switch to another currency at a moment‘s notice in search of the highest available RETURNS, thereby causing the first currency‘s EXCHANGE RATE to plummet. It is often used to describe the money invested in currency markets by speculators.

Insider Trading	Insider trading involves using INFORMATION that is not in the public domain but that will move the PRICE of a share, BOND or currency when it is made public. An insider trade takes place when someone with privileged, confidential access to that information trades to take advantage of the fact that prices will move when the news gets out.
Market Capitalization	The market value of a company's SHARES: the quoted share PRICE multiplied by the total number of shares that the company has issued.
NAFTA	Short for North American Free-Trade Agreement. In 1993, the United States, Mexico and Canada agreed to lower the barriers to trade among the three economies. The formation of this regional TRADE AREA was opposed by many politicians in all three countries.
OECD	The Organisation for Economic Co-operation and Development, a Paris-based club for industrialised countries and the best of the rest. It was formed in 1961, building on the Organisation for European Economic Co-operation (OEEC), which had been established under the MARSHALL PLAN. The OECD provides a policy talking shop for governments. It produces forests-worth of documents discussing public policy ideas, as well as detailed empirical analysis. It also publishes reports on the economic performance of individual countries, which usually contain lots of valuable information even if they are rarely very critical of the policies implemented by a member Government.
Predatory Pricing	Charging low PRICES now so you can charge much higher prices later. The predator charges so little that it may sustain losses over a period of time, in the hope that its rivals will be driven out of business. Clearly, this strategy makes sense only if the predatory firm is able eventually to establish a monopoly. Some advocates of anti-DUMPING policies say that cheap IMPORTS are examples of predatory pricing.

OPEC	The Organisation of Petroleum Exporting Countries, a CARTEL set up in 1960. A lot of productive capital euipment that had been viable at lower oil prices proved to be unprofitable to run at the higher prices and was shut down. Some economists reckon that MARKET FORCES would have driven up oil prices anyway and that OPEC merely capitalised on the opportunity. Since the early 1980s, OPEC's influence has waned. Many firms have switched to production methods that need less oil, or less energy altogether.

Recession	Broadly speaking, a period of slow or negative economic growth, usually accompanied by rising unemployment. Economists have two more precise definitions of a recession. the first, which can be hard to prove, is when an economy is growing at less than its long-term trend rate of growth and has spare capacity. The second is two consecutive quarters of falling GDP.
Soft loan	A loan provided at below the market interest rate. Soft loans are used by international agencies to encourage economic activity in developing countries and to support non- commercial activities.