CONTEMPORARY

BANKING & FINANCE

CORPORATE TRAINING & DEVELOPMENT INSTITUTE (CTDI)

Registration No. CHD / 0030 / 2009 - 11, RHI NO. CHAENG / 1997 / 4961

VOLUME - 24 **No. 07** **JULY 2024**

CTDI

CONTENTS

CTDI

CORPORATE TRAINING & DEVELOPMENT INSTITUTE™

GURUKUL FOR BANKERS

SCO 91, (1st & 2nd Floor), Sector 47-D, Chandigarh-160047,
Mob: 9041086057, 9317723230

Website: www.corporatetraininginstitute.com
Email: training@corporatetraininginstitute.com

HYDERABAD BRANCH

CORPORATE TRAINING & DEVELOPMENT INSTITUTE (CTDI)

Kachiguda Pride, Ground Floor, Nimboli Adda, Kachiguda Station Road, Hyderabad-500027. Mob. 9395140742

SCAN THE QR CODE TO JOIN US ON TELEGRAM

FINANCIAL STABILITY REPORT

(JUNE 2024)

The Reserve Bank released the 29th issue of the Financial Stability Reports (FSR) - a half-yearly publication for reviewing the nature, magnitude and implications of risks that may have a bearing on the macroeconomic environment, financial institutions, markets and infrastructure.

➢ The FSR reflects the collective assessment of the Sub Committee of the Financial Stability and Development Council (FSDC – headed by the Governor of RBI), on the resilience of the Indian financial system and risks to financial stability.

➢ The FSR highlighted that the Indian economy and the financial system remain resilient as the gross non-performing assets (GNPA) ratio of banks has declined to a multi-year low. Indian financial institutions and banks have reported improved balance sheets, which will help macroeconomic activity through a sustained credit expansion.

●**MACROFINANCIAL RISKS:**

➢ Over the past four years, the world has experienced multiple high-impact shocks, leading to a persistently uncertain international outlook. Despite this, the balance of risks to global financial stability has improved since the last FSR in December 2023. The threat of a hard landing for the global economy has lessened, though disinflation progress remains slow and global trade continues to deal with fragmentation and realignment of supply chains. Financial markets are adapting to these changes, including shifts in monetary policy stances by various central banks.

➢ In this context, the global financial system faces significant risks, including alarming levels of public debt, stretched asset valuations, increasing economic and financial fragmentation, frequent geopolitical conflicts, and risks related to financial technologies and climate change.

➢ Against this backdrop, the International Monetary Fund (IMF) has projected global growth to remain steady at 3.2 per cent in 2024 as in 2023, 0.3 percentage points higher than in its October 2023 World Economic Outlook update. The World Bank, on the other hand, projects global growth to be lower at 2.6 per cent in 2024.

●**DOMESTIC ECONOMY AND MARKETS:**

➢ The Indian economy is showing strength and resilience, underpinned by strong macroeconomic fundamentals and buffers. Economic activity is steadily expanding, and the financial system is more robust and dynamic than it was before the recent crises. RBI' strategy of balancing growth with stability and taking proactive and prudent actions to prevent risk accumulation is fostering long-term resilience and stability in the financial system. It is crucial to consolidate these gains and develop a financial system that is future-ready and supports the needs of India's growing economy.

➢ The Indian economy and the financial system remain robust and resilient, anchored by macroeconomic and financial stability. With improved balance sheets, banks and financial institutions are supporting economic activity through sustained credit expansion.

POSITIVE ATTITUDE

TWO WOLVES: An old wise man told his grandson about a battle between two wolves inside us. One is evil (anger, jealousy, greed), and the other is good (joy, peace, love). The grandson asked, "Which Wolf wins?" The grandfather replied, "The one you Feed."

YOUR THOUGHTS AND ACTIONS SHAPE WHO YOU BECOME.

VOLUME 24 NO. 07 JULY 2024

CTDITM

SCO 91, (1st & 2nd Floor), Sector 47-D, Near PNB, Chandigarh
Pin - 160047.

MOB: 9041086057, 9317723230

➢ In the current global economic climate, the Indian economy is set to maintain robust growth, supported by macroeconomic and financial stability, and a growing role in global development as the world's fastest-growing major economy.

➢ India's economic strength is driven by domestic demand. The country is fortified against global shocks by substantial foreign exchange reserves, high capital and liquidity buffers in the banking system, and improved and cleaner balance sheets of banks, non-banks, and corporations.

●**Domestic Growth:**

➢ Real GDP rose by 8.2 per cent in 2023-24, up from 7.0 per cent in the previous year, despite muted private and government final consumption and external demand conditions acting as a drag. The Monetary Policy Committee has projected real GDP to grow by 7.2 per cent during 2024-25.

There are several positives in the near term economic outlook.

➢ **First,** domestic demand conditions are strengthening, and business optimism is at its highest among major economies of the world.

➢ **Second,** the government's sustained focus on capital expenditure should crowd-in more private investment through multiplier effects.

➢ **Third,** firms are utilising high profits to augment investible resources while bringing down leverage.

➢ **Fourth,** real estate activity is gathering pace which, alongside public investment on infrastructure, is driving a construction activity cycle.

➢ **Fifth,** exports of services are rising, and their prospects remain bright.

➢ **Finally,** credit growth is deepening, supported by healthier bank balance sheets.

●**Inflation:**

➢ Headline consumer price index (CPI) inflation is descending to the medium-term target of 4 per cent. It eased to 4.7 per cent in May 2024 from 5.7 per cent in December 2023 but its near term trajectory remains vulnerable to volatile food prices.

➢ In contrast, core inflation (i.e., CPI excluding food and fuel) is witnessing a sustained decline – it eased to 3.0 per cent in May 2024, its lowest level in the current CPI series.

EXTERNAL SECTOR AND FOREIGN EXCHANGE MARKET:

●**Merchandise Trade:**

➢ The resilience of the external sector has supported India's overall macroeconomic stability. The merchandise trade deficit narrowed to US$ 238.3 billion in 2023-24 from US$ 264.9 billion in the previous year. Both exports and imports recorded positive growth during the Jan.-March 2024 quarter, which was a turnaround from declines during April-December 2023.

➢ The outlook for merchandise trade would be conditioned by the strength of global demand, movements in commodity prices and freight costs, supply chain pressures, especially in major trading routes.

➢ The moderation in trade deficit alongside sustained buoyancy in services exports and remittances have led to current account surplus of 0.6 per cent of GDP at current market prices in Q4:2023-24.

●**Capital Inflows:** In an uncertain global economic and financial environment, India remains an attractive investment destination. During 2023-24, net inflows of foreign portfolio investments (FPI) to India, both debt and equity, recorded a sharp turnaround, reaching its second-highest level ever at US$ 44.6 billion (BoP basis). During the current fiscal year so far (up to June 12, 2024), FPI flows were negative at (-) US$ 3.9 billion.

●**External Commercial Borrowings (ECB):** ECB flows (net of principal repayments and intercompany borrowings) turned positive in 2023-24 from net outflows in the previous year. Also, both rupee-denominated and foreign currency denominated non-resident deposit schemes recorded inflows throughout 2023-24.

●**Foreign direct investment (FDI):** Foreign direct investment flows moderated, partly due to a rise in repatriations from India. There has been a rise in both international liabilities and assets and, as a corollary, the build-up of foreign exchange reserves has strong interlinkages with net capital flows to India. In an increasing global interest rate cycle, the servicing cost of debt liabilities and investment income outflows have been rising.

(Cont'd on Page no. 4)

KNOWLEDGE +

CURRENCY SWAP ARRANGEMENT

(REVISED FRAMEWORK FOR SAARC)

In recent years, the Reserve Bank of India has been actively striving to enhance the international acceptability of the Indian Rupee (INR) in global trade. This strategic initiative, referred to as the internationalization of the Indian Rupee, aims to position the INR as a more widely recognized and used currency in international markets.

- The SAARC Currency Swap Facility came into operation on Nov. 15, 2012 with an intention to provide a backstop line of funding for short term foreign exchange liquidity requirements or balance of payment crises of the SAARC countries till longer term arrangements are made.
- **Now, RBI with the concurrence of the Government of India has decided to put in place a revised Framework on Currency Swap Arrangement** with member countries of the South Asian Association for Regional Cooperation (SAARC) countries for the period 2024 to 2027. Under this Framework, the Reserve Bank would enter into bilateral swap agreements with SAARC central banks, who want to avail of the swap facility. This arrangement is designed to facilitate smoother trade and investment transactions among SAARC nations by allowing them to swap their local currencies with the INR.
- The SAARC Currency Swap Arrangement includes Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.
- **Currency Swap Arrangement (CSA)** is a financial agreement between two parties to exchange cash flows denominated in different currencies. Under this, two counterparties agree to exchange two currencies at a set rate and then to re-exchange those currencies at an agreed upon rate at a fixed date in future.
- Cross-currency swaps help to maintain financial stability during a crisis and helps in addressing short-term balance of payments stress. Under this arrangement, SAARC member countries can address short-term foreign exchange liquidity needs or balance of payments crises by temporarily swapping their currencies with the INR. This provides a financial safety net that helps these countries manage economic volatility and maintain financial stability.

Indian businesses benefit from this arrangement as it simplifies cross- border transactions by using the Indian rupee, reduces currency exchange risks and transaction costs and promotes trade opportunities in the region.

CURRENCY SWAP MECHANISM: Under this arrangement, central banks of SAARC member countries can enter into bilateral agreements with the RBI. These agreements allow them to swap their currencies for Indian Rupees, US dollars, or euros, according to the predetermined terms and conditions. This provides immediate liquidity support without the risks associated with exchange rate fluctuations.

BENEFITS OF CSA:

- **Enhanced Regional Cooperation:** By providing a mechanism for mutual financial support, the arrangement strengthens economic ties and fosters a sense of solidarity among SAARC nations.
- **Liquidity Support:** Countries facing temporary liquidity shortages can access immediate financial resources, helping them stabilize their economies without resorting to more drastic measures. In times of balance of payments crises, the swap facility offers a quick and effective solution, preventing potential economic disruptions and ensuring smoother financial operations.
- **Promoting Trade and Investment:** By facilitating easier currency exchanges, the arrangement encourages increased trade and investment within the SAARC region, contributing to overall economic growth and development.
- **Boosting Confidence in the INR:** As the arrangement involves the use of the Indian Rupee, it helps in promoting the INR's acceptability and usage in the region, aligning with the RBI's broader goal of internationalizing the Indian Rupee.

Overall, the SAARC Currency Swap Arrangement represents a proactive approach by the RBI to support regional economic stability and cooperation, providing a robust framework for addressing short-term financial challenges and enhancing economic resilience.

HIGHLIGHTS OF THE REVISED CSA FRAMEWORK:

- The Currency Swap Facility will be available to all SAARC member countries, subject to their signing the bilateral swap agreements.
- Under the CSA Framework for 2024-27, a separate INR Swap Window has been introduced with various concessions for swap support in Indian Rupee.
- The total corpus of the Rupee support is Rs.250 billion.
- RBI will continue to offer swap arrangement in US$ and Euro under a separate US Dollar/ Euro Swap Window with an overall corpus of US$ 2 billion.
- The arrangement will impact the Indian forex market by increasing the demand for Indian rupees in regional trade, reducing dependency on major global currencies like the US dollar and euro enhancing India's influence in regional economic matters.

COMPLIMENTS

(FROM OUR PARTICIPANTS)

AJEET SINGH 8054593250

I have been selected for promotion to senior manager.

Bank: UCO, Scale 3-4

MINUSHA ASOK 8547062250

Sir, Good Morning,

This is Minusha form IOB Promotion batch 70.

I got promoted from scale 2-3. Result declared today. Thanku you for your support and guidance.

Bank: IOB, Scale 2-3

RANJEET SINGH 9816734324

Good Morning Sir,

I have joined CTDI classes for promotion to MMG II cadre.

I have got promotion for the same. Heartfelt thanks to you Sir for your valuables guidance and support.

BANK: HPGB, Scale 2-3

ARIJIT DASGUPTA 9830355810

For the Team CTDI blessings and well wishes....finally I got promoted from Scale 2 to 3 at IDBI BANK.

BANK: IDBI 2–3

BARLEEN KAUR 9115520800

Thanku so much Sir. I have cleared my promotion exam from scale one to two with 67 marks. Now hoping to qualify interview also.

BANK: PSB Scale 2-3

GURJEET KAUR 9781160119

Hello Sir

I have cleared Punjab & Sind Bank, scale 2 to 3 exam with 16th rank pan India. Thanku you so much for your efforts and syllabus you provided. It was really worth.

BANK: PSB Scale 2-3

GURPREET KAUR 9915105499

I am very thankful to CTDI and Bhalla Sir as I have cleared my PSB Promotion Exam.

BANK: PSB Scale 2-3

PRAVEEN RATHOD 9908235676

Good afternoon Bhalla Sir,

My self Praveen Rathod Managet from UCO Bank Thank you Sir for your wonderful Teaching for Promotion Exam I have qualified in Written Exam.

BANK: UCO Scale 1-2

PALLAVI CHONA 7831072720

Good Morning Sir,

This is Pallavi Chona from HPGB.

Thanku for your guidance. I have been promoted to Scale 2.

BANK: HPGB, Scale 1- 2

(Cont'd from Page No 2)

FINANCIAL STABILITY REPORT

➢ Overall, capital flows are expected to remain strong, supported by macroeconomic stability and the positive economic outlook. The inclusion of Indian government securities in the JP Morgan Global Bond Index - Emerging Markets from June 2024 and in the Bloomberg Emerging Market Local Currency Government Index from January 2025 also augurs well for the outlook for debt capital flows to India.

● **Foreign Exchange Reserves**: Foreign exchange reserves of US$ 652.9 billion as on June 14, 2024 is sufficient to cover over ten months of projected imports for 2024-25; external debt moderated to 18.7 per cent of GDP in March 2024; and the share of short-term debt (with original maturity of up to one year) in total external debt declined to 18.5 per cent in March 2024.

● **Corporate Sector:** Corporate sector resilience has been bolstered by strengthening balance sheets and steady earnings. Increased capitalisation of profits has augmented equity of non-financial corporates (NFCs) and supported deleveraging.

➢ Among listed private corporates, sales growth diverged across manufacturing firms, information technology (IT) firms and non-IT services firms, and operating profit margins moderated across the major sectors during Q4:2023-24.

● **Government Finance:** Fiscal consolidation, buoyant tax collections and improvement in the quality of spending have been the distinguishing features of the Union Govt's fiscal position. As per the provisional accounts (PA), the gross fiscal deficit was 5.6% of GDP in 2023-24 as against the budget estimates (BE) of 5.9%. Gross tax collections posted double digit growth, driven up by direct tax collections. On the expenditure side, the strategy remained geared towards growth inducing capital expenditure; growth in revenue expenditure remained muted at 1.2 per cent.

CENTRAL GOVT. FINANCES - KEY DEFICIT INDICATORS

(per cent of GDP)

Item	2020-21	2021-22	2022-23	2023-24 (PA)	2024-25 (BE)
Revenue Deficit	7.3	4.4	4.0	2.6	2.0
Gross Fiscal Deficit	9.2	6.7	6.4	5.6	5.1
Primary Deficit	5.7	3.3	3.0	2.0	1.5

PA: Provisional Accounts; BE: Budget Estimate. Sources: Union Budget Documents and CGA.

All major deficit indicators of the Union Govt. are projected to show further improvement. The GFD is pegged at 5.1 per cent of GDP in 2024-25 (BE), 46 basis points lower than in 2023-24 (PA). Ongoing improvement in the quality of fiscal adjustment is also reflected in the declining revenue expenditure to capital outlay (RECO) ratio. The central government's debt is projected to fall to 57.1 per cent of GDP in 2024- 25 (BE) from 58.4 per cent of GDP a year ago, further consolidating public finances.

SOUNDNESS AND RESILIENCE OF THE FINANCIAL SECTOR

The banking stability indicator (BSI) provides a comprehensive assessment of the health of the domestic banking system. The BSI shows that overall stability of the banking system improved on the back of stronger capital levels, higher earnings, and decline in the stock of NPAs, including restructured assets. Profitability indicators (viz., RoA, RoE and NIM) remained strong in March 2024 despite a marginal decline relative to the September 2023 position. Efficiency indicators weakened because of increase in staff costs and the cost-to-income ratio. Liquidity coverage ratio (LCR) fell marginally, although the banking system has substantial liquidity buffers relative to the regulatory minimum.

a) **Asset Quality:** The asset quality in terms of GNPA ratio fell to a 12-year low of 2.8% at the end-March 2024 and the NNPA ratio fell to 0.6% at end-March 2024.

The half-yearly slippage ratio (viz, new NPA accretions as a share of standard advances) decreased across bank groups. Though the amount of write-offs declined during the year, the write-off ratio remained almost at the same level a year ago due to a reduction in GNPA stock.

The GNPA ratio of all SCBs may improve to 2.5% by March 2025 under the baseline scenario. However, if the macroeconomic environment worsens to a severe stress scenario, the GNPA ratios of PSBs may increase from 3.7% in March 2024 to 4.1% in March 2025, whereas it may go up from 1.8% to 2.8% for private sector banks and from 1.2% to 1.3% for foreign banks.

b) **CRAR of SCBs:** The capital to risk-weighted assets ratio (CRAR) and the common equity tier 1 (CET1) ratio of SCBs stood at 16.8% and 13.9%, respectively, at end-March 2024.

Stress Scenarios and Projections: These scenarios are stringent conservative assessments under hypothetical shocks and the results should not be interpreted as forecasts.

➢ **Baseline Scenario:** Under normal conditions, banks are expected to have a CRAR of 16.1% by March 2025.

➢ **Medium Stress Scenario:** Under moderate stress, banks are expected to have a CRAR of 14.4% by March 2025.

➢ **Severe Stress Scenario:** Under severe stress, banks are expected to have a CRAR of 13.0% by March 2025.

c) **Liquidity Coverage ratio:** The LCR of banks declined from 135.7 per cent to 130.3 per cent between September 2023 and March 2024. Notably, the LCR of PVBs stood at 126.9 per cent in March 2024 after dipping to 118.8 in Q3:2023-24.

d) **Return on Assets & Return on Equity:** Amidst a lengthy monetary tightening cycle, banking sector profitability has also been bolstered by high net interest margins (NIMs) and strong credit demand. The return on assets and return on equity (RoE) remained strong at 1.3% and 13.8%, respectively, in March 2024.

e) **Credit Deposit (C-D) ratio:** The growing gap between credit and deposit growth is reflected in a rising credit deposit (C-D) ratio, which has been on the ascent since Sept. 2021 to peak at 78.8% in Dec. 2023 before moderating to 76.8% at end-March 2024. The C-D ratio of private sector banks (PVBs) has been particularly high - over three fourths of the banks with C-D ratios above 75%. With credit growing at a brisk pace and outpacing nominal GDP growth for seven consecutive quarters, the credit-GDP gap (i.e. the difference between the credit-GDP ratio and its long-term trend) has sharply narrowed to (-) 2.1% in Q3:2023-24 from (-) 7.4% Q3:2022-23. Despite the divergence in credit and deposit growth, elevated C-D ratio and narrowing credit-GDP gap, credit growth at 16.1% as on May 31, 2024 (net of merger of an HDFC with a bank) remains sustainable and within the range of 16-18% beyond which it may lead to higher impairments.

f) **NON-BANKING FINANCIAL COMPANIES (NBFCs):** NBFCs have a CRAR of 26.6%, indicating they are financially strong. NBFCs have a GNPA ratio of 4.0%, meaning 4% of their loans are not being repaid. NBFCs have a RoA of 3.3%, indicating they are making good profits from their assets.

SYSTEMIC RISK SURVEY: The Systemic Risk Survey (SRS) conducted in May 2024 revealed that experts remain confident in the stability of the Indian financial system, with all major risk categories rated as 'medium'. Risks from global spillovers and macroeconomic factors have decreased. Financial market risk drivers such as foreign exchange rate and liquidity risks have moderated, but equity price volatility risk has increased to 'high', and interest rate risk has also risen. Confidence in the Indian financial system has grown among one-third of respondents, with 20% reporting higher confidence in global financial stability. Nearly 90% of respondents see stable or improved prospects for the Indian banking sector over the next year, with 26% expecting better asset quality and 48% anticipating increased credit demand, driven by higher GDP growth, government spending, and activity in manufacturing, real estate, and infrastructure.

CTDI, GURUKUL FOR BANKERS
SCO 91, (1ST & 2ND FL) SEC. 47-D
CHANDIGARH-160047, 9317723230

DERIVATIVES

A financial contract that derives its value from another financial product / commodity called underlying such as a stock, stock index, a foreign currency, a commodity. The primary purpose of the derivative instruments is not to borrow or lend funds but to transfer price risks associated with fluctuation in asset values. The derivatives provide three important economic functions viz;

a) Risk Management. b) Price Discovery c) Transactional Efficiency.

A Derivative has the following three main characteristics:

a) Their value changes in response to the change in a specified 'underlying' asset

b) Derivatives have the characteristics of high leverage and of being complex in their pricing and trading mechanism. They require no or little initial net investment when compared to other types of contracts having a similar response to changes

c) It is settled at a future date.

●**REGULATORS OF DERIVATIVE INSTRUMENTS:** In India, various derivatives instruments are permitted and regulated by different authorities, including the Reserve Bank of India, the Securities and Exchange Board of India, and the Forward Markets Commission (FMC). Generally, the RBI oversees interest rate derivatives, foreign currency derivatives, and credit derivatives. SEBI regulates the stock market, while the FMC regulated the commodities futures market. However, the FMC has been merged with SEBI.

●**PLAYERS:** The main players in a financial market include hedgers, speculators and traders. Hedgers, Traders and Speculators use derivatives for different purposes.

●**DERIVATIVES MARKET:** There are two distinct groups of derivative contracts based on their market:

(a) Over-the-counter (OTC) derivatives: Contracts that are traded directly between two eligible parties, with or without the use of an intermediary and without going through an exchange. The parameters of the contract, like the size, maturity etc., are not standardised and are mutually agreed to between the parties to a contract.

(b) Exchange-traded derivatives: Derivative products that are traded on an exchange. The maturity and size of these products are standardized by the Exchange. Trade in these derivative products can be done only through a member of the exchange by paying the initial margin and maintaining a variable margin account

●**TYPES OF DERIVATIVES:** The commonly used derivatives are as follows:

a) Forward contracts b) Options c) Futures d) Swaps e) Forward Rate Agreement

A) FORWARD CONTRACTS: The forward is a contract that is offered Over the Counter to customers having underlying Exchange risks. Forward Purchase contracts are entered into by Exporters and Forward sale contracts by Importers. All entities with underlying exposures are now entitled to Forward contracts including NRIs, FIIs etc. Forward Contracts determine the Rate and date on which the delivery of foreign currency will take place at a future date and are structured as per the customer's needs.

- Authorized dealers (Banks) have been permitted under FEMA to enter in to Forward contracts for sale or purchase of Foreign Currency with their customers who are exposed to foreign currency risks arising out of their normal transactions which are permitted under current regulations.
- The mechanism of Forward Contract is very simple. On being approached by a customer for a forward cover, the AD would satisfy himself that there exists a genuine exposure and quote a rate . For example, if an Importer who is required to pay an inward bill maturing after one month may approach his banker for a forward cover. This is because the importer is either risk averse or feels that the rupee / dollar rate would move against him in the intervening month.
- The bank would then quote a forward rate. If the customer is satisfied with the quotation, he would sign the contract which would bind him to the rate and the date. Contract documents are signed and charges if any are collected.
- If the customer fails to perform his part of the contract, the contract is cancelled and Swap charges are recovered where necessary. Similar contracts can be entered into different customers based on their requirements.
- Forward Contracts are either Forward purchase contracts or Forward Sale contracts depending on the nature of the transaction. Exporters, NRIs, EEFC holders and so on would enter in to Forward purchase contracts. On the other hand, Importers, constituents who have to make payments under foreign currency loans and so on would enter in to Forward sale contracts. The words Purchase and Sale are used from the point of view of the Bank and not the customer.
- Forwards are valuable for mitigating liquidity risk, minimizing price fluctuations, and preventing losses during market downturns. However, they come with the drawback of mandatory contract fulfillment, exposing parties to credit risk and market risk.

B) OPTIONS: An Option is a contract conveying the right but not the obligation to buy or sell a physical commodities or specified financial instrument at a fixed price before or at a certain future date. Options contracts provide the right but not the obligation to buy or sell a financial instrument. The purchaser of the Option pays a Premium to the option writer. The price agreed to is called Strike price. The purchaser can exercise his right to buy or sell depending upon whether the going market rates are in his favour.

PARTIES IN OPTION CONTRACT		
THE OPTION BUYER	**THE OPTION SELLER**	**EXERCISE PRICE OR STRIKE PRICE**
The Option buyer is also called as Holder / Owner. The option buyer pays a premium and purchases the option which confers a right to buy or sell the currency (as the case may be) at an agreed price in exchange for another currency at a future date.	Also called Option Writer who deals in Options. The Writer will sell an Option (whether it is a Buy option or a Sell option as per the counterparty's requirements) for a fee called Premium. He has to perform his commitment only if the Holder chooses to exercise the option.	The price at which the option buyer has the contractual rights to buy or sell the currency is called the exercise price or strike price.

<table>
<tr><th colspan="2">TYPES OF OPTIONS</th></tr>
<tr><th>CLASSIFICATION BASED ON UNDERLYING TRANSACTION</th><th>CLASSIFICATION BASED ON TIME OF EXECUTION</th></tr>
<tr><td><u>Call Option</u>: The owner / buyer has the <u>right to purchase</u> and the writer / seller has the obligation to sell specified quantity of the underlying at a specified price prior to the option expiry date.
<u>Put Option</u>: The owner or buyer has the right to sell and the Option writer / seller has obligation to buy specified quantity of the underlying at a specified price prior to the options expiry date.</td><td><u>American Option</u>: Option holder can exercise the option any time during the option term.
<u>European Option</u>: Option holder can exercise the option only at the end of the Option period.
In India, arlier only European Options were permitted. However, RBI has since permitted American options also.</td></tr>
<tr><td>1) <u>American Call Option</u>: Option to buy and can be exercised any time during the option term.</td><td>2) <u>American Put Option</u>: Option to sell and can be exercised any time during the option term</td></tr>
<tr><td>3) <u>European Call Option</u> : Option to buy and can be exercised only at the end of the option period.</td><td>4) <u>European Put Option</u>: Option to sell and can be exercised only at the end of the option period.</td></tr>
</table>

IN–THE-MONEY OPTION	AT-THE-MONEY OPTION	OUT-OF-THE-MONEY OPTION
An In-the-money (IIM) option is an option that would lead to a positive cash flow to the holder if it were exercised immediately. A call option on the currency(say USD) is said to be in-the-money when the current value of currency(say USD) stands at a level higher than the strike price (i.e. spot price > strike price). If the value of currency is much higher than the strike price, the call is said to be deep ITM. On the other hand, a put option on currency is said to be ITM if the value of currency is below the strike price.	An At-the-money (ATM) option is an option that would lead to zero cash flow if it were exercised immediately. An option on the currency (say USD) is at-the-money when the current value of currency in the markets equals the strike price (i.e. spot price = strike price).	An Out of-the-money (OTM) option is an option that would lead to a negative cash flow it was exercised immediately. A call option on the currency (say USD) is said to be out-of-the-money when the current or market value of currency stands at a level which is less than the strike price (i.e. spot price < strike price). If the currency is much lower than the strike price, the call is said to be deep OTM. On the other hand, a put option on currency is OTM if the value of currency is above the strike price.

●<u>INTEREST RATE OPTIONS:</u>

Interest rate options are primarily of two types: the Cap and the Floor.

Cap: An interest rate option where the buyer, aiming to cap their interest costs, has the right to receive the difference in interest rate on a notional principal if the interest rate on the underlying borrowing exceeds a chosen ceiling at pre-agreed periodic intervals for a specified maturity period.

Floor: An **interest rate floor** is a derivative contract in which the buyer receives payments at the end of each period in which the interest rate is below the agreed strike price.

Caps and floors can be used to hedge against interest rate fluctuations. For example, a borrower who is paying the LIBOR rate on a loan can protect himself against a rise in rates by buying a cap at 2.5%. If the interest rate exceeds 2.5% in a given period the payment received from the derivative can be used to help make the interest payment for that period, thus the interest payments are effectively "capped" at 2.5% from the borrowers' point of view.

<u>Salient Points of Interest Rate Options</u>:

a) **Separation of Liquidity from Return Exposure:** These options allow investors to manage liquidity separately from return exposure.
b) **Exposure Management:** They enable the option purchaser to gain or shed exposure to the underlying asset without needing to buy or sell the asset itself.
c) **Inherent Leverage:** The full face value of the underlying asset is controlled through the payment of a premium, which is a percentage of the face value.
d) **Asymmetric Exposure:** The key feature is that the option buyer can achieve asymmetric exposure to price fluctuations in the underlying asset.
e) **Off-Balance Sheet Transactions:** The option contract remains off the balance sheet for the parties involved in the transaction.

●**<u>FUTURE CONTRACTS:</u>** A Future contract is defined as a commitment to buy or sell at a specified future settlement date and a designated amount of commodity or a financial asset. It is a legally binding contract by two parties to make / take delivery of commodity at certain point of time in the future. The Futures are contracts which have standard amounts and delivery periods (one month / two month) and are traded on exchanges, regulated by institutions such as SEBI. They need only margin payment and are marked to market on a daily basis. Futures are available on currencies, bonds, interest rates, stock indices, commodities etc. Futures contract are made primarily for hedging.

Pricing Futures: The price of any futures contract has three essential components. These are: (a) the spot price of the underlying asset (b) the cost of financing, storing, insuring and transporting the asset (c) the income if any, earned from the asset. Taking all these three factors into account futures price (FP) will be equal to the spot price (SP) + financing and other costs - income if any.

FP = S.P + Costs - Income.

<u>MAIN FEATURES OF FUTURES CONTRACTS:</u>

(a) Futures are traded on Security Exchanges;
(b) Futures contracts have standard contract terms;
(c) Futures exchanges are associated with clearing houses;
(d) Futures' trading requires margin payments and daily settlement;
(e) Futures are highly liquid & low default levels.

(TO BE CONTINUED IN NEXT MONTHS ISSUE)

POLICY GUIDELINES

●REVISION IN DEFINITION OF BULK DEPOSIT:

Banks have discretion to offer differential rate of interest on the bulk deposits as per their requirements and Asset-Liability Management (ALM) projections.

➢ RBI has recently revised the definition of 'Bulk deposits' accepted by the banks. As per the revised guidelines, the term 'Bulk Deposit' would now mean:

a) Single Rupee term deposits of Rs. 3 crore (Rupees Three Crore) and above for Scheduled Commercial Banks (excluding RRBs) and Small Finance Banks.

b) Single Rupee term deposits of Rs. 1 crore (Rupees One Crore) and above for Local Area Banks as applicable in case of Regional Rural Banks.

●PRIORITY SECTOR LENDING – AMENDMENTS TO THE MASTER DIRECTIONS:

RBI had issued master circular on Priority Sector Lending (PSL) for banks in September 2020. To improve flow of credit under PSL, few of the guidelines have been revised.

A) ADJUSTMENTS FOR WEIGHTS IN PSL ACHIEVEMENT:

As per the extant guidelines, RBI has specified list of districts with comparatively high and low PSL credit which was valid till FY 2023-24.

(a) RBI has now issued revised list and as per which 198 districts are classified as districts with comparatively high PSL credit and 196 districts are classified as districts with comparatively low PSL credit. These lists will remain valid until FY 2026-27 and will be reviewed thereafter.

(b) From FY 2024-25 onwards, a higher weight (125%) would be assigned to the incremental priority sector credit in the identified districts where the credit flow is comparatively lower (per capita PSL less than Rs.9,000), and a lower weight (90%) would be assigned for incremental priority sector credit in the identified districts where the credit flow is comparatively higher (per capita PSL greater than Rs.42,000).

B) MICRO, SMALL & MEDIUM ENTERPRISES:

a) Review and Tune their Lending Policies: To improve flow of credit during their 'life cycle' to MSE sector, banks shall review and tune their lending policies to the MSE sector by incorporating therein the following provisions so as to facilitate timely and adequate availability of credit to viable MSE borrowers especially during the need of funds in unforeseen circumstances.

➢ To extend standby credit facility in case of term loans;

➢ Additional working capital to meet with emergent needs of MSE units.

➢ Mid-term review of the regular working capital limits, where banks are convinced that changes in the demand pattern of MSE borrowers require increasing the existing credit limits of the MSEs, every year based on the actual sales of the previous year.

➢ Timeline for credit decisions for **loans up to Rs.25 lakh** to units in the MSE segment shall not be more than **14 working days.** For loans above the aforementioned limit, timelines shall be as per the Board approved sanction time norms.

➢ All credit related information pertaining to MSMEs including timelines for credit decisions, indicative document checklist etc., shall be displayed under a separate tab prominently on the bank's website.

b) Structured Mechanism for Monitoring the Credit Growth to the MSE Sector: Banks shall put in place a structured mechanism to monitor the entire gamut of credit related issues pertaining to the MSE sector. Accordingly, banks shall implement the following:

➢ **Credit Proposal Tracking System (CPTS):** Banks shall put in place a CPTS/ equivalent tracking mechanism to facilitate central registration and a system of e-tracking of all MSME loan applications. This mechanism shall automatically generate an acknowledgement of the application, having a unique application serial number for both physical and online applications. Further, it shall also be ensured that the acknowledgement and status of the application is sent automatically to the applicants.

➢ **Indicative check list of documents:** Banks shall furnish the MSME borrowers with an indicative checklist of documents required for processing the loan application at the time of applying for the loan. Banks shall monitor the loan application disposal process and pendency beyond sanction time norms at appropriate levels on a quarterly basis. The position in this regard shall be displayed by banks on their websites within one month from the end of the preceding quarter.

➢ Banks shall, within the Board approved sanction time norms, convey to the MSME borrowers in writing the main reason/reasons which, in the opinion of the bank after due consideration, have led to rejection of the loan applications.

➢ Banks shall implement a system-driven comprehensive performance management information system (MIS) at branches and supervisory levels (region, zone, head office).

➢ The Performance should be critically evaluated on a regular basis. The credit flow to MSE sector shall also be reviewed by the Board of the banks at periodic intervals.

➢ SLBC/UTLBC Convenor banks shall display the list of identified MSME clusters by government of India on their portals and update them semi-annually as at end- March and end-September. The lead bank of a district shall promote 'credit-linkage' in all MSME clusters located within the district. The SLBC /UTLBC Convenor banks shall disclose the credit extended to clusters in the State/UT on their portal every quarter in the prescribed format issued by RBI.

●WAYS AND MEANS ADVANCES SCHEME FOR STATE GOVERNMENTS/UTs:

RBI on June 28, 2024 reviewed the limits for financial accommodation extended to State Govts / Union Territories through Special Drawing Facility (SDF), Ways and Means Advances (WMA) and Overdraft (OD) schemes.

➢ Ways and Means Advances (WMA) is a mechanism used by RBI under its credit policy to provide to States, banking with it, to help them tide over temporary mismatches in the cash flow of their receipts and payments. This is guided under Section 17(5) of RBI Act, 1934.

Ways & Means Advances: Based on the recommendations made by the Group constituted by the RBI and consisting of select state Finance Secretaries and taking into account the expenditure data of the states for the recent years, it has been decided to revise the WMA limits of the State Governments/ UTs, effective from July 01, 2024. The revised aggregate WMA limit for State Governments/ UTs will be Rs.60,118 crore as against the existing limit of Rs.47,010 crore.

Special Drawing Facility: SDF availed by State Governments/ UTs shall continue to be linked to the quantum of their investments in marketable securities, issued by the Government, including Auction Treasury Bills (ATBs).

Based on the recommendations made by the Working Group constituted by the RBI on Consolidated Sinking Fund (CSF) and Guarantee Redemption Fund (GRF), RBI has decided that the maximum limit of SDF that can be availed by the States / UTs against the investments held under CSF/ GRF shall be **50 per cent** of the lower of:

(i) outstanding balance of the funds as on the last date of the second preceding quarter, and

(ii) the current balance held in CSF/ GRF.

For investments held in **ATBs, the maximum limit of SDF** shall be 50 per cent of the lower of

(i) outstanding balance in ATBs (91/182/364 days) as on the last date of the second preceding quarter, and

(ii) the current ATB balance.

●ELECTRONIC DISBURSAL OF DUTY DRAWBACK DIRECTLY TO EXPORTER'S BANK ACCOUNTS:

- Duty Drawback under Section 75 of the Customs Act, 1962 rebates customs duty chargeable on any imported materials or excisable materials used in the manufacture of export goods.
- As per the current system Duty Drawback claims are processed through the Customs Automated System (CAS), and Computerized Customs Drawback Advice (CCDA) is printed and sent to the Authorised Bank branch for payment of duty drawback amounts into the exporters' accounts.
- In an effort to facilitate trade, Central Board of Indirect Taxes and Customs (CBIC) will electronically disburse duty drawback amount directly to exporter's bank account in a transparent and efficient manner with effect from 5th June, 2024.
- The payment of duty drawback amounts into the exporters' accounts will be facilitated through the Public Finance Management System (PFMS) automatically. This is another initiative of the CBIC towards paperless Customs and enhanced trade facilitation. This new functionality is expected to reduce time taken for payment of drawback amount by eliminating manual intervention in the drawback disbursal mechanism and increase transparency.

●REVISION OF SETTLEMENT CYCLES & BUSINESS DAY CUTOVER TIMINGS-UPI & IMPS:

- Considering the growth in volume and value of settlements over a period of time, the National Payment Corporation of India (NPCI) has issued a circular informing members about the increased settlement cycles to help in settlement process and business day cutover timings to help in reconciliation process with effect from 1st August, 2024.
- The earlier 8 cycles system has been revised to 10 cycles per day while the revised business cutover is 24:00 hours to 24:00 hours from the earlier 23:00 hours to 23:00 hours. It is further informed that the day prior of the effective date, the last settlement cycle cutover i.e. 21:00 to 23:00 will be revised to 21:00 to 24:00 to bridge the gap of one day so that next day the revised timing can take effect without any disruption.
- There will be no change in cut off timings for customer compensation & NPCI compliance penalty.
- Member banks are expected to maintain adequate funds in RTGS settlement account on all 365 days to avoid short fall of funds.

●FOREIGN EXCHANGE MANAGEMENT (OVERSEAS INVESTMENT) DIRECTIONS, 2022:

- As per RBI directions, investment (including sponsor contribution) in units of any investment fund overseas, duly regulated by the regulator for the financial sector in the host jurisdiction, shall be considered as Overseas Portfolio Investment.
- In view of the diverse regulatory framework governing investment funds across various jurisdictions and to provide clarity, RBI has made following amendments to it's previous guidelines which were issued in 2022.
- The investment (including sponsor contribution) in units or any other instrument issued by an investment fund overseas, duly regulated by the regulator for the financial sector in the host jurisdiction, shall be treated as Overseas Portfolio Investment (OPI). Accordingly, in jurisdictions other than IFSCs, listed Indian companies and resident individuals may make such investment. Whereas in IFSCs, an unlisted Indian entity also may make such OPI in units or any other instrument issued by an investment fund or vehicle, in terms of the Overseas Investment Rules subject to applicable limits.
- Investment fund overseas, for the purpose also include funds whose activities are regulated by financial sector regulator of host country or jurisdiction through a fund manager.

●ADDITIONAL CURRENT ACCOUNT- TRADE SETTLEMENT IN INR:

- In July 2022, the Reserve Bank of India decided to allow the settlement of India's international trade in rupee. Accordingly, an additional arrangement was put in place for invoicing, payment, and settlement of exports/imports in INR through Special Rupee Vostro Accounts of the correspondent bank/s of the partner trading country maintained with AD Category-I banks in India.
- Further, in order to provide greater operational flexibility to the exporters, AD Category-I banks maintaining Special Rupee Vostro Account AD Category-I banks were permitted to open an **additional Current Accounts and CC/OD Accounts** for its exporter constituent exclusively for settlement of their export transaction.
- **On a review, recently RBI has now permitted** the facility of opening an additional special current account by the AD Category-I banks (maintaining Special Rupee Vostro Account for its constituents may be extended **for settlement of their export as well as import transactions.**
- INR in international trade settlements is also expected to gradually contribute to the global acceptance of rupees for international trade transactions.

●RISK MANAGEMENT AND INTER-BANK DEALINGS MAJOR AMENDMENTS:

The Master Direction of Risk Management and Inter-Bank Dealings was implemented on July 5, 2016 to lay down the modalities as to how the foreign exchange business has to be conducted by the Authorized Persons (as recognized under Section 10 and 11 of the Foreign Exchange Management Act, 1999) with their customers/constituents with a view to implementing the regulations framed.

The Reserve Bank of India on May 03, 2024, has issued amendments to its Master Direction on Risk Management and Inter-Bank Dealings, affecting Authorised Persons, particularly Standalone Primary Dealers (SPDs).

The recent amendments signify the regulator's commitment to maintaining strong oversight and regulatory framework within the financial sector. By incorporating SPDs into the regulatory fold and refining reporting requirements, the RBI aims to enhance transparency, efficiency, and risk management practices within the financial sector, thereby contributing to the stability and integrity of the financial system.

KEY AMENDMENTS:

Definition of Authorised Persons:

The definition of "Authorised Persons" has been expanded to include not only Authorised Dealer Category-I banks but also Standalone Primary Dealers authorised as Authorised Dealer Category-III. Additionally, Recognised Stock Exchanges and Recognised Clearing Corporations, authorised under Section 10(1) of the FEMA, 1999, are now encompassed within this definition. This broader definition ensures comprehensive coverage within the regulatory framework and eliminates ambiguity, ensuring consistent interpretation of the regulations.

Specific Compliance Requirements for Standalone Primary Dealers:

Standalone Primary Dealers authorised as Authorised Dealer Category-III are now required to comply with specific directives outlined in the Master Direction – Standalone Primary Dealers (Reserve Bank) Directions, 2016. This ensures tailored regulatory oversight for different categories of financial entities, enhancing efficiency and compliance.

Overseas Foreign Currency Borrowing by Standalone Primary Dealers:

Standalone Primary Dealers may borrow in foreign currency from their parent or correspondent outside India or any other entity as permitted by RBI and avail overdraft in nostro accounts (not adjusted within five days), only for operational reasons within the limit for foreign currency borrowings. If drawals in excess of the above limit are not adjusted within five days, a report, should be submitted to RBI within 15 days from the close of the month in which the limit was exceeded. Such a report is not necessary if arrangements exist for value dating.

Risk Management Measures:

The amendments introduce measures for managing forex risk, including the establishment of Net Overnight Open Position Limits (NOOPL) and Aggregate Gap Limits (AGL).

Net Overnight Open Position Limit (NOOPL) for calculation of capital charge on forex risk NOOPL may be fixed by the boards of the respective Authorised Dealers and communicated to the Reserve Bank immediately through Centralised Information Management System (CIMS) / email. However, such limits should not exceed 25 percent of the total capital (Tier I and Tier II capital) of the Authorised Dealer.

Aggregate Gap Limits (AGL) may be fixed by the boards of the respective Authorised Dealers and communicated to the Reserve Bank immediately through CIMS / email. However, such limits should not exceed 6 times the total capital (Tier I and Tier II capital) of the Authorised Dealer.

REPORTING REQUIREMENTS FOR AUTHORISED DEALERS:

Daily Reporting: Authorised Dealers are now mandated to submit daily statements of Foreign Exchange Turnover in Form FTD and Gaps, Position, and Cash Balances in Form GPB through the Centralised Information Management System (CIMS) by the following working day. This ensures real-time monitoring of foreign exchange activities, enhancing regulatory oversight and risk management.

Weekly Reporting of Option Transactions: Authorised Dealers are required to forward details of option transactions (FCY-INR) undertaken on a weekly basis through CIMS or email by the first working day of the following week. This frequent reporting facilitates timely analysis and regulatory response to market dynamics.

Monthly Reporting of Foreign Currency Borrowings: Authorised Dealers must report their total outstanding foreign currency borrowings under all categories on the last working day of every month through CIMS by the 10th of the following month. This reporting ensures ongoing monitoring of borrowing activities, contributing to risk management efforts.

Quarterly Reporting of Exposures: Authorised Dealers should forward details of exposures in foreign exchange as at the end of every quarter as per the prescribed format through CIMS by the 30th of the month following the end of the quarter. This includes comprehensive reporting of exposures for all corporate clients meeting prescribed criteria, based on the Authorised Dealers' own books.

Annual Reporting of Non-Resident Bank Accounts: The Head/Principal Office of each Authorised Dealer Category-I bank is required to furnish an up-to-date list of all offices/branches maintaining Rupee accounts of non-resident banks by January 15th of the following year through CIMS or email. This facilitates effective classification and jurisdictional oversight of non-resident bank accounts.

Quarterly Reporting of Doubtful Transactions: Authorised Dealers should report doubtful transactions involving frequent cancellation of hedge transactions and/or underlying trade transactions by non-residents on a quarterly basis through CIMS by the 10th of the month following the end of the quarter. This reporting aids in identifying potential risks and ensuring compliance with regulatory requirements.

REPORTING TO THE TRADE REPOSITORY (TR):

(i) Authorised Dealers should report all OTC foreign exchange derivative contracts and foreign currency interest rate derivative contracts, undertaken by them directly or through their overseas entities (including overseas branches, IFSC Banking Units, wholly owned subsidiaries and joint ventures of Authorised Dealers), to the Trade Repository (TR) of Clearing Corporation of India Ltd. (CCIL) as per the following timelines:

a) Inter-bank foreign exchange derivative contracts involving INR (except currency swaps and structured derivatives) should be reported in hourly batches within 30 minutes from completion of the hour. Such contracts executed 30 minutes prior to closure of CCIL's reporting platform for the day and subsequent to closure of CCIL's reporting platform for the day should be reported by 10 a.m of the following business day;

b) Inter-bank foreign exchange derivative contracts not involving INR (except currency swaps and structured derivatives) executed up to 5 p.m. on any given day should be reported by 05:30 p.m of that day. Such contracts executed after 5 p.m should be reported by 10 a.m of the following business day;

c) Inter-bank currency swaps, structured derivatives and foreign currency interest rate derivative contracts executed upto 5 p.m. on any given day should be reported before closure of CCIL's reporting platform for the day. Such contracts executed after 5 p.m should be reported by 10 a.m of the following business day; and

d) Foreign exchange derivative contracts and foreign currency interest rate derivative contracts executed with clients should be reported before 12 noon of the following business day.

(ii) Under the 'back-to-back' arrangement, trade details, including particulars of the non–resident client should be reported to the TR.

(iii) There shall be no requirement of matching transactions with overseas counterparties and client transactions in the TR as the overseas counterparties and clients are not required to report/confirm the transaction details. Authorised Dealers shall be responsible for ensuring the accuracy in respect of transactions reported.

(iv) ADs should ensure that outstanding balances between their books and the TR are reconciled on an ongoing basis.

(v) The reporting formats shall be as indicated by CCIL with the prior approval of the Reserve Bank.

●INCLUSION OF RECURRING PAYMENTS FOR FASTAG, WITH AUTO REPLENISHMENT FACILITY:

- The Framework for processing of e-Mandate for recurring transactions, issued by RBI on January 10, 2020 currently enables recurring payments with fixed periodicity such as daily, weekly, monthly, etc.
- It is now proposed to include payments, such as replenishment of balances in Fastag, National Common Mobility Card (NCMC) etc. which are recurring in nature but without any fixed periodicity, into the e-mandate framework.
- These categories of payments are made as and when needed and, therefore, their replenishment is not time specific or amount specific. Under the e-mandate framework, it is proposed to introduce an automatic replenishment facility for such payments. The automatic replenishment will be triggered when the balance in Fastag or National Common Mobility Card (NCMC) falls below a threshold amount set by the customer.
- The current e-mandate framework requires a pre-debit notification at least a 24-hours before the actual debit from customer's account. RBI has proposed to exempt this requirement for payments made from customer's account for automatic replenishment of balances in Fastag, NCMC, etc. under the e-mandate framework.

●IMPLEMENTATION OF EXCHANGE RATE AUTOMATION MODULE (ERAM) BY CBIC:

- The Central Board of Indirect Taxes and Customs (CBIC) has issued a Circular for the launch of Exchange Rate Automation Module (ERAM). The automated system of ascertaining and publishing the exchange rate will replace the existing manual process, and shall come into effect from 4th July, 2024.

➢ ERAM is a significant step towards trade facilitation as the exchange rates of 22 currencies would now be published online in advance for ease of consumption by all importers and exporters. These exchange rates would be made available on the ICEGATE website twice a month i.e. on the evening of the 1st and 3rd Thursdays of the month and would be effective from midnight of the following day.

➢ This automated system will dispense with the existing system of notifying exchange rates through a notification. A link shall be provided on the CBIC website which will take the user to the ICEGATE website, where the published rates can be viewed. The published exchange rates will be stored in the system and will remain accessible on ICEGATE for future reference.

●WITHDRAWAL OF Rs.2000 BANKNOTES – STATUS:

➢ The Reserve Bank of India had announced the withdrawal of Rs.2000 denomination banknotes from circulation vide Press release dt. May 19, 2023. The facility for deposit and / or exchange of the Rs.2000 banknotes was available at all bank branches in the country upto October 07, 2023.

➢ From October 09, 2023, RBI Issue Offices was also accepting Rs.2000 banknotes from individuals / entities for deposit into their bank accounts / India Post offices.

➢ The total value of Rs.2000 banknotes in circulation, which was Rs.3.56 lakh cr at the close of business on May 19, 2023, when the withdrawal of Rs.2000 banknotes was announced, has declined to Rs.7581 crore at the close of business on June 28, 2024. Thus, 97.87% of the Rs.2000 banknotes in circulation as on May 19, 2023, has since been returned.

➢ The Rs.2000 banknotes continue to be legal tender.

●RBI ANNOUNCES 7.98% RATE OF INTEREST ON FLOATING RATE BOND 2031:

RBI has announced that the rate of interest on Government of India Floating Rate Bond 2031 (FRB 2031) applicable for the half year June 07, 2024 to December 06, 2024 shall be 7.98 per cent per annum. The FRB 2031 carries a coupon, which has a base rate equivalent to the average of the Weighted Average Yield of last three auctions (from the rate fixing day i.e. June 07, 2024) of 182 Day T-Bills, plus a fixed spread of one per cent.

●SEBI RAISES BASIC DEMAT ACCOUNT LIMIT TO Rs.10 LAKH TO BOOST PARTICIPATION:

➢ To boost participation of small investors in the securities market, Sebi has increased the threshold for the basic service Demat account to Rs.10 lakh from current Rs.2 lakh w.e.f Sept. 1.

➢ Increasing the limit of securities value held in the Basic Services Demat Account (BSDA) will encourage small investors to trade in the stock market and ensure their financial inclusion.

➢ A basic service demat account, or BSDA, is a more basic version of a regular demat account introduced by Sebi in to reduce the burden of demat charges on investors with small portfolios.

●MAJOR REGULATORY CHANGES FOR THE EQUITY DERIVATIVES: SEBI

➢ The Securities and Exchange Board of India has announced major regulatory changes for the equity derivatives arena that would lead to a significant change in the manner in which stocks are selected for the futures & options (F&O) segment.

➢ SEBI has approved a framework that would ensure a link between the cash market and derivative segment volume. Among other factors, a stock will be eligible for entry in the F&O segment only if the average daily delivery value in the cash market over the previous six months would be at **Rs. 35 crore.** (earlier it was pegged at Rs. 10 crore). Further, the stock's market wide position limit on a rolling basis will have to be at least **Rs. 1500 crore** from the earlier **Rs. 500 crore.**

●INTEREST RATES FOR SMALL SAVINGS SCHEMES UNCHANGED FOR JULY-SEPT QUARTER:

➢ Government has left the interest rates on various small savings schemes unchanged for the quarter beginning July 1, 2024 and ending on September 30, 2024.

➢ As per the notification, deposits under the Sukanya Samriddhi scheme will attract an interest rate of 8.2 per cent, while the rate on a three-year term deposit remains at 7.1 per cent. The interest rates for PPF and post office savings deposits scheme too have been retained at 7.1 per cent and 4 per cent, respectively.

➢ The interest rate on the Kisan Vikas Patra will be 7.5 per cent, and the investments will mature in 115 months. The interest rate on the National Savings Certificate (NSC) will remain at 7.7 per cent for the July-September 2024 period.

➢ Interest rates on small savings schemes are reset on a quarterly basis, in line with the movement in benchmark government bonds of similar maturity. The Shyamala Gopinath committee in 2011 had recommended to make small savings scheme market linked.

●GOVT REDUCE PENALTY FOR DEFAULT IN CONTRIBUTION TO 3 EPFO SCHEMES:

➢ In an official release, the Ministry of Labour and Employment stated that the new penalty stands at 1 per cent interest per month on the arrear of the contributing amount for three schemes namely, Employees' Provident Fund account, Employees' Pension Fund and Employees' Deposit Linked Insurance Scheme. As one per cent interest per month will amount to 12 per cent interest per annum on the arrears, significantly lower than the maximum penalty of 25 per cent interest earlier charged on arrears.

●GOVT EXTENDS INTEREST EQUALIZATION SCHEME BY TWO MONTHS FOR MSME EXPORTERS:

➢ The Commerce ministry has extended pre and post-shipment rupee export credit till August 2024 under the Interest Equalisation Scheme (IES) for Micro, Small & Medium Enterprises (MSME) exporters.

➢ A notification released by the Directorate General of Foreign Trade (DGFT) said that the extension is applicable only for MSME exporters, with the total outlay of the scheme capped at Rs 750 crore for the extended two-month period. Such extension is made with the same terms and conditions as the present scheme.

➢ Currently, the rate of interest equalisation is 2 per cent for some manufacturers and merchant exporters for 410 identified products and 3 per cent for MSME manufacturers.

➢ Through the scheme, banks provide loans to exporters at reduced interest rates, and the lenders are thereafter compensated by the government. The scheme was launched nearly a decade ago to reduce stress among exporters, particularly in labour-intensive industries and MSMEs.

➢ A budgetary outlay of Rs 9,538 crore was allocated to the scheme. However, the amount was not enough to cover the scheme until March 31. The government subsequently made an additional outlay of Rs 2,500 crore earlier this year.

●GOVT SECURITIES TO BE INCLUDED IN JP MORGAN BOND INDEX FROM JUNE 28:

➢ Indian government bonds or government securities (G-secs) would be included in JP Morgan-Emerging Market Bond Index beginning Friday, a move that will bring down borrowing cost for the government. The inclusion of IGBs will be staggered over a 10-month period from June 28, 2024 to March 31, 2025, indicating one per cent increment on its index weight.

➢ India's weight is expected to reach the maximum threshold of 10 per cent in the GBI-EM Global Diversified, and approximately 8.7 per cent in the GBI-EM Global Index. This would help attract higher foreign flows, as many overseas funds are mandated to track global indices.

CTDI PUBLICATIONS

- **BANKER'S BRIEFCASE:** Book designed to update the knowledge and sharpen the skills for facing interview confidently. A comprehensive masterpiece developed to cover all important topics required to update you for all promotion interviews. A must have book to ensure your success in interview. (Price Rs. 800/- + 150/- Speed Post Charges). UNDER PRINT.
- **GURUKUL BANKING CAPSULE:** A quick power packed digest on Banking Law, PS, Loans & Advances, Foreign Exchange & Important latest concepts. A must for all bank exams and interviews. (Price Rs. 600 +100/- Speed Post).
- **GURUKUL'S BANKING LAW & PRACTICE:** Book designed to empower the practicing bankers with inputs relating to relevant / latest legal concepts in Banking. (Price Rs. 500/- + 100/- Speed Post Charges).
- **MOCK TEST PAPERS - CD:** Covering 1000 Recollected Q's of previous Bank Promotion Tests of last seven years. (Price Rs. 1000/-).
- **RATIONALES, BANKING PROBLEMS AND FOR & AGAINST:** Based on Recollected Questions of State Bank Group (TOs/ JOs Test & Scale I to II) of last six years. (Price Rs. 500/- + 100/- Speed Post Charges).
- **SITUATIONAL ANALYSIS & DECISION MAKING:** Book designed to sharpen the skills - SBI Group Specific. (Price Rs. 500/- + 100/- Speed Post Charges).
- **RECOLLECTED QUESTIONS CAPSULE:** Publication on Recollected Q's asked in different Bank promotions & Mock Tests – (Price Rs.500/- + 100/- Speed Post Charges).
- **ECONOMICS FOR BANKERS:** Covering Micro & Macro Economics, Indian Economics and Mock Tests specially designed for PNB Promotion Test. (Price Rs. 400/- +100/- Speed Post).
- **ENGLISH OBJECTIVE TYPES PAPERS:** Fifteen Tests Papers especially designed for OBC, CBI, UCO Bank and IOB etc. (Price Rs. 500/- + 100/- Speed Post).

  JAIIB / CAIIB BOOKS: Based on new syllabus prescribed by IIBF Mumbai – All subjects with Objective Type Tests.
- **ADVANCED BANK MANAGEMENT WORKBOOK:** Contains Numerical / Case Studies based on Recollected Q's with solutions step wise. (Price Rs.600/-+100/- Speed Post Charges).
- **BANK FINANCIAL MANAGEMENT WORKBOOK:** Contains Numerical / Case Studies based on Recollected Questions with solutions step wise. (Price Rs. 600/- + 100/- Speed Post Charges).

CONTEMPORARY BANKING & FINANCE: (MONTHLY MAGAZINE) Subscription Online Magazine Rate Rs.500/850/1200 for 1/2/3 Years.
For Hard Copy: The hard copy will be send thru Regd. Post. Cost of one year magazine subscription is Rs.750/- + Rs.350/- on account of Regd. post charges. Total amount Rs.1,100/- A Monthly Journal to keep your banking knowledge up to date. Designed especially for Bankers undertaking promotion tests / Interviews - career advancement. Includes Rationales, Problems on Banking, Recollected Q's of various Bank exams. Broad coverage of General Knowledge related to Economy, Banking & Finance.Brain Storming Questions to test the knowledge and sharpen the skills.

BRANCH OFFICES ADDRESS:

HYDERABAD BRANCH: CTDI, Kachiguda Pride, Ground Floor, 3-1-328, Nimboli Adda, 332 Kachiguda Station Road, Hyderabad-500027. Mob: 9395140742

BANGALORE: HOUSE NO. 26, INDIAN EXPRESS LAYOUT, VERPAKASHPURA, VIDHAYARANIPUR – POST,
BANGALORE – 560097 (KARNATAKA), Mob: 09449524992

FOR DETAIL OF PROGRAMMES SCHEDULE PLEASE VISIT OUR WEBSITE:WWW.CORPORATETRAININGINSTITUTE.COM

DISTANCE EDU MODULES

Keeping in view the request of fairly large number of staff members of different banks who are not in a position to attend the regular training program, we have started **DISTANCE EDU MODULES with the** objective of providing exam oriented inputs for their promotion.

BANK PROMOTION MODULE

- Study Kit I - Covering Banking Law & Practice – Objective Type Questions with Answer.
- Study Kit II - Loans & Advances including PS & BS Analysis.
- Banking Law and Practice Book, Mock Test Papers covering 1600 Q's with answers, Bankers Briefcase etc.
- Banking Capsule, Financial GK Capsule covering previous recollected Q's, Computer / IT Capsule.
- Other bank specific books. Password for accessing online / downloading of updated material.

COST OF PACK: Rs. 2,700/- (including Speed Post Charges) (vide DD favouring CTDI payable at Chandigarh). Or through CA NO : 7718002100000011 & NEFT / IFSC CODE : PUNB0771800, BANK NAME : PNB, SECTOR -47, CHANDIGARH.
DESPATCH: Entire Material will be sent through Speed Post on receipt of amount.

HIGHLIGHTS:

- Study kits contains descriptive inputs along with objective / multiple choice questions to reinforce the learning process.
- Recollected questions from previous examinations included.
- Facility of Password to access special exam oriented inputs on our website.

INCENTIVE SCHEME: Participants will get a discount of Rs.1,000/- in fee if they attend our online class module.

JAIIB / CAIIB MODULE

Module covers full syllabus of all the subjects of JAIIB / CAIIB. In addition to basic text book, it contains special objective type text booklets and study kits for each paper.

JAIIB	CAIIB
Principles & Practices of Banking	Advanced Bank Management
Accounting & Finance for Bankers	Bank Financial Management
Indian Economy & Indian Financial System	Advance Business & Financial Management
Retail Banking	Banking Regulations and Business Laws
	Rural Banking

COST OF STUDY MATERIAL: Rs.800/- per subject for JAIIB and Rs. 900/-per subject for CAIIB (inclusive of Speed post charges). The study material will comprise of one Descriptive book and one MCQ's book /workbook for CAIIB covering case studies.
The amount may be remitted on-line in CTDI's Current Account No: 7718002100000011. IFSC CODE : PUNB0771800, BANK NAME : PNB, SEC. 47, CHANDIGARH.
DESPATCH: Entire material will be sent through Speed post on receipt of the amount.

BANK ENTRANCE EXAMINATION FOR CLERICAL / POs

CLASS ROOM MODULE

CHANDIGARH

- Bank Clerical Written Exam
- Bank POs Written Exams
- SSC Written Examination
- Interview Module

SALIENT FEATURES:

- Structures the mind-set of aspiring participants by updating their knowledge & sharpening of their skills to appear in the competitive exams.
- Helpful in campus placement tests.
- Ability test preparation for private companies.
- Builds up high confidence and morale.

CORRESPONDENCE MODULE

Pack contains Books / Material covering the entire syllabus - Quantitative Aptitude, Reasoning, GK, English Language.

- SBI pack will contain additional subject material for the forthcoming examination.
- Practice Tests are included in the material.

COST OF PACK:

1) For Clerical Cadre : Rs. 1,600/- (Inclusive of Courier)
2) For POs Cadre : Rs. 2,000/- (Inclusive of Courier)

The amount may be remitted online in CTDI's Current A/c No: 7718002100000011. IFSC CODE: PUNB0771800, BANK NAME : PNB, SEC. 47 D, Chandigarh.

TIT BITS

●**PROMOTION OF CGMs TO EDs:** The Financial Services Institutions Bureau (FSIB) has shortlisted five chief general managers (CGMs) to take over as executive directors (EDs) in public sector banks whenever vacancies arise. These CGMs are Beena Vaheed from Union Bank of India, Rajeeva and Amit Kumar Srivastava from Punjab National Bank and S K Majumdar and D Surendran from Canara Bank.

●**BANKING FRAUDS TRIPLE IN THE PAST FISCAL YEAR:** As per RBI data for the past fiscal year, the number of frauds detected in the banking system has tripled, even as the amount involved decreased. The amount involved due to fraud in public sector banks was Rs.10,507 crore, while private banks incurred losses of Rs. 3,107 crore.

●**MOODY'S MAINTAINS STABLE OUTLOOK ON THREE PSU BANKS' RATINGS:** Moody's Ratings has affirmed the Baa3 ratings on three Public Sector Banks - Bank of Baroda, Canara Bank and Punjab National Bank. The rating agency maintained stable outlooks on the long term ratings of all three banks, citing improved credit metrics, strong profitability and liquidity buffers.

●**FIN MIN CAPS ARBITRATION VALUE AT Rs.10 CRORE:** In a bid to streamline dispute resolution involving government or public sector enterprises (PSEs), the Finance Ministry has set a cap of Rs.10 crore for arbitration cases. This aims to mitigate the perceived challenges of lengthy proceedings and potential misconduct among arbitrators.

●**SBI LAUNCHES 'SME DIGITAL BUSINESS LOANS'**: SBI has launched 'SME Digital Business Loans', to sanction loans within 45 minutes. On account of important role of micro, small, and medium enterprises (MSMEs) in its growth, SBI has streamlined the borrowing process, eliminating traditional credit underwriting and appraisal procedures.

●**SEBI LAUNCHES SAATHI 2.0:** SEBI has launched 'Saathi 2.0', a mobile app designed to provide comprehensive tools for simplifying complex financial concepts and empowering investors with reliable information. The app features KYC procedures, mutual funds, ETFs, buying and selling shares, investor grievances redressal, and an Online Dispute Resolution platform.

●**RBI WINS 'RISK MANAGER OF THE YEAR' AWARD:** The Reserve Bank of India (RBI) has been awarded the "Risk Manager of the Year Award 2024" by Central Banking, London, for enhancing its risk culture and its pivotal role in ensuring financial stability in India. Shri Manoranjan Mishra ED RBI has received the award and highlighted the RBI's rigorous risk management approach in navigating India's financial landscape.

●**DICGC EXCEEDS GLOBAL AVERAGE WITH MONTH LONG DEPOSITOR PAYOUT:** According to RBI Deputy Governor Michael Debabrata Patra, the Deposit Insurance and Credit Guarantee Corporation of India (DICGC) takes nearly 30 days on average to reimburse insured depositors, as compared to the global average of 14 days. This delay in reimbursement is primarily due to data quality issues, challenges in identifying insured depositors and the lack of alternative bank accounts..

●**UNION CABINET APPROVES MSP FOR 14 KHARIF CROPS:** Govt. has approved Minimum Support Prices (MSP) for 14 Kharif season crops, including Paddy, Ragi, Bajra, Jowar, Maize, and Cotton. The nigerseed hiked by Rs.983 per quintal, followed by sesamum by Rs. 632 per quintal and turarhar by Rs. 550 per quintal. MSP for cotton has been set at Rs. 7,121 per quintal for medium staple and Rs. 7,521 per quintal for long staple.

The increase in MSP for Kharif Crops for Marketing Season 2024-25 is in line with the Union Budget 2018-19 announcement of fixing the MSP at a level of at least 1.5 times of the All-India weighted average cost of production.

●**RBI PROJECTS FURTHER MODERATION IN BANK NPAS:** The Reserve Bank of India (RBI) has projected a further improvement in the gross non-performing assets (GNPA) ratio of scheduled commercial banks (SCBs), estimating it to decrease to 2.5% by March 2025. This optimistic outlook is based on macro stress tests evaluating banks' resilience against potential economic shocks.

●**'BANK CLINIC' TO GUIDE CUSTOMERS ON COMPLAINTS**: The Bank Clinic is an initiative by the All India Bank Employees' Association (AIBEA) to help customers address their grievances amid rapid expansion in technology and RBI guidelines on retail banking. A customer can fill out the details of her/his complaint, create a ticket and receive a reply in five working days on the remedies available and information on what the RBI guidelines prescribe on that matter.

●**PNB' 10% STAKE DILUTION IN CANARA HSBC LIFE INSURANCE:** Punjab National Bank (PNB) has initiated process for divesting 10 per cent shareholding in its associate company Canara HSBC Life Insurance through an initial public offering (IPO) route. PNB holds 23 per cent stake in Canara HSBC Life Insurance, said a PNB filing with the stock exchanges.

●**PUBLIC SECTOR BANKS MAINTAIN SIGNIFICANT LEAD:** SBI report indicates that PSBs hold over 50% of the market share, branches and ATMs, and maintain a significant lead in terms of total deposits and credit cards issued. The report indicates that public sector banks hold over 63 per cent of the total ATMs in the country, whereas private banks manage only 35%. In terms of deposits, the report reveals that public sector banks maintain 59%and private banks keep 32% of total deposits. As regards digital banking, PSBs lead with over 54% of all credit cards whereas private banks hold a 37.8% share.

●**BANKS MADE RECOVERY IN LARGE IBC CASES:** As per official data, lenders made a better recovery in the case of large stressed firms, each with a default of at least Rs.1,000 crore, under the Insolvency and Bankruptcy Code (IBC). Data compiled by the Insolvency and Bankruptcy Board of India (IBBI) showed that creditors recovered 33.2% of their admitted claims from 152 large stressed firms until March 2024.

●**RBI CANCELS LICENCE OF PURVANCHAL CO-OP BANK:** The Reserve Bank has cancelled the licence of Purvanchal Co-operative Bank, Ghazipur, Uttar Pradesh as it does not have adequate capital and earning prospects. The Commissioner for Cooperation and Registrar of Cooperative Societies, Uttar Pradesh has also been asked to issue an order for winding up the bank and appoint a liquidator, the RBI said in a statement.

●**RBI INVITES APPLICATIONS FOR RECOGNITION OF SROS FOR NBFCS:** The Reserve Bank of India (RBI) has invited applications for Self-Regulatory Organisations (SROs) to oversee non-banking financial companies (NBFCs), including Investment and Credit Companies (NBFC-ICCs), Housing Finance Companies (HFCs) and Factors. RBI emphasizes a diverse membership including smaller NBFCs, requiring at least 10% representation from the total in the Base Layer of its Scale Based Regulatory Framework.

●**ICICI BANK SIXTH FIRM TO HIT $100-BILLION IN M-CAP:** ICICI Bank's market capitalisation has crossed the $100-billion mark for the first time, making it the sixth company ever to achieve the milestone. After hitting a record high of Rs.1,207, shares of ICICI Bank closed at Rs.1,199, up 2.5 %, valuing the firm at Rs. 8.44 trillion ($101 billion). The sharp spike in share price has helped the private lender to join the likes of Reliance Industries, Tata Consultancy Services, HDFC Bank, and Bharti Airtel. Over the past year, ICICI Bank's share price has risen nearly 29 percent, surpassing the 27 percent gains of the NSE Nifty 50 and the 20 percent gain of the Bank Nifty.

●**CANARA BANK OFFICIAL 'X' HANDLE COMPROMISED:** Canara bank has informed to all concerned that the bank's official 'X' (formerly Twitter) account has been compromised. All concerned teams are investigating the matter and working closely with 'X' to regain access to Canara Bank 'X' handle at the earliest. The bank has urged users not to post anything on their 'X' page currently.

●**KERALA TO HAVE A NEW NAME:** After the Home Ministry suggested changes in first resolution; the Kerala Assembly has unanimously adopted a resolution urging the Centre to officially change the name from Kerala to 'Keralam'. Chief Minister who moved the resolution, wanted the union government to change the southern state's name from "Kerala" to "Keralam" in all languages included in the Eighth Schedule of the Constitution of the country.

●**CREDIT CARD BASE REACHES 103 MILLION, SPENDING HITS RS. 1.65 TRILLION:** Credit card base grew 18% year on year (y-o-y) to reach an outstanding base of 103 million as on end May 31, 2024, with HDFC bank adding the highest number of new cards, and Kotak Mahindra bank seeing a sharp drop amid RBI restrictions. Spendings by credit cards also grew 17% to reach Rs.1.65 trillion, according to a report by Motilal Oswal Financial Services.

●**SEBI RESTRICTS FINANCE INFLUENCERS:** The Securities and Exchange Board of India (SEBI) has approved norms to regulate misinformation through financial influencers by restricting association of its regulated entities with any unregistered person. SEBI has stated that the persons regulated by the Board and the agents of such persons shall not have any association, like, any transaction involving money or money's worth, referral of a client, interaction of information technology systems or any other association of similar nature or character, directly or indirectly with any person who directly or indirectly provides advice or recommendation.

●**SAFAI APNAO, BIMAARI BHAGAO (SABB):** Ministry of Housing and Urban Affairs has introduced the 'Safai Apnao, Bimaari Bhagao (SABB)' (1st July to 31st Aug., 2024) initiative. This seeks to enhance the preparedness of Urban Local Bodies, ensuring they are well-equipped to handle the challenges posed by heavy rainfall and heightened health risks during the months of June to August.

●**RBI UPDATES 'DATABASE ON INDIAN ECONOMY':** RBI has announced a significant update to its 'Database on Indian Economy' (DBIE) portal. The portal's domain address will now be accessed through https://data.rbi.org.in, consolidating its services and ensuring seamless access for users.

It also offers educational videos to assist investors in their personal finance planning.

●**SEBI SUSPECTS SANDEEP TANDON-OWNED QUANT MUTUAL FUND:** The market regulator SEBI has conducted search and seizure operations on Sandeep Tandon owned 'Quant Mutual Fund' suspecting front-running. The fund got a mutual fund license from SEBI in 2017 and grown from Rs. 100-odd crore in 2019 to Rs. 90,000 crore at present. It crossed assets of Rs. 50,000 crore in January this year with a portfolio of 26 schemes and 54 lakh folios.

●**OVER 1 LAKH FARMERS VOLUNTARILY GAVE UP THEIR PM-KISAN BENEFITS LAST YEAR (2023):** In Bihar, Uttar Pradesh and Rajasthan, 1.16 lakh farmers have voluntarily given up the benefits of the annual Rs. 6,000 'Pradhan Mantri Kisan Samman Nidhi' (PM-Kisan) scheme across the country.

Under the PM-KISAN scheme, eligible farmer families receive an income support of Rs 6,000 per year. This financial assistance is distributed in three equal installments of Rs 2,000 each, directly credited to the beneficiaries bank accounts.

●**IRDAI BARS INSURERS FROM ADVERTISING UNITLINKED POLICIES AS INVESTMENT PRODUCTS:** The Insurance Regulatory and Development Authority of India (IRDAI) has barred insurers from advertising unit linked and/or index linked products as 'investment products'. In the circular IRDAI has stated that an advertisement on the unit linked insurance product, index linked product and annuity products with variable annuity pay-out option shall contain adequate, accurate, explicit and updated information, in simple language.

●**EMPLOYEES PENSION SCHEME 1995 AMENDED**: Government of India has amended the Employees' Pension Scheme (EPS), 1995 to ensure that EPS members with less than 6 months of contributory service also receive withdrawal benefit. The Central Government has ensured that every completed month of service rendered is taken into account to give proportionate withdrawal benefit to the members.

●**IRDAI MANDATES LIFE INSURERS TO PROVIDE LOANS AGAINST POLICIES**: The Insurance Regulatory and Development Authority of India (IRDAI) has mandated insurance companies to provide loans on policies across all life insurance savings products with effect from 30th September 2024 enabling policyholders to meet liquidity requirements. The insurer may also offer policy loan facility under annuity products with 'Return of Purchase Price' option based on eligible surrender value.

●**INDIA RANKS SIXTH GLOBALLY IN DEEPTECH STARTUP:** According to a recent Nasscom-Zinnov study, India is having over 3,600 startups in the deeptech space and ranks sixth in the global deeptech ecosystem. Of the 3,600 deeptechs, over 480 deeptech startups were established in CY23 alone, which is two times higher than 2022, the report said. The report added that over 100 deeptech firms have developed intellectual property or innovative solutions in new domains.

●**ADANI GROUP & ICICI BANK LAUNCH CO-BRANDED CREDIT CARDS:** Adani Group and ICICI Bank have joined hands to introduce co-branded credit cards offering airport linked benefits, aiming to enhance customer experience across various businesses. 'The Adani One' app, launched in December 2022, serves as a digital platform for booking tickets, accessing airport facilities and more.

●**PNB, IIFCL SIGN PACT FOR FINANCING INFRA PROJECTS**: Punjab National Bank and India Infrastructure Finance Company Ltd (IIFCL) have signed an agreement to offer long-term financial assistance to viable infrastructure projects. Under this collaboration, the parties can mutually participate under consortium/multiple lending arrangement to provide financial support to the prospective borrowers subject to due diligence and on case-to-case basis.

●**ONBOARDING 5,00,000 MICRO, SMALL ENTERPRISES:** MSME Minister has launched an initiative to facilitate the on boarding of five lakh micro and small enterprises on the Open Network for Digital Commerce (ONDC) platform. Titled 'MSME TEAM', will provide financial assistance for on boarding.

The ministry has identified six priority areas namely formalisation and access to credit; increased access to markets and e-commerce adoption; increased productivity through modern technology; enhanced skill levels and digitalisation in the service sector; support to Khadi Village and Coir industry to globalise them; and empowerment of women and artisans through enterprise creation.

●**"NCRB SANKALAN OF CRIMINAL LAWS":** National Crime Record Bureau (NCRB) has launched a Mobile App "NCRB Sankalan of Criminal Laws" to serve as a comprehensive guide providing complete information about the new criminal laws at one place. The New criminal laws will come into force from the 1st July 2024.

BANKING & FINANCIAL NEWS

●FY24 FISCAL DEFICIT LOWER THAN RE AT 5.6%:

The Union government's fiscal deficit for the last financial year came in at 5.6% of the Gross Domestic Product (GDP), lower than the revised estimate (RE) of 5.8%, on the back of better than anticipated revenues and some expenditure compression. The budget estimate (BE) for the deficit in FY 24 was 5.9%. In absolute terms the deficit stood at Rs. 16.5 trillion as against the RE of Rs. 17.3 trillion and BE of Rs. 17.8 trillion, according to data released by the Controller General of Accounts.

- Fiscal deficit refers to the shortfall in a government's revenue as compared to its expenditure. When a government's expenditure exceeds its revenues, the government will have to borrow money or sell assets to fund the deficit.
- For the current financial year, the fiscal deficit target has been set at 5.1% of GDP. The fiscal consolidation path of the government has put the target of deficit below 4.5% by 2025-26. The government is, however, sitting on Rs 2.1 trillion dividend from Reserve Bank of India that may give headroom to bring down the deficit further. This RBI dividend possibly leaves room for lowering the fiscal deficit target of 5.1%.

●INDIA POISED FOR STRONGER GROWTH OVER NEXT DECADE AMID AI, CLIMATE RISKS: RBI

- India's economic outlook remains buoyant owing to the government's increased spending on infrastructure without deviating from its fiscal consolidation goals, among other key factors, the RBI said in its annual report for 2023-24.

OTHER HIGHLIGHTS:

- While the domestic economy remains robust in the face of adverse global macroeconomic conditions, "lingering geopolitical tensions, geoeconomic fragmentation and adverse climate shocks" pose downside risks to the growth outlook. The Indian economy is navigating the drag from an adverse global macroeconomic and financial environment.
- Although India's economy is poised for stronger growth over the next decade, it would need to navigate some of the challenges arising out of the rapid adoption of artificial intelligence and machine learning technologies, and recurrent climate shocks.
- Manufacturing and services sectors were the key drivers on the supply side, while agricultural activity slowed down due to uneven and deficient monsoon rainfall.
- The number of fraud cases in the banking sector increased by nearly 300% in the last two years to 36,075 cases in the financial year 2023-24 (FY24). In contrast to the increasing number of fraud cases, the amount involved in fraud fell to Rs.13,930 crore in FY24 from Rs.45,358 crore in FY22.
- According to the report, 67% of fraud cases reported in FY24 were from private sector banks, while 75% of the total fraud amount was reported by public sector banks. The percentage of fraud amount reported by private lenders was 22.8% in FY24.
- There has been a significant rise in online fraud cases over the last two years - online fraud cases increased by 708% in the last two years to 29,082. Although a large number of fraud cases were reported from internet/cards category, the maximum amount involved in fraud cases came from loan portfolios.
- The private sector banks reported a maximum number of frauds, whereas public sector bank continued to contribute to maximum to the fraud amount.

●GOLD'S SHARE IN FOREX RESERVES AT 11-YEAR HIGH:

- The share of gold in India's total foreign exchange reserves rose to 8.15% or $52.2 billion in FY24, an 11-year high. This was on the back of higher purchases and increasing prices of the metal. After touching 9.2% in FY12, the share fell to 5.1% in FY18 and started rising since FY19.
- Central banks of China, Turkey and India have emerged as powerful participants in the global bullion market.
- India now holds the world's fourth largest forex reserves after China, Switzerland, and Japan.

●RBI SHIFTS 100 TONNES OF GOLD FROM VAULTS IN UK TO INDIA:

- RBI has shifted around 100 tonnes of its gold kept in bank vaults in the UK to its own vaults in India in a move aimed at saving storage costs, according to media reports. This is the first time since 1991 that India has undertaken such a large scale overseas transfer of gold reserves.
- More than half of the RBI's gold reserves are held overseas in secure custody with the Bank of England and the Bank of International Settlements, while approximately a third is stored in the RBI's vaults in Nagpur and Mumbai.
- The central bank held 822.10 tonnes of gold as part of its forex reserves as of March 31, 2024, an increase from the 794.63 tonnes held at the same time last year.
- Explaining the rationale, Shaktikanta Das, the governor of the RBI, said that the amount of gold held outside India had increased due to RBI's purchases, and since there was available storage capacity within the country, a portion of the gold was decided to be stored domestically. The quantum of gold held by RBI was static for a long time. As data shows, RBI was buying gold as part of its reserves management, and the quantum of gold held outside was going up.
- The central bank's strategy of holding gold is primarily aimed at diversifying its foreign currency assets, hedging against inflation, and mitigating foreign currency risks.

●INDIA TO LEAD WORLD IN FUEL DEMAND GROWTH:

- India, the world's third biggest oil importer and consumer, will in the second half of the decade become the driver of global oil demand, the International Energy Agency (IEA) forecasting rise in consumption by a massive 1.3 million barrels between 2023 and 2030.
- In its Oil 2024 Report, the Paris-based energy watchdog said India's oil demand is forecast to grow more than any country's other than China between 2023 and 2030. India's oil demand is projected to rise from 5.4 million barrels per day (bpd) in 2023 to 6.7 million bpd by 2030, a growth of 3.2% or 1.3 million bpd.
- Unusually, in a global context, an increase of more than 1.3 million bpd will be dominated by rising demand for road transport fuels, with a comparatively small role for petrochemical feed stocks and underlying growth comfortably outpacing deployment of clean energy technologies.In the second half of this decade, India will become by far the most important contributor to overall growth. India's oil demand rising by 900,000 bpd between 2025 and 2030 will be well ahead of China's 570,000 bpd and three-quarters of net global gains, it said. For the world, IEA forecast oil demand peaking by 2029 and beginning to contract the next year. India is set to be the world's fastest growing major economy for the third year running in 2024.

●FIRST FUND HOUSE IN THE COUNTRY TO ACHIEVE THE Rs.10 TRILLION MILESTONE:

- SBI Mutual Fund (SBI MF) made history by becoming the first fund house in the country to achieve the Rs.10 trillion milestone in assets under management (AUM). The industry leader has adeptly navigated the post-pandemic equity boom and capitalised on the increasing awareness of MF investing. The sharp growth in SBI MF's AUM, alongside the overall industry, has been driven by the equity market rally and expanding MF investor base. The growth in MF AUM hinges on both the appreciation in assets held by schemes and fresh inflows. Over the years, SBI-MF have expanded the reach to newer corners of the country and bolstered SIP book. Leveraging the parent SBI's network, along with collaborations with other distributors, has been instrumental in the growth.
- Most other top-five AMCs are also backed by leading banks. ICICI Prudential MF, HDFC MF, Nippon India MF, and Kotak MF are among the top five list.

●RBI LAUNCHES 'FINQUIRY' TO ALLOW FINTECHS DIRECTLY:

➢ The RBI has launched an exclusive 2 hours window called 'Finquiry' for fintechs which allow fintechs directly engage with the regulator - the FinTech department of the RBI in Mumbai. This initiative aims to provide a platform for fintechs to seek clarity and discuss fintech-related queries directly with RBI officials.

➢ RBI has opened the window from 26th June and this will be available on the last working Wednesday of every month from 3 to 5 pm. It will take place in the FinTech department of the Reserve Bank of India, Mumbai. The RBI has said that for inquiries and scheduling appointment, fintech representatives can reach out via email cgmfintech@rbi.org.in

●INDIA'S NBFCs HAS GROWN TOs BECOME THE THIRD LARGEST IN THE WORLD:

➢ India's non-banking financial sector has grown to become the third largest in the world, next only to the United States and the United Kingdom, according to an SBI report that highlights the growing strength of the country's financial sector.

➢ Non-banking financial institutions do not possess a full banking licence and thus, cannot accept public deposits. These entities focus on giving loans to consumers and businesses which play a key role in driving up economic growth.

➢ Over the past decade, the Indian banking system has demonstrated remarkable resilience, overcoming numerous challenges posed by both domestic and international economic environments, the report states. The improvement in asset quality and the strong macroeconomic fundamentals have played a crucial role in improving the Indian banking sector.

➢ It highlighted that the Indian government and regulatory bodies have focused on creating a level playing field for financial institutions. This has involved initiatives such as the creation of strong banks through mergers and capital infusion, improving governance practices, expanding the reach and quality of financial services, and enhancing the adoption of digital banking.

➢During the pandemic, the government maintained the financial sector's stability through substantial capital and liquidity buffers. This resilience is credited to the proactive measures taken by the Reserve Bank of India.

●RECOMMENDATIONS OF 53RD GST COUNCIL MEETING:

➢ The 53rd GST Council met under the Chairpersonship of Union Minister for Finance & Corporate Affairs Smt. Nirmala Sitharaman in New Delhi on 22 June 2024.

Highlights of Recommendations:

➢ GST Council recommends waiving interest and penalties for demand notices issued under Section 73 of the CGST Act (i.e. the cases not involving fraud, suppression or wilful misstatement, etc.) for the fiscal years 2017-18, 2018-19 and 2019-20, if the full tax demanded is paid upto 31.03.2025.

➢ GST Council recommends the time limit to avail input tax credit w.r.t. any invoice or debit note under Section 16(4) of CGST Act, through any GSTR 3B return filed upto 30.11.2021 for FY 2017-18, 2018-19, 2019-20 and 2020-21, may be deemed to be 30.11.2021.

➢ Council has recommends monetary limit of Rs. 20 lakh for GST Appellate Tribunal, Rs. 1 crore for High Court and Rs. 2 crore for Supreme Court, for filing of appeals by the Department, to reduce litigation.

➢ The GST Council recommended reducing the amount of pre-deposit for filing of appeals under GST to ease cash flow and working capital blockage for the taxpayers. The maximum amount for filing appeal with the appellate authority has been reduced from Rs. 25 crores CGST and Rs. 25 crores SGST to Rs. 20 crores CGST and Rs. 20 crores SGST. Further, the amount of pre-deposit for filing appeal with the Appellate Tribunal has been reduced from 20% with a maximum amount of Rs. 50 crores CGST and Rs. 50 crores SGST to 10 % with a maximum of Rs. 20 crores CGST and Rs. 20 crores SGST. GST Council recommends reduction of the quantum of pre-deposit required to be paid for filing of appeals under GST.

➢ GST Council recommends amending provisions of CGST Act to provide that the three-month period for filing appeals in GST Appellate Tribunal will start from a date to be notified by the Government.

➢ To ease the interest burden of the taxpayers, GST Council recommends to not levy interest u/s 50 of CGST Act in case of delayed filing of return, on the amount which is available in Electronic Cash Ledger (ECL) on the due date of filing of the said return.

➢ Sunset clause to be added for anti-profiteering cases pending and decision taken to shift the hearing panel from CCI to principal bench of GSTAT. The GST Council has also recommended the sun-set date of 1st April 2025 for receiving any new application regarding anti-profiteering.

➢ GST Council recommends exemption from Compensation Cess leviable on the imports in SEZ by SEZ Unit/developer for authorised operations from 1st July, 2017.

➢ GST Council recommends 12% GST on milk cans (steel, iron, aluminum) irrespective of use; Carton, Boxes And Cases of both corrugated and non-corrugated paper or paper-board; Solar cookers whether single or dual energy source; and sprinklers including fire water sprinklers.

➢ GST Council recommends exemption of certain services provided by Indian Railways to common man and also intra railway supplies.

➢ GST Council recommends certain exemptions related to accommodation services, providing relief to students and working professionals.

➢ GST Council recommends to roll-out the biometric-based Aadhaar authentication of registration applicants on pan-India basis in a phased manner.

➢ Biometric-based Aadhaar Authentication: Those applicants who have opted for Biometric based Aadhaar authentication conducted at the GST Suvidha Kendra will be rolled out for GST registration on all-India basis in a phased manner.

➢ The GST Council recommended modifying Section 112 to provide a 3 months time for filing appeals before the GST Appellate Tribunal. It will start from a date yet to be notified by the Government, most likely to be announced by 5th August 2024 as this is the last date.

➢ IGST exemption on imports of specified items for defence forces for a further period of five years till 30th June, 2029.

➢ The council recommends to exempt the services provided by Indian Railways to general public, namely, sale of platform tickets, facility of retiring rooms/waiting rooms, cloak room services and battery-operated car services and to also exempt the Intra-Railway transactions.

➢ Transaction of ceding commission/re-insurance commission between insurer and re-insurer may be declared as no supply under Schedule III of CGST Act, 2017 and past cases may be regularized on 'as is where is' basis.

➢ Further sharing of the incentive by acquiring bank with other stakeholders, where the sharing of such incentive is clearly defined under Incentive scheme for promotion of RuPay Debit Cards and low value BHIM-UPI transactions and is decided in the proportion and manner by NPCI in consultation with the participating banks is not taxable.

●DA HIKE FOR BANK EMPLOYEES:

➢ In a circular dated June 10, 2024, the Indian Bank's Association said, "In terms of clause 13 of the 12th Bipartite Settlement dated 08.03.2024 and clause 2 (i) of the Joint Note dated 08.03.2024, the rate of DA payable to Workmen and Officer employees for the months of May, June & July 2024 shall be 15.97% 'of 'pay' (0.01 % change in DA on 'pay' for change in every second decimal place of CPI 2016 over 123.03 points).

➢ The joint note also added that the index for DA is shifted from 1960 = 100 to 201+6 = 100 series resulting in shifting the conversion factor from 0.06 to 0.99 as per 2016 = 100 series benefitting the bank employees with enhanced DA.

●**IBBI HAS PROPOSED TO SIMPLIFY THE FORMS:**

➢ The Insolvency and Bankruptcy Board of India (IBBI) has proposed to simplify the forms submitted for the corporate insolvency resolution process (CIRP) by resolution professionals (RPs).

➢ The changes, proposed in a discussion paper released, follow the suggestion of the Financial Stability and Development Council (FSDC) to ease compliance burden. The move is to avoid duplication and streamline formalities undertaken by RPs.

➢For instance, the IBBI has proposed to move to a monthly compliance reporting framework where insolvency professionals would report the status and progress of the CIRP as on the last day of every month, by filing the applicable forms by 10th day of the following month. Currently, the timelines for filing CIRP forms are linked to different events, such as the insolvency commencement date, public announcement, appointment of RPs, issue of information memorandum. This, IBBI said, leads to due dates for filing of forms falling on different dates for an insolvency professional handling multiple CIRP assignments, making the filing process cumbersome. Certain forms, such as the pre assignment form and CIRP Form-6, which details interim finance, commencement of insolvency resolution process of guarantors of the company, have been proposed to be eliminated by the IBBI. This is being done since relevant details are captured in other forms, the insolvency regulator said.

●**SabPaisa SECURES RBI APPROVAL AS PAYMENT AGGREGATOR:**

➢ Delhi NCR-based fintech startup SabPaisa (SRS Live Technologies Private Limited) has received the final approval from RBI to operate as a payment aggregator.

➢ Founded in 2016, SabPaisa aims to enhance its service offerings to a broader spectrum of merchants following the regulatory milestone. The approval allows SabPaisa to expand its hybrid payment gateway platform and other digital payment solutions, positioning itself for accelerated growth in the evolving fintech landscape

●**IPPB PARTNERS WITH RIA MONEY TRANSFER TO EXTEND SERVICES ACROSS RURAL INDIA:**

➢ India Post Payments Bank ("IPPB") has forged a collaboration with Ria Money Transfer to facilitate international inward remittances across rural India. This partnership aims to provide convenient and secure doorstep financial services to rural communities, leveraging IPPB's extensive postal network and Ria's global expertise.

➢ The initiative seeks to enhance financial inclusion by offering accessible banking solutions that meet the specific needs of rural populations, thereby supporting their long-term economic growth and well-being.

●**RBI INVITES APPLICATIONS FOR RECOGNITION OF SROs FOR NBFCs:**

The Reserve Bank of India has issued a press release inviting applications for the recognition of Self-Regulatory Organisations (SROs) for Non-Banking Financial Co's.

Membership Criteria for the SRO for NBFCs:

➢ The SRO for NBFC sector is primarily envisaged for NBFCs in the categories of Investment and Credit Companies (NBFC-ICCs), Housing Finance Companies (HFCs) and Factors (NBFC-Factors). However, the SRO may also have other categories of NBFCs as its members.

➢ To ensure fair representation to smaller NBFCs, the SRO shall have at least 10% of the total number of NBFCs in the Base Layer as per Scale Based Regulatory Framework and categorised as NBFC-ICC and NBFC-Factor, as its members. Failure to achieve the aforesaid membership, within two years of the grant of recognition as SRO, would render the SRO liable for revocation of the recognition granted.

Other terms of recognition of SRO:

➢ The applicant should achieve a minimum net worth of Rupees two crore within a period of one year after recognition as an SRO by RBI, or before commencement of operations as an SRO, whichever is earlier. Thereafter, the SRO shall maintain this on an ongoing basis.

➢ A maximum of two SROs for the NBFC sector will be recognised, subject to the applicants fulfilling the prescribed criteria to the satisfaction of the Reserve Bank.

●**INSOLVENCY REGULATOR PROPOSES TO CLOSE ESCAPE ROUTE OF PERSONAL GUARANTORS:**

➢ In a bid to ensure personal guarantors of defaulting firms do not escape paying their liabilities, the Insolvency and Bankruptcy Board of India which performs a regulatory role, has proposed that the corporate insolvency regulation process (CIRP) be amended to bring in this change, taking cue from a recent SC ruling that the approval of a resolution plan of a bankrupt firm doesn't mean automatic immunity to the guarantors. The move by IBBI would help strengthen the hands of the creditors further, as it removes the ambiguity over in the extant rules over how guarantees are enforced. It will also make the recovery process smoother in many cases.

➢ As per the latest IBBI newsletter, creditors have recovered merely 2.16%, or Rs. 103 crore, of their admitted claims from personal guarantors under the IBC, implying that their escape route has been quite wide.

➢ In a discussion paper floated, the IBBI said that to ensure that there is clarity on the rights of the financial creditor to enforce recovery under guarantee agreements, it is proposed that "CIRP regulations be amended to clarify that the resolution plan submitted by the resolution applicant shall not extinguish the rights of the creditors to proceed against guarantors and "enforce realisation of guarantees governed through various guarantee agreements".

●**GOVERNMENT ASKS PSBs TO IDENTIFY NON-PERFORMING VENDORS, CREATE NEGATIVE LIST:**

Government has directed public sector banks (PSBs) to blacklist underperforming service providers and collaborate to enhance efficiency. Service providers to public sector banks (PSBs), including vendors, law and consulting firms, and IT companies, may face challenges securing contracts from all PSBs if they underperform or delay projects of any one bank.

➢ The government has asked lenders to identify such firms and create a negative list. Banks will hold internal discussions on the matter and that one of the suggestions is to develop a web portal where all PSBs can share feedback and also flag concerns, if any.

➢ Earlier this year, the finance ministry, after a review meeting to enhance the efficacy of DRTs, directed banks to conduct periodic reviews of the performance of empaneled advocates and rationalise the assignment of their cases, taking into account their performance. Banks were further directed to ensure the presence of their officers at all the hearings of their respective cases before judicial forums.

➢ As per the latest data from the finance ministry, around 2.15 lakh cases are pending before DRTs till Jan. 2024, of which 1.62 lakh are original applications (OAs) filed under Sec. 19 of the Recovery of Debts and Bankruptcy Act, 1993. The Govt. has also asked PSBs to collaborate, scale up common utilities and initiatives, and start peer-to-peer collaboration by building and sharing technology, operations, and people capabilities.

●**BANK OF INDIA ACQUIRES 6.125% STAKE IN CCIL:**

➢ The Bank of India has acquired a 6.125% stake in the Clearing Corporation of India Ltd. (IFSC) for Rs.6.125 crore, aiming to enhance its strategic presence in GIFT City IFSC. This acquisition reflects the bank's commitment to the growth and development of GIFT City as a global financial hub.

●**SOURCE: RBI / GOVT. NOTIFICATIONS, BUSINESS STANDARD, ECONOMIC TIMES, FINANCIAL EXPRESS, LIVEMENT ETC.**

BRAIN STORMING

1) The Financial Inclusion Index (FI-Index) is a comprehensive measure of financial inclusion, ranging from 0 to 100, with 0 representing complete financial exclusion and 100 indicating full financial inclusion. It consists of three main parameters: Access (35%), Usage (45%), and Quality (20%). The FI-Index improved from 56.4 in March 2022 to ______ in March 2023, reflecting deepening financial inclusion.
a) 59.7 b) 60.1 c) 61.2 d) 63.1

2) RBI has recently revised the definition of 'Bulk deposits' accepted by the banks. As per the revised guidelines, the term 'Bulk Deposit' would now mean Single Rupee term deposits of Rs. ____ crore and above for Scheduled Commercial Banks (excluding RRBs) and Small Finance Banks and Single Rupee term deposits of Rs. ____ crore and above for Local Area Banks as applicable in case of Regional Rural Banks.
a) 2 ; 1 b) 3 ; 1 c) 3 ; 2 d) 5 ; 2

3) To address regional disparities in the flow of priority sector credit at the district level, RBI rank districts on the basis of per capita credit flow to priority sector and build an incentive framework for districts with comparatively lower flow of credit and a dis-incentive framework for districts with comparatively higher flow of priority sector credit. With effect from FY 2024-25, a higher weight (125%) shall be assigned to the incremental priority sector credit in the identified districts where the credit flow is comparatively lower (per capita PSL less than Rs. ______), and a lower weight (90%) will be assigned for incremental priority sector credit in the identified districts where the credit flow is comparatively higher (per capita PSL greater than Rs. ______). The list of both categories of districts will be valid up to FY 2026-27. The districts other than those mentioned by RBI in Annexes IA and IB will continue to have existing weightage of 100%.
a) 9,000 ; 42,000 b) 12,500; 52,000
c) 15,000; 60,000 d) 18,000; 75,000

4) To improve flow of credit during their 'life cycle' to MSE sector, RBI in the revised guidelines, has advised that banks shall review and tune their lending policies to the MSE sector by incorporating therein provisions so as to facilitate timely and adequate availability of credit to viable MSE borrowers especially during the need of funds in unforeseen circumstances. As per the guidelines, timeline for credit decisions for loans up to Rs.25 lakh to units in the MSE segment shall not be more than ____ working days.
a) 7 b) 14 c) 21 d) 24

5) As per RBI's revised guidelines, Banks shall put in place a Credit Proposal Tracking System (CPTS)/ equivalent tracking mechanism to facilitate central registration and a system of e-tracking of all MSME loan applications. Further, banks shall monitor the loan application disposal process and pendency beyond sanction time norms at appropriate levels on a _______ basis. The position in this regard shall be displayed by banks on their websites within one month from the end of the preceding quarter.
a) weekly b) fortnightly c) monthly d) quarterly

6) As the Reserve Bank approaches its centenary year, RBI@100, Governor Shaktikanta Das has announced a multi-year plan encompassing a broad spectrum of initiatives designed to position the RBI as a global leader, deepen financial inclusion, and modernize India's financial sector. RBI has drawn up strategies consisting of ______ aspirational goals towards positioning the Reserve Bank as a model central bank of the global south and aimed at transforming India's financial landscape.
a) Eight b)Ten c)Fourteen d) Twenty

7) RBI has initiated the setting up of _______ to contain information on Indian FinTech Sector with the aim to capture essential information about FinTech entities, their activities, technology uses, for a better understanding of the sector from a regulatory perspective and facilitate in designing appropriate policy approaches.
a) The Fintech Repository b)Fintech Repository scheme
c) Fintech on-line Portal d) Fintech Repository Portal

8) Banks issue Irrevocable Payment Commitments (IPCs) in favour of stock exchanges on behalf of domestic mutual funds/FIIs to facilitate the transactions done by these clients. In order to protect the banks from the adverse movements in the equity prices and the possibility of default by the clients, RBI has revised risk mitigation measures. Which of the following is/are not part of revised guidelines:
a) Since the Stock Exchanges have introduced T+1 rolling settlement, as such all IPCs issued by custodian banks should be under the T+1 settlement cycle.
b) Only those custodian banks will be permitted to issue IPCs, who have a clause in the Agreement with clients giving the banks an inalienable right over the securities to be received as pay out in any settlement. However, this clause will not be insisted upon if the transactions are pre-funded i.e., either clear INR funds are available in the customer's account or, in case of FX deals, the bank's nostro account has been credited before the issuance of the IPC.
c) The maximum intraday risk to the custodian banks issuing IPCs would be reckoned as Capital Market Exposure (CME) at 30 percent of the settlement amount. This is based on the assumption of 20 percent downward price movement of the equities on T+1, with an additional margin of 10 percent for further downward movement of price.
d) In case margin is paid in cash, the exposure will stand reduced by the amount of margin paid. In case margin is paid by way of permitted securities to Mutual Funds / Foreign Portfolio Investors, the exposure will stand reduced by the amount of margin after adjusting for haircut as prescribed by the Exchange on the permitted securities accepted as margin.
e) None of the above.

9) To boost participation of small investors in the securities market, Sebi has increased the threshold for the basic service Demat account to Rs. ____ lakh from current Rs.2 lakh w.e.f Sept. 1, 2024.
a) 5 b) 7.5 c) 10 d) 15

10) Full Fledged Money Changers (FFMCs)/non-bank Authorised Dealers (ADs) Category-II may obtain their normal business requirements of foreign currency notes from other FFMCs and Authorised Dealers (ADs) in India. In this regard, RBI has decided that from July 1, 2024, value of foreign currency notes sold by FFMCs / non-bank ADs Category -II to the public for permitted purposes should not be less than ____% of the value of foreign currency notes purchased from other FFMCs/ ADs, on a quarterly basis.
a) 50 b) 60 c) 75 d) 90

11) RBI has decided that Full Fledged Money Changers/non-bank ADs Category-II shall submit their annual audited balance sheet to the concerned Regional Office of the Reserve Bank along with a certificate from their statutory auditors regarding the NOF as on the date of the balance sheet, latest by _______ of the year concerned.
a) June 30. b) October 31
c) September 31 d) December 30

12) Public Sector Banks reforms agenda for FY 2024-25, EASE 7.0, was unveiled on 25-04-2024 at an event of Indian Banks' Association with the _________ following theme:
a) Economic Development; Customer Delight; Resilient Banking
b) Delivering excellence in customer service with digital enablement and analytics-driven business improvement.
c) Tech-enabled, simplified, collaborative banking and at institutionalising clean and smart banking.
d) Tech- enabled agriculture lending, EASE Banking Outlets etc.
e) None of the above.

13) EASE 7.0 has been launched with focus on five themes and 21 action points with emphasis on enabling banks to

drive national priorities, maintaining a strong customer service orientation, managing operational risks effectively and catalyzing new-age capability building. Which of the following is the third theme:
a) Banking towards 'Viksit' Bharat
b) Excellence in customer service
c) Adoption of new-age technology and other advanced capabilities
d) Effective risk/fraud management, collections and recovery
e) Developing employees for emerging banking priorities
14) RBI has revised guidelines on 'Margin for Derivative Contracts' for AD Cat-I banks & AD Cat-III Standalone Primary Dealers. As per the guidelines Margin posted and collected in India shall be in the form of:
i) Indian currency;
ii) Freely convertible foreign currency;
iii) Debt securities issued by Indian Central Govt. & State Govts;
iv) Rupee bonds issued by persons resident in India which are listed on a recognized stock exchange in India and Assigned a credit rating of _____ issued by a rating agency registered with the SEBI. If different ratings are accorded by two or more credit rating agencies, then the lowest rating shall be reckoned;
v) Certificate of Deposits; and
vi) Commercial Papers which are assigned a minimum credit rating of _____ issued by a rating agency registered with the SEBI. If different ratings are accorded by two or more credit rating agencies, then the lowest rating shall be reckoned.
a) AAA ; A1 b) AAA ; A2 c) BBB ; A1 d) BBB ; A2
15) Reserve Bank had announced opening of the Fourth Cohort under Regulatory Sandbox with the theme of _____:
a) 'Prevention and Mitigation of Financial Frauds'
b) Adoption of new-age technology and other advanced capabilities
c) Developing employees for emerging banking priorities
d) Banking towards 'Viksit' Bharat
16)RBI is organising its third global hackathon – 'HaRBInger 2024 – Innovation for Transformation'. The Hackathon invites participants to develop solutions using technology and innovative approaches under which of the following themes:
i) Zero Financial Frauds
ii) Being Divyang Friendly
iii) Banking towards 'Viksit' Bharat
iv) 'Prevention and Mitigation of Financial Frauds'
a) I and iv b) I and ii
c) ii and iii d) ii and iv
17) RBI has launched PRAVAAH, a secure and centralised web-based portal for any individual or entity to seek authorisation, license or regulatory approval on any reference made by it to the Reserve Bank. What is full form of PRAVAAH:
a)Platform for Regulatory Application, VAlidation and AutHorisation
b)Platform for Regulation Application, Verification and AutHorisation.
c)Platform for Regulatory Allocation, VAlidation and AutHorisation.
d)Platform for Regulatory Appellate, Verification and AutHorisation
18)SEBI has launched a mobile app named ______designed to provide comprehensive tools for simplifying complex financial concepts and empowering investors with reliable information.
a)SARTHI 1.0 b)SARTHI 2.0 c) SAMARTH d) SAMADHAN
19) RBI has decided to regularise the issuances of partly paid units by Alternative Investment Funds to persons resident outside India through compounding under Foreign Exchange Management Act, 1999. However, before approaching the RBI for compounding, AD Category-I banks may ensure that the necessary administrative action, including the reporting of such issuances by Alternative Investment Funds to the RBI, through _________ Portal and issuing of conditional acknowledgements for such reporting, is completed.
a) Foreign Investment Reporting and Management System (FIRMS)
b) Alternative Investment Funds Reporting and Management System (AFIRMS)
c) FEMA AIR Funds Reporting and Management System (FAFIRMS)
d) None of the above.
20) The Uniform Resource Locator (URL) domain address of the 'Database on Indian Economy (DBIE)' portal of the RBI has changed to _______ with effect from close of business. (June 21, 2024). The current URLs, viz., https://dbie.rbi.org.in and https://cimsdbie.rbi.org.in will also get directed to the new URL.
a) https://web.umang.gov.in/landing/
b) https://data.rbi.org.in
c) https://dbie.gov.org.in
d) https://indianeco.rbi.org.in
21) RBI has launched ________, a secure and centralised web-based portal for any individual or entity to seek authorisation, license or regulatory approval on any reference made by it to the Reserve Bank.
a) SARTHI 1.0 b) SAMADHAN
c) PRAVAAH d) SAMARTH
22) RBI has launched _______ a portal to provide retail investors a seamless and convenient access to the retail direct platform and provide ease of transacting in government securities (G-Secs). The scheme allows retail investors to buy G-Secs in the primary auctions as well as buy and sell G-Secs in the secondary market.
a) Retail Direct Mobile App b) Retail Direct App
c) Retail Govt -stock Mobile App d) None of the above
23) RBI is launching ______ for only RBI regulated entities (banks and NBFCs) on their adoption of emerging technologies (like AI, ML, Cloud Computing, DLT, Quantum, etc).
a) Em FINTech Repository b) EmTech Repository
c) AI Tech Repository d) None of the above
24) RBI is launching _____ and ____ Repositories, a secure web-based applications managed by the Reserve Bank Innovation Hub (RBIH), a wholly owned subsidiary of RBI. The repository would enable availability of aggregate sectoral level data, trends, etc., that would be useful for both policymakers and participating industry members.
a) Em FINTech and AI Tech b**)** AI Tech and EmTech
c) EmTech and ML FinTech d) The FinTech and EmTech
25) The Reserve Bank of India in its Monetary Policy statement on June 7, 2024 has projected the real GDP growth for 2024-25 at _____ per cent.
a) 6.5% b) 7.9% c)7.2% d) 7.5%
26) Banks need to furnish Fraud Monitoring Return (FMR) in individual fraud cases, irrespective of the amount involved, to RBI electronically using FMR Application within three weeks from the date of detection. A monthly certificate, is to be submitted by the bank to CFMC, Bengaluru within _____ days from the end of the month for updation in central fraud registry.
a) 3 b) 5 c) 7 d) 10
27) The Mutual Evaluation Report of India, which was adopted in the FATF plenary held in Singapore, has placed India in the ________ category, a distinction shared by only four other G20 countries.
a) Regular follow-up b) Caution list
c) Monitoring list d) Positive list

ANSWER KEY

1	B	**2**	B	**3**	A	**4**	B	**5**	D
6	C	**7**	A	**8**	E	**9**	C	**10**	C
11	B	**12**	A	**13**	C	**14**	A	**15**	A
16	B	**17**	A	**18**	B	**19**	A	**20**	B
21	C	**22**	A	**23**	B	**24**	D	**25**	C
26	C	**27**	A						

RECOLLECTED QUESTIONS

1) Of the two categories of Forex open position limits normally the following is true:
a) Daylight limit > Overnight limit b) Daylight limit < Overnight limit
c) Daylight limit = Overnight limit d) Any of the above

2) The holder of an _______ style option can exercise their right to buy (in the case of a call) or to sell (in the case of a put) the underlying shares of stock at any time. The holder of a _______ style option can only exercise their right at expiration. Both contract styles can be closed on the option's market at any time.
a) European; American b) American; European
c) Japanese; European d) Swiss ; Japanese

3) Companies (Amendment) Act, 2013 made ______ of a company optional as defined in Section 9, 12, 22, 46 and 223 of Co'ss Act 2013.
a) Common Seal b) Common Stamp
c) Certificate of commencement of business
d) Article of association d) Stamp

4) To regulate all entities facilitating cross-border payment transactions for import and export of goods and services, as per RBI guidelines, Non-banks providing Payment Aggregators-Cross Border services as on Oct. 31, 2023, shall have a minimum networth of Rs. _____ crore at the time of submitting application to the RBI for authorisation and a minimum networth of Rs. ____ crore by March 31, 2026.
a) 10 ; 15 b) 15 ; 20 c) 15 ; 25 d) 20 ; 25

5) Which type of transaction is the following?
'A transaction where the acquiring bank of the Merchant and issuing bank of the Payment Card used by a User to make a Transaction are the same entity'.
a) On us transaction b) Off us Transaction
c) Multiple Transaction d) No transaction

6) Under Sovereign Gold Bonds scheme, the issue price of the SGBs will be less by _____rupees per gram for the investors who subscribe online and pay through digital mode.
a) 25 b) 50 c) 75 d) 100

7) As per Digital Lending guidelines, a borrower shall be given an explicit option to exit digital loan by paying the principal and the proportionate APR without any penalty during this period. The cooling off period shall be determined by the Board of the RE. The period so determined shall not be less than ______ days for loans having tenor of seven days or more and ______ day for loans having tenor of less than seven days. For borrowers continuing with the loan even after look-up period, pre-payment shall continue to be allowed as per extant RBI guidelines.
a) 3 ; 1 b) 1 ; 3 c) 5 ; 1 d) 1 ; 5

8) Banks may open NRO account of a foreign student on the basis of his/her passport (with visa & immigration endorsement) bearing the proof of identity and address in the home country together with a photograph and a letter offering admission from the educational institution in India. Provided that a declaration about the local address shall be obtained within a period of __days of opening the account and the said local address is verified.
a) 10 b) 15 c) 20 d) 30

9) In computing, _________ is a technique for eliminating duplicate copies of repeating data. Successful implementation of the technique can improve storage utilization, which may in turn lower capital expenditure by reducing the overall amount of storage media required to meet storage capacity needs. It can also be applied to network data transfers to reduce the number of bytes that must be sent. process that eliminates redundant copies of data and reduces storage overhead.
a) Data duplication b) Data deduplication
c) Data reduplication d) None

10) Non Resident Ordinary (NRO) accounts can be opened jointly with resident individuals with which operating instruction:
a) Jointly operated b) Either or survivor
c) Former or Survivor d) None of the above

11) Under RTI, a second appeal will lie against the decision of the appellate authority before the Central Information Commission (or the State Information Commission) and the same shall have to be preferred within _____ days from the date on which the decision should have been made or was actually received. The appeal shall be disposed of within ____days of the receipt of the appeal or within such extended time not exceeding a total of forty-five days from the date of filing thereof. The decision of the Central Information Commission is binding on the parties.
a) 90; 30 b) 90;45 c) 90; 60 d) 60; 45

12) National Bank for Agriculture and Rural Development (NABARD) came into existence on 12 July 1982 by transferring the agricultural credit functions of RBI and refinance functions of the then ________________:
a) Agriculture Restructuring and Development Corporation (ARDC)
b) Agricultural Refinance and Development Company (ARDC)
c) Agricultural Refinance and Development Corporation (ARDC)
d) None of the above

13) __________ is a one-stop solution to facilitate investment in Government Securities by individual investors. Under this scheme individual retail investors can open a Gilt Securities Account account with RBI. Using this account, retail investors can buy and sell government securities through the online portal:
a) Retail Direct b) Retail Investment.
c) TReds scheme d) None of the above

14) The transaction limit for UPI payments for Retail Direct Scheme and for IPO subscriptions is Rs. ____ lakh.
a) 1 b) 2 c) 5 d) 10

15) Under Section _______ of the Income Tax Act, the entire amount contributed by applicants and the Central Government to the Agniveer Corpus Fund is applicable for tax deductions. An individual enrolled in the Agnipath Scheme and contributing to the Agniveer Corpus Fund on or after the 1st day of November 2022, and who has made deposits into the fund during the preceding year are eligible for a deduction.
a) 80 C b) 80CC c) 80CCH d) 80DD

16) Government has launched a digitised claim settlement module _______ under the Pradhan Mantri Fasal Bima Yojana (PMFBY) which will help farmers receive the disbursed amount electronically like in the case of PM-Kisan.
a) DigiClaim b) DigitalisedClaim
c) EasyClaim d) Ease onlineClaim

17) Overdraft in PMJDY Accounts can be sanctioned up to a maximum of _____ times of monthly average balance in the existing account for last 6 months.
a) 2 b) 3 c) 4 d) 8

18) The committee / authority for declaration of willful defaulter is headed by _____ and order of the committee is reviewed by a committee headed by MD & CEO of the Bank.
a) Director b) Additional Director
c) Managing Director d) Executive Director

19)Who is the Chairman of the Financial Sector Development Council (FSDC)?
a) Reserve Bank of India Governor
b) Chief Economic Adviser
c) Secretary of the Department of Economic Affairs (DEA)
d) Union Finance Minister
e) Secretary of the Department of Financial Services (DFA)

20) For classifying borrowers as Non-Cooperative, the cut-off limit is borrowers having aggregate fund-based and non-fund based facilities of Rs. _____ million or more.
a) 10 b) 25 c) 50 d) 100

ANSWER KEY

1	A	**2**	B	**3**	A	**4**	C	**5**	A
6	B	**7**	A	**8**	D	**9**	B	**10**	C
11	A	**12**	C	**13**	A	**14**	C	**15**	C
16	A	**17**	C	**18**	D	**19**	D	**20**	C

CTDI, GURUKUL FOR BANKERS
SCO 91, (1ST& 2ND FL) SEC. 47-D
CHANDIGARH-160047, 9317723230

LATEST GENERAL KNOWLEDGE

●_________ has been appointed as the MD and CEO of Dhanlaxmi Bank**: Ajith Kumar KK**

●_________ appointed as CMD of New India Assurance, the largest general insurer in India**: Girija Subramanian**

●_________ has been awarded the prestigious "Risk Manager of the Year Award 2024" by 'Central Banking' a renowned publication in London**: The Reserve Bank of India**

●_________ has become the first Indian to be conferred with South Africa's 'Nelson Mandela Lifetime Achievement Award' for his outstanding contribution to children's cinema**: Vinod Ganatra**

●The National Institute of Mental Health and Neuro Sciences (NIMHANS), Bangalore has been conferred the ___________ for Health Promotion for 2024 by the World Health Organization (WHO)**: 'Nelson Mandela Award'**

●Annual Hindi Sahitya Bharati Award has been given to _______who is well-known for leading Mumbai Police's special counterterrorism team 'Force One': **Krishna Prakash**

●_______has been conferred with the V. Shantaram Lifetime Achievement Award for his contributions to the wildlife documentary film making**: Subbiah Nallamuthu**

●The All India Tennis Association (AITA) has announced the Dilip Bose award for lifetime achievement to coach**: Nar Singh**

●______ has been awarded the Asia-Pacific region's 'Best Conduct of Business Regulator' by The Asian Banker**: The Securities and Exchange Board of India (SEBI)**

●In a celebration of linguistic and cultural ties between India and Nepal, ______ has been honoured with the 12th Vishwa Hindi Samman**: Dr. Usha Thakur**

●________has been honoured with the 'Sustainable Governance Champion Award' at the Outlook Planet Sustainability Summit & Awards 2024**: Garden Reach Shipbuilders & Engineers (GRSE) Ltd.**

●_______ has been honored with "Mini RATNA" status (Category-1) by Union Minister Dr. Jitendra Singh**: Central Electronics Limited (CEL)**

●________ has become the first Indian rider to win a three-star Grand Prix event- a historic achievement for the Indian equestrian**: Shruti Vora**

●_______has been named the winner of the 'GBP 5,000 Commonwealth Short Story Prize 2024' in London**: Sanjana Thakur**

●The state of ______has introduced Artificial Intelligence (AI) learning in the Information & Communication Technology (ICT) textbook for Class 7 students**: Kerala**

●_______has etched its name among India's top five companies by market capitalization, surpassing the Rs.8 trillion mark**: ICICI Bank**

●The Bombay High Court rules against PSU Banks' Power to Issue**: Look Out Circulars (LOCs)**

●The Uttarakhand government had organized India's first ever astro tourism event called ______ in Mussoorie**: 'Nakshatra Sabha'**

●________ has launched 'SME Digital Business Loans', aiming to sanction loans within 45 minutes**: State Bank of India**

●_______ has secured its position among the 100 most valuable brands in the world for the third consecutive year**: Infosys**

●_______ has slipped two places to rank 129th on the World Economic Forum's (WEF) Global Gender Gap index**: India**

●______has secured the 18th position in the World Bank's Container Port Performance Index (CPPI), marking a milestone for India's maritime industry**:The Visakhapatnam Port Authority.**

●National Crime Record Bureau (NCRB) has launched a Mobile App _______ to serve as a comprehensive guide about the new criminal laws at one place which will come into force from the 1st July 2024: '**NCRB Sankalan of Criminal Laws'.**

●A woman-led Start-up has successfully developed AI Tool ________ that creates a "robust and multi-faceted authentication system" by combining facial recognition with gait analysis**: 'Divya Drishti'.**

●According to Knight Frank's recent report, _____ have emerged as top performers in the global luxury real estate market**: Mumbai and Delhi**

●_______, a farmer and the founder of AGRO RANGERS from Maharashtra, has been recognized as a Land Hero by the United Nations Convention to Combat Desertification (UNCCD)**: Siddhesh Sakore**

●In Mercer's 2024 Cost of Living Survey', ______ maintains its position as India's most expensive city for expatriates, climbing to 136th globally and 21st in Asia**: Mumbai**

●______ launches India's First Self-Service Mechanism for Check-in Luggage**: Delhi International Airport**

●_______ has emerged as the world's third-largest market for domestic airlines by April 2024**: India**

●On June 23, 2024, ____ has become the first UNESCO City of Literature in India**: Kozhikode**

●_______is the world's second largest source of nitrous oxide (N2O), a greenhouse gas that heats up the atmosphere far more than carbon dioxide**: India**

●The Central Railway has installed a ______ of 10 MWp capacity in the Igatpuri lake located in the Western Ghats, a first-of-its-kind initiative by the Indian Railways**: Floating Solar plant.**

●______ has become the second military station in India to have a road made from plastic waste**: Jaipur Military Station**

●The World Health Organisation (WHO) has designated the _______ under the Ministry of Ayush, as a WHO Collaborating Centre (CC) for traditional medicine research**: National Institute of Indian Medical Heritage (NIIMH) Hyderabad.**

●Madhya Pradesh Govt. has launched an Intra-State air service to promote tourism from Raja Bhoj International Airport in Bhopal which is called**: 'PM Shri Paryatan Vayu Seva.'**

●The _______ has inaugurated its Representative Office in Nairobi, Kenya, East Africa**: Exim Bank**

●Moody's Ratings has affirmed the 'Baa3' ratings on three Indian public sector banks**: Bank of Baroda, Canara Bank and Punjab National Bank.**

●_______has become the first fund house in India to surpass Rs.10 trillion in 'Assets under management' (AUM)**: SBI Mutual Fund.**

●PM Modi has launched the ______ campaign to commemorate the World Environment Day**: 'Ek Ped Maa Ke Naam'**

●Russian Cosmonaut _____ becomes 1st Person to Spend 1,000 Cumulative Days in Space for the first time in the world in terms of total spaceflight duration**: Oleg Kononenko**

●______of Mexico has assumed the presidency of the Financial Action Task Force (FATF) for a two-year term from July 2024 to June 2026**: Elisa de Anda Madrazo**

●_______, the flagship brand of Indian Hotels Company (IHCL), has become the world's strongest hotel brand on account of rapid revenue growth**: Taj Hotels**

●______ sponsored by Canara Bank, has been honoured with a national award by the Pension Fund Regulatory and Development Authority (PFRDA) for significant enrolment under the Atal Pension Yojana**: Karnataka Vikas Grameena Bank (KVGB)**

●_____has launched 'Mukhya Mantri Nijut Moina' Scheme to Promote Girl Education**: Assam.**

●For more participation of small investors in the securities market, SEBI increased the threshold limit for the basic service demat account to Rs.___ lakh from Rs.2 lakh w.e.f September 1**: 10**

●India's equity market has once again outpaced _____, securing the position as the world's fourth-largest by market capitalization**: Hong Kong**

●______ joined the UK, France, Italy and other G20 group of countries which have been placed under 'regular follow-up' category by Financial Action Task Force**: India.**

●The ________ and the State Bank of India have formalized a MoU to integrate SBI's payment gateway, SBIePay, with the eMigrate portal**: Ministry of External Affairs**

KEY INDICATORS

REPO RATE	**6.50%**	**FOREX RESERVES- Rs. (in Cr)**	**5436574**
CRR	**4.50%**	**FOREX RESERVES US ($ Million)**	**651997**
SLR	**18.00%**	**SCB's AGGREGATE DEPOSITS - (Cr)**	**20809916**
BANK RATE & MSF	**6.75%**	**SCB's BANK CREDIT - (Cr)**	**16204282**
SDF	**6.25%**	**FIXED RATE REVERSE REPO**	**3.35%**