



Committed to professional excellence

# IIBF VISION

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## VISION

To be premier Institute for developing and nurturing competent professionals in banking and finance field.

## MISSION

To develop professionally qualified and competent bankers and finance professionals primarily through a process of education, training, examination, consultancy / counselling and continuing professional development programs.



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## Third Bi-monthly Policy Statement for the year 2016-17

On the basis of an assessment of the current and evolving macroeconomic situation, the Reserve Bank of India (RBI) has decided to:

- keep the policy repo rate under the Liquidity Adjustment Facility (LAF) unchanged at 6.5%;
- keep the Cash Reserve Ratio (CRR) of scheduled banks unchanged at 4.0% of Net Demand and Time Liabilities (NDTL); and
- continue to provide liquidity as required but progressively lower the average ex ante liquidity deficit in the system from one per cent of NDTL to a position closer to neutrality.
- Consequently, the Reverse Repo Rate under the LAF will remain unchanged at 6.0%, and the [Marginal Standing Facility \(MSF\)](#) rate and the Bank Rate at 7.0%.

### TOP STORIES

#### **RBI clears decks for universal banking**

The Reserve Bank of India (RBI) has unveiled guidelines for 'on-tap' licensing of new private banks. Under the new guidelines, resident, individuals and professionals with 10 years' experience in banking and finance are eligible to promote universal banks. Also, a Non-Operative Financial Holding Company (NOFHC) is not mandatory for setting up a bank in case the promoters are individuals or stand-alone promoting/converting entities who/which do not have other group entities.

#### **RBI notification on Capacity Building in Banks & AIFIs**

The Reserve Bank had constituted a 'Committee on Capacity Building' (July 2014) which had recommended inter-alia that banks should identify specialised areas for certification of the staff manning key responsibilities. To begin with, the banks should make acquiring of a certificate course mandatory for the areas in Treasury operations, Risk management, Accounting and Credit management. Further, the Committee had recommended that employees, working in the aforesaid areas, should acquire certifications within a specified period, say, 6 months. RBI, vide its notification dated 11th August 2016, have advised banks to prepare a comprehensive policy incorporating an implementation path and monitoring plan.

#### **HDFC issues world's first Masala Bond listing in LSE**

HDFC has raised Rs. 30 billion by issuing the world's first ever "Masala" or Rupee – denominated bond outside India in London Stock Exchange (LSE). The bond has a maturity of 3 years and one month with an annualised yield of 8.33%.

## Banking Policies

### **RBI eases norms in cheque dishonour cases of ₹1 crore and more**

Relaxing cheque book norms, RBI has left it to the lender's discretion on whether to issue fresh cheque books or not in cases of dishonour of ₹1 crore and above. Banks should put in place an appropriate policy approved by the Board or its Committee taking into consideration the need to prevent misuse of the cheque drawing facility and avoid penalising customers for unintended dishonour of cheques.

## Banking Developments

### **NBFCs: Cabinet opens FDI tap on 'financial services'**

The Union Cabinet chaired by the Prime Minister Shri. Narendra Modi has given its approval to amend regulation for foreign investment in the Non-Banking Finance Companies (NBFCs). The amendment in the existing Foreign Exchange Management (Transfer or Issue of Security by the Person Resident Outside India) regulations on Non-Banking Finance Companies (NBFCs) will enable inflow of foreign investment in "Other Financial Services" on automatic route provided such services are regulated by any financial sector regulators (RBI, SEBI, PFRDA etc.) / Government Agencies. Foreign investment in "Other Financial Services", which are not regulated by any regulators / Government Agency, can be made on approval route.

### **Staff crunch; banks can hire ex-officials for internal audit**

Keeping in view the change in demographic profile of the staff in banks on account of retirement leading to shortage of staff to conduct internal audit which is an important component of Risk Based Supervision (RBS), it has been decided to permit banks to engage the services of its retired officials for assisting in internal audit subject to certain conditions.

## Regulator's Speak

### **Banks should leverage technology to tap SME sector**

Mr. R. Gandhi, Deputy Governor, RBI said Small and Medium sized Enterprises (SMEs) are a major, yet often overlooked sector by formal financial institutions. The SMEs reportedly account for more than half of the world's gross domestic product (GDP) and employ almost two-thirds of the global work force. Banks may leverage technology to tap the sector.

### **Governance reforms needed in banks for consistency in performance**

Mr. S.S. Mundra, Deputy Governor, RBI said in the absence of strong structural and governance reforms, consistency of banks' performance would always remain susceptible to external and internal events. He opines that (governance) reforms in private sector banks have to be focused on misaligned incentives/compensations. He added that the agenda for PSBs is much larger however, the immediate and overriding priority is to complete the clean-up of the banks' balance sheets which is underway.



## Insurance

### **IRDAI Guidelines on Remuneration of Non-executive Directors and Managing Director /Chief Executive Officer / Whole-time Directors of Insurers**

Insurance regulator Insurance Regulatory and Development Authority of India (IRDAI) said that insurers should formulate and adopt a comprehensive remuneration policy covering the MD/CEO/ WTDs. It said policy should also be reviewed annually. The policy should cover all aspects of the remuneration structure such as fixed pay, perquisites, bonus, guaranteed pay, severance package, stock, pension plan, gratuity, etc. taking into account these guidelines. In case the annual remuneration of the MD/CEO/Whole Time Directors exceeds ₹1.5 crore (excluding perquisites plus bonuses etc., by whatsoever names) such excess shall be borne by shareholders' account.

### **IRDAI seeks minimum 50% promoter stake in listed insurance Cos**

IRDAI has prescribed that the minimum shareholding by promoters/promoter group shall at all times be maintained at 50 percent of the paid up equity capital of the insurer. However, where the present holding of the promoters is below 50 percent, such holding shall be the minimum holding.

### **Insurers told to file compliance to investment norms**

IRDAI has asked insurance companies to file periodical reports on compliance to investment guidelines from the quarter ending March 2017. This follows the notification of IRDAI (Investment) Regulations, 2016, which mandate certain systems and process to be put in place. The IRDAI (Investment) Regulations, 2016 shall be effective from March 31, 2017.

## New Appointments

Name	Designation/Organisation
Dr. Urjit Patel	Governor, Reserve Bank of India.
Mr. Dinesh Kumar Khara	Managing Director, State Bank of India.
Mr. Pawan Kumar Bajaj	Managing Director & CEO, United Bank of India.
Mr. Raj Kamal Verma	Executive Director, Union Bank of India.
Mr. Ashok Chawla	Non-Executive Part-time Chairman, YES Bank.
Mr. Gopal Murli Bhagat	Executive Director, Corporation Bank.
Mr. Amit Sanan	Group President and Country Head, Mid-Corporate Banking, YES Bank.
Mr. Ashok Kumar Garg	Executive Director, Bank of Baroda.



## Products & Alliances

Organisation	Organisation tied up with	Purpose
ICICI Bank	Apollo India Credit Opportunity Management LLC & AION Capital Management Limited	For working together for debt resolution in India.
Kotak Bank	Flipkart	To offer seamless in-app shopping experience.
Union Bank of India	PIAGGIO Vehicles Pvt. Ltd.,	For financing their Light Commercial Vehicles PAN India.
State Bank of India	Korea Development Bank	To enhance business synergies between both the banks.
Shivalik Mercantile Co-op. Bank Ltd.	LIC of India	To offer LIC's life insurance products through the former's network.
IndusInd Bank	IBM	To deploy cloud and analytics solution for end-to-end digital marketing campaigns at the bank.

## Forex

**Benchmark Rates for FCNR(B) Deposits applicable for the month of September, 2016**

Currency	1 Year	2 Years	3 Years	4 Years	5 Years
USD	0.96100	1.06000	1.11200	1.16100	1.21100
GBP	0.32860	0.4438	0.4451	0.4647	0.4937
EUR	-0.17000	-0.195	-0.178	-0.169	-0.128
JPY	-0.03750	-0.076	-0.081	-0.070	-0.051
CAD	1.03000	0.939	0.949	0.958	0.989
AUD	1.68300	1.610	1.610	1.820	1.840
CHF	-0.64750	-0.669	-0.655	-0.630	-0.580
DKK	-0.00930	0.0009	0.0333	0.0900	0.1470
NZD	2.07000	2.010	2.020	2.050	2.100
SEK	-0.53100	-0.447	-0.333	-0.198	-0.048
SGD	1.33500	1.475	1.585	1.668	1.730
HKD	0.81000	0.940	1.000	1.120	1.190
MYR	3.31000	3.320	3.350	3.400	3.460

Source: [www.fedai.org.in](http://www.fedai.org.in)

Foreign Exchange Reserves		
Item	As on August 26, 2016	
	₹ Bn.	US\$ Mn.
Total Reserves	24,462.8	3,66,776.6
(a) Foreign Currency Assets	22,754.1	3,41,285.4
(b) Gold	1,446.9	21,584.6
(c) SDRs	100.3	1,496.6
(d) Reserve Position in the IMF	161.5	2,410.0

Source: Reserve Bank of India (RBI)

## Glossary

### Marginal Standing Facility (MSF)

Marginal Standing Facility (MSF) is the rate at which banks are able to borrow overnight funds from RBI, subject to guidelines framed in this regard, against approved government securities. Presently, the MSF rate is pegged 50 basis points above the repo rate and 100 basis point above the reverse repo rate.

## Financial Basics

### Substandard Assets

A substandard asset would be one, which has remained (Non-Performing Asset) NPA for a period less than or equal to 12 months. Such an asset will have well defined credit weaknesses that jeopardize the liquidation of the debt and are characterised by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.

## Institute's Training Activities

### Training Programmes for the month of October, 2016

Sr. No.	Name of the Programme	Date	Location
1.	Certified Compliance Officers Post Exam Class room learning	5.10.16 - 9.10.16	Mumbai.
2.	Programme on Internal Marketing for Superior Employee Performance	17.10.16 -18.10.16	Mumbai.
3.	Certified Credit Officers Post Exam Class room learning	19.10.16 - 23.10.16	Mumbai.
4.	Programme on Digital Banking	26.10.16 - 28.10.16	Mumbai.
5.	Programme Housing Finance	24.10.16 - 26.10.16	Mumbai.

6.	Certified Credit Officers Post Exam Class room learning	24.10.16 - 28.10.16	New Delhi.
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## News from the Institute

### 7th R. K. Talwar Memorial Lecture – 2016

Indian Institute of Banking & Finance (IIBF) had organized the 7th R. K. Talwar Memorial Lecture – 2016. The lecture on "Castles in Sand : India and the Tide of Globalization" was delivered by Dr. Ashish Nanda, Director, Indian Institute of Management, Ahmedabad on 24th August 2016 at State Bank of India Auditorium, Corporate Centre, State Bank of India, Madame Cama Road, Nariman Point, Mumbai.

### 89th Annual General Meeting

Indian Institute of Banking & Finance had convened its 89th Annual General Meeting on 20th August 2016 at IIBF's Leadership Centre, Mumbai.

### JAIIB Contact Classes at New Delhi, Lucknow, Ahmedabad, Jabalpur, Indore, Bhopal, Navi Mumbai and Nagpur

Indian Institute of Banking & Finance – Mumbai will be conducting Contact Classes for JAIIB/DB&F at New Delhi, Lucknow, Ahmedabad, Jabalpur, Indore, Bhopal, Navi Mumbai and Nagpur. Registration will be done on First Come First Serve basis. The Class will be conducted only on enrollment of minimum 20 candidates and maximum limit will be 35 candidates. For details visit [www.iibf.org.in](http://www.iibf.org.in)

### 90 Hours Preparatory Classes For JAIIB/DB&F and CAIIB November/December 2016, Professional Development Centres – Northern Zone, Eastern Zone & South Zone

Professional Development Centres – Northern Zone, Eastern Zone & South Zone will be commencing 90 Hours Preparatory Classes for JAIIB/DB&F and CAIIB for November/December 2016 Examinations. For details visit [www.iibf.org.in](http://www.iibf.org.in)

### Acceptance of Subscription in Online Mode for Bank Quest and IIBF Vision

The Institute has decided to collect subscription for Bank Quest and IIBF Vision in online mode through SBI Collect and discontinue accepting subscription through Demand Draft with effect from 1st July 2016. Subscription will be accepted only for one year. Third party payment would not be accepted. Domestic Subscribers/Organisations are requested to pay subscription directly through online mode. There is no change in mode of application of subscription for foreign subscribers. Foreign subscribers may write to Publication Department at [publications@iibf.org.in](mailto:publications@iibf.org.in) for application form. Domestic Subscribers/Organisations for payment of subscription in online mode may kindly visit "Online Registration/Services" page on IIBF's website: [www.iibf.org.in](http://www.iibf.org.in)

### The new rate of service tax

The Ministry of Finance, Department of Revenue has notified levying of 0.5% Krishi Kalyan Cess, on any or all the taxable Services w.e.f. 01st June 2016. The effective rate of Service Tax would be 14% +0.5% (Swachh Bahart Cess)+0.5% (Krishi Kalyan Cess) = 15.00%. Accordingly, the Institute has incorporated the change in all fees.

### Bank Quest Themes for next issues

The themes for next issues of "Bank Quest" are identified as:

- October-December, 2016: Digital Banking
- January-March, 2017: Business Analytics
- April-June, 2017: Challenges in Infrastructure financing

### KYC/AML & Customer Service Examination

The Institute is holding the Certificate Examinations in AML/KYC & Customer Service Examinations on a quarterly interval from April 2016 onwards. For details visit [www.iibf.org.in](http://www.iibf.org.in)

### Cut-off date of guidelines /important developments for examinations

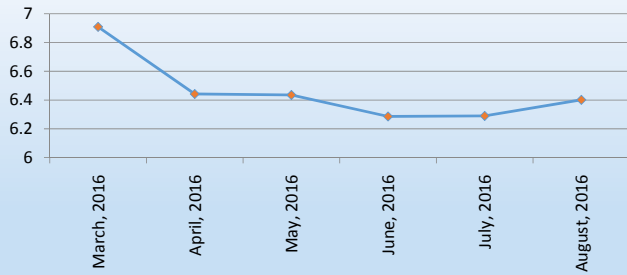
In respect of the exams to be conducted by the Institute during May/June of a calendar year, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 31st December of the previous year will only be considered for the purpose of inclusion in the question papers.

In respect of the exams to be conducted by the Institute during November / December of a calendar year, instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 30th June of that year will only be considered for the purpose of inclusion in the question papers.

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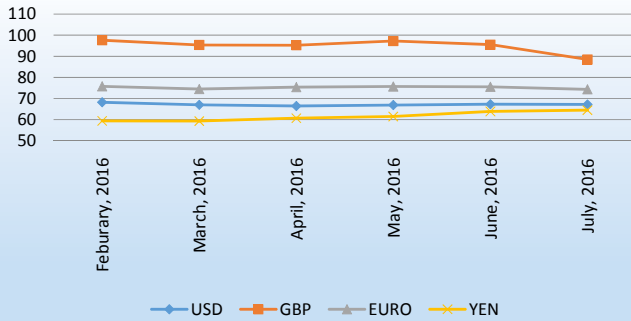
# Market Roundup

## Weighted Average Call Rates



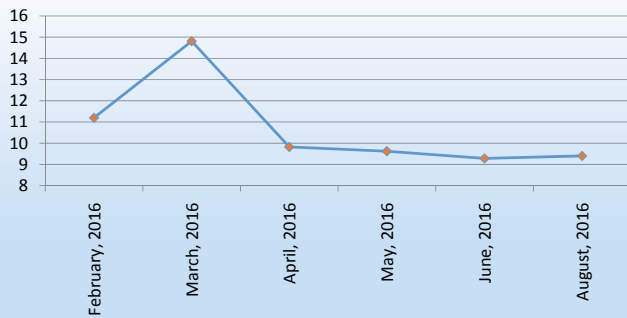
Source: CCIL Newsletters, 2016

## RBI Reference Rate



Source: Reserve Bank of India (RBI)

## Non-food Credit Growth %



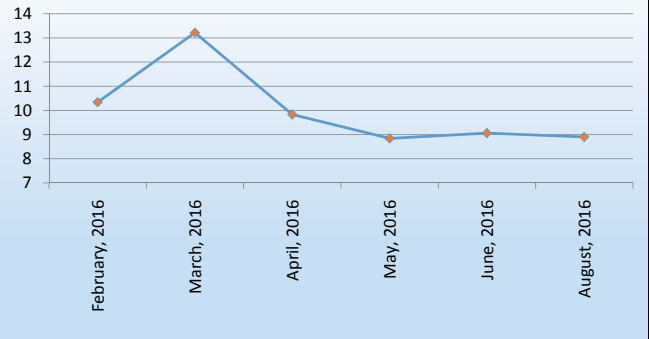
Source: Monthly Review of Economy, CCIL, August 2016

## BSE Sensex



Source: Bombay Stock Exchange (BSE)

## Aggregate Deposit Growth %



Source: Monthly Review of Economy, CCIL, August 2016

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### INDIAN INSTITUTE OF BANKING & FINANCE

Kohinoor City, Commercial-II, Tower-I, 2nd Floor, Kirol Road, Kurla (W), Mumbai - 400 070.

Tel. : 91-22-2503 9604 / 9746/9907 • Fax : 91-22-2503 7332

E-mail : admin@iibf.org.in

Website : www.iibf.org.in