

Committed  
professional excellence

# IIBF VISION

Volume No. : 8

Issue No. : 5

December 2015

No. of Pages - 8

## 5<sup>th</sup> Bi-Monthly Monetary Policy Statement, 2015-16

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

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

## top stories

### NRIs can subscribe to pension fund

To enable income security to old-aged Indians living abroad, RBI has allowed NRIs to subscribe to the National Pension System (NPS) as an investment option for NRIs under FEMA, 1999. NRIs may subscribe to the NPS, provided such subscriptions are made through normal banking channels and the person is eligible to invest as per the provisions of the Pension Fund Regulatory and Development Authority (PFRDA) Act.

### PM launches Gold Monetization, Sovereign Gold Bond Scheme and India Gold Coins

The Honourable Prime Minister Mr. Narendra Modi has formally launched the Government's Gold Monetization Scheme, Sovereign Gold Bond Scheme, and India Gold Coins. The Prime Minister said that the gold available with the country should be put to productive use, and these schemes show us the way to achieve this goal. He said gold can be a great tool for women empowerment and that they would be the

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."

INSIDE	
Monetary Policy	1
Top Stories	1
Banking Policies	2
Banking Developments	2
Insurance	4
Economy	4
New Appointments	5
Products & Alliances	5
Forex	6
Glossary	6
Financial Basics	6
Institute's Training Activities	6
News from the Institute	7
Market Roundup	8

biggest beneficiaries of the new schemes. He further added that the reason behind the success of these schemes will be the women of India. He also said that the gold bonds will be more beneficial than physical gold. Shri Narendra Modi described the launch of the India Gold Coins, bearing the Ashok Chakra, as a matter of pride for the nation. He said people would no longer have to depend on foreign minted gold bullion or coins.

## Banking Policies

### **RBI issues operational guidelines for gold bonds**

Commercial banks and post offices will now have additional responsibilities of maintaining subscription records for sovereign gold bonds as Reserve Bank of India (RBI) has mandated some operational procedures for them. Receiving offices will be required to preserve applications till the bonds are matured and repaid. Scheduled commercial banks can engage Non-Banking Finance Companies (NBFCs), NSC agents and others to collect application forms on their behalf. Receiving offices, i.e. branches of the scheduled Commercial Banks (SCBs) and designated post offices will own the customer and provide necessary services with regards to this bond.

### **Relaxation of facilities for residents for hedging of foreign currency borrowings**

RBI has allowed residents having a long-term foreign currency liability to enter into foreign currency-rupee swaps with Multilateral Financial Institutions or [International Financial Institutions](#) (MFI/IFI) in which the Government of India is a shareholding member, subject to certain conditions. Such swaps could be undertaken by the MFI/IFI on a back-to-back basis with an Authorized Dealers (AD) Category-I bank in India. The tenure of these swaps should be at least three years.

### **New Priority Sector Lending target**

In the wake of low monsoon this year, RBI has reduced the average Priority Sector Lending (PSL) target for banks to 11.57% for FY16 as against 13.5% set in July this year. The target is a system-wide average of the last three years' achievement in overall direct lending to non-corporate farmers.

### **RBI allows banks to fix value for factoring business**

Banks may carry out the business of factoring departmentally, without obtaining the prior approval

of RBI subject to certain conditions. RBI has advised that banks offering factoring services may themselves decide percentage of the invoice to be paid upfront based on their own assessment of the credit worthiness of the buyer, due diligence carried out by them and other commercial considerations.

### **Foreign banks can now deploy four expats in each branch**

RBI has relaxed the numerical restriction on the engagement of expatriates by foreign banks in view of the operational difficulties being faced by them in doing business in India. Now a foreign bank can deploy a maximum of four expatriates for each branch opened in India and not more than six expatriates for their Head Office functions. The other instructions with regard to the posting of trainee officers and remittance facilities by the expatriate officers in Indian branches remain unchanged.

## Banking Developments

### **Interest on Rupee-denominated offshore bonds to attract 5% withholding tax**

The Finance Ministry has clarified that interest income on rupee-denominated offshore bonds of Indian companies will attract a withholding tax of 5%. In the case of non-resident investors, withholding tax at the rate of 5%, in the nature of a final tax, would be applicable just as it is applicable for offshore dollar-denominated bonds.

### **RBI allows lenders to short sell Government Bonds**

RBI has allowed banks (or custodians) to short sell in the government bond market with primary members or individual bank customers, who invest through lenders, holding a kind of depository account with the RBI. This move is aimed at drawing retail participation. A custodian may undertake a short sale transaction with its General Account Holder (GAH) within the permissible short sale limits. A custodian may put through a cover transaction with a GAH to square a short sale transaction in the related security undertaken with a market participant other than its GAHs.

### **Sovereign Gold Bonds issue price at ₹2,684/gm**

The Government of India has announced that the Sovereign Gold Bond will be open for subscription. The issue price of the Sovereign Gold Bond for

this tranche has been fixed at ₹2684 (Rupees Two Thousand Six Hundred and Eighty Four) per gram of gold. The rate has been fixed on the basis of simple average of closing price for gold of 999 purity of the previous week (October 26-30, 2015) published by the India Bullion and Jewellers Association Ltd (IBJA).

#### **Set up an 'Insolvency Regulator': Dr. TK Viswanathan Committee**

The committee on Bankruptcy Law Reforms headed by Dr. TK Viswanathan has proposed an easy exit option for low-income individuals unable to repay debts. The comprehensive draft called 'Insolvency and Bankruptcy Bill' envisages two distinct processes – Fresh Start and Insolvency Resolution – to deal with individual bankruptcy. In the Fresh Start process, individuals with income and assets lower than specified thresholds (annual gross income not exceeding ₹60,000 and aggregate value of assets not exceeding ₹20,000) shall be eligible to apply for a discharge from their qualifying debts. In the Insolvency Resolution Process, the creditors and debtor will negotiate to arrive at an agreeable repayment plan for composition of the debts and affairs of the debtor, supervised by a resolution professional. The committee also proposes to establish an Insolvency Regulator to exercise regulatory oversight over insolvency professionals, insolvency professional agencies and informational utilities.

#### **RBI extends deadline for Bharat Bill Payment applications**

The Reserve Bank of India has extended the last date for receiving applications for authorising Bharat Bill Payment System Operating Units (BBPOUs), to December 18, 2015 from the earlier November 20, 2015. Bank and non-bank entities presently engaged in the bill payment activities covered under the current scope of Bharat Bill Payment System (BPPS) can participate either as Bharat Bill Payment Operating Units (BBPOUs) or as agents of authorised BBPOUs. Those desirous of becoming BBPOUs will necessarily have to apply within the extended timeline.

#### **RBI issues Directions for obtaining Prior Approval for Acquisition of Shares in Private Sector Banks.**

A person intending to acquire shares or compulsorily convertible debentures/bonds or voting rights or

convert optionally convertible debentures/bonds of 5% or more in a private sector bank, he/she will have to apply to the Reserve Bank for obtaining its prior approval. The major shareholders that is, shareholders having 5% or more of the paid-up share capital of the bank would have to give an annual declaration to the bank concerned on their 'fit and proper' status and if in the bank's assessment any major shareholder is not 'fit and proper', it will have to immediately furnish the requisite information to the Reserve Bank. The applicant's integrity, reputation & track record in financial matters and compliance with tax laws, will be a barometer to judge the fit and proper criteria. Where the applicant is a body corporate, its track record for operating will be seen in a manner that is consistent with the standards of good corporate governance, financial strength and integrity, apart from the assessment of individuals and other entities associated with the body corporate.

#### **RRBs can provide internet facility**

Regional Rural Banks (RRBs) will now be allowed to provide basic internet banking facilities to its customers. The facility will be strictly for non-transactional services, such as balance enquiry, balance viewing, account statement download, request for supply of cheque books, etc. No online fund-based transactions will be allowed. RRBs providing such facilities must have Capital to Risk (Weighted) Assets Ratio (CRAR) of not less than 10% and net worth of ₹100 crore as on March 31 of the immediate preceding financial year and must have no accumulated losses. Also, the gross NPAs must be less than 7% and net NPAs not more than 3%.

#### **Currency swap for SAARC members**

The Union Cabinet has given approval for the proposal to provide a two year extension with amendments to the framework on 'Currency Swap Arrangement' for SAARC member countries up to November 14, 2017, and extension thereafter, if necessary. Under the facility, RBI offers swaps of varying sizes to each SAARC Member countries (Afghanistan, Bangladesh, Bhutan, Maldives, Nepal, Pakistan and Sri Lanka) depending on their two months import requirement and not exceeding US\$ 2 billion in total, in USD, Euro or INR.

### **RBI relaxes guidelines for aircraft and chopper imports**

RBI has told banks to ensure that only the requisite approval of Director General of Civil Aviation (DGCA) for import of aircrafts/helicopters in terms of the extant Foreign Trade Policy has been obtained by the company for operating Scheduled or Non-Scheduled Air Transport Services (including Air Taxi Services).

### **RBI allows foreign investors to acquire distressed bonds**

RBI has allowed FPI to acquire NCDs/bonds, which are under default, either fully or partly, in the repayment of principal on maturity or principal instalment in the case of amortising bond. The revised maturity period of such NCDs/bonds, restructured based on negotiations with the issuing Indian company, should be three years or more. The FPI which propose to acquire such NCDs/bonds under default should disclose to the Debenture Trustees the terms of their offer to the existing debenture holders/beneficial owners from whom they are acquiring. Such investment should be within the overall limit prescribed for corporate debt from time to time (currently Rs. 2443.23 billion). All other existing conditions for investment by FPIs in the debt market remain unchanged.

### **RBI doubles Non-Banking Financial Company - Micro Finance Institutions lending limit for longer tenure loans**

NBFC microfinance lenders can now give loans of up to ₹30,000 for tenure not less than 24 months as RBI has doubled the limit for these debts. RBI has notified that all loans necessarily be pre-paid without any penalty, as hitherto.



## Insurance

### **Only established foreign reinsurers can set up India branch office**

The Insurance Regulatory and Development Authority of India (IRDAI) have specified that only those foreign reinsurers who have been in the reinsurance business for 10 years, can set up branch offices in India.

Appointment of Chief Executive Officer and other Key Management Personnel, including remuneration, of senior management in this branch office will need IRDAI's nod. The applicant has to be registered or certified in a national regulatory environment and should have signed the double-taxation avoidance agreement with the Government of India.

### **IRDAI fixes third-party motor insurance for e-carts, e-rickshaws**

The Motor Vehicles Amendment Act, 2015 brings e-carts and e-rickshaws under its ambit. E-carts /e-rickshaws are special purpose battery powered vehicles not exceeding 4000 watts, having three wheels for carrying goods or passengers, as the case may be, for hire or reward. IRDAI has fixed premium for third-party motor insurance for e-carts and e-rickshaws at ₹1,066 to ₹3,257 depending on the type of vehicle. Also, two-wheelers carrying passengers on hire will have to pay premium between ₹702 and ₹1615 depending on engine capacity.

### **Norms relaxed for claiming personal accident cover under RuPay Cards**

Under PMJDY, RuPay Debit Card with an inbuilt accident insurance cover of ₹1 lakh is also provided to account holders. National Payment Corporation of India (NPCI) has extended 45 days usage condition to 90 Days for RuPay Classic cardholders with effect from 25<sup>th</sup> November 2015. As on 20<sup>th</sup> November 2015, out of 697 claims lodged under accidental Insurance under RuPay Debit Card in PMJDY accounts, 644 claims have been disposed off.

## Economy

### **World Bank retains India growth forecast for 2015-16 at 7.5%**

The World Bank retained its Gross Domestic Product (GDP) growth projection for India at 7.5% for the current financial year, despite an unfavourable external environment which has hurt the country's merchandise exports. India's growth is expected to gradually accelerate to 7.8% in FY17 and 7.9% in FY18. The country's economy grew by 7.3% in FY 15 and by 7% in Q1FY16.

### **Prepared to deal with external risks: Finance Ministry**

The Finance Ministry has stated that India is fully prepared to deal with any eventuality due to volatility in global financial markets. The Financial Stability and

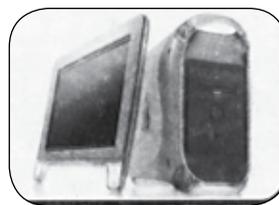
Development Council (FSDC), headed by Finance Minister, Mr. Arun Jaitley, also deliberated on the issue of rising bank NPAs, corporate sector balance sheet stress and their impact on the bond market. High volatility in the financial markets is one of the most prominent risks threatening emerging market economies. However, India is much better placed today on the back of improvement in its macro-economic fundamentals and large forex reserves, which provides cushion against financial market volatility.

#### DIPP notifies relaxation of FDI rules in 15 sectors

The government has notified measures to liberalize foreign direct investment (FDI) rules in 15 sectors that were announced by Mr. Arun Jaitley, Finance Minister. The measures included decision to raise the threshold limit for approval by Foreign Investment Promotion Board (FIPB) to ₹5,000 crore from ₹3,000 crore. The sectors include defence, construction development, broadcasting, civil aviation, agriculture, plantation, limited liability partnerships, manufacturing, single-brand retail, private sector banking & others.

## New Appointments

Name	Designation/Organisation
Dr. Raghuram Rajan	Vice-Chairman, Bank for International Settlements (BIS).
Mr. P. K. Gupta	Managing Director, State Bank of India.
Mr. Ravi Kishan Takkar	Managing Director & CEO, UCO Bank.
Ms. Shalini Warriar	Chief Operating Officer, Federal Bank.
Ms. Zarin Daruwala	CEO, Standard Chartered Bank (India).
Mr. James McMurdo	Head, Corporate and Investment Bank for Asia-Pacific, Deutsche Bank.
Dr. Mukund Laxman Abhyankar	Group Chairman, The Cosmos Co-operative Bank Ltd.
Mr. Milind Anant Kale	Chairman, The Cosmos Co-operative Bank Ltd.



## Products & Alliances

Organisation	Organisation tied up with	Purpose
State Bank of India	Emirates NBD	To help NRI customers in the Gulf to carry out remittances instantly and more conveniently.
Yes Bank	London Stock Exchange (LSE)	For issuing bonds and equity with focus on green infrastructure finance.
Standard Chartered Bank	UK Government	To create "the Standard Chartered-Chevening Financial Services Leadership Programme" for India.
Union Bank of India	Kendriya Vidyalaya Sangathan	For online fee collection through Union Bank of India for Kendriya Vidyalaya Sangathan.
Union Bank of India	Honda Motorcycle & Scooter India (HMS)	For providing finance option to its customers.
DCB Bank	TVS Credit Services	For extending retail loans.
Axis Bank	Vistara	To introduce cobranded credit card.
Federal Bank	Edelweiss Integrated Commodity Management Limited (EICML)	For extending collateral management in commodity financing.
Union Bank of India	Government of Maharashtra	For collection of taxes and receipts.
RBL Bank	Oxigen Services (India)	To map Oxigen Wallet which will allow its retail points to act as RBL's banking correspondents.
Lakshmi Vilas Bank	SBI Card & Cigna TTK Health Insurance	To offer a wider range of services to its customers.

## Forex

### Benchmark Rates for FCNR(B) Deposits applicable for the month of December, 2015

Currency	1 Year	2 Years	3 Years	4 Years	5 Years
USD	0.69500	1.00480	1.26300	1.45200	1.58870
GBP	0.65690	0.9464	1.1174	1.2701	1.4018
EUR	-0.08850	-0.108	-0.055	0.048	0.177
JPY	0.12500	0.116	0.118	0.139	0.178
CAD	0.89000	0.901	0.994	1.100	1.226
AUD	2.18900	2.189	2.249	2.470	2.579
CHF	-0.86750	-0.910	-0.854	-0.727	-0.587
DKK	0.07000	0.1240	0.2170	0.3380	0.4880
NZD	2.72000	2.740	2.820	2.940	3.070
SEK	-0.37600	-0.268	-0.049	0.190	0.445
SGD	1.62000	1.885	2.120	2.280	2.410
HKD	0.73000	0.990	1.270	1.410	1.530
MYR	3.86000	3.900	3.950	4.010	4.080

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

### Foreign Exchange Reserves

Item	As on November 27, 2015	
	₹ Bn.	US\$ Mn.
	1	2
Total Reserves	23,326.9	3,51,615.5
(a) Foreign Currency Assets	21,757.0	3,27,669.1
(b) Gold	1,219.1	18,691.8
(c) SDRs	264.9	3,968.1
(d) Reserve Position in the IMF	85.9	1,286.5

Source: Reserve Bank of India (RBI)

## Glossary

### International Financial Institutions

The International Financial Institutions (IFIs) are financial institutions that have been established (or chartered) by more than one country, and hence are subjects of international law. Their owners or shareholders are generally national governments, although other international institutions and other organizations occasionally figure as shareholders.

## Financial Basics

### Derivative

A derivative instrument derives its value from an underlying product. There are basically three derivatives:

a) Forward Contract - A forward contract is an agreement between two parties to buy or sell an agreed amount of a commodity or financial instrument at an agreed price, for delivery on an agreed future date. Future Contract is a standardized exchange tradable forward contract executed at an exchange. In contrast to a futures contract, a forward contract is not transferable or exchange tradable, its terms are not standardized and no margin is exchanged. The buyer of the forward contract is said to be long on the contract and the seller is said to be short on the contract.

b) Options - An option is a contract which grants the buyer the right, but not the obligation, to buy (call option) or sell (put option) an asset, commodity, currency or financial instrument at an agreed rate (exercise price) on or before an agreed date (expiry or settlement date). The buyer pays the seller an amount called the premium in exchange for this right. This premium is the price of the option.

c) Swaps - Swap is an agreement to exchange future cash flow at pre-specified intervals. Typically one cash flow is based on a variable price and other on affixed one.

## Institute's Training Activities

### Training Programme Schedule for the month of January 2015

S.No.	Name of the Programme	Dates	Location
1.	Post Examination Training for Certified Banking Compliance Professional Programme	4 <sup>th</sup> to 8 <sup>th</sup> January, 2016	Chennai.
2.	Post Examination Training for Certified Banking Compliance Professional Programme	11 <sup>th</sup> to 15 <sup>th</sup> January, 2016	Mumbai.
3.	Post Examination Training for Certified Credit Officers Programme	11 <sup>th</sup> to 15 <sup>th</sup> January, 2016	Mumbai.
4.	Training Programme on AML & KYC	18 <sup>th</sup> to 20 <sup>th</sup> January, 2016	Mumbai.

## News from the Institute

### IIBF's Android Mobile App

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

### IIBF enters Social Media

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.

### Bankers from Taiwan visited IIBF

A delegation consisting of 34 distinguished bankers from Taiwan visited IIBF on 2<sup>nd</sup> December 2015 as part of their Study Visit to India. During their visit, presentations were made to them on the role and activities of IIBF, as also the present state of Financial Inclusion in India and various facets of E-Banking and Mobile Banking in the country.

### 5<sup>th</sup> 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. 5<sup>th</sup> Bank Executive Programme (BEP) for Senior Executives was organised from 16<sup>th</sup> to 21<sup>st</sup> November, 2015 at Leadership Centre, Indian Institute of Banking and Finance, Corporate Office, Mumbai.

### GM (HR/Training Heads) Meeting 2015

The meeting of GM (HR/Training Heads) was jointly organised by IIBF, NIBM & IDRBT on 24<sup>th</sup> November 2015. The meeting was attended by GMs/HR/Training Heads in a large number to deliberate on enhancing the skills of Bank Professionals through various courses and training programmes.

### The new rate of service tax would be 14% +0.5% (SB Cess) = 14.5%

The Ministry of Finance, Department of revenue vide notification No. 21/2015-ST dated November 6, 2015 has notified that an additional levy of 0.5% as Swachh Bharat (SB) Cess will be charged on all taxable services

w.e.f 15<sup>th</sup> November 2015. Accordingly, the Institute has incorporated the change in all fees. The candidates are requested to note the change in service tax and pay the fee as per new rates.

### 5<sup>th</sup> International Training Programme for Trainers of Banks, Banking Institutes and Financial Institutions

The Institute is organising 5<sup>th</sup> International Training Programme for Trainers of Banks, Banking Institutes and Financial Institutions from 1<sup>st</sup> to 6<sup>th</sup> February 2015 at Leadership Centre, Indian Institute of Banking and Finance, Corporate Office, Mumbai. For details visit [www.iibf.org.in](http://www.iibf.org.in).

### Cut-off Date of Guidelines /Important Developments for Examinations

In respect of the exams to be conducted by the Institute during May / June of a calendar year, instructions / guidelines issued by the regulator(s) and important developments in banking and finance up to 31<sup>st</sup> 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 30<sup>th</sup> 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](http://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 31<sup>st</sup> January 2016. For details visit [www.iibf.org.in](http://www.iibf.org.in).

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

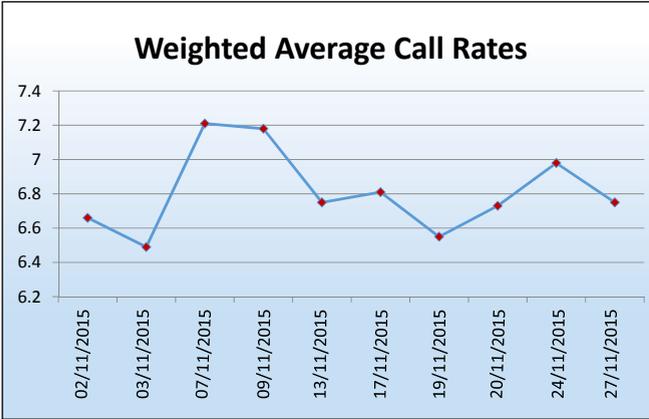
The institute invites applications for Diamond Jubilee and CH Bhabha Banking Overseas Research Fellowship (DJCHBBORF) for the year 2015-16. The last date for submitting the applications is 31<sup>st</sup> January 2016. For details visit [www.iibf.org.in](http://www.iibf.org.in).

### Green Initiative

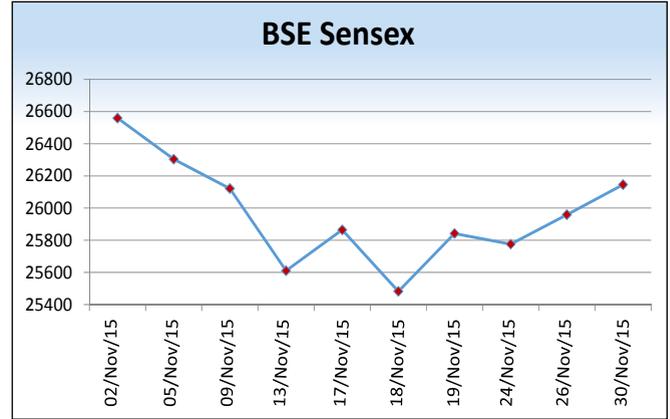
Members are requested to update their e-mail address with the Institute and send their consent to receive the Annual Report via e-mail in future.

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

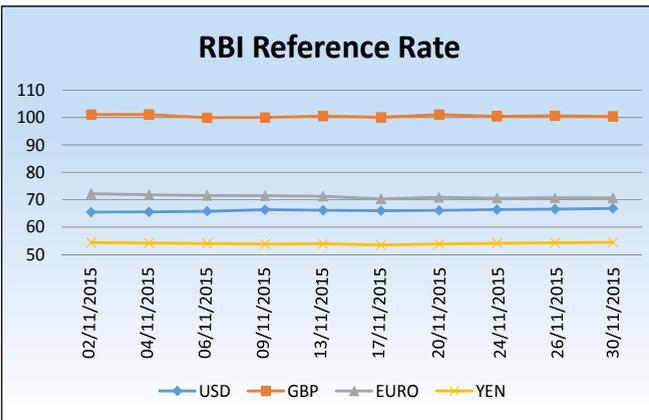
## Market Roundup



Source: CCIL Newsletters, November 2015



Source: Bombay Stock Exchange (BSE)



Source: Reserve Bank of India (RBI)

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

**INDIAN INSTITUTE OF BANKING & FINANCE**  
 Kohinoor City, Commercial-II, Tower-I, 2nd Floor, Kiro Road, Kurla (W),  
 Mumbai - 400 070.  
 Tel. : 91-22-2503 9604 / 9746/9907 • Fax : 91-22-2503 7332  
 E-mail : admin@iibf.or.in  
 Website : www.iibf.org.in