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IIBF VISION

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top stories

Creation of Financial Inclusion Fund of ₹2,000 crore to push financial inclusion

Five years ago, two funds were constituted viz. Financial Inclusion Fund and Financial Inclusion Technology Fund. Now, RBI is merging these two funds to create a new single Financial Inclusion Fund (FIF) with a corpus of ₹2,000 crore to support developmental and promotional activities including creation of financial inclusion infrastructure across the country. Contribution to FIF would be from the interest differential in excess of 0.5% on Rural Infrastructure Development Fund (RIDF) and Short-Term Co-operative Rural Credit (STCRC) deposits on account of shortfall in priority sector lending kept with NABARD by banks.

Country moving towards paperless banking: P.M. Shri. Narendra Modi

The Prime Minister said that the entire banking sector is undergoing major transformation with the advent of latest technology, and the future of banking would not just be premises-less and paper-less, but also, eventually, currency-less, and this would help curb black money. The Prime Minister described the banking sector reforms being undertaken by the Union Government, especially in areas such as senior appointments, creation of a bank board bureau, re-capitalization of banks, de-stressing of assets, empowering bank management through zero-interference, creation of a framework of accountability through Key Performance Indicators, and reform of governance of banks.

The mission of the Institute is "to develop professionally qualified and competent bankers and finance professionals primarily through a process of education, training, examination, consultancy / counselling and continuing professional development programs."

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Banking Policies

PMJDY: No service tax on banking facilitators

The Central Government has exempted the services of business facilitators to banks in opening basic savings bank accounts under the Pradhan Mantri Jan Dhan Yojana (PMJDY). The exemption is applicable to services provided by these agents in rural areas ranging from opening of accounts, facilitating cash deposits and withdrawals, obtaining e-life certificates and Aadhaar seeding.

RBI issues guidelines for Gold Monetisation Scheme, 2015

Reserve Bank of India (RBI) has announced the guidelines to implement the Government's Gold Monetization Scheme. According to these guidelines, individuals, trusts and mutual funds/Exchange Traded Funds registered under SEBI (Mutual Fund) Regulations and Companies can make deposits under the scheme. The minimum deposit at any one time shall be raw gold (bars, coins, jewellery excluding stones and other metals) equivalent to 30 grams of gold of 995 fineness. There is no maximum limit for deposit under the scheme. All transactions under the scheme with the designated bank shall be in gold of 995 fineness. The principal and interest will be denominated in gold. Interest will start accruing from the date of conversion of the deposited gold into tradable bars after refinement, or 30 days after the receipt of gold at the Collection and Purity Testing Centres (CPTC). There shall be two different gold deposit schemes namely, Short Term Bank Deposit (STBD) and Medium and Long Term Government Deposit (MLTGD). Banks would have to permit premature withdrawal, subject to a minimum lock-in period and penalty that can vary from bank to bank.

Regularisation of assets held abroad by a person resident in India under Foreign Exchange Management Act, 1999

The Government of India has enacted the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (Black Money Act) to address the issue of undisclosed assets held abroad. It provides for separate taxation of income and assets acquired abroad from income not disclosed but chargeable to tax in India. RBI has stipulated that no proceedings shall lie under the Foreign Exchange Management Act, 1999 (FEMA) against the declarant

with respect to an asset held abroad for which taxes and penalties under the provisions of Black Money Act have been paid. No permission under FEMA will be required to dispose of the asset so declared and bring back the proceeds to India through banking channels within 180 days from the date of declaration. In case the declarant wishes to hold the asset so declared, she/he may apply to Reserve Bank of India within 180 days from the date of declaration if such permission is necessary as on date of application. Such applications will be dealt by Reserve Bank of India as per extant regulations. In case such permission is not granted, the asset will have to be disposed of within 180 days from the date of receipt of the communication from the Reserve Bank conveying refusal of permission or within such extended period as may be permitted by the Reserve Bank and proceeds brought back to India immediately through the banking channel.

New ECB norms notified

RBI has notified new **External Commercial Borrowing** (ECB) and overseas rupee debt norms. The issuers can raise up to \$750 million under automatic approval, cases beyond this limit will require prior approval of the Reserve Bank. The bonds should have a minimum maturity of five years, the call and put option, if any, shall not be exercisable prior to completion of minimum maturity. Any corporate, including real estate investment trusts and infrastructure investment trusts coming under the regulatory jurisdiction of the SEBI are eligible to raise funds. The proceeds can be used for all purposes, barring real estate activities other than affordable housing projects, investing in capital markets and using the proceeds for equity investment, purchase of land and activities prohibited as per the Foreign Direct Investment (FDI) guidelines.

RBI reduced risk weights on home loans

RBI has eased risk weights on loans of up to ₹75 lakh, provided the borrower brings in a bigger contribution towards financing the property. Home loans of up to ₹30 lakh where the LTV ratio is less than or equal to 80% and those of ₹30-75 lakh wherein the LTV ratio is below or equal to 75% will attract a lower risk weight of 35%. For home loans of up to ₹30 lakh wherein the LTV ratio is above 80% and of ₹30-75 lakh where the LTV ratio is above 75% will continue to attract 50% risk weight. The LTV ratio cannot exceed 90% for loans of up to ₹30 lakh and is capped at 80% for loans between ₹30 lakh and ₹70 lakh.

Banking Developments

Jan Dhan deposits exceed ₹25,000 crore

Deposits in accounts opened under the Pradhan Mantri Jan Dhan Yojana (PMJDY) recently exceeded ₹25,000 crore. The accounts that can be opened under PMJDY are Basic Savings Bank Deposit Accounts (BSBDA) which can be with zero balance as per Reserve Bank of India guidelines. As on 7th October 2015, the deposits collected stood at Rs.25,146.97 crore. The PMJDY accounts having balances with them also now exceed 60% and the zero balance accounts have reduced to less than 40%.

Finance Ministry asks banks to revisit their risk management process

Finance Ministry has asked all Public Sector Banks (PSBs) to review their internal risk management process to prevent recurrence of frauds. The Ministry has sent an advisory to all PSBs, asking them to strengthen their vigilance and internal mechanisms to avoid any possible laundering activity. The review will help banks find loopholes in their system, so as to plug them in time.

RBI opens sub-office in Imphal

RBI has opened a sub-office in Imphal. It will have separate departments for financial inclusion and development, consumer education and market intelligence. With this office, the count of RBI's sub-offices in North East goes to five in seven states of the region. The Imphal office will work in close co-ordination of the State Government, NABARD and the banks for financial and banking development of the State.

High Level Committee for PSBs recruitments

Shri. Arun Jaitley, Finance Minister, said that a high level committee headed by Justice A P Shah, former Chairperson, Law Commission was looking into the options available for Public Sector Banks (PSBs) to recruit the best talent from the market. He said "efforts are on to give shape to the Banking Bureau and to professionalize all personnel issues". Mr. Jaitley however opined that the brick and mortar branches may probably lose some relevance in future with alternative internet based channels emerging.

RBI to develop currency market

RBI plans to issue guidelines for introducing exchange-traded currency futures and options for three cross-currency pairs viz. Euro-USD, GBP-USD and USD-JPY- in consultation with SEBI by November-end. This would enable direct hedging of exposures in foreign currencies and permit execution of cross-currency strategies by market participants. RBI has also proposed an increase in hedging limits for resident entities from \$250,000 to \$1 million without producing documents, subject to submission of a simple declaration. It has also mooted a review of documentation requirements for over-the-counter forex market besides considering allowing financially sophisticated investors to participate in currency markets without underlying exposure.

20 entities to get funding for promoting depositor awareness

Reserve Bank of India released the names of 20 entities that have been approved by the Depositor Education and Awareness (DEA) Fund Committee for registration for seeking grant of financial assistance from the Depositor Education and Awareness Fund. The Selection Process involved a scrutiny by an internal team of the Reserve Bank followed by an assessment of the applications by the DEA Fund Committee, which inter alia has three external members. The applicants have been selected on the basis of their meeting the minimum eligibility criteria, track record and evaluation of the work done by them in the field of depositor education, consumer awareness, and consumer protection, amongst others.

RBI notifies hike in FPI limits for Government Securities

RBI has notified that Foreign Portfolio Investors (FPI) will be able to hold up to ₹1.66 lakh crore worth of Government Securities from October 12, 2015 onwards. This is an increase of ₹13,000 crore from the current limit of ₹1.53 lakh crore and will be further increased to a limit of ₹1.79 lakh crore by January 1, 2016. Additionally, there will be a separate limit for investment by all FPIs in the State Development Loans (SDLs), to be increased in phases to reach 2 per cent of the outstanding stock by March 2018. This would amount to an additional limit of about ₹ 500 billion by March 2018.

Deposit insurance: RBI panel moots a rising premium structure for banks

The panel on 'Differential Premium System for Banks

in India, headed by Mr. Jasbir Singh, Executive Director, RBI, came up with a comprehensive Risk Assessment Module, whereby a bank is given a Reward Point (RP) for each risk factor based on the risk assumed in respect of that risk factor. A bank will get a higher RP for lower risk exposure. The panel has classified banks into low risk (banks with total RPs 80 and above), moderate risk (banks with total RPs 65 and above but below 80), medium risk (banks with total RPs 50 and above but below 65) & high risk (banks with total RPs below 50) categories.

RBI on booking of forwards contracts

In its fourth bi-monthly monetary policy review, RBI has allowed all resident individuals, firms and companies, who have actual or anticipated foreign exchange exposures, to book foreign exchange forwards and foreign currency and rupee options contracts up to \$1 million without any requirement of documentation on the basis of simple declaration. While the contracts booked under this facility would normally be on a deliverable basis, cancellation and rebooking of contracts are permitted.

RBI looking to revamp consortium lending to curb bad loans

To stem cases of fraud as well as the increase in bad loans in the banking system, RBI is considering a radical overhaul of the way banks give big-ticket loans to India Inc. This includes making consortium lending a must for loans of ₹500 crore & above and penalizing borrowers seeking loans outside the lenders' consortium without the latter's knowledge. A revamp is being considered because in the last few years, credit discipline has been undermined by borrowers as well as banks, resulting in rising bad loans and increased provisioning.

Regulator's Speak...

Use of Aadhaar to help in financial inclusion: Dr. Rajan

Dr. Raghuram Rajan, Governor, RBI said that the unique ID can enable a variety of economically valuable activities that particularly benefit the bottom of the pyramid. For instance, not only can UIDs expand the access of the poor and young to credit as they borrow against the collateral of their future good name, it will also allow the regulator to detect and curb over-lending to individuals by asking lenders to report the IDs of borrowers to credit bureaus. He added that

the Government has used UIDs to weed out duplicate beneficiaries for various welfare schemes, allowing better targeting of scarce funds to the very poor.

RBI's IT arm likely in 6-8 months

RBI's proposal for setting up an information technology (IT) subsidiary is expected to take shape in the next 6-8 months. The subsidiary will have experts from the IT domain to check cyber threats besides helping RBI harness technology for effective use in regulation and supervision. With banks planning for a largely IT-dependent paperless banking system a dedicated IT subsidiary is needed to stay ahead of cyber criminals. Dr. Raghuram Rajan, Governor, RBI commented about this development saying "An IT subsidiary will help us on cyber security and evaluate the technical capabilities of banks. We have to constantly examine our readiness in the face of new threats in the realm of cyber-crime. We have thus far been relatively immune to any major cyber attacks on our banks but we can't take that for granted."

Bankruptcy code to be enabler for banks' growth: Mr. Mundra

Mr. S.S. Mundra, Deputy Governor, RBI, "As regulators and supervisors, we would also need to be vigilant about the emerging risks the banks could face and actively suggest measures to enable banks to mitigate them. On the institutional side, enactment of a bankruptcy code to deal with firms in distress and setting up of a resolution authority for liquidation of failed financial institutions would be key enablers".

Rate-cut transmission will happen, but over time

Mr. H.R. Khan, Deputy Governor, RBI, hopes that banks would pass on the entire benefit of the cut in the key interest rate to customers. "Different banks are looking at different ways. I think (monetary) transmission will happen but over time. One reason for the delay in monetary transmission is small savings rate."



Insurance

Guidelines in FDI for insurance firms issued

The Insurance Regulatory and Development Authority of India (IRDAI) has capped the total

foreign investment in Indian insurance companies at 49%. Insurers have been given three months to comply with these norms from the date of issue of the guidelines. IRDAI might grant another three months to existing insurers to comply for valid reasons. The extra time would be given provided that the total time taken to comply with “Indian owned and controlled” stipulations does not extend beyond six months.

Insurance JVs have to be Indian-owned: IRDAI-BL 21-10-15

As per the guidelines on Indian-owned and controlled insurance companies issued by the IRDAI, all insurers having joint ventures (JVs) with foreign players will have to ensure that the company is owned and controlled by the Indian stakeholders and will have to file an undertaking with the regulator confirming the same. Each undertaking shall be accompanied by a certified copy of resolution passed by the board of directors confirming compliance to the guidelines.

National health insurance plan to continue till December

The Government sponsored Rashtriya Swasthya Bima Yojana (RSBY) has been extended till December 31, 2015. While the scheme might be allowed to continue after that till the financial year-end on March 31, 2015 it might not involve insurance companies. RSBY, launched by the labour and employment ministry on April 1, 2008, was envisaged to provide health insurance coverage to Below Poverty line families. Its beneficiaries are entitled to hospitalization coverage of up to ₹30,000 for most diseases.

Financial position to be considered before listing approval

For a public issue of shares by health, reinsurance and non-life insurers, the Insurance Regulatory and Development Authority of India (IRDAI) said will consider the applicant company’s overall financial position, its regulatory record and its capital structure post issue, prior to giving approval. The period for which the applicant company has been in the non-life insurance business or in standalone health insurance business or in reinsurance business, will also be taken into consideration. Its record of policyholder protection will also be looked into.

Banks to be liable for the insurance they sell

The IRDAI is set to make banks and their employees, liable for all insurance policies they sell, said Mr. T.S. Vijayan, Chairman, IRDAI. The regulator would

consider corporate agents an intermediary, which would benefit the customer. In case of complaints, IRDAI wants to have ready-made access to the record as to which person in the bank (or corporate agency) sold the policy. Currently, banks act as corporate agents through bancassurance agreements with insurance companies and can sell the products of three life, three non-life and three standalone health insurers.

IRDAI on minimum annuity

In its minimum limits for annuities and other benefits regulations, IRDAI has said that life insurers could pay an amount of annuity of less than ₹1000 per month, excluding any profit or bonus. Also, the gross sum cannot be less than ₹5000, except under micro insurance and health insurance business and not less than the gross sum of ₹1,000 for the micro insurance and health insurance business.

Economy

Finance Ministry pegs growth at 7.5% this fiscal

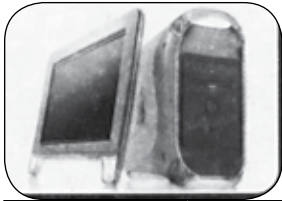
With the inherent stability factors being quite strong, the Finance Ministry expects the country to grow by 7.5% in the current fiscal. The government would roll out more reforms measures to push growth, said Mr. Shaktikanta Das, Secretary, Department of Economic Affairs, Government of India.

Indian economy to grow at 7.5% in 2015: UNCTAD

According to the ‘Trade and Development Report 2015’ released by the United Nations Conference on Trade and Development (UNCTAD), India’s Gross Domestic Product (GDP) is expected to grow at 7.5% in 2015. UNCTAD has pointed out that lower oil prices have eased current account deficits (CAD) in countries such as Pakistan and India. UNCTAD’s estimates are in line with those made by the World Bank, and ratings agency Fitch. RBI, too has revised downwards its projections for GDP growth to 7.4% from 7.6% earlier. India’s growth projection, however, is higher than that of most economies in the world.

New Appointments

Name	Designation/Organisation
Mr. Suhas Sahakari	Managing Director, The Shamrao Vithal Co-op. Bank Ltd.
Mr. Ashwani Kumar	Chairman, Indian Banks’ Association (IBA).



Products & Alliances

Organisation	Organisation tied up with	Purpose
United Bank of India	Kotak Securities	For providing online trading services.
Reserve Bank of India (RBI)	Central Bank of UAE	For exchange of supervisory information for supervisory cooperation.
Bank of Baroda	Chillr	To provide instant money transfer facility to any contact in a customer's phonebook.
Bank of Maharashtra	Paytm	To help customers top-up their wallets using ATMs.
Andhra Bank	Honda Motorcycle & Scooter India (HMS)	For providing finance option to its customers.
Kotak Mahindra Bank	National Commodity & Derivatives Exchange (NCDEX)	To promote financial inclusion through electronic pledge facility.
Union Bank of India	National Housing Bank (NHB)	To facilitate promotion of affordable housing for weaker section through Credit Linked Subsidy Scheme (CLSS).
YES Bank	Match Move Pay	To allow customers, who do not own credit cards or online banking facilities, to make purchases online or in-app.
State Bank of India (SBI)	German Development Bank KfW	To support rural and micro-enterprise lending in India.
Axis Bank	Snapdeal	To launch a pre-approved loan offer designed for Small and Medium Enterprise (SME) sellers.
Oriental Bank of Commerce	National Housing Bank (NHB)	For credit linked subsidy scheme-housing for all urbanites.
IndusInd Bank	Tata AIA Life Insurance	To provide a wide range of solutions to address protection, savings and wealth creation needs of customers.
Reserve Bank of India (RBI)	Bank of Botswana	For information sharing under the Supervisory Cooperation and Exchange of Supervisory Information.

Forex

Base Rates for FCNR(B) Deposits applicable for the month of November 2015

Currency	1 Year	2 Years	3 Years	4 Years	5 Years
USD	0.547	0.837	1.0877	1.325	1.4864
GBP	0.6937	0.9888	1.1686	1.3411	1.4946
EUR	-0.0209	-0.016	0.051	0.149	0.281
JPY	0.13	0.11	0.123	0.15	0.193
CAD	0.92	0.869	0.953	1.074	1.222
AUD	1.937	1.948	2.027	2.27	2.38
CHF	-0.7425	-0.755	-0.743	-0.645	-0.511
DKK	0.142	0.23	0.3324	0.4627	0.608
NZD	2.78	2.78	2.85	2.95	3.07
SEK	-0.312	-0.209	-0.03	0.2	0.44
SGD	1.58	1.82	2.03	2.235	2.37
HKD	0.63	0.86	1.09	1.27	1.42
MYR	3.87	3.94	4	4.08	4.15

Source: www.fedai.org.in

Foreign Exchange Reserves

Item	As on October 23, 2015	
	₹ Bn.	US\$ Mn.
	1	2
Total Reserves	22,758.00	3,51,546.6
(a) Foreign Currency Assets	21,217.10	3,28,037.8
(b) Gold	1,193.30	18,151.80
(c) SDRs	262.5	4,045.70
(d) Reserve Position in the IMF	85.1	1,311.30

Source: Reserve Bank of India (RBI)

Glossary

External Commercial Borrowing

It refers to commercial loans in the form of bank loans, buyers' credit, suppliers' credit, securitized instruments (e.g. floating rate notes and fixed rate bonds, non-convertible, optionally convertible or partially convertible preference shares) availed of from non-resident lenders with a minimum average maturity of 3 years.

Financial Basics

Supervisory Review Process (SRP)

Supervisory review process envisages the establishment of suitable risk management systems in banks and their review by the supervisory authority. The objective of the SRP is to ensure that the banks have adequate capital to support all the risks in their business as also to encourage them to develop and use better risk management techniques for monitoring and managing their risks.

Institute's Training Activities

Training Programme Schedule for the month of November 2015

Name of the Programme	Dates	Location
Customised Programmes for Bassein Catholic Co-operative Bank on Marketing and Customer Care (Two programmes).	04.11.2015 05.11.2015 And 06.11.2015 07.11.2015	Vasai.
Certified Treasury Dealers Programme.	06.11.2015 08.11.2015	Mumbai.

News from the Institute

IIBF launches Mobile Application

IIBF's Android Mobile Application was launched by Mr. Ashwani Kumar, Vice-President, IIBF & CMD, Dena Bank on 16th October 2015. This application is available on Google Play Store for download. For details visit www.iibf.org.in

IIBF enters Social Media

The Institute has launched the Social Media pages, namely Youtube and Facebook to reach out to its members and others. This will help the Institute in receiving constructive inputs/feedback from them to make its courses relevant and up to date in Banking & Finance.

Cut-off Date of Guidelines /Important Developments for Examinations

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

In respect of the exams to be conducted by the Institute during November / December of a calendar year,

instructions / guidelines issued by the regulator(s) and important developments in banking and finance up to 30th June of that year will only be considered for the purpose of inclusion in the question papers.

Additional Reading Material for Institute's examination

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

5th International Training Programme for Trainers of Banks, Banking Institutes and Financial Institutions

The institute is organising 5th International Training Programme for Trainers of Banks, Banking Institutes and Financial Institutions from 1st to 6th February 2015 at Leadership Centre, Indian Institute of Banking and Finance, Corporate Office, Mumbai. For details visit www.iibf.org.in.

5th Bank Executive Programme (BEP) for Senior Executives

The Bank Executive Programme has been formulated and organized jointly by NIBM, IDRBT and IIBF. This programme aims at equipping bank executives, with appropriate skill sets to succeed in the emerging competitive global market place. 5th Bank Executive Programme (BEP) for Senior Executives will be organised from 16th to 21st November, 2015 at Leadership Centre, Indian Institute of Banking and Finance, Corporate Office, Mumbai. For details visit www.iibf.org.in.

Call for Papers/Proposals

The institute invites Micro Papers / Macro Proposals for the year 2015-16. The last date of submitting the papers / proposals is 31st January 2016. For details visit www.iibf.org.in.

Diamond Jubilee and CH Bhabha Banking Overseas Research Fellowship (DJCHBBORF)

The institute invites applications for Diamond Jubilee and CH Bhabha Banking Overseas Research Fellowship (DJCHBBORF) for the year 2015-16. The last date for applying for submitting the applications is 31st January 2016. For details visit www.iibf.org.in.

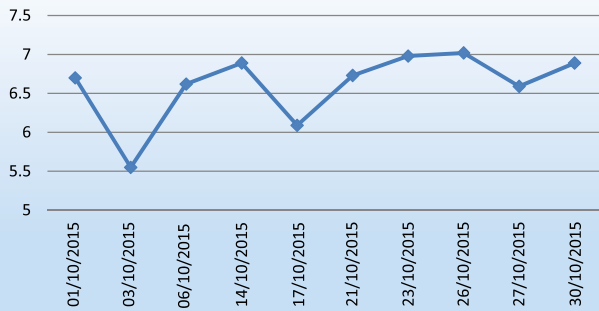
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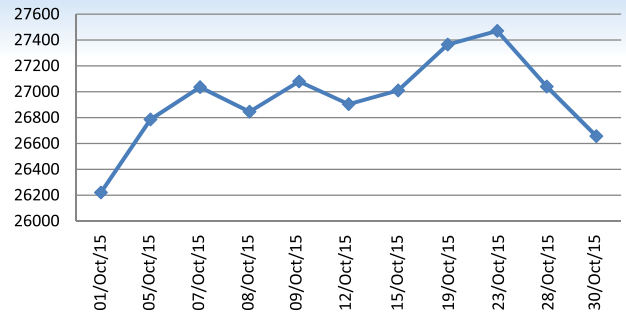
Market Roundup

Weighted Average Call Rates



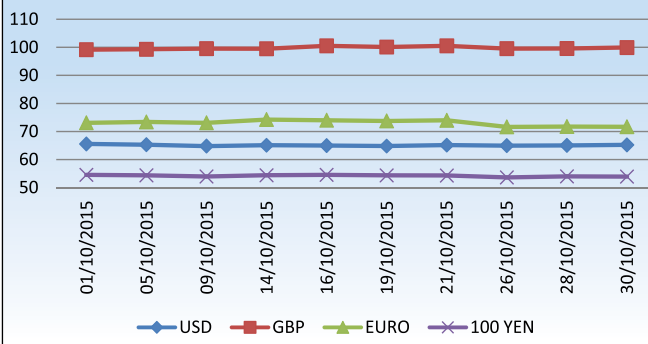
Source: CCIL Newsletters, October 2015

BSE Sensex



Source: Bombay Stock Exchange (BSE)

RBI Reference Rate



Source: Reserve Bank of India (RBI)

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