



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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TOP STORIES**Sixth bi-monthly Monetary Policy Statement - 2016-17**

The sixth bi-monthly Monetary Policy Statement was announced by the Reserve Bank of India (RBI) on February 8, 2017. The key highlights of the statement are:

- Policy repo rate remains unchanged at 6.25%
- Policy stance has moved from accommodative to neutral in view of the recent demonetization effect
- No limits on cash withdrawals from Savings Bank Accounts, w.e.f. 13th March, 2017

PMGKY deposit rules eased

The Finance Ministry has permitted declarants under the Pradhan Mantri Garib Kalyan Yojana to make deposits under the scheme on 'one or more occasion'. Post-demonetization, people declaring undisclosed income under the scheme, are mandated to deposit at least 25% of such money in the scheme. Deposits can be made in authorized banks between December 17, 2016 and March 31, 2017.

New department to monitor banks violating rules

RBI will be setting up an 'enforcement department' to monitor banks that violate regulations. The department will start operations from April 1, 2017. RBI opines that regulation, surveillance and enforcement are three important facets of financial sector oversight mechanism. Regulations determine the framework in which financial entities function so that prudence, transparency, and comparability are ensured on one hand and customer interests are protected on the other. Currently, in RBI, there is a clear demarcation of the regulatory and surveillance functions, which is not the case with enforcement.

BHIM App now on iOS platform

Bharat Interface for Money (BHIM) – a smart-phone-based App built on Unified payment-Interface (UPI) for making simple and quick payment transactions – is now available on Apple App store for download and use. With this development, the BHIM App will now cater to almost 100% smart-phone users in India, thus ensuring wider acceptance for digital transactions among consumers across all sections.

SEBI eases norms for debt MF investment in HFCs

SEBI has allowed debt mutual funds (MFs) to now invest up to 15% (as against the earlier 10%) of their total net assets in housing finance companies (HFCs), in order to help channelize more funds towards affordable housing activities. The change is accompanied by certain riders. For instance, the MFs would need to ensure that the additional exposure to the securities issued by HFCs have high investment grade rating. Besides, the entities should be registered with the National Housing Bank (NHB).

NPCI begins digitizing MFI transactions

National Payments Corporation of India (NPCI) has started a pilot project to digitize the transactions in micro finance institutions (MFIs). The process has been initiated by digitizing transactions of Svantra Microfinance wherein RBL Bank will be disbursing loans and HDFC Bank will receive the repayments. An innovative use of the Aadhaar Payment Bridge System (APBS) and USSD-based infrastructure has made this possible. The customers' Aadhaar numbers are sent to the disbursing bank for onward direct credit to account using APBS.

For repayment, a string of numbers is saved as a contact number in the MFI customer's feature phone. The customer has to dial the contact, enter the amount and Unified Payments Interface (UPI) PIN on the feature phone and the repayment gets done successfully.

SEBI relaxes norms for MF investments in derivatives

SEBI has decided that existing MF schemes will not require approval of a majority of unit holders to invest in derivatives segment, provided the investors are given a time-period of 30 days to exit the scheme without any charges. The change would be applicable for existing MFs, whose Scheme Information Documents (SIDs) do not envisage investments in derivatives.

Banking Policies

RBI reviews guidelines on pricing of credit

Non-Banking Financing Companies (NBFCs) and Microfinance Institutions (MFIs) will now be required to ensure that their average interest rate on loans given during a quarter does not exceed average borrowing cost during the preceding quarter plus the margin. Earlier, NBFCs and MFIs had to ensure that their average interest rate on loans given during a financial year did not exceed the average borrowing cost during that financial year plus the margin within the prescribed cap.

RBI amends AT-1 bonds framework on coupon payments

RBI has amended regulations governing AT-1 bonds under the Basel-III framework, wherein it has allowed lenders to pay coupons from profits and reserves. If current year profits are not sufficient, coupon may be paid from profits brought forward from previous years and reserves. The accumulated losses and deferred revenue expenditure shall be netted off from the two to arrive at the available balances for payment of coupon. The bank can make appropriation from the statutory reserves only if the aggregate of profits in the current year, profits brought forward from the previous years and permissible reserves are less than the amount of coupon. Payment of coupons on perpetual debt instruments from the reserves is subject to the issuing bank meeting minimum regulatory requirements for CET1, Tier 1 and total capital ratios.

Banking Developments

SBNs to be part of chest balance in soiled note category

Demonetized ₹500 and ₹1000 notes, referred to as specified bank notes (SBNs), deposited in currency chests since November 10, will be considered as part of the chest balance in the soiled note category by the RBI. However, such deposits will not be reckoned for calculating the chest balance limit or cash holding limit, until further review.

Regulator's Speak

Banks should collaborate with fintech firms

RBI Deputy Governor Mr. S.S Mundra feels that brick-and-mortar banks will do well by collaborating with the more efficient and agile financial technology (fintech) players; considering how fintech companies are disrupting the traditional financial services business and are challenging the banking system. Fintech companies have the capacity to address the customers' specific pain-points such as remittance, credit and savings. Banks would need to assess the likely impact of disruption and reorient their business models.

RBI examining two models to tackle stressed assets in banks

To decisively deal with the banking system's stressed assets, RBI is examining a plan involving two models viz. a Private Asset Management Company (PAMC) and a National Asset Management Company (NAMC). The PAMC plan would be for sectors, such as metals, engineering projects, construction, telecom and textiles, where the stress is such that assets are likely to have economic value in the short run, with moderate levels of debt forgiveness.

The NAMC plan would be necessary for sectors where the problem is not just one of excess capacity but possibly also of economically unviable assets in the short-to medium-term. Dr. Viral Acharya, Deputy Governor, RBI proposed five options for recapitalization of PSBs - through private capital raising, asset sales, mergers, prompt corrective action and disinvestments.



Insurance

IRDAI relaxes norms for hiring of PSPs

According to the amendments made to the guidelines issued in November 2016 for appointing PSPs, the life insurer or an intermediary proposing to engage them can now impart in-house training for 15 hours to the candidate, which will be followed by an examination

New Appointments

| Name | Designation/Organisation |
|--|--|
| Mr. Ajay Tyagi | Appointed as the Chairman of the Securities and Exchange Board of India (SEBI) |
| Mr. Ashok Gulati, Mr. Manish Sabharwal & Mr. Rajiv Kumar | Appointed as part-time Non-Official Directors on the RBI Central Board |
| Mr. Shrinivas D Joshi | Appointed as Managing Director of the Cosmos Co-operative Bank |
| Ms. Neelam Damodharan | Appointed as Executive Director, Bank of India |
| Mr. Atanu Kumar Das | Appointed as Executive Director, Bank of India |
| Mr.K. Swaminathan | Appointed as Executive Director, Indian Overseas Bank |
| Mr. Ashok Kumar Pradhan | Appointed as Executive Director, United Bank of India |
| Mr. P. Ramana Murthy | Appointed as Executive Director, Central Bank of India |
| Mr. Fareed Ahmed Khan | Appointed as Executive Director, Punjab and Sind Bank |
| Mr. M. K. Bhattacharya | Appointed as Executive Director, Indian Bank |
| Mr. S. Harishankar | Appointed as Executive Director, Allahabad Bank |
| Mr. Kishore Kulkarni | Appointed as Chairman, NKGSB Bank |
| Mr. Hemant Bhargava | Appointed as Managing Director, Life Insurance Corporation of India |



Products & Alliances

| Organisation | Organisation tied up with | Purpose |
|-----------------------------|---------------------------|---|
| Reserve Bank of India (RBI) | Bank of Zambia | MoU for supervisory co-operation and exchange of supervisory information |
| Lakshmi Vilas Bank | Centrum Group | For professional wealth management and family office services for its HNI clients |

Forex

| Foreign Exchange Reserves | | |
|---------------------------------|-------------------------|------------|
| Item | As on February 24, 2017 | |
| | ₹ Bn. | US\$ Mn. |
| Total Reserves | 24,256.3 | 3,62,792.7 |
| (a) Foreign Currency Assets | 22,699.6 | 3,39,783.2 |
| (b) Gold | 1,305.3 | 19,248.4 |
| (c) SDRs | 96.5 | 1,443.6 |
| (d) Reserve Position in the IMF | 154.9 | 2,317.5 |

Source: Reserve Bank of India (RBI)

| Benchmark Rates for FCNR (B) Deposits applicable March 2017 | | | | | |
|---|----------|---------|---------|---------|---------|
| Base Rates for FCNR(B) Deposits | | | | | |
| Currency | 1 Year | 2 Years | 3 Years | 4 Years | 5 Years |
| Currency | 1 Year | 2 Years | 3 Years | 4 Years | 5 Years |
| USD | 1.32550 | 1.57220 | 1.73220 | 1.87140 | 1.99520 |
| GBP | 0.40880 | 0.5795 | 0.6417 | 0.7153 | 0.7940 |
| EUR | -0.18000 | -0.140 | -0.091 | -0.004 | 0.091 |
| JPY | 0.04750 | 0.053 | 0.060 | 0.078 | 0.100 |
| CAD | 1.19000 | 1.107 | 1.233 | 1.340 | 1.436 |
| AUD | 1.83700 | 1.940 | 2.100 | 2.450 | 2.570 |
| CHF | -0.68500 | -0.660 | -0.601 | -0.516 | -0.408 |
| DKK | -0.07010 | -0.0095 | 0.0720 | 0.1765 | 0.2995 |
| NZD | 2.11210 | 2.360 | 2.596 | 2.802 | 2.976 |
| SEK | -0.44100 | -0.293 | -0.111 | 0.068 | 0.260 |
| SGD | 1.33000 | 1.590 | 1.790 | 1.970 | 2.090 |
| HKD | 1.28000 | 1.580 | 1.790 | 1.940 | 2.060 |
| MYR | 3.52000 | 3.560 | 3.640 | 3.700 | 3.800 |

Source: www.fedai.org.in

Glossary

Aadhaar Payment Bridge System (APBS)

A centralised electronic benefit transfer system to undertake direct mandates from respective sponsor or accredited bank attached to various government departments for the purpose of disbursing entitlements using Aadhaar numbers.

Financial Basics

Callable bonds

Bonds which give the issuer right to buy back the bonds before its maturity are called callable bonds. Callable bonds usually come with an initial lock-in period. Since investing in such bonds exposes the investor to the additional risk of buyback they usually offer a higher rate of interest as compared to bonds without such options

Institute's Training Activities

Training Programmes for the month of April, 2017

| Sr. No. | Name of the Programme | Date | Location |
|---------|------------------------------|--|-----------|
| 1. | Retail Loans | 10 th to 13 th April 2017 | Mumbai |
| 2. | Compliance in Banking | 17 th to 19 th April 2017 | Mumbai |
| 3. | Recovery Management | 17 th to 19 th April 2017 | Chennai |
| 4. | Certified Banking Compliance | 8 th April to 12 th April 2017 | Chennai |
| 5. | Digital Banking | 17 th to 19 th April 2017 | New Delhi |

News from the Institute

Examination at Institute's own Test Centres at Mumbai and Kolkata

The Institute is pleased to announce opening of its own test centres at Mumbai and Kolkata. The Certificate examinations for AML/KYC, SME Finance for bankers and Customer Service & Banking Codes and Standards will be conducted fortnightly at these test centres. The first such examination was held on 25th February 2017. For more details visit www.iibf.org.in.

Last date extended for Diamond Jubilee and CH Bhabha Banking Overseas Research Fellowship (DJCHBBORF) 2016-17

The Institute invites application for DJCHBBORF. The objective of the fellowship is to provide the successful candidate an opportunity to undertake a research study on the latest developments in the field of banking and finance in India or abroad. The last date for receipt of applications is extended to 31st March 2017. For more details visit www.iibf.org.in.

Seminar on Secur-e-Banking at Chennai

As part of its 'Member Education Series', the Institute organised a seminar on Secur-e-Banking in association with Cyber Society of India on 17th February, 2017 at Hotel Taj Coromandel, Nungambakkam, Chennai – 600034.

The main objective of the seminar was to sensitize the bankers on the current developments in the cyber security space and the regulatory requirements connected therewith.

The Hon'ble Minister of State for Finance – **Shri Arjun Ram Meghwal** delivered the Key Note Address. The seminar commenced with a speech by Addnl DGP, T.N. followed by three Thematic sessions. The speeches and sessions of the seminar can be viewed on our YouTube channel through our website 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 Bharat 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:

- 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

Cut-off date of guidelines /important developments for examinations

The Institute usually conducts its half-yearly examinations in the months of May to July and November to January and the quarterly examinations in the months of April and October every year.

For examinations to be conducted by the Institute for the period from February 2017 to July 2017, the instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 31st December 2016 will only be considered for the purpose of inclusion in the question papers.

For examinations to be conducted by the Institute for the period from August 2017 to January 2018, the instructions/guidelines issued by the regulator(s) and important developments in banking and finance up to 30th June 2017 will only be considered for the purpose of inclusion in the question papers.

Green Initiative

Members are requested to update their e-mail address with the Institute and send their consent to receive the Annual Report via e-mail.

STATEMENT ABOUT OWNERSHIP AND OTHER PARTICULARS OF IIBF VISION, THE JOURNAL OF INDIAN INSTITUTE OF BANKING & FINANCE

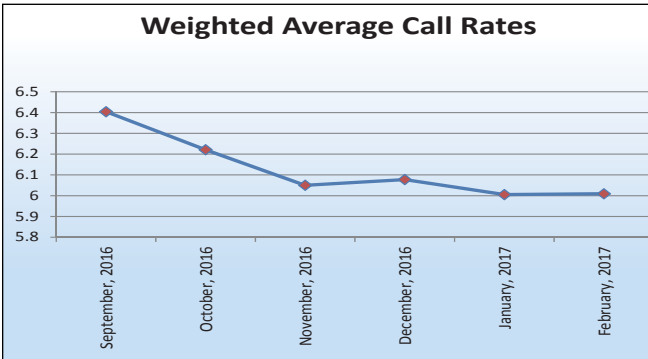
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I, Dr. J. N. Misra, hereby declare that the particulars given above are true to the best of my knowledge and belief.
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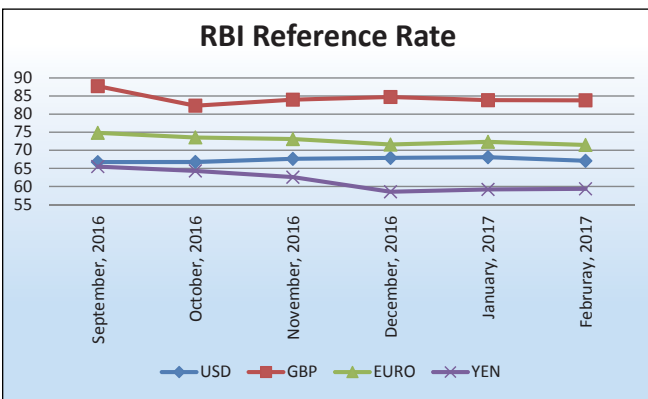
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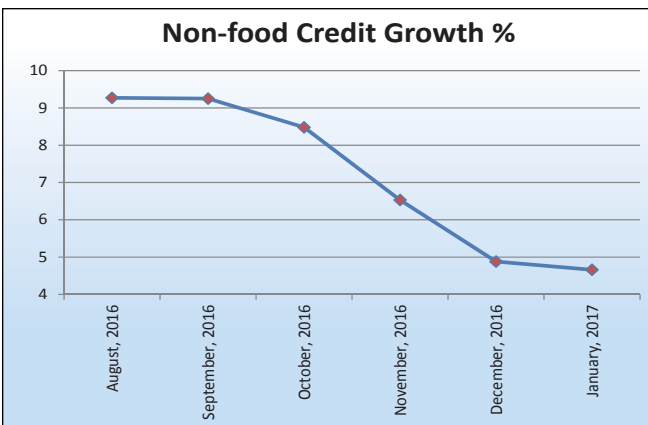
Market Roundup



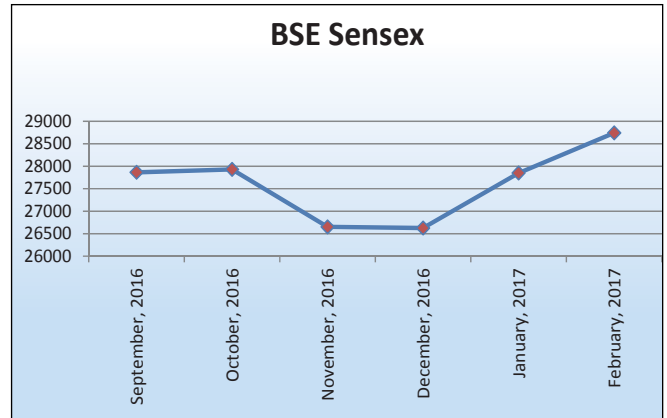
Source: CCIL Newsletters, 2016



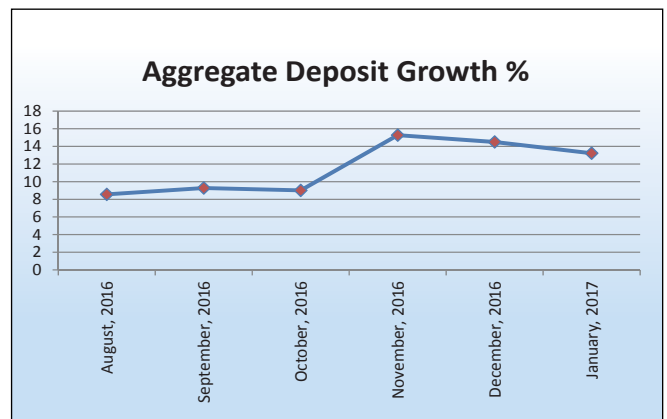
Source: Reserve Bank of India (RBI)



Source: Monthly Review of Economy, CCIL, February 2017



Source: Bombay Stock Exchange (BSE)



Source: Monthly Review of Economy, CCIL, February 2017

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