



Committed to professional excellence

IIBF VISION

Volume No. : 8

Issue No. : 7

February 2016

No. of Pages - 8

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.



The information / news items contained in this publication have appeared in various external sources / media for public use or consumption and are now meant only for members and subscribers. The views expressed and / or events narrated/ stated in the said information / news items are as perceived by the respective sources. IIBF neither holds nor assumes any responsibility for the correctness or adequacy or otherwise of the news items / events or any information whatsoever.

Sixth Bi-monthly Monetary Policy Statement, 2015-16

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

- keep the policy repo rate under the Liquidity Adjustment Facility (LAF) unchanged at 6.75%;
- keep the Cash Reserve Ratio (CRR) of scheduled banks unchanged at 4.0% of Net Demand and Time Liability (NDTL);
- continue to provide liquidity under overnight repos at 0.25% of bank-wise NDTL at the LAF repo rate and liquidity under 14-day term repos as well as longer term repos of up to 0.75% of NDTL of the banking system through auctions; and
- continue with daily variable rate repos and reverse repos to smooth liquidity.

Consequently, the reverse repo rate under the LAF will remain unchanged at 5.75%, and the Marginal Standing Facility (MSF) rate and the Bank Rate at 7.75%.

TOP STORIES

Credit Guarantee Fund for MUDRA loans – A boost to refinance operations

The Union Cabinet, chaired by the Prime Minister Shri. Narendra Modi has given its approval for the creation of a Credit Guarantee Fund for Micro Units Development Refinance Agency (MUDRA) loans and to convert MUDRA Ltd. into MUDRA Small Industries Development Bank of India (SIDBI) Bank as a wholly owned subsidiary of SIDBI. The Fund is expected to guarantee more than ₹1,00,000 crore worth of loans to micro and small units in the first instance. The MUDRA (SIDBI) Bank will undertake refinance operations and provide support services with focus on portal management; data analysis etc. apart from any other activity entrusted/ advised by Government of India.

Time for co-contribution under Atal Pension Yojana (APY) extended

Government of India has decided that the co-contribution by the Central Government of 50% of the total prescribed contribution upto ₹1,000 per annum, will be available for those eligible subscribers, who join APY before 31st March, 2016. This measure is likely to benefit substantial number of people who have not been able to join APY and therefore have failed to avail the benefit of co-contribution by the Government till 31st December, 2015.

Banking Policies

Non-Fund Based Facility to Non-constituent Borrowers of Bank

RBI has allowed Scheduled Commercial Banks to grant non-fund based facilities including Partial Credit Enhancement (PCE) to those customers, who do not avail any fund based facility from any bank in India, subject to the certain conditions. Banks have been advised to formulate a comprehensive Board approved loan policy for grant of non-fund based facility to such borrowers.

IBUs can open Foreign Currency Current Accounts

IFSC Banking Units (IBUs) can now open foreign currency current accounts of units operating in International Financial Services Centres (IFSCs) and of non-resident institutional investors to facilitate their investment transactions. RBI again clarified that the IBUs cannot raise liabilities from retail customers including High Net-

Worth Individuals (HNIs). Also, no cheque facility will be available for holders of current accounts in the IBUs. All transactions through these accounts must be undertaken via bank transfers.

RBI amends guidelines on gold monetization

RBI has issued amended guidelines on gold monetization scheme, whereby depositors will be able to withdraw medium term and long term government deposits pre-maturely after the minimum lock-in period of three years and five years respectively. However, there will be penalty in the form of lower rate of interest for premature withdrawals depending upon the actual period for which the deposit has run.

Banking Developments

RBI spells out debt strategy for medium term

Reserve Bank of India, in consultation with the Government of India, has placed in public domain Medium-Term Debt Management Strategy (MTDS). The strategy has been articulated for a period of three years (2015-16 to 2017-18). The strategy document contains the objectives, risk analysis of Government borrowings and strategy to be followed. MTDS is in consonance with the Medium-Term Fiscal Policy Statement (MTFPS). The debt management strategy revolves around three broad pillars, viz., low cost, risk mitigation and market development. MTDS has been prepared based on sound international practices and taking into account the domestic economic and financial conditions. MTDS would be updated on an annual basis to reflect the emergent conditions.

RBI fixes 9.45% base rate for NBFC-MFIs

Reserve Bank of India has advised that the applicable rate for credit by Non Banking Financial Company - Micro Finance Institutions (NBFC-MFIs) for the quarter beginning January 01, 2016 is 9.45 %. RBI had earlier communicated that it will advise the average of the base rates of the five largest commercial banks on the last working day of every quarter, for the purpose of arriving at the interest rates to be charged by an NBFC-MFI to its borrowers in the ensuing quarter.

Norms modified for credit to overseas arms

RBI has modified norms for banks to extend credit facilities to overseas step-down subsidiaries of Indian companies that may not be wholly owned (including to those beyond the first level) to finance the projects undertaken abroad. Banks may extend funded and/or non-funded credit facilities to these subsidiaries. RBI also said that banks should make additional provision of 2% (in addition to country risk provision that is applicable to all overseas exposures) against standard assets representing all exposures to the step-down subsidiaries, to cover the additional risk arising from complexity in the structure, location of different intermediary entities in different jurisdictions exposing the Indian company, and hence the bank, to greater political and regulatory risk.

SLBC convener banks to identify villages for branch opening: RBI

RBI has advised State Level Bankers' Committee (SLBC) convener banks to identify villages with population above 5,000 without a branch of a Scheduled Commercial Bank (SCB) in their state. The identified villages may be allotted among Scheduled Commercial Banks (including Regional Rural Banks) for opening of branches. The opening of bank branches under this roadmap should be completed by March 31, 2017.

Government notifies amended Negotiable Instruments Act

The Government has notified the Negotiable Instruments (Amendment) Act, 2015. The Negotiable Instruments (Amendment) Act, 2015, facilitates filing of cases only in a court within whose local jurisdiction the bank branch of the payee, where the payee delivers the cheque for payment through his account, is situated, except in case of bearer cheques, which are presented to the branch of the drawee bank and in that case, the local court of that branch would get jurisdiction.

Banking governance will see reforms:

Mr. Arun Jaitley, Finance Minister, said focus would continue on governance reforms in banking and there was considerable improvement in opening of basic savings banks deposit accounts under the Pradhan Mantri Jan Dhan Yojana. As part of the Governance Reforms in Public Sector Banks (PSBs), the setting-up and structure of Bank Board Bureau (BBB) will replace the Appointment Board for appointment of Whole time Directors as well as Non-Executive Chairman of Public Sector Banks (PSBs) to formulate appropriate strategies for their growth and development.

FLCs, banks' rural branches could target different segments: RBI

RBI wants Financial Literacy Centres (FLCs) and rural branches of banks to adopt a tailored approach for different target groups including farmers, micro and small entrepreneurs, school children, self-help groups (SHGs) and senior citizens. It also desires adequate synchronization at the ground level between different stakeholders like lead district officer of RBI, district and local administration, block-level officials, NGOs, panchayats etc. during the conduct of financial literacy camps.

RBI infuses ₹1,000 crore of additional capital in NHB

Reserve Bank of India has contributed ₹1,000 crore towards the paid up capital of the National Housing Bank (NHB) on January 12, 2016, thereby increasing its shareholding in the NHB from ₹450 crore to ₹1,450 crore. RBI had provided for an amount of ₹1,000 crore during the accounting year 2014-15, specifically towards capital contribution to the NHB, which is its wholly owned subsidiary.

Government fixes second tranche gold bond price at ₹2,600 a gram

Government of India has fixed the price for the second tranche of sovereign gold bonds at ₹2,600 a gram of gold. According to a notification by RBI, the rate has been fixed on the basis of simple average of closing price for gold of 999 purity of the week of January 11-15, 2016, published by the India Bullion and Jewellers Association Ltd.

Accounting road map issued for banks, NBFCs, insurers

Government of India has issued a roadmap for the implementation of the Indian Accounting Standards (Ind-AS) converged with International Financial Reporting Standards (IFRS) for Scheduled commercial banks (excluding RRBs), insurers/insurance companies and Non-Banking Financial Companies (NBFC's). Urban Cooperative Banks (UCBs) and Regional Rural Banks (RRBs) shall not be required to apply Ind AS and shall continue to comply with the existing Accounting Standards, for the present.

Banks to sell gold coins minted by MMTC

RBI has now allowed banks to sell India Gold Coin (IGC) minted by state-owned MMTC. However, the current restriction on selling imported gold coin by banks, continues. The gold used for IGC will be the yellow metal mobilized within India under the Gold Monetization Scheme and the Gold Deposit Scheme.

Fraud Reporting and Monitoring

According to the RBI's Governor's announcement in his Fourth Bi-monthly Monetary Policy Statement, 2014-15, RBI has operationalized a [Central Fraud Registry](#) (CFR) w.e.f. January 20, 2016 to minimize incidents of frauds.

RBI to issue ₹500, ₹100 notes with more security features

RBI will soon put into circulation new bank notes of ₹500 and ₹100 denominations of the Mahatma Gandhi Series – 2005 with enhanced security features. The notes will have ascending size of numerals in the number panels, bleed lines, and enlarged identification mark, on the obverse.



Insurance

New crop insurance scheme

The Union Cabinet chaired by the Prime Minister Shri. Narendra Modi today has approved the 'Pradhan Mantri Fasal Bima Yojana' – a path breaking scheme for farmers' welfare. According to the scheme there will be a uniform premium of only 2% to be paid by farmers for all Kharif crops and 1.5% for all Rabi crops. In case of annual commercial and horticultural crops, the premium to be paid by farmers will be only 5%. The premium rates to be paid by farmers are very low and balance premium will be paid by the Government to provide full insured amount to the farmers against crop loss on account of natural calamities.

Graded approach for non-compliance by brokers: IRDAI

Insurance Regulatory and Development Authority of India's (IRDAI) has evolved a graded approach for non-compliance / violation of Broker Regulations or its circulars, orders, directions etc. The approach elaborates the procedure and laid down the methodology in case of first time violation and second time violation of the regulations, circular, directions, orders, etc.

Minimum 20 people must in group health insurance: IRDAI

IRDAI has proposed that a 'group' should have at least 20 members to be eligible for issuance of a group health insurance policy. However, the minimum group size in respect of a micro group insurance policy may be 5 members. Releasing an exposure draft on IRDAI (Health Insurance) Regulations, 2016, the authority also proposed that "the premiums filed shall ordinarily not be changed for a period of three years after a product has been cleared in accordance to the product filing guidelines specified by it". Thereafter, the insurer may vary the premium rates depending on the experience.

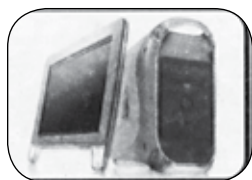
Economy

IMF retains India growth forecast at 7.5% for 2016-17

The International Monetary Fund (IMF) has retained India's growth projection at 7.3% in the current fiscal and 7.5% for the next, even as it cut world economic outlook to 3.4% for 2016.

New Appointments

Name	Designation/Organisation
Mr. Ravi Menon	Chief Executive, HSBC India Asset Management.
Mr. Mayank K. Mehta	Executive Director, Bank of Baroda.
Mr. Dina Bandhu Mohapatra	Executive Director, Canara Bank.
Mr. Vinod Kathuria	Executive Director, Union Bank of India.
Mr. R. Subramania Kumar	Executive Director, Indian Bank.
Mr. A.S. Rajeev	Executive Director, Indian Bank.
Mr. Nageshwara Rao. Y.	Executive Director, Vijaya Bank.
Mr. Sunil Mehta	Executive Director, Corporation Bank.
Mr. Rajkiran Rai G.	Executive Director, Oriental Bank of Commerce.
Mr. Ramesh S. Singh	Executive Director, Dena Bank.
Mr. G.Subramania Iyer	Executive Director, UCO Bank.



Products & Alliances

Organisation	Organisation tied up with	Purpose
Dena Bank	CNX Corporation Ltd.	For availing collateral management services for financing farmers/ traders/processors against pledge of warehouse receipts.
Andhra Bank	National Payments Corporation of India (NPCI)	To facilitate instant fund remittances for its customers.
State Bank of India (SBI)	Export-Import Bank of Korea (K-Exim)	To extend a line of credit worth \$500 million.
Corporation Bank	Life Insurance Corporation of India (LIC)	For group credit-linked insurance plan to cover all retail term loans of ₹4 lakh and above.
Corporation Bank	National Bulk Handling Corporation (NBHC)	For strategic collaboration in Commodity Management.
IndusInd Bank	PayU India	To redefine the digital experience for Indian consumers, through a full suite of consumer banking products online.

Forex

Benchmark Rates for FCNR (B) Deposits applicable for the month of February 2016

Currency	1 Year	2 Years	3 Years	4 Years	5 Years
USD	0.69500	0.86220	1.00460	1.15240	1.28530
GBP	0.58000	0.8002	0.9263	1.0568	1.1804
EUR	-0.14400	-0.158	-0.109	-0.021	0.089
JPY	0.01380	0.004	-0.001	0.015	0.045
CAD	0.92000	0.723	0.783	0.860	0.970
AUD	2.13800	2.030	2.055	2.271	2.360
CHF	-0.72750	-0.765	-0.723	-0.628	-0.513
DKK	0.15200	0.1434	0.2061	0.3015	0.4420
NZD	2.62000	2.640	2.730	2.840	2.960
SEK	-0.36700	-0.279	-0.080	0.157	0.388
SGD	1.68000	1.825	1.985	2.135	2.250
HKD	1.14000	1.350	1.530	1.620	1.720
MYR	3.67000	3.660	3.720	3.760	3.800

Source: www.fedai.org.in

Foreign Exchange Reserves

Item	As on January 29, 2016	
	₹ Bn.	US\$ Mn.
	1	2
Total Reserves	23,528.2	3,49,152.4
(a) Foreign Currency Assets	22,026.3	3,26,631.1
(b) Gold	1,143.5	17,240.1
(c) SDRs	270.7	3,988.3
(d) Reserve Position in the IMF	87.7	1,292.9

Source: Reserve Bank of India (RBI)

Glossary

Central Fraud Registry

A centralised searchable database where the lenders can access all the important details of previous frauds reported by banks.

Financial Basics

Mortgage Back Security

A bond-type security in which the collateral is provided by a pool of mortgages. Income from the underlying mortgages is used to meet interest and principal repayments.

Institute's Training Activities

Training Programme Schedule for the month of March 2016

S.No.	Name of the Programme	Dates	Location
1.	Post Examination Class Room Learning - Certified Bank Trainers.	29.2.2016 to 4.3.2016	NIBM Campus, Pune.
2.	Post Examination Class Room Learning - Certified Credit Officers.	1.3.2016 to 5.3.2016	New Delhi.
3.	Project Finance.	29.2.16 to 5.3.16	IFMR, Chennai

News from the Institute

IIBF's Android Mobile App

IIBF's Android Mobile App, launched by Mr. Ashwani Kumar, President - IIBF, Chairman & Managing Director, Dena Bank, is available on Google Play Store for download. After downloading the application, the user needs to provide basic information to get started (Member name, e-mail and mobile number). Using this application, candidate/member will be able get information about the Institute, Membership, Examinations, Training, Books & Periodicals.

IIBF on Social Media

The Institute is on Facebook & YouTube. This initiative will help the Institute in receiving constructive inputs/ feedback from them to make its courses relevant and up to date in Banking & Finance.

KYC/AML & Customer Service Examination

The Institute will hold the Certificate Examinations in AML/KYC & Customer Service Examinations on quarterly intervals from April 2016 onwards. For details visit 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.

Additional Reading Material for Institute's examination

The Institute has put on its web site additional reading material, for various examinations, culled out from the Master Circulars of RBI and other sources. These are important from examination view point. For details visit www.iibf.org.in.

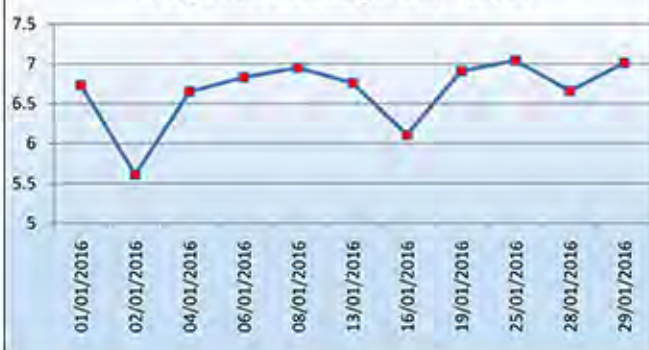
Green Initiative

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

• Registered with Registrar of Newspapers Under RNI No. : 69228/1998

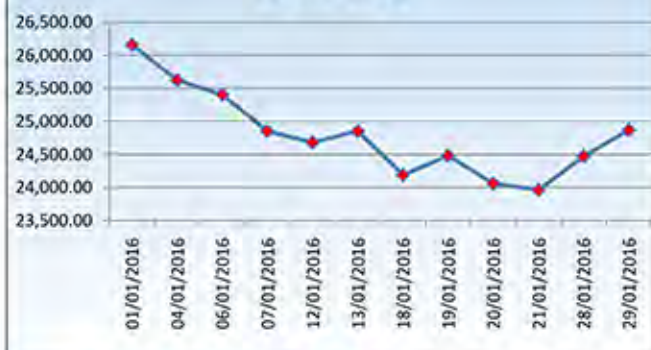
Market Roundup

Weighted Average Call Rates



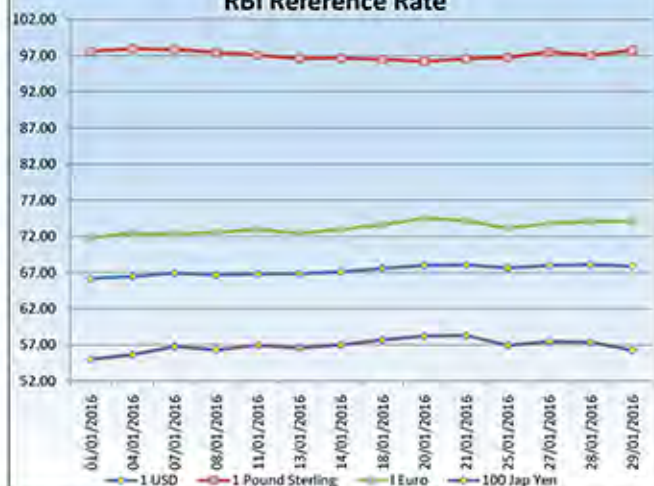
Source: CCIL Newsletters, January 2016

BSE Sensex



Source: Bombay Stock Exchange (BSE)

RBI Reference Rate



Source: Reserve Bank of India (RBI)

Printed by Dr. J. N. Misra, Published by Dr. J. N. Misra on behalf of Indian Institute of Banking & Finance, and printed at Onlooker Press 16, Sasoon Dock, Colaba, Mumbai - 400 005 and published from India Institute of Banking & Finance, Kohinoor City, Commercial-II, Tower-I, 2nd Floor, Kiroi Road, Kurla (W), Mumbai - 400 070.
 Editor : Dr. J. N. Misra

INDIAN INSTITUTE OF BANKING & FINANCE

Kohinoor City, Commercial-II, Tower-I, 2nd Floor, Kiroi 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