PROMOTION MADE EASY

BOOK ON INTERVIEW

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A COMPLETE BOOK

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Preface

Dear Friends,

Interview is an opportunity for you to present your personality consisting of your attitude, views, awareness level before the interview board, so that the **"potential in you"** is appropriately judged by the members on the interview board, who are learned people in their own field of specialization. The interview board, in order to judge your Potential evaluates your performance in the recent past, operating style, team building capabilities, effectiveness, neutral judgement level,transparency in dealings, initiatives, attitude and leadership qualities.

An official working in the Banking sector has to keep pace with Updated knowledge, skills & attitude, as the same is required everywhere. Employees play vital role in Banking/service organizations and they need to be transformed into Knowledge Assets to remain competitive in the dynamic environment and it is more so with Banks as they are very service sensitive. Thus it is imperative for the bank staff to serve the clientele with updated information of bank's products & services to accomplish corporate objectives.

Indian Banking is in its most exciting phases. The impact of liberalization has been wide spread and has thrown up both challenges and opportunities for bankers. Ever increasing competition is a part of professional life and the banker who is ahead of his peers in terms of knowledge skill, technology and quick response will be the winner.The Technology has also played role in this development. The transfer of amount is now happening through RTGS, NEFT, Net & Moblie Banking. Almost all Banks have App for Mobile banking using GPRS or NUUP or USSD depending upon their arrangement/software used by them. The amount transferred through digital mode has increased many folds during last four to five months.

During the course in the Banking Career, the Performing bankers have to face interviews occasionally. The interaction during such interviews, mainly focus on, from Job knowledge to attitudinal aspects, from potential to perform to perforformance and from banking history to emerging banking scenario. Due to their pre-occupation with their functional routine, the bankers rarely find enough time to go through economic papers, financial news/magazines and such study materials. But, they are expected to be conversant with all changes taking place in the financial services Sector, which has witnessed notable transformation over last five decades.

This book on **Promtion Made Easy**: **Book on Interview**, a very useful book, latest updated has many unique features to its credit & consists of all topics required for Interview with clear concept & simple language with previous year recalled questions asked during Interview. For details, Although there is no fixed syllabus for Interview but mostly questions were asked from your area of operations where you are working besides some general and latest questions, so command over your area of work where you are working in your branch and specific features of your branch related questions as well as latest happening in banking & Finance/Economy Sector in last one Month, Particularly last 15 days in your bank. In this book, I have covered Nirav Modi case as separate Chapter no. 18 Trade Credit and other very important Chapters are Latest RBI Policy Changes (01.01.2017 to 31.03.2018), Our bank and all its product in chapterwise form, Latest Concept & trends in Banking as well as alst minute preparation Final tips for Preparation & Frequently asked questions based on last more than 20 years of experience.

All possible care is taken to provide error free information, however, readers may note that the information given herein is merely for guidance/reference and they need to refer the relevant circulars & Manuals for full details.

I express my sincere thanks to friends/colleagues for their support in encouraging the idea and contributing the required resources for release of this book. I solicit your views on the content and quality of the topics for further improvement.

I wish you all the Success and hope the study material will help in achieving the goal.

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About the Author

Mr. Sanjay Kumar Trivedy (Native: Motihari, Bihar), Presently working as Chief Manager (Scale-IV) in Canara Bank, Shrigonda branch in Ahmednagar distt. of Maharashtra state. He Joined Canara Bank as DRO/PO (AEO) on 10.03.1997 and and worked in various places, starting from Maujgarh branch (1997-2000), Near Abohar(Punjab), Sirsa Main- Haryana (2000-2004), BMC, Jalandhar (2004-2006) Toiladungari, Sakchi, Jamshedpur(2006-2009), Jhalak near Chaibasa (2009-2011), J B Nagar, Andheri East , Mumbai (2011-2013) and then Faculty as well as College in charge (Principal) in Regional Staff Training College, Mumbai (2013-2016), Govt.Link Cell, Nagpur (01.05.2016 to 15.07.2017), Itwari Branch, Nagpur (17.07.2017 to 15.09.2017) and then Shrigonda Branch (Since 16.09.2017….).He won more than 200 awards in various fields of Banking by his Bank – Canara Bank, which includes twice gold coin for CASA mobilization. His best achievement was as an officer/AEO, he converted his Section: Agril Finance into Hi-tech Agril. Branch at BMC, Jalandhar and while working in Jhalak branch near Chaibasa (Jharkhand), won twice best Rural banker award from NABARD during 2009-10 &2010-11 in SHG credit linkage & Farmers Club Formation. During this journey started from 1997 to till date he worked in almost all area of Banking.

Mr. Sanjay Kumar Trivedy is M.Sc. (Agril), CAIIB, PGDCA, MBA, MBA (Finance),Diploma (IIBF) in Rural Banking, Treasury, Investment and Risk Management, Commodity Derivatives for Bankers, Advanced Wealth Management, Certificate (IIBF) in Trade Finance, Certificate in Anti-Money Laundering / Know Your Customer, Certificate Examination in SME Finance for Bankers, Certificate Examination in Customer Service & Banking Codes and Standards, Certificate Examination in CAIIB - Elective Subjects (Retail Banking & Human Resource Management) & Certificate Examination in Microfinance

Mr. Sanjay Kumar Trivedy has teaching experience of more than 16 years, from Sirsa Main Branch (2000-2004) , he started teaching to his colleagues/staff and in this long journey he has given good results both in Promotion test as well as JAIIB /CAIIB examination. He has taken IIBF-JAIIB & CAIIB classes at Mumbai. He has compiled/authored more than 20 books in last three years related banking - JAIIB, CAIIB, Book on Promotion Test (all cadres), Interview , Drishti (Current Banking Topics –Interview book for Scale iv & above), Group Discussion, Certificate course on Customer Service & BCSBI, AML& KYC, MSME Finance for Bankers, Book on Abroad Posting, Confirmation Test for PO, Banking & Technology and many more books on day today banking and many more in the offing.

Mr. Sanjay Kumar Trivedy is working in a mission mode to reduce knowledge gap among bankers with objective to provide educational support free of cost to all in general and bankers in particular with objective to empower Banker colleagues specially young banker who join the bank in last more than one decade for their better productivity, Sense of satisfaction, Customer delight with ultimate increase of quality banking business for their organisations.

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The best way to find yourself is to lose yourself in the service of others - Mahatma Gandhi

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DISCLAIMER

While every effort has been made by me to avoid errors or omissions in this publication, any error or discrepancy noted may be brought to my notice through whatsapp no. **9987519725** or e-mail to sktrivedycan@gmail.com which shall be taken care of in the subsequent editions. It is also suggested that to clarify any doubt colleagues should cross-check the facts, laws and contents of this publication with original Govt. / RBI / Manuals/Circulars/Notifications/Memo/Spl Comm. of our bank.

Arise, Awake and stop not till the goal is reached"... ***Swami Vivekananda***

1. INTERVIEW TIPS & TECHNIQUES

Purpose behind conducting the Interviews.

The interview is an occasion of interpersonal communication between the prospective employer and a prospective candidate. It is a platform where the organization checks the suitability of the candidate vis-a-vis the job profile. Moreover, the interviewee has the opportunity to examine if his/her personal objectives will be met in the job and the company.
In an interview, the candidate try to sell themselves to the interviewer.

What Is It That The Interviewers Check In A Candidate?
Whether the candidate has developed and communicated a clear, simple, customer/ user focused vision?
Whether the candidate has futuristic outlook, and the potential to be an asset to the organisation?
Whether the candidate can inspire and energize others and make them commit to a vision?
Whether the candidate is willing to make commitments and assume responsibility for the mistakes and shortcomings?
Does the candidate practice ethical conduct?
Is there any credibility between his/her actions/ behavior with his/her words?
Does the candidate take accountability and make commitment to achieve business objectives?
Does the candidate have the ability to demonstrate courage/ confidence to stand up for beliefs and ideas to co-workers and seniors?
Does the candidate communicate in open, candid, clear, complete and consistent manner?
Does the candidate trust others, encourage risk-taking and boundary less behavior?
Is the candidate capable of taking leadership and running a branch in the future?
How well does the candidate behave under pressure?
In a nutshell, the interviewer checks:
Your technical competence to handle the job
Your knowledge about the subject you have studied in graduation or post graduation
Your personality characteristics
Your emotional intelligence
Your general awareness and view point about the happenings around you
Your limitation in skills
Your personality trait
Your IQ (intelligence quotient), PQ (physical quotient), EQ (emotional quotient), SQ (spiritual quotient)
Your ability to analyze and articulate
Your ability to visualize the future
Your linguistic prowess

How To Face Bank Interviews : Interview is an opportunity for you to present your personality consisting of your attitude, views and awareness level before the Interview Board, so that the potential in `you' is appropriately judged by the members on the Interview Board, who are learned people in their own fields of specialisation.
What you should prepare ?
You should spend good time to make the choice of the contents relevant to your interview. These contents differ for interviews depending upon the level for which the interview is being held. Broadly these can be disintegrated into macro and micro aspects.
What is evaluated during the interview ?
The interview board, in order to judge your POTENTIAL evaluates your Performance in the recent past, Operating style, Team building capabilities, Effectiveness, Neutral judgment level, Transparency in dealings, Initiatives, Attitude and Leadership qualities. Though the interview is not a new process for many of you, being already in job, but you have no way of knowing exactly what is going to be asked and how that would be tackled. The following general tips can help a candidate appearing for an interview, to face the questions confidently.
Should you prepare pre-scripted questions?
It is important that you must not venture to go for an interview with a predetermined script of exactly what you are going to say. What is actually required, is the tactics that enable you to navigate successfully through the interview. This author had the opportunity of being both, the interviewee and interviewer on several occasions during his banking career.
Preparing yourself as the interviewer
There are a number of aspects of critical importance in planning the interview:
Timing - enough time must be allowed for the interviews and making notes between each. Each candidate should be given the same length of time in the interview. There should be sufficient breaks built into the interview programme.
Re-read the application form or CV, job description and person specification to identify areas which need further exploration or clarification. The appointment panel should agree the format of the interview and identify questions to cover the key competencies required by the post. The different subject areas should be allocated between the panel members in advance of the interview date. The panel should agree how they will operate as a team during the interviews. The first interview of the day should not be used as 'a dress rehearsal' - otherwise the appointment panel could be accused of acting unfairly.
The venue of the interview should be of an appropriate size and one which encourages the interviewee's concentration. It should be comfortable for both interviewers and the candidate (seating, heating, lighting, ventilation, noise level) and be well sign-posted with a waiting area containing literature about the organisation. There should be no interruptions and mobile phones should be switched off. Reasonable adjustments must be made to the facilities as necessary where a candidate has requested this because of a disability.
The reception arrangements for candidates should be welcoming and the receptionist briefed.

The seating arrangement should be as inclusive as possible so that the candidate does not feel isolated.

Preparing the candidate

Prior to the interview the candidate should have sufficient information about the post, the requirements of the post and the organisation. Candidates should be given adequate notice of the interview date, panel composition and designation and, ideally, be given a brief tour of the place of work prior to the interview. Candidates are asked to produce documentary evidence of their qualifications which are stipulated in the person specification.

At the start of the interview, the candidate can be helped by:

the Convener introducing the panel and having name cards placed in front of the members;

the panel putting the candidate at ease;

the Convener explaining the structure and length of the interview;

being informed that notes will be taken to ensure a fair assessment to be made;

being asked whether they have any queries after the introduction;

the use of an opening non-discriminatory 'warm-up'question.

Structure :

Working to a structure is a major step towards improving the quality of interviewing, as it helps to:

ensure that nothing significant has been missed;

keep track of how the interview time is being used;

give candidates a sense of progress through the interview;

help ensure consistency between candidates.

Questions must be planned in advance. It is usual to have a series of questions that are posed to every candidate with specific ones for individual applications based on information in their application forms. The need to raise additional questions will arise in order to probe candidates responses and these should be asked at the appropriate time. No question should be asked of a discriminatory nature e.g. asking a female candidate about her childcare arrangements.

The interview should be structured as follows:

the Opening - this will include introductions, advising candidates of the structure which will be followed and that note-taking will occur. A few moments of small talk will help to relax the candidate and establish rapport.

the Body - this is the main part of the interview where the required evidence about the candidate's suitability for the post against the key criteria is obtained.

the Close - Candidates should always be given the opportunity and sufficient time to ask any questions they may have. They should be informed of the timescales and methods of notifying them of the outcome and should be thanked for attending the interview.

The Disability Discrimination Act 1995 does not prevent you asking questions about a candidate's disability but this information must not be used to discriminate. When asking a candidate how their disability may affect their ability to do the job it is important to focus on competencies required by the post, place these questions in the latter part of the body of the interview, and indicate where possible a willingness to make those reasonable adjustments which would enable the job to be performed.

Questioning techniques : You should aim to have the candidate talk about 70-80% of the time, as the key aim of the interview is to obtain evidence from the candidate. Effective interviews depend on well-thought out and well-structured questions.

There are various types of questions:

Open - these questions enable candidates to provide facts and information, describe things, express feelings or opinions etc. They encourage candidates to start talking. They typically start with the words 'what, why, how?'

Example - 'Tell me about the most challenging project you have completed in the last year'.

Closed - the number of possible answers is limited and are usually either 'yes' or 'no'. They are useful to check facts, or your understanding of answers or to close the interview.

Example - 'Did you have responsibility for a team in your last job?'

Multiple - these occur when two or more questions are asked at one time. Candidates will normally only answer one of them - the one they find easiest or heard last. These types of questions should not be used in interviews.

Example - 'Why have you applied for this job, and why do you want to leave your present job?'

Leading - the answer which is expected is suggested in the question, and thus are not appropriate for selection interviewing.

Example - 'We need someone who has good planning skills. How well do you plan ahead?'

Hypothetical - is where the interviewer describes a situation to the candidate and asks him/her how he/she would respond. Too many of this type should be avoided as the reply might be completely different from what the candidate would actually do, and you have no way of evaluating the answer consistently.

Example -' What would you do if two members of your team had a fierce argument in the office?'

Behavioural - are useful questions, as you gain evidence of how the candidate has handled similar situations in the past, and these can concentrate on the specific skill areas of this post.

Example - 'Can you give me an example of when you had to deal with a difficult customer complaint?'

Probing - these are used to follow up after receiving answers to open questions, in order to explore an area in more depth. The questions should be designed to 'funnel' the information obtained from general to specific information.

Example - 'How would you do it differently next time?'

Reflective - these are powerful and seldom used with skill or consistency. Each question is based on the previous answer and reflects its content.

Example - 'So, you think that there could have been some improvements. What would have altered the outcome?'

Listening techniques : As the interviewee will be talking for the majority of the time it is vital that interviewers actively listen. The candidate is providing a lot of information and the interviewer has to be able to recall it, use it, relate it to the key skill areas and check it for inconsistencies. Reflective questions can be used to pick up on a point the candidate has made and enable you to probe further. You should concentrate on what the candidate is saying, look at the candidate and ensure that your physical position reflects your interest. It is vital that all the panel members listen carefully to every answer, even though they may not have asked the question.

Examples of effective non-verbal responses by interviewers include nodding of the head, smiling and occasional noises of encouragement. Actions to be avoided are looking at your watch, critical frowning, staring out of the window. Care should be taken by panel members that non-verbal signals are not communicated between them, indicating what they feel about the candidate.

Interrupting a candidate can be interpreted as discourteous and showing a lack of interest in what the candidate is saying. However it may be necessary to do so if the candidate has misunderstood the question.
Good active listening involves:
identifying feelings and intentions behind words;
probing answers with further questions;
clarifying and summarising;
evaluating the quality of the answers.
By being empathetic, you will lead the candidate to speak freely and could well reveal information that he/she would not do if an interviewer was being overbearing or critical. Silence is one of the most effective probing devices. When used at the appropriate time, it encourages candidates to elaborate their answer.
In short - listen to : · what is being said; · how it is being said; · what is not being said.

Body Language of candidates

Candidates send messages non-verbally which can reveal their emotional state and are well worthwhile being noted by the panel. The communications expert, Albert Mehrabian's analysis of typical face-to face communications showed that non-verbal communication has an enormous impact on the understanding of the messages sent by the interviewee in any interview. His results were : Words alone - 7%; · Voice tones - 38%; · Body language - 55%.
Non-verbal messages are much less likely to be under conscious control and are therefore harder to disguise. They are often difficult to interpret and care needs to be taken in analysing such messages e.g. a candidate may fold arms as he/she is cold, not necessarily because he/she is being defensive.

Rehearsal: the Best Laid Plans ...

Rehearsing perfectly worded answers is not a good idea at all Questions you may be expecting are Sei precisely the way you anticipate. Broad basing your choice of responses is suggested Moreover, you should navigate the interview and introduce topics related to your core competencies In case you feel that. the moving towards subject / topics in which you are not confident, you must politely share that you are not su subject General rehearsals do help to polish your performance. Have a mock interview session. preferab y of a person not hesitant to point out the flaws in your arguments. English. diction and body language
ADOPTING THE

RIGHT ATTITUDE

To be just a little anxious, a little keyed-up about interview is good It generally facilitates rather than inhibitsp Only when you become overly anxious that you begin to harm your prospects 'Keep your cool' in this kind
Some candidates feel interviews as threatening situations: they worry about their own deficiencies, nervousness, about what the interviewers think of them. about failing to get the job, and so on It is as failure' overcomes their 'need for achievement' Stressing the negative aspects of the procedure does littler, take the interview in a more positive way The following are helpful
deal For example an interviewer currently posted as GM in funds department may ask you a question ono try to do as well as I can in the interview because it will be a good practice for other occasions' and Try regarding their line of thinking. Anticipating the interviewer's mind-set and preparing accordingly & Do right tense yourself with high expectations. Telling yourself probably have not got a chance for this, Alternatively, you may prefer to look on the interview as a joint problem-solving exercise between and another who holds a masters degree in Agriculture may ask you about Organic farming Thought game, it is a process of informed guessingr interviewer in which you will co-operate together to find whether this is really the job for you, whethe able to do it well, and whether you would be happy doing it to trace the background of the Board members Their education background. current profile will more relaxed feeling that can be helpful to some extent.
Look at the brighter side and keep in mind that you are amongst the very few selected for interview hundreds of aspirants This will help boost the confidence.

PERSONAL APPEARANCE AND DRESS ,

Over the years. Society has relaxed the dress codes and informal dressing is not looked down upon any more However, one should be particular in dressing up formally for the interview However, you must present a well groomed look Gentleman: White or light blue shirt, dark trousers and a matching tie should be preferred. It is essential to wear formal footwear and not sport shoes.
Ladies: Ladies can wear either a dress or a sari as they please It is however essential that they are comfortable and present a simple but elegant look. Dark colors, flowery prints should be avoided Jewellery and makeup both should be minimal Common Guidelines: Strong perfumes should be avoided Ensure your nails are trimmed and clean RECEPTION AND THE

IMPORTANCE OF FIRST IMPRESSION

Interviewers sometimes make up their minds about candidates too early in the interview. First impressions can have a powerful and long lasting effect If you get off on the wrong foot, then there is little time left to set things right Let us look at how you tackle the introduction.Introduction First thing first: When you enter the interview room, do not forget to close the door behind you. As you face the interviewer(s), keep a smiling face and walk over to the chair ready for you, but do not sit until asked to do so Remember not to move the chair.
The way interviewers greet you varies from person to person In any case. do not offer to shake hands until the interviewer extends Open the conversation by saying 'Good morning Sir / Ma'am' with a smile. Look in the interviewer's eyes Do not just look at the Chairperson only, give the others a brief glance and smile too (may be even a nod!) Please smile only when you come in, at appropriate lighter moments in the interview and when you say goodbye.
To sum up the introduction: Take your lead from the interviewer, look at them, put up on a pleasant face and try to exhibit as if you are glad to be there, even if you feel as though you are facing a firing squad

COMBATING INTERVIEW NERVES

The better your preparation, the more confident you are likely to be. What can you do to keep your calm when you are there?
Try to sit comfortably without actually slouching

No chewing gum or menthol etc
Be Positive in your answers Give yourself a second or two, before responding and consciously check yourself if you are talking much faster than normal You can, of course be too slow and deliberate in answering.
Sometimes an interviewer or members of a panel may, seem rather threatening and hostile; obviously, this can be unsettling Be tactful, calm and composed in such a situation
Do not carry your mobile. It may create disturbance ARGUING WITH THE INTERVIEWER
In general. it is best to avoid firm expressions of disagreement with interviewers, except where they get you to express your views on a topic and then present an opposing argument The interviewers' aim may be to see how well you can argue a case and support your viewpoint In general. do not look for arguments. but if one is 'offered' you should remain cool, defend your point of view in an agreeable way and be willing to appreciate finer points in opposing views without actually accepting them

CLOSING THE INTERVIEW
The final phase of an interview is often the one used by interviewers to let you ask any question you may have about the job or the organization, and you should be prepared for these Obviously. if there is anything else you feel that may work to your credit. and has not been covered, you can bring it up now The best strategy is to prepare the questions you want to ask before you go to the interview, otherwise you are likely to find, that at the end of an (often searching) interview, you are mentally fatigued and your mind goes blank and you miss the opportunity However, do not make the questions too numerous or too detailed
Once again. as you say goodbye, you should look at the interviewer in the eyes (or. if it is a board, a swift glance at each one of them) and smile. Sometimes, the interviewer may offer a hand to shake. Respond with confidence

CORRECT BODY LANGUAGE : INVALUABLE ASSET
This science is known as Kinesics, which uses the body gestures and facial configuration the method or-communication Everyone sends and subconsciously picks up various body language signals. The stand or look at persons while talking to them, sends out waves of negative and positive communication. tells we really feel Many people learn the art of understanding body language and use it to their advantage ir relationships and enhancing their careers Psychologists have in fact studied body language for year general principles have been established as positive and negative mode of non-verbal communication or bod

LANGUAGE OF NERVOUSNESS:
Sitting tensely at the edge of a chair. ready to run.
Cracking one's knuckles.
Anxious look on one's face.
Not looking directly at the face and eyes of the person speaking to you.
Looking down or shifting eyes around the room.
Feet, knees, hands, fingers tapping in an endless way.
Constantly pushing back or handling hair.
Playing with keys or tapping a pencil.
Nervous laughter or constant smile.
Coughing, voice cracking or fumbling while speaking. LANGUAGE OF ARROGANCE:
Sitting too relaxed or sloppily in your chair.
Lounging back with legs crossed at the knee.
Head thrown back, looking, and speaking down over the nose.
Playing with keys or tapping a pencil while speaking.
A patronizing and over-confident manner puts people off and makes one the most unacceptable circumstances.Hands folded in front in a relaxed manner.
Body still and upright but not rigid.
Looking directly at the board member talking to you.
Maintaining eye contact turn by turn, with all the members of the board as you talk to them.
Speaking in a normal and relaxed voice.
Sometimes smiling when you talk (not giggling or simpering). Feet crossed and still.-
Sharing pleasantness, quiet confidence in your own ability and poise

TIPS TO FACE INTERVIEW

Bearing: Walk erect and with confidence. Look into the eyes of the Chairman and Members when you talk to them. Smile and be pleasant. Be enthusiastic and interested. You must be lively, keen and cheerful. Let your optimism and energy radiate.
Conduct: Politeness pays. Be sympathetic and attentive. Observe meticulously the code of manners and etiquette. Never be rude or offensive. Do not neglect to pay compliments.
Speech : Talk slowly deliberately and audibly. You should neither shout nor mumble. Pronounce your words clearly and crisply. Never be dull or monotonous with your words. Avoid the use of such phrases like, you see, I say, of course I mean etc.
Dress: chose your dress with care. It must be befitting the occasion.
Personal Hygiene: Be neat, tidy and clean. See that you are well groomed.
Self control: Do not become emotional or get nervous. Be confident and patient. Check unnecessary movements. The Board may deliberately try to provoke you and see how easily you could be upset. Never lose your temper.
Do not bluff: State only what you know to be correct. Do not hazard guesses unless you are asked to do so. Shooting lions and boasting will land you in trouble. Do not try to be too clever. Remember, the board has year of experience and has seen many candidates.
Own up your mistakes : If the board points out that you had made a mistake and you realize it to be fact, then be courageous and own it up. Never try to cover it up. The Board will respect you for your honesty.
Initiative: Use your initiative but watch the reactions of the Board. Also be conscious of your limitations. Do not over shoot. Do not draw conclusions. Be discreet when you talk about your own accomplishments. They should be conveyed subtly and tactfully.

Criticism and Arguments: Do not criticize. Never try to find faults. As faras possible,
Stress the good point of others. It is better to be silent than to criticize. Do not get involved in unproductive arguments. You have not gone to the interview to win a verbal battle but to have an enjoyable conversation. See how you can agree rather than to disagree. As a last resort, you may agree or disagree.
Listen and Observe: Keep your eyes and ears open. Study their reactions. You will know when tostop talking and when to listen. As a rule, do not interrupt. If the other person wishes to talk, let him do so. In fact, encourage him to talk. Be an attentive and enthusiastic listener.
Practice: Practice, Practice and Practice. You must have as much practice as possible. Enlist the goodwill and co-operation of your friends, colleagues, elders and family members and have practice session with them. The more practice you

MORE IMPORTANT TIPS FOR FACING INTERVIEWS
You do need to be aware about your surroundings and this includes some familiarity with current affairs. Banking industry specific questions are common. In addition, there are certain questions you may encounter during the interview, in one for or another. These relate to questions about yourself, what you have been doing and what you want to do in future. It is a good idea to sit for mock interviews with your friends or colleagues. Remember, practice makes man perfect.Here are some general questions you can answer during your mock sessions:

INTERVIEW: Body Language and Presentation

We will be discussing the importance of body language and the best way to introduce yourself to the panel. Candidate's body language and introduction plays an important role in creating an impression in the interviews. How you present yourself, how you talk to them , how you keep them engrossed, etc. Your impression at the entry point in the interview is of utmost importance. Behaviour scientists and communication experts have concluded that it takes ten seconds to form the first impression and it takes another four minutes for the impression to undergo a change of 50% towards positive or negative side.

Important Things to take care of before entering the Room:

- Prior to entering the room, adjust your attire
- Before entering, enquire by saying,"Please may I come in".
- If the door is closed before you enter, make sure you shut the door behind you softly.
- On entering the room face the panel confidently and wish the members.
- If the members of the interview board want to shake hands, then offer a firm grip first maintaining eye contact and smile. Always make sure that your hand shake is firm and it fits well in the other persons hand.
- Sit down only when asked to do so by the Panel. If the interviewers are standing, wait for them to sit down first before sitting.
- An alert candidate would diffuse the tense situation with light hearted humour and immediately set rapport with the interviewers.

Note: We understand that many of you students face an issue regarding confidence, face trouble in having a conversation, or are not comfortable in initiating a conversation, get butterfly in your stomach when you face an interview.
Well that's because you have a set image about the panellist in your mind, you are scared of their judgement and are not very sure about your own self.

So how to deal with this situation?

Trick is to have a formal conversation just as you would have with your uncles and aunties, not thinking of what they would think of you. remember the members of the panellist are not from another planet, rather people like you and me, have had similar journeys like you from a student to now esteemed bankers.
So prepare your answers to all questions possible before hand,
Teach yourself to talk to the point and without beating around the bush.
Be smart with words.
Once you are prepared, have faith in your self.
Last but not the least, once in the interview room, forget about all your inhibitions and just go ahead with full confidence (but stay away from overconfidence, be humble always).

FOLLOW THE SEE PRINCIPLE -
S-SMILE
note: does not mean you start smiling and giggling unnecessarily.

E-EYE CONTACT
note: its very important that you maintain eye contact with the interviewers. While talking look at all the panellists, they should feel that your are involving them in your conversation.

E-ENTHUSIASM
note: be enthusiastic while telling them about yourself, you should not come across as dull, or lazy. Remember you are there to sell yourself.

ENERGY AND ENTHUSIASM:
The interviewer normally pays more attention if you display an enthusiasm in whatever you say.
You should maintain a cheerful disposition throughout the interview i.e. a pleasant countenance holds the interviewers interest.
Again don't over play your enthusiasm part, rather it should look effortless.

HUMOUR
A little humour or wit thrown in the discussion occasionally enables the interviewers to look at the pleasant side of your personality. If it does not come naturally do not force it.
Injecting humour in to the situation doesn't mean that you should keep telling jokes. It means to make a passing comment that , perhaps, makes the interviewer smile. Basically just be yourself, make your self comfortable and the others too.

EYE CONTACT
You must maintain eye contact with the panel, throughout the interview. This shows your self confidence and honesty.
Maintain interviewees while answering, tend to look away. This conveys you are concealing your own anxiety, fear, and lack of confidence.
Maintaining an eye contact is a difficult process. As the circumstances in an interview are different, the value of eye contact is tremendous in making a personal impact.
relaxed, thoughtful, caring, or concerned look
normal blinks, genuine smile, relaxed mouth
Have an eye contact while speaking to someone or listening to someone.

VOICE:
Resonant, firm, pleasant
Select the appropriate pitch according to the audience

BE NATURAL:
Many interviewees adopt a stance which is not their natural self. It is amusing for the interviewers when a candidate launches into an accent which he or she cannot sustain consistently through out the interview or adopt mannerism that are inconsistent with his or her personality. Interviewers appreciate a natural person rather an actor. It is the best for you to talk in natural manner because then only you appear genuine.

BODY LANGUAGE:
Walk into the room with energy (does not mean you start galloping like a horse)
Sit straight comfortably without craning your neck. Do not slouch. Shoulders straight neither drooping nor elevated
Look attentive, keen and interested.

- As you sit across the interviewer(s), look confident and relaxed.
- In most cases the interviewers themselves will try to put you at ease.
- Talk clearly, maintaining a pitch that is comfortably audible to the person(s) around.
- Do not get overexcited even while describing your achievements and strengths.
- Listen to the queries attentively, constantly maintaining polite eye contact with the interviewers.
- Nod your head to show that you are listening, interjecting appropriately with ‘Yes Sir/Madam’, absolutely, definitely etc.
- Lean forward a little as you speak and backward as you listen.
- Do not touch your face, or shake your legs.
- Keep your arms either on your sides or in your lap. Do not fold your arms, as it is a sign of rudeness.
- Use short simple sentences while talking.
- Do not make unrealistic tall claims during the interview.
- Never get too arrogant or aggressive in front of the interviewers.
- Do not show your disappointment and disinterest.
- Maintain your poise till the end.
- Always thank the interviewers as you leave.
- Animated hand movement- Whenever you talk it is always good to use your hands to express yourself, it is a sign of self surety and confidence. Then again it does not mean you start throwing your hands all over the place. Slight movements, thats it
- Basically the whole idea of giving these tips is to make you realise the importance of being yourself, being human and not stiff as a robot. Practice remaining calm and composed.

FEW IMPORTANT QUESTIONS ASKED IN THE INTERVIEW:

1. **Tell me about yourself.**

This is a common question—and sometimes the hardest. It's a broad, general question, and the worst thing you can do is give a broad, general answer.
So how do you make the most of this question? Use it as a springboard to introduce the topics you want to discuss. Decide in advance what you want the interviewer to know: Your favorite job experience, your most valuable activities in college, your goals and dreams. Focus your answer by picking one or two things and then use specific details to bring the topic alive.
Example:
I'm a hard worker and I think I generally have good organizational skills. In college, I led a team of designers to create the Web site for each of the University's volunteer organizations...

2. **i) Why Should We Hire You?**

Summarize your experiences: "With five years' experience working in the financial industry and my proven record of saving the company money, I could make a big difference in your company. I'm confident I would be a great addition to your team."

ii) **Why should we hire you?**

Stress your knowledge, work experience, skills, and abilities. Always highlight specifics, not generalities. Anyone can make a bold statement, but what sells you is when you can back it up with proven experience.

3. What are your major weaknesses?
¬ "I used to have a tendency to procrastinate. So now I am always sure to set a strict schedule for all of my projects well in advance and I set personal deadlines. This organization has really helped."
¬ I tend to be a perfectionist.
¬ I sometimes work too hard, leading to unnecessary stress.
¬ I am always working on improving my communication skills to be a more effective presenter.

4. **What is your greatest Strength?**
Just be positive.
Try Our Tip.
You should highlight your communication skill, problem solving skills, your ability to work better under pressure, your ability to focus on projects and your leadership skills.

5. **Why did you leave your last job?**
¬ If You Quit: Again, be honest and stay positive. State that the work being offered wasn't challenging enough, that you are seeking higher levels of responsibility or simply that you are ready to make the next step on your career ladder -- and that the job for which you are interviewing is the ideal next step.

6. **Do you have any questions for us? Or do you want to ask any question?**
I'm very interested in this job. It's exactly the kind of job that I'm looking for. What is the next step in the interview process?

7. **What prompted your decision to apply for this position? Or Why do you want to join a Bank?**
The question behind this question may be:
¬ Do you know what motivates you?
¬ How much do you really want this job?
¬ Do you really understand what it takes to be successful in this job?
¬ Why us? How do you know you would be happy in our organization?
Suggestions:
If you apply for positions that match your true needs, this should be an easy question. Link your interest and enthusiasm to the skills and knowledge that are most relevant for the position. Mention what you like about the organization and the people who work there.

8. **Where do you see yourself five years from now?**
Suggestions:
Focus on tackling the challenges within the job to which you are applying. For the longer term, you can underline how you wish to develop your career by developing new skills and knowledge that are meaningful both to you and to the organization.

9. **Do you believe in teamwork?**
You should always say YES. You should have some examples ready to deliver. It should seem that you are a good performer in team rather than solo. Always remember that you should not brag, just say it in a natural tone.
Wait patiently for this question and answer cleverly.
Try Our Tip.
You should highlight the best points that relate to your position of job. Never highlight things, which you can't do.

10. **Do you rate MONEY or WORK more important?**
MONEY is always important but WORK is most important.

11. **Describe your work ethic?**
Try to give benefits of the organization
Try Our Tip.
Always try to show that you are determined to get the job done and enjoy hard work

12. **Why Do You Want to join this organisation?**
The interviewer is listening for an answer that indicates you've given this some thought and are not sending out resumes just because there is an opening. For example, "I've selected key companies whose mission statements are in line with my values, where I know I could be excited about what the company does, and this company is very high on my list of desirable choices."

13. **What Can You Do for Us That Other Candidates Can't?**
What makes you unique? This will take an assessment of your experiences, skills and traits. Summarize concisely: "I have a unique combination of strong technical skills, and the ability to build strong customer relationships. This allows me to use my knowledge and break down information to be more user-friendly."

14. **How long will you stay with the company?**
Short, direct comments that express that you want to stay on board as long as you are contributing successfully to the company and growing as a professional are sufficient. There is no need to discuss how many years you have left on station.

W hat are your strengths and weakness?

Suppose you could choose any particular post in the new scale/ grade, what would it Be and why?
W hat does success means to you and how do you measure it?
What motivates you?
Narrate any two strengths/weaknesses of yours. Have you done anything?
In the last one year to improve yourself? If yes, what?
What has been your greatest achievement in the Bank/in your personal life ?
And your biggest disappointment?
Say something about your best and worst bosses.
What qualities do you value most in those who report directly to you?
Why you should be promoted?
In your view, what were your shortcomings in the earlier tests/ interviews?
What are your hobbies?
W ho is the editor of newspaper your read?
In our Bank, what impressed you much?
How do you handle stress?
Is there anything else you would like to tell us about yourself?

In addition to these general questions, you may face certain questions

About your previous assignments. Some of these questions can include the following
W hat do you like and dislike most about your current assignment?
Do you work independently in your current assignment or a part of a team?
Do you prefer working independently or as part of a team?
W hat are some of the problems you encountered in your earlier Assignments and how did you solve them?

To understand your future ambitions and the reasons for seeking Promotions, the board may ask questions like:

Why do you want to work in the new grade /scale
W hat kind of experience do you think this assignment will provide that Your earlier assignment did not provide?
How do you feel about working late in the evenings ? And working During the weekends
What do you see as your future in the Bank?
Are you considering premature retirement at this point? Why?
How does this job compare with your earlier job?
How can you contribute more to our Bank?
How do you feel about transfer to other Module / Circle?
There is no correct answer as such. What you need to do is to answer this question calmly. Even during the real interview, you should think before answering the questions. You need to pause before answering as it will help you put together all the points, substantiating your response. Though you should not gloss over your weaknesses, you need to focus on your success and your achievements /strengths. You need to convince the interviewer that you are the correct person for the higher position.

SOME MORE TIPS

- ✓ Take Full advantage of Your Speech & Body language
- ✓ Project Positive Attitude & avoid the Display of aggression
- ✓ Must understand your Strength
- ✓ Cover your weakness
- ✓ Focus on Your Professional achievement rather than Performance
- ✓ Do Self Evaluation as to how do you deserve this promotion
- ✓ Structure your reactions for adverse situations
- ✓ Hypothetical Questions should be handled by reflecting Positive attitude
- ✓ Your hobbof the interesties are the reflection of your overall Personality
- ✓ All questions are Important
- ✓ Avoid half attempted Responses
- ✓ Listen Carefully & not to be in a hurry to answer
- ✓ Be Concise & take care of the Interest of the Members on Board
- ✓ Practice Before the Interview
- ✓ Make the experience of Interview Memorable.

BAD BODY LANGUAGE FOR INTERVIEW

TOP 10 BODY LANGUAGE MISTAKES THAT WILL TURN POTENTIAL EMPLOYERS OFF

- ✓ Failure to make eye contact
- ✓ Weak handshake
- ✓ Failure to smile
- ✓ Crossing arms over chest
- ✓ Playing with something on the table
- ✓ Playing with hair or touching the face
- ✓ Fidgeting too much
- ✓ Bad posture
- ✓ Using too many hand gestures
- ✓ A handshake that is too strong
- ✓ You can manage nerves by giving yourself plenty of time to get to the interview, avoiding caffeine and by taking deep breaths. But, what will help you impress **INTERVIEWER?**

- ✓ Having a good sense of humour
- ✓ Being well dressed
- ✓ Being involved in your local community
- ✓ Being up to date with current affairs and pop culture
- ✓ Being physically fit
- ✓ Being up to speed with social media

Final Shots at Interview

FACING INTERVIEW SUCCESSFULLY?

Interview is an opportunity for you to present your personality consisting of his attitude, views and awareness level before the interview board, so that your potential is easily judged by the members on the Interview Board.

What is evaluated during the interview?

The interview board, in order to judge your POTENTIAL evaluate your Performance in the recent past, Operating style, Team building capabilities, Effectiveness, Neutral judgment level, Transparency in dealings, Initiatives, Attitude and Leadership qualities. Though the interview is not a new process for us, being already in job, we have no way of knowing exactly what is going to be asked and how that would be tackled. The following general tips can help in appearing for an interview, and face the questions confidently.

Should we prepare pre-scripted questions?

It is important that we must not venture to go for an interview with a pre-determined script of exactly what we are going to say. What is actually required, is the tactics that enable us to navigate successfully through the interview. Accordingly, we can adhere to following strategy.

What we should prepare?

We should spend good time to make the choice of the relevant contents. Broadly these can be disintegrated into macro and micro aspects.

At Macro level we should have an understanding of:

- Important happening(economic and political) taking place globally and their bearing on the performance of our organization.
- Status of Indian economy and its impact on the banking system in India in terms of growth of business ,quality of assets and profits.
- Vision and Mission of the bank and its strengths and weaknesses(in terms of quality of manpower, geographical spread, level of use of information technology, introduction of new customer oriented products, pricing in terms of interest rates offered and the effectiveness in terms of delivery), our market share , the challenges, our banking industry is facing and the priorities laid down by the top management of our bank.

At Micro level we should have appropriate information about;

- Professional achievements during the recent 3-4 years
- Strength of family background(including dislocation on promotion, problems of growing children, serving wife, old parents) and educational and professional background.
- Some information about the subjects studied in the last academic examination
- All important happening around work place(frauds ,shift of big accounts from the bank etc)
- Hobbies, leisure time activities
- Important development reported in the Newspaper of recent weeks.

Take full advantage of speech and body language

We should bear in mind that the employer or the members of the interview board want to know and interview is the medium for interaction. Hence, we should express ourselves freely as expressions would flow through speech, gestures and body language. Please remember that we would normally not get a 2nd chance, to improve our 1st impression.

Project the positive attitude and avoid display of aggression

In the interview, our attitude, the confidence with which we communicate and the depth we have about what we know, is generally given importance. Hence, care should be taken for not reflecting negative frame of mind or negative attitude or shallow knowledge or aggressive postures.

Must understand our strengths

Before going for an interview, you should draw a list of all your strengths. Your strengths should be projected whether opportunity arises without making any one feel that it is self-appreciation. You should also have clarity as to , in what way your strengths alone that you can support for the promotion.

Cover the weakness

We should also understand one weakness and prepare ourselves to cover our weak points, particularly what steps have been initiated by you in the past to negate the impact of weaknesses. If asked to explain weakness, we should choose a weakness that is not critical to the success on the job or assignment. The weakness, should preferably relate to the knowledge content in few areas as opposed to the lack of personal effectiveness. For instance, a weakness relating to lack of knowledge of a particular skill, say foreign exchange, is preferable to stating that one finds it difficult to manage people. Further, the weakness to be discussed should be the one which the members of the Interview Board are either already aware of or will discover through the interview process. While discussing the weakness, one should always concentrate on as to how we have been working on the problem, to find a solution. We must try to give a tangible account of the efforts we have been making, to convert the weakness into a strength.

Focus on professional achievement rather than personal performance

In the interviews "Tell us about yourself" is a generally inquired question which requires much more preparation than other questions of factual nature, since a candidate is generally not very certain, "from where to begin and how to complete." However, if a candidate structures the fats relating to himself carefully in advance, covering the highlights of one's current assignment , the past professional experience in brief and also the value we offer to the organization, we can be comfortable with the Interview Board. It should be taken care that we focus on professional achievements rather than personal performance.

Do self evaluation as to how we, deserve this promotion
"Why do you deserve this promotion" is a frequently asked question and is required to be handled carefully. To answer this question well, one should be aware of the requirement of Organistaion and should have clarity about what we can offer to satisfy such requirement. The answer , should reflect the distinction which we have, compared to others, based on which we deserve the promotion. Putting answers such as having a good job knowledge or being a hard worker, really does not help as everyone else would claim so, under such circumstances.

Structure the reaction for adverse situation
On a no. of occasions, the candidates are asked about adverse happening in the work place where he has been working till recently.In such circumstances, one should reflect a positive attitude, be tactful, and diplomatic in the way one describe the situation. It is desirable that the problem is first defined to make sure that there was a breach of some system of some human failure.It may be concluded by stating as to what lesson did one learn from the incident?

Hypothetical questions should be handled by reflecting positive attitude
At times a hypothetical situations is given to working out a strategy. For instance, if the candidate is asked as to how he would increase the profits of a Zone/Branch , he should not start directly with the strategy. Instead, should first talk about the SWOT analysis with a view to understand the potential available to make a strategy work.The strategy should be based on the potential available in a particular position.

Hobbies are the reflection of overall personality
We should also be very specific about hobbies, extra curricular activities and other activities and also as to how and why we pursue those hobbies or activities. How do we spend spare time and how do we manage the time .Additionally, we must be able to give proper account and thorough understanding of recent assignment and your academic background.

All questions are important
In an interview, all the questions are important and no question is less difficult than the other .Even, simple question, like which newspaper we read and which TV channel we watch and what is interesting about that could be important to understand commitment and interests. Hence, only few questions should not be singled out as the toughest or desirable or expected.It is the working of a question being asked, which makes one question uncomfortable from the other.We should focus not on the actual wording of the question but on the spirit and context also. Effort should be made that the wording of a question is interpreted to one's advantage.

Avoid half-attempted responses
Before answering a question, for a while, one should collect thoughts, so that are able to answer appropriately as blurred or casual or half-attempted response cannot help.

Listen carefully and do not be in a hurry to answer
Please listen very carefully, to what is being asked. One should not be in a hurry to answer the question. Be patient,stay fresh, enthusiastic and cooperative. One should not be evasive or hesitant answering the question. Even if a question makes uncomfortable, make earnest effort to answer it. Please endeavor to answer all question as not answering amounts to loss of opportunity. However, if one does not have clarity, please humbly express inability to answer so that process of interview continues.

Be concise and take care of the interest of the members on the Board
Be concise,being careful that the point mentioned is not incoherent or boring not lose the interest of the members of the interview board and give an impression that one cannot organise his thoughts.

Practice before the interview
Before appearing for an interview, practice interview by involving your family members or colleagues. Seeking guidance from experienced persons or Institutes can certainly bring much improvement.

What if tough questions are asked or one is not able to answer a question?
Inspite of best of the practice and preparation, very often one may be asked questions which he considers tough and unable to answer.Donot try to give vague answers to such questions.It is better to let the interview Board know so that another question is asked which is one more opportunity for you to cover your position.

Outside the Interview room
It is pertinent to add that one should avoid anxiety or doing something which one does not do on normal days. Handling an interview is both an art and science and each interview differs from the other, depending upon the members in the interview board, the time available with the Board members, the no.of candidates and the vacancies. One has to look into these aspects and prepare himself, to be successful.

Make the experience of interview members memorable
Please remember, it is the candidate only, who can make this experience memorable and rewarding for himself and his organisation.

2. OUR BANK

A Brief Profile of the Bank

Widely known for customer centricity, Canara Bank was founded by Shri Ammembal Subba Rao Pai, a great visionary and philanthropist, in July 1906, at Mangalore, then a small port town in Karnataka. The Bank has gone through the various phases of its growth trajectory over hundred years of its existence. Growth of Canara Bank was phenomenal, especially after nationalization in the year 1969, attaining the status of a national level player in terms of geographical reach and clientele segments. Eighties was characterized by business diversification for the Bank. In June 2006, the Bank completed a century of operation in the Indian banking industry. The eventful journey of the Bank has been characterized by several memorable milestones. Today, Canara Bank occupies a premier position in the comity of Indian banks.

Canara Bank has several firsts to its credit. These include:

- ✓ Launching of Inter-City ATM Network
- ✓ Obtaining ISO Certification for a Branch
- ✓ Articulation of 'Good Banking' – Bank's Citizen Charter
- ✓ Commissioning of Exclusive Mahila Banking Branch
- ✓ Launching of Exclusive Subsidiary for IT Consultancy
- ✓ Issuing credit card for farmers
- ✓ Providing Agricultural Consultancy Services

History : Founded as 'Canara Bank Hindu Permanent Fund' in 1906, by late Shri Ammembal Subba Rao Pai, a philanthropist, this small seed blossomed into a limited company as 'Canara Bank Ltd.' in 1910 and became Canara Bank in 1969 after nationalization A good bank is not only the financial heart of the community, but also one with an obligation of helping in every possible manner to improve the economic conditions of the common people" - A. Subba Rao Pai.

Founding Principles: 1. To remove Superstition and ignorance. 2.To spread education among all to sub-serve the first principle. 3.To inculcate the habit of thrift and savings. 4. To transform the financial institution not only as the financial heart of the community but the social heart as well. 5.To assist the needy. 6.To work with sense of service and dedication. 7.To develop a concern for fellow human being and sensitivity to the surroundings with a view to make changes/remove hardships and sufferings. Sound founding principles, enlightened leadership, unique work culture and remarkable adaptability to changing banking environment have enabled Canara Bank to be a frontline banking institution of global standards.

OUR LOGO

केनरा बैंक Canara Bank

The Rich Blue represents stability, scale & depth. Bright Yellow represents optimism, warmth and energy. The new brand identity is based on the idea of a bond and is a presentation of the close tie between the Bank and its stakeholders - from customers and employees to investors, institutions and society at large.

OUR TAG LINE : "Together We Can"

The tag line conveys enduring relationship of Canara Bank with its Customers.

OUR SLOGAN "Life Long Banking"

OUR CORPORATE VISION : To emerge as a best practices Bank by pursuing global benchmarks in profitability, operational efficiency, asset quality, risk management and expanding the global reach.

OUR CORPORATE MISSION : To provide quality banking services with enhanced customer orientation, higher value creation for stakeholders and to continue as a responsive corporate social citizen by effectively blending commercial pursuits with social banking.

OUR HISTORY : 1906 - Canara Hindu Permanent Fund Limited founded at 75 A, Dongerkery Street, Mangalore with Sri Ammembal Subba Rao Pai, as "President".

First Balance Sheet – Capital Rs.50000; Deposits Rs 42000; Advances Rs 84000; Net Profit Rs 2420 (Rs 112/- transferred to Reserve Fund).

BRANCHES & OFFICES : Founded as 'Canara Bank Hindu Permanent Fund' in 1906, by late Sri. Ammembal Subba Rao Pai, a philanthropist, this small seed blossomed into a limited company as 'Canara Bank Ltd.' in 1910 and became Canara Bank in 1969 after nationalisation.

CANARA BANK- A GLANCE

Founded as 'Canara Bank Hindu Permanent Fund' in 1906, by late Sri. Ammembal Subba Rao Pai, a philanthropist, this small seed blossomed into a limited company as 'Canara Bank Ltd.' in 1910 and became Canara Bank in 1969 after nationalisation.Our Bank has a network of more than 6075 branches as at 31.03.2017, spread over all States & 5 Union Territories of the country and, which are administered through Head Office at Bangalore:- 21 Circle Offices and Integrated Treasury Wing, Mumbai & 118 Regional Offices having total staff strength is 55845.

NO. OF FUNCTIONAL ACTIVITIES BASED UPON WHICH WINGS ARE FORMED AT HO : 4 {BUSINESS FUNCTIONS, BUSINESS SUPPORT FUNCTIONS, CORPORATE SUPPORT FUNCTIONS & CONTROL FUNCTIONS}

The Bank has overseas presence in United Kingdom London; Leicester; Hong Kong; China Shanghai; Kingdom Of Bahrain; Republic Of South Africa Johannesburg; United States Of America New York; United Arab Emirates Dubai International Financial Centre (DIFC); United Arab Emirates Sharjah Representative Office; Russia Commercial Indo Bank LLC, (Joint Venture With State Bank Of India) Moscow.

NO. OF EXCHANGE COMPANIES : 2 (Al Razouki Intl. Exch. Co. Dubai;Eastern Exch. & Fin. Est. Doha)

LEAD BANK RESPONSIBILITY: 23 [Karnataka - 7; Kerala - 5; Tamil Nadu - 6; U.P. - 4; Bihar - 1]

REGIONAL RURAL BANKS sponsored by Bank : 2 : Kerala Gramin Bank – Kerala , Pragathi Krishna Gramin Bank – Karnataka

Significant Milestones

1st July 1906 :Canara Hindu Permanent Fund Ltd. formally registered with a capital of 2000 shares of 50/- each, with 4 employees.

1910 :Canara Hindu Permanent Fund renamed as Canara Bank Limited

1969 :14 major banks in the country, including Canara Bank, nationalized on July 19

1976 : 1000th branch inaugurated

1983 : Overseas branch at London inaugurated Cancard (the Bank's credit card) launched

1985 :Takeover of Lakshmi Commercial Bank Limited Commissioning of Indo Hong Kong International Finance Limited

1987 : Canbank Mutual Fund & Canfin Homes launched

1989 :Canbank Venture Capital Fund started

1989-90 : Canbank Factors Limited, the factoring subsidiary launched

1992-93 : Became the first Bank to articulate and adopt the directive principles of "Good Banking".

1995-96 : Became the first Bank to be conferred with ISO 9002 certification for one of its branches in Bangalore

2001-02 : Opened a 'Mahila Banking Branch', first of its kind at Bangalore, for catering exclusively to the financial requirements of women clientele.

2002-03 : Maiden IPO of the Bank

2003-04 : Launched Internet Banking Services

2004-05 : 100% Branch computerization

2005-06 : Entered 100th Year in Banking Service. Launched Core Banking Solution in select branches. Number One Position in Aggregate Business among Nationalized Banks.

2006-07 : Retained Number One Position in Aggregate Business among Nationalized Banks. Signed MoUs for Commissioning Two JVs in Insurance and Asset Management with international majors viz., HSBC (Asia Pacific) Holding and Robeco Groep N.V respectively.

2007-08 : Launching of New Brand Identity. Incorporation of Insurance and Asset Management JVs. Launching of 'Online Trading' portal. Launching of a 'Call Centre'. Switchover to Basel II New Capital Adequacy Framework.

2008-09 : The Bank crossed the coveted 3 lakh crore in aggregate business. The Bank's 3rd foreign branch at Shanghai commissioned.

2009-10 : The Bank's aggregate business crossed 4 lakh crore mark. Net profit of the Bank crossed 3000 crore. The Bank's branch network crossed the 3000 mark.

2010-11 : The Bank's aggregate business crossed 5 lakh crore mark. Net profit of the Bank crossed 4000 crore. 100% coverage under Core Banking Solution. The Bank's 4th foreign branch at Leicester and a Representative office at Sharjah, UAE, opened. The Bank raised 1993 crore under QIP. Govt. holding reduced to 67.72% post QIP.

2011-12 : Total number of branches reached 3600. The Bank's 5th foreign branch at Manama, Bahrain opened.

2012-13 : Highest Dividend of 130% paid for the year

2013-14 : 1027 branches and 2786 ATMs opened during the year. Global business crossed the 7 lakh crore milestone. Switchover to Basel III New Capital Adequacy Framework.

2014-15 : Global Business of the Bank crossed 8 lakh crore.

2015-16 : The Bank's 8th foreign branch at DIFC (Dubai) opened.

2016-17 : Global Business Rs.8.37 lac crores

2017-18 : Global Business Approx. Rs.9.00 lakh crores (CASA- 1.66 Lakh crores)

SOCIAL BANKING INITIATIVES : Rural Service Volunteer-(RSV),Rural Clinic Service – (RCS), CANGRAMA Sikshana Kendra (CGSK) Hari Kalyan Yojna,Jala Yoga Yojna,Tram Campaign,Blood Bank, Book Bank, Canara Bank Jubilee Education Fund , CED for Women Canara Bank Relief & Welfare Society(A. Sevakshetra Hospital; B. Matruchhaya) ,Tribal Counselling Et Coordination Centre RUDSETI (27), Financial Literacy Centres.

Subsidiaries %age of ownership interest as on	**31.12.2017**
Canbank Venture Capital Fund Ltd	100%
Canbank Financial Services Ltd	100%
Canara Bank Securities Ltd	100%
Canbank Factors Ltd	70%

Canbank Computer Services Ltd	69.14%
Canara Robeco Asset Management Co. Ltd	51%
Canara HSBC Oriental Bank of Commerce Life Insurance Co Ltd	51%
Canara Bank (Tanzania) Ltd	100%
Joint Ventures	
Commercial Bank of India LLC, Moscow	40%
Associates	
Canfin Homes	30%
Regional Rural Bank Sponsored by the Bank	
Pragati Krishna Gramin Bank	35%
Kerala Gramin Bank	35%

FINANCIAL RESULTS- DECEMBER 2017 (Q3 FY18) DATED 24.01.2018

MAJOR HIGHLIGHTS Q3 FY18

- Gross profit improved 42.90% y.o.y to k 2831 crore from k 1981 crore in Q3 FY17.
- Net profit stood at k 126 crore compared to k 322 crore a year ago.
- Net Interest Income surged 52.4% y.o.y to k 3679 crore, up from k 2414 crore in Q3 FY17.
- Net revenues (Net. Int. Income + Non. Int. Income increased) by 24.7% y.o.y to k 5245 crore.
- Non-Interest Income stood at k 1566 crore.
- Non. Int. Income excluding trading profit increased by 11% y.o.y, aided by enhanced recovery in written off assets (134% increase y.o.y).
- Global Business rose to k 8.77 lakh crore, up by 4.16% y.o.y.
- Aided by a healthy Net Advances growth of 12.5% to k 3.73 lakh crore.
- Global deposits stood at k 5.04 lakh crore
- Strong growth in assets (y.o.y) -especially in risk-weight light assets
- Agriculture (14.80%), MSME (15.65%), Retail lending (32.87%), Direct Housing (22.29%), Vehicle (33.21%), Education (11.85%) and Other Personal loans (43.46%).
- CASA Deposits up by 2.53% y.o.y to k 1.58 lakh cr inspite of the base effect due to demonetization.
- Domestic CASA share improved to 33.83% from 32.12% a year ago.
- Cost of deposits came down by a healthy 72 bps to 5.59% from 6.31% last year.
- Net Interest Margin (NIM) improved to 2.64% (Domestic) and 2.39% (Global).
- Cost to Income ratio came down to 47.36% from 51.25%.
- Gross NPA Ratio at 10.38% down sequentially from 10.51% as at Sept 2017
- Net NPA at 6.78% down sequentially from 7.02% as at Sept 2017.
- Cash Recovery aggregated to k 1527 cr during the quarter.
- Provision Coverage ratio improved to 55.81%, up from 52.52% last year.
- Capital adequacy ratio improved to 12.49%, up from 12.28% a year ago.
- Branch network stood at 6179 and number of ATMs at 9743.
- E- transactions ratio rose sharply to 76.22%, from 42.0% a year ago
- 76.38 lakh Mobile Banking and 43.7 lakh Net Banking users.
- ROA (annualized) at 0.15% and ROE (annualized) at 3.14%.
- Total expenditure declined by 5.83% y-o-y, aided by 9.89% decline in interest expenses. <u>Goals: March 2018</u>
- Continued thrust on Retail Business Et Asset Quality- CASA Et retail deposits, retail credit, fee income, containing NPA, Resolution of large NPA accounts, recovery Et upgradation and improving operational financial ratios, such as, NIM, RoA, RoE and Cost-to-Income.

Speaking on the occasion, Shri. Rakesh Sharma, MD &CEO, commented, "Our strategy, of chasing higher yielding and risk weight-light assets for qualitative business growth by deploying the surplus liquidity, generated by divesting our excess treasury assets, has paid off through healthy improvement in our core net interest income. Our net interest income growth of 52.4% and 11.29% growth in non-interest income- excluding trading profits- have significantly shielded us from the unexpected quarter-end surge in bond yields and resultant mark-to-market provisions. Further, the qualitative growth in assets has improved our CD ratio to a healthy 74.05%. The Bank's strenuous efforts for recovery have resulted in improved recovery under stressed assets especially written off assets thereby improving our non-interest income (ex-treasury). Consequently, our net NPA ratio has improved to 6.78% which we expect to decline further to less than 5.5% by the year-end. Our determined efforts for activation of bank branches and alternate digital channels to generate CASA deposits through better customer value creation have resulted in improvement in CASA ratio to 33.8% overcoming the demonetization-related base effect. Our Bank is now in its path to generate higher stakeholder value through significant improvement in the profitability."

3. CUSTOMERS & THEIR ACCOUNTS

Banker Customer Relationship and Accounts of Customers Banker Customer Relationship.Bank is one which conducts business of banking. Banking has been defined in Section 5 of Banking Regulation Act. Customer is not defined in any Act. However, it is defined in KYC norms. As per various court decisions, any person for whom bank agrees to open an account is called as customer of the bank.

Various types of Banker-Customer Relationships

Type of Transaction	Bank	Customer
1.Deposit in the bank (CR balance in OD/CC), 2. Fixed deposit matured but Customer has not taken the Payment so far. 3. Issuing /purchase of draft by Purchaser (after issue of draft)	Debtor	Creditor
Loan from. Bank (Debit balance in OD/CC)	Creditor	Debtor
Safe Deposit-Locker/Leasing of Locker	Lessor /Licensor	Lessee/Licensee
Safe custody of Articles	Bailee	Bailor
1. Payee of draft at Paying bank, 2. Money deposited. No instructions for its disposal. 3. Goods left negligently by customer, 4. Money/Cheque deposited pending Instructions for disposal there of.	Trustee	Beneficiary
A wrong credit given by the bank where amount has not so far been recovered	Beneficiary	Trustee
1. Collection of cheque & Standing Instruction, 2. Purchase/sale of securities/shares on behalf of customer, 3. Providing various Services to Non Account holder/ Customer, 4. Mail Transfers, Telegraphic Transfers, 5. Maintaining Currency Chest (RBI's Property)	Agent	Principal
Purchase of cheque from customer	Holder for value	Endorser
Pledge of Securities / Shares	Pawner/Pledgee	Pawner/Pledge
Mortgage of Immovable Properties	Mortgagee	Mortgagor
Hypothecation of Securities	Hypothecatee	Hypothecator
Assignment	Assignee	Assignor

Banker's Obligations : There are two main duties of a bank i.e. (1) Duty to maintain secrecy of customer's account (ii) Duty to honour cheques.

Duty to maintain secrecy: A bank has duty to maintain secrecy of customer's account as per Implied Contract. Moreover, as per Section 13 of Banking Companies (Acquisition and Transfer of Undertaking) Act also, the bank is required not to disclose any information relating to affairs of its customers. The duty to maintain secrecy continues even after closure of account.

Balance in the account of an employee should not be disclosed to employer. Similarly balance in the account of wife not to be disclosed to husband and vice versa. If bank discloses customer's affair (e.g. in case of insufficient balance in the account advising the presenter of cheque to deposit deficit amount), bank will be liable to customer for resultant loss.

Exceptions to rule of secrecy: Courts: As per Banker's Book Evidence Act, bank may be required to produce certified copies of record in the court. Police: Officer in charge of a police station may issue a written order for production of documents in connection with trial or investigation. Police can even seize records against proper receipt. The information may also be required to be parted to inspector appointed to investigate affairs of a limited company under section 235/237 or under FEMA.

Revenue Authorities: Bank may be required to produce to income Tax Authority, record pertaining to transaction of a customer. However, roving enquiries should not be made except in case of cash transactions of Rs 1 lac and above. RBI: As per Banking Regulation Act or RBI Act, Reserve Bank may seek information from bank.

Banking Practice: Banks have the practice of sharing information in general among themselves. The information should be given in confidence and without any responsibility on the part of supplying bank.

Consent of customer: For example, information is given to a Credit Information Company as per express consent of customer.

To protect bank's interest.

Duty to honour cheques : As per section 31of N I Act, a bank is under obligation to pay cheques issued by customer provided there is a sufficient balance in the account (ii) the cheque is otherwise in order (iii) the funds are properly applicable i.e. not attached by Garnishee order or attachment order. If a bank dishonour a cheque drawn *by* a customer despite satisfaction of aforesaid conditions, bank will be liable to Drawer (and not to payee or true owner) for damages suffered by him.

Banker's BankRights:hasthree rights namely (i) Right of Lien (ii) Right of Set Off (iii) Right of Appropriation

Right of Lien:Lien is the right of creditor to retain possession of goods and securities belonging to the debtor till the debts due to him (creditor) are paid. This right is available only on goods and securities and not on balances in the accounts. Lien entitles retention of possession of goads but the creditor cannot sell the goods. Lien can be Particular lien (Sec 170 of the Indian Contract Act) or General Lien. Right of General Lien, is available only to bankers, factors, wharfingers, attorneys (Section 171 of the Indian Contract Act). Banker's Lien is also a general lien but it is an implied pledge because the banker has right to retain as well as sell goods of the borrower after giving him reasonable notice.

For exercising right of lien, (a) the goods or securities and debt should be in the same right and same capacity (b) Loan should be due or overdue and lawful (c) Reasonable notice is given. Further, Right of Lien is available on the goods and securities received in the ordinary course of business. It is not available when the goods or securities have been deposited for a specific purpose; goods received for safe custody or lying in safe deposit vault or goods left by the debtor negligently.

However, in the case of loans against pledge of jewellery, bank can exercise right of general lien on the ornaments left in the possession of the bank after adjustment of the jewellery loan in case some other advance is outstanding.

Negative lien is a declaration from the borrower to the effect that securities/goods offered as security are not encumbered and that the borrower will not create any charge over them without bank's permission. This undertaking does not create any charge in favour of the bank and therefore advance against negative lien are treated as dean advance.

Right of Set off: Set off is the right to combine two or more accounts having debit and credit balance. It is not defined in any Act. This right arises when two parties are debtor as well as creditor to each other i.e. one account should be in debit and another account should be in credit. In the case of banks, this right arises when wants to combine its loan due from a borrower with his deposit accounts. For exercising right of set off following conditions should be satisfied (i) Both accounts should be in same right and same capacity (ii) The debt should be due and not accruing due. Reasonable notice should be sent to the depositor before exercising set off. Right of set off can be exercised even in case of loans which are time barred. It can be applied on fixed deposit when it matures and not on FD which is not due as yet. Similarly it can't be applied for adjusting term loan or CC or overdraft which are regular and not overdue. If a loan is in the name of an individual, set off can be exercised on credit balance in his individual account and sole proprietorship account. Set off can not be exercised on deposit accounts which are held jointly with other individuals, or partnership in which the borrower is partner, or client account maintained by a solicitor or account of minor under guardianship where borrower is the guardian or on the credit balance of a trust in which borrower is trustee. If loan is in joint names, set off can be exercised on credit balance in joint account as well as credit balance in individual accounts of joint borrowers. If loan is in the name of a partnership firm then set off can be exercised on credit balance in the name of firm, partners and any other partnership firm which has just same partners as are in the borrowing firm. For exercising right of set off, all branches of a bank are considered as one.

POSITION OF AVAILABILITY OF RIGHT OF SET-OFF TO BANK

Deposit in the name of	Loan in the name of	Status of availability of right
Single person	Jointly with others	Available
Partner in a firm	Partnership Firm	Available
Single name	Same name	Available
Proprietor	Proprietorship firm	Available
Joint Account	One of joint holder	Not available
Partnership Firm	One of partners	Not available
Trust	Trustee	Not available
Trustee	Trust	Not available
Dividend a/c of Co.	Loan a/c of co.	Not available
Minor (u/g,ship a/c)	Guardian	Not available
Single person	Single person but different capacity say trustee	Not available

GARNISHEE & ATTACHMENT ORDER

Particulars	**Garnishee**	**Attachment**
Authority	Competent Court	Revenue/Tax authority
Under which Act	Civil Procedure Code Sec 60 Order 21 Rule 46.	Relevant Act including Sec226of Income Tax Act for Income Tax
Depositor called	Judgement debtor	Assessee
Bank called	Judgement debtor's debtor (Garnishee)	Assessee's debtor
Stages of order	In two stages Le. order nisi and or der absolute.	Issued as a payment order.
Issued to recover	Personal dues of creditor	Dues of the Govt.
Amount	May be mentioned specifically.If not mentioned entire balance attached.	Must be mentioned specifically
Applicable to which amount	Clear amount with the bank at time of receipt	For all amount. At the time of or after receipt or order
Applicable to which account	SB, CA, FD (due or not due), Credit balance in CC-OD account, surplus amount of margin in loan against FD	SB, CA, FD (due or not due), Credit balance in CC-OD account, surplus amount of margin in loan against FD.
Right of set off	Available for lawful and due debts	Available for lawful and due debts
Single name account, single name order	Applicable	Applicable
Single name account, joint name order	Applicable	Applicable
One partner account, order partnership name	Applicable	Applicable
Joint accounts, order single name	Not applicable	Applicable pro-rata
Joint account, order same joint names	Applicable	Applicable
Order in the name of partner, trustee, executor, liquidator, director of a company etc.	Not applicable for accounts in the name of firm, trust, company i.e. accounts in fiduciary capacity etc.	Not applicable for (.:counts In the name of firm, trust, company i.e. accounts in fiduciary capacity etc.
Deceased	Applicable.	Applicable
Insolvent	Not applicable.	Not applicable.
Undrawn CC or OD limit	Not applicable	Not applicable
FD as collateral security	Not applicable	Not applicable

Payment priority irrespective of receipt of order.	Preference to Attachment	Preference to Attachment
Failure to implement the order	Contempt of court	Assessee in default

NOMINATION PROVISIONS

Norpination is compulsory for single name accounts. If customer does not want nomination, he has to give in writing.
Name of nominee - If customer requests for name of nominee to be written on FDR or pass book, banks to follow his instruction.2 Witnesses in nomination — Only for thumb impression. Not for signatures.Nomination is allowed for all types of Deposits —domestic and foreign currency (Section 45-ZA&ZB of Banking Regulation Act, for safe deposit of articles (Sec 45-ZC&ZD) and lockers (Sec ZE &ZF).Legal Status of nominee: A trustee for legal heirs.Nomination can be for individual accounts only (not for firms, companies, trusts, societies etc.).Who can be nominee: Only an individual can be a nominee. He can be Resident or Non-resident, minor or even insolvent person. Nomination can be made any time from opening of account to closure of account. It can be cancelled and changed any time. No. of nominee: One only in case of (a) Deposit accounts (b) Safe deposit of article accounts, (c) locker accounts in single name and joint locker either or survivor. For joint operation locker account, as per IBA, max no. of nominees in joint lockers can be 2. On death of account holder bank to make the payment or deliver the articles to nominee only (except in case of Court Orders). Objection from legal heirs or any other person to be ignored. In case of FDR, if renewal is within same account, previous nomination continues. In case of joint deposit account, all persons to sign the nomination. In case of death of one, in joint deposit accounts, payment shall be made to survivor and legal heirs. The nominee can be entertained only when all account holders have died. In case of death of one, in case of jointly operated locker, the articles will be delivered to survivors and the nominee.

OMBUDSMAN

Scheme announced by RBI u/s 35A of Banking Regulation Act wef June 1995 (revised in June 2002 & wef Jan 01, 2006)
Applicable all SCBs including RRB/Coop Banks (including J&K State).Credit card complaints can be lodged as per Billing address of the customer. RBI appoints its own CGM/GM for 3 years. Scope — Complaints relating to deficiency in service in deposit, ancillary/ advances area including fair practice code, credit card, internet banking etc. Eligible — (a) If no reply received for *one month* after lodging complaint with bank. (b) OR reply received but customer not satisfied. Complaint can be made within one year of the above period. Case decided by Ombudsman or pending in court or already decided by court not eligible. Procedure — On receiving complaint Ombudsman tries to promote settlement by agreement. If not settled within 1 month, he shall announce award.
Award — Could direct the bank for specific performance in addition to compensation for actual loss, if any, up to Rs.20 lac (Rs.1 lac for credit card) + Rs.1 lac for loss of time, effort, mental agony, against indemnity. Award is binding on bank if customer gives acceptance within 30 days from receipt. Compliance is to be done by bank within 1 month of receipt of acceptance from customer. Appeal — Against Award or against grounds of rejection of complaint, customer can file appeal within 30 days on receiving the award / rejection of complaint, to Dy. Governor RBI. Appeal by banks against Award can be made within 30 days a date of receipt of customer acceptance, with permission of CMD or ED or CEO. Non-implementation — If award is not implemented report to Customer Service Committee at HO to be sent. Bank also to make disclosure in balance sheet about non-implemented awards.

IMPORTANT CUSTOMER SERVICE RELATED ISSUES : Amount for immediate credit of outstation instruments and related rules: Bank discretion. Rate of interest payable in case of delay in collection of outstation cheque : Bank discretion. Customer day observed on : 15th each month (held on next working day, if 15th is a holiday). Employees working hours begin 15 min before customer service hours at Metro and Urban branches — Goiporia committee

CONSUMER PROTECTION ACT : CPA implemented w.e.f. Apr 15, 1987. Amendments implemented wef Mar 15, 2003. (It is not applicable in J&K). Remedy available to consumer for deficiency in service for consideration. Limitation 2 years from date of cause of action. Pecuniary jurisdiction — Distt Forum (up to Rs.20 lac), State Commission (> Rs.20 lac but up to Rs.100 lac) and National Commission (> 100 lac). Time limit — admissibility of complaint 21 days. Decision 3 months without analysis and 5 months if analysis required.Relief — Removal of defect, replacement, refund, award of compensation. Non-compliance —Imprisonment : 1 m to 3 yr. Fine Rs.2000 - Rs.10000. For frivolous complaint — cost can be awarded up to Rs.10000. Appeal by party liable to pay any amount — Against Distt Forum to State Comma on deposit of 50% of amount or max Rs.25000, against State Commn to National Commission max Rs.35000 and against National Comma to Supreme Court Rs.50000 max . Period for appeal 30 days from date of orders. Decision on appeal within 90 days.

KNOW YOUR CUSTOMER (KYC)

KYC guidelines issued by RBI u/s 35-A of B R Act (and Rule 7 of Prevention of Money Laundering Rules) keeping in view the recommendation of Financial Action Task Force. Customer definition : A person engaged in a financial transaction or activity with a reporting entity or a person on whose behalf, the transaction is by another person. Beneficial owner means (1) natural person entitled to >25% share capital or profit in a company (2) >15% capital in Partnership or in incorporated body or trust. Objective : Preventing use of banks by criminals for money laundering purposes. Accordingly the banks are required to Verify the identity of the customer and 2. Verify address of the customers on the basis of following documents. Risk review of customers : Risk review should be done periodically not less than once in 6 months. KYC updation — Full KYC at least once in 2 years for High Risk, 8 years for medium risk and 10 years for low risk customers. Positive confirmation has been dispensed with (earlier once in 2 years). Banks to issue TCs, DDs, MTs and TT's for Rs.50000 and above only by debit to customers' account. Due diligence to be ensured for transactions of Rs.50000 and above in case of non-customer transactions. Banks are to appoint a Sr. Mgmt. Officer, to be designated as Principal Officer responsible for monitoring and reporting. Non-compliance of KYC by customer : 3 month notice + 3 m notice to be given. If no compliance, partial freezing (no debit, only credit). After 6 months from partial freezing, no credit, no debit till compliance.
Officially valid documents for Customer Identity and Address Proof as per PML Act Passport, PAN card, Voter I-Card, driving license, UIDAI letter, MGNAREGA job card. For low risk customers under simplified procedure, the documents can be (I) Identity Card issued by Govt., Bank, PSU (ii) Letter issued by Gazetted Officer). If identity document contains address, separate document not to be taken for address proof. (As per RBI address can be current or permanent. If address changes fresh proof to be given within 6 months. If address change is due to relocation, customer to information within 2 weeks). In Low risk accounts in exceptional cases, banks can complete verification of identity max within 6 m from date of establishment

of relationship. **3rd Gender :** AOF to include information for Transgender as 3`d gender. **Introduction : Not mandatory (RBI Cir.dated Dec 10, 2012)**

Small deposit account conditions

1) Total credit in FY max Rs.1 lac. 2) Max balance — Rs.50000. 3) Monthly withdrawal — max Rs.10000. 4) No Foreign remittance. 5) Account valid for 12 months. 6) A/c at CBS branch only.

Features of Accounts opened by way of One Time Pin (OTP) Based e-KYC Process (08.12.16) 1) Aggregate balance of all deposit accounts — Max Rs.1 lac. 2) Aggregate credit in all deposit a/c in a FY — Max Rs.2 lac. 3) For loans, only TL can be sanctioned with max disbursement can be Rs.60000 / FY 4) A/c can be allowed max for 1 year. If due diligence is not completed, a/c to be closed immediately. No further disbursement in TL. 5) Customer to undertake not to open any other OTP based a/c

Accounts of Foreign Students

NRO SB account. Proof of address in Home country 4. letter from institutions, Declaration and verification of local address within 30 days. Pending verification for inward remittance max USD 1000 and a cap on withdrawal of Rs.50000 for 30 days.

Features of Basic Saving Bank account (RBI Aug 10, 2012): (1) It is subject to normal KYC compliance. Account opened as a small account, attracts conditions applicable to small a/c (2) It is normal banking service available to all. (3) No min balance (4) No max no. of deposits but max no. of withdrawals 4 in a month including ATM (5) No other account is allowed to be opened along with such account. If already opened, to be closed within 30 days.

Banks' obligations under PML Act 2002

Banks to prepare record of cash transactions above Rs.10 lac (which can be single transaction or total of all transactions within a month). Report to be sent to Financial Intelligence Unit — India. **Cash transaction report — CTR** (covering transactions above Rs.10 lac for each month by 15th of the next. month. Individual transactions below Rs.50000 not to be reported. Suspicious transaction report (STR) within 7 working days of occurrences. Counterfeit Currency report (CCR) by 15th of next month. Monthly report of receipt in forex (cross border wire transfers) of Rs.5 lac and above by non-profit organizations — within 15 days

Preservation of records : Banks to maintain records of transactions (in Hard or Soft form) for a period of min 5 years from date of transaction. Record of documents to be kept for min 5 years from date of termination of relationship

Current accounts by borrowers : Can be opened after NOC from existing bank. If no response for a fortnight, a/c can be opened (RBI-15.05.04)

Central KYC Records Registry (CKYCR)

CKYCR is a central repository of KYC records of customers in the financial sector with uniform KYC norms and inter-usability of KYC records across the sector. CKYCR became functional on 16.07.16. CERSAI performs functions of the CKYCR.

Reporting: All Reporting Entities (REs) including banks, are to file with CKYCR, the electronic copy of KYC records of customers within 3 days after commencement of an account based relationship and will keep physical copy of these records.

Functions of CKYCR : 1. be responsible for storing, safeguarding and retrieving KYC records and making such records available online, to reporting entity or Director. 2. take all precautions to ensure that the e-copies of KYC records are not lost, destroyed or tempered with and that sufficient back-up of records is available at an alternative, safe and secure place. Implementation : The 'live run' of the CKYCR started on July 15, 2016. CERSAI issued CKYCR Operational Guidelines (version 1.1) for uploading the KYC data. RBI advised banks to upload the KYC data pertaining to all new individual accounts opened on or after January 1, 2017, with Central KYC Records Registry. REs other than SCBs are to upload the KYC data pertaining to all new individual accounts opened on or after from April 1, 2017, with CKYCR.

DEPOSIT INSURANCE

Deposit insurance is provided by DICGC in India, a wholly owned subsidiary of RBI under DICGC Act 1961. Banks are responsible for deposit insurance. It is compulsory in India. (except with Primary agricultural societies). Depositor is insured to up to Rs.1 lac for principal/interest in same right same capacity (account of A& B are separate from account of B A) on date of liquidation/cancellation of bank's licence or date of amalgamation /merger / reconstruction. i.e. separate insurance cover for separate banks. Premium — 10P per Rs.100, per annum. Payable 5P on half-yearly basis in advance within 2 months of beginning of the half year. Balance for premium payment, to be the balance on the last day of the previous half year (e.g. for Apr-Oct HY, balance would be as on last day of March). Banks to submit return on DI-01 while paying the premium.

KISSAN VIKAS PATRA : W.e.f. 1.4.2016, KVP and NSC to be issued in e-form only instead of physical certificates. • Scheme operated by Post office and banks authorized to operate PPF. • Denomination 1000, 5000, 10000, 50000. • Type of certificate = Single name, Joint-A (Joint), Joint-B (E/S) • Application form — A. For transfer from one deposit office to other-Form B. •Nomination form C. Change in nomination from D. • Maturity = 8 years 4 month. Amount to double during this period. (ROI wef 1.01.18 - 7.30%). Premature cancellation after 2 years 6 months.

PUBLIC PROVIDENT FUND (1968) : Account can be opened by Individuals (no joint account — HUF, Trust etc. not allowed since 13.3.05). Account can be opened in Minor's name by either father or mother (one of them only). Minimum contribution: Rs.500 and maximum Rs.150000 p.a. (not more than 12 instalments in a year). (Rs.70000 before 1.12.2011). A/c can be opened by minimum initial subscription of Rs.100. Period: 15 years. It can be extended by 5 years at the request of the subscriber. Interest and deposit qualify for income tax rebates. Interest is 7.60% (1.01.18) allowed on minimum balance between 5th and last day of the month. Withdrawal after 6th year allowed subject to max 50% of the balance at the end of 2nd preceding financial year. Loan : Allowed after 3rd year of opening till end of 6th year. Nomination in favour of one or more persons allowed.

GOVT. BUSINESS : Commission on Govt. Business fixed by RBI u/s 45 of RBI Act (wef 01.07.2012): (agency banks include PSB and all private banks). Receipts — Rs. 50 per transaction(including PPF /Sr. Citizen Scheme) Rs.12 for E-receipts.

Pension payments — Rs.65 per transactions. (for max 14 transactions). Where Govt. deptt. computes pension, commission 5.5p/100

Other payments (including PPF and Sr. Citizen Scheme) —5.5 p/Rs.100 Time period for remittance of Govt. receipts to Govt. account (CAS Nagpur): T + 3 (i.e. date of Transaction + 3 days) in case of local transactions. T +5 in case of outstation transactions. (For &mode = 1+1 working day).Delayed period interest: Bank rate+ 2% (remittance of Rs.1 lac and above. For transaction of less than Rs.1 lac - Bank rate, when delay is up to 5 days. When delay is above 5 days, it will be bank rate + 2% for full period of delay. No penal interest if claim amount is up to Rs.500.

PENSION PAYMENTS : Type of account : Normally single named account. Joint account with spouse (having authorization for family pension in PPO) could be opened including in E/S or F/S operation. Credit of account : Account to be credited 3-4 days before close of the month (to be paid in advance for the following month). However, for March, it is to be credited on 1St working day of April.

PoA : Pension account is not to be operated by an attorney. Life certificate will be obtained from the pensioner once a year in the month of November. PPO: Mention of PPO is mandatory on pass-book.

SENIOR CITIZEN'S SAVING SCHEME 2004 : Operated through banks and Post Offices.Persons of 60 years and above and in case of VRS persons of 55 years and above are eligible.Joint account with spouse is allowed. Nomination facility available.Maximum amount of deposit — Rs.15 lac .Tenor is 5 years that can be extended by 3 years. ROI is 8.3 % p.a. (wef 1.01.18) on simple basis, but payment is on quarterly basis. Intt. is taxable. TDS provisions applicable. No loan is allowed on the collateral security of the deposit. Premature closure with penalty after one year allowed. Penalty 1.5% for closure before 2 years and 1% after 2 years.
Inter-deposit office transfers are permitted. In case of death, pre-mature payment can be made to legal heirs at SB rate from date of death to date of payment.

PM SURKASH BIMA YOJNA : Launched = 9.5.15, Age = 18-70 years, Personal accident insurance : (a) death/permanent disability = 2 lac.(b) Partial disability = 1 lac, Cover period : 1st June to 31st May. Premium (payment by May 31)= Rs.12 (insurance co. -10, agent-1, bank-1)
PM JEEVAN JYOTI BIMA YOJNA : Launched = 9.5.15. Age = 18-50 years, Life cover : 2 lac, Cover period : 1st June to 31st May. Premium (payment before May 31st) = Rs.330, (insurance co. - 289, agent -20, bank-11).
ATAL PENSION YOJNA : Age : 18-40 years. SB account and Mobile Phone and Nominee & Spouse details are mandatory. Govt. contribution 50% of total contribution (max Rs.1000 per FY) for 1st 5 years for non-tax payers.Pension amount at age of 60 years = Rs.1000, 2000, 3000, 4000 and 5000 (PM).Penalty for insufficient balance is SB a/c = Re.1 up to Rs.100, 2 >100 up to 500, 5 > 500 up to 1000 and 10 > above 1000. Discontinuation : After 6 m — freezing, after 12 M — deactivation and after 24 M closure of account.

SUKANYA SAMRIDHI ACCOUNTS : Operated through banks and Post Offices.Account can be opened by guardian when girl is aged up to 10 year. Till 10 years guardian will operate. After 10 years, minor can operate. Only one account per child. Max 2 accounts fro two girls. Initial deposit Rs.I 000 (multiple Rs.100) min Rs.1000 and max Rs.150000 in a FY. Deposit till completion of 15 years (1.4.16) from date of opening of account. If regular deposit is not made, fine Rs.50 per year. 50% of balance at end of preceding FY when account holder attains 18 years or passed 10th standard, whichever is earlier. Maturity — Completion of 21 years from date of opening of account. ROI = 8.10% p.a. (wef 1.01.18). Annual compounding. Interest calculation for calendar month on the basis of min balance between 10th and last day.

Gold Monetization Scheme
Gold Monetization Scheme (GMS), which modifies the existing `Gold Deposit Scheme' (GDS) and `Gold Metal Loan Scheme (GML), is intended to mobilize gold held by households and institutions of the country and facilitate its use for productive purposes, and in the long run, to reduce country's reliance on the import of gold. All Scheduled Commercial Banks excluding RRBs are eligible to implement the Scheme. Eligibility - Persons eligible to make a deposit - Resident Indians (Individuals, HUFs, Trusts including Mutual Funds/Exchange Traded Funds registered under SEBI (Mutual Fund) Regulations and Companies) can make deposits under the Scheme. Joint deposits of two or more eligible depositors are also allowed under the Scheme and the deposit in such case shall be credited to the joint deposit account opened in the name of such depositors. The existing rules regarding joint operation of bank deposit accounts including nominations will be applicable to these gold deposits. Interest - Interest on deposits under the scheme will start accruing from the date of conversion of gold deposited into tradable gold bars after refinement or 30 days after the receipt of gold at the CPTC or the bank's designated branch, as the case may be, whichever is earlier. 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 of the deposit under the scheme shall be denominated in gold. All deposits under the Scheme shall be made at the CPTC (Collection and Purity Testing Centres). During the period commencing from the date of receipt of gold by the CPTC to the date on which interest starts accruing in the deposit, the gold accepted by the CPTC shall be treated as an item in safe custody held by the designated bank.

Sovereign Gold Bond : SGB is issued by RBI on behalf of Government of India, denominated in multiples of grams of gold with a basic unit of 1 gram. Price of Bond will be fixed in Indian Rupees on the basis of previous week's (Monday-Friday) simple average of closing price of gold of 999 purity published by the Indian Bulllion and Jewellers Association Ltd (IBJA) . The Bonds are restricted for sale to resident Indian entities, including individuals, HUFs, Trusts, Universities, Charitable Institutions. Minimum permissible investment is 1 gram of gold. The maximum LIMIT subscribed be - 4kg for Individuals/HUF. 20 kg for trust and similar entities notified by government from time to time for fiscal year(April – March) provided that Annual ceiling will include bonds subscribed under different tranches during initial issuance by Government and those purchased from the secondary market; and b) The ceiling on investment will not include the holdings as collateral by banks and other Financial Institutions. In case of joint holding, the investment limit of will be applied to the first applicant only. The tenor of the Bond will be for a period of 8 years with exit option from 5th year to be exercised on the interest payment dates. The issue price of the Gold Bonds will be Rs 50 per gram less than the nominal value to those investors applying online and the funds supporting the application is paid through digital mode. The rate will be communicated to the branches on weekly basis once RBI communicates the same to the Bank. The Subscription of the Gold Bond under this Scheme shall be open from Monday to Wednesday of every week (both days inclusive)

Pradhan Mantri Vaya Vandana Yojana : To enable senior citizens to get regular and reasonable interest on their savings the GoI has launched on 4th May 2017 a scheme through Life Insurance Corporation of India[LIC] named Pradhan Mantri Vaya Vandana Yojana [PMVVY 2017] which is a pension plan. Tenure: 10 years fixed. Pension options: Monthly, quarterly, half-yearly or yearly as opted. Assured Return: 8% p.a. fixed. Open for investment for one year from 03/05/2018.Person eligible to invest: Only Indian Citizens aged 60 years and above. Minimum Investment: For pension of Rs. 1000 at end of each year, the sum to be paid is Rs.144 578, which is the minimum amount that can be invested. Maximum Investment: Under the scheme the maximum pension payable is Rs. 5000 p.m. and the amount to be deposited for receiving Rs. 5000 p.m. is Rs. 750,000. Per family criteria: The investment by a family comprising of the pensioner, his/her spouse and dependents cannot exceed this limit. Death of the policyholder: The purchase price will be refunded to the nominee/legal heir. Premature closure: 98% of the purchase price is payable in case of critical illness of self or spouse. Loan Facility: Available after 3 policy years. Maximum amount: 75% of purchase price. Income Tax: Pension received is taxable in the hands of pensioner. Service tax: Nil

OFFICIAL LANGUAGE

Official Language Act 1963 (amended in 1967) and Official Language Rules govern the use of Hindi in public sector banks (and not the private sector banks). Hindi was accepted as official language in India, on Sept 14, 1949.

Monitoring of progress : Monitoring is done by Deptt. of Banking Operations and Development. Classification of Regions : Various States/UTs have been categorized into 3 regions:

Region-A : HP, Haryana, Rajsthanm MP, Bihar, UP, Uttrakhand, Jharkhand, Chattisgarh, UT of Delhi, Andaman & Nikobar Island

Region-B : Maharashtra, Gujarat, Punjab & UT Chandigarh.

Region-C: All other remaining States & UTs.

Display of Boards: All sign boards, counter boards, Bank name board, other boards, placard etc. should be in Hindi, besides English. Banks to display notice boards at branches in Hindi speaking areas to the effect that forms etc. filled in Hindi are entertained. Name/designations boards of offices, departments, divisions and officials of the banks to be displayed bilingually in offices in Region A & B.

Official Language Implementation Committee: OLIC should be set up at the HQs, offices and branches of banks. Branch Manager to be ex-officio chairman of the committee. Hindi Officer and in his absence any other officer, to be secretary and other members from different sections. Committee to meet once in a quarter. OLIC meeting convened by RBI to be attended by officials at Senior levels. Hindi divas - To be observed on Sept 14. Reply to letters in received in Hindi Under Rule 5, Letters received in Hindi to be replied in Hindi All Regions A,B&C uniformly - 100% Preparation of bilingual training material All Regions A,B&C uniformly - 100%

Original correspondence in Hindi

Region "A"	Region "B"	Region "C"
From "A" to "A" - 100% "A" to "B" - 100% "A" to "C" - 65%	From "B" to "A" - 90% "B" to "B" - 90% "B" to "C" - 55%	From "C" to "A" - 55% "C" to "B" - 55% "C" to "C" - 55%

OFFICIAL LANGUAGE : SOME MORE FACTS

- The Hindi was declared as Official Language of Union on 14.09.1949. The Official Language Policy came in force with effect from 26.1.1950. The Act was passed in the year 1963. Official Language Rules are applicable to all states and union territories except Tamil Nadu.
- The Parliamentary Committee on Official Language has to be constituted with 30 members – 20 from Lok sabha and 10 from Rajya Sabha.
- Official Language Rules were framed in 1976
- As per Rule 5 of OL Rule, a letter received in Hindi is to be replied in Hindi.
- Indira Gandhi Official Language Award Scheme given by Government to Ministries, Banks, Financial Institutions for using of Hindi
- All branches to have Official Language Implementation Committee with branch head as the Ex-officio Chairman. At least . One meeting every 3 months. (First month of every Quarter)
- The OL Committee has to be reconstituted every year.
- As per Section 3(3) of OL Act 1963, certain specified Documents like general orders, instructions, circulars, notices etc have to be issued invariably in Hindi and English.
- Hindi Day is celebrated on 14th September every year – to commemorate the constitutional recognition accorded to Hindi as the Official Language on 14.9.1949.
- In Parliament, Hindi & English are used for transaction of business.
- Script of official language Hindi is Devanagari
- Numerals in Official Language is International form of Indian numerals for e.g. 1, 2, 3
- hen 80% of the staff members attain working knowledge in Hindi in a branch/office, the name of the branch/office will be notified in the gazette under Rule 10(4)
- Rule 11 specifies that manuals, codes, stationery items etc should be in Bilingual
- As per Rule 12, responsibility of compliance of Official Language rules lies with the administrative head
- The order of language in the name plates of our Bank in Region B & C should be Regional Language (Official Language of the State), Hindi (Official Language of the Union) and English.
- Periodicity of OLIC meetings – quarterly – calendar quarter
- Town OLIC – TOLIC meetings – once in 6 months.
- 50% of total library budget should be used for purchase of Hindi Books
- If any staff member passes Banking Pragya, it will be treated that he possesses working knowledge in Hindi

REPORTING OF FRAUDS

Frauds are to be reported to RBI and police/CBI and for non-reporting, RBI can impose penalty u/s 47A of Banking Regulation Act. Robbery, dacoity, theft, burglaries not to be reported as fraud. Definition of fraud is same as in Criminal Procedure Code.

Report in case of Negotiable instruments such as fake DD or forged cheques, to be made by the paying bank/branch. For collection of cheques — report by collecting banks. In case of CBS, paying branch to send the report. Cash shortage to be treated fraud if (1) above Rs.10000 or (2) above Rs.5000 but not reported same day by cashier or detected by manager / RBI.

Report to RBI: Amount Rs.1 lac or above : report within 3 weeks (from detection) on FMR-1 to CFMC Bangalore. Rs.1 lac to < 5 cr : Report to DBS-RO. Rs.5 cr or above : Flash report within 1 week (from notice of HO of bank) through DO letter to DB5 - CO.

By Public Sector Banks :

Report to Local Police: (less than Rs.3 cr - report immediately). If no staff involvement, fraud up to Rs.I lac, need not be reported to police (CVC 17.6.17). Rs.1 lac and above to be reported by Regional Head of the bank to State CID/Economic Offences Wing of the State. Rs.1 lac and above will be reported by Regional Office. Below Rs.10000 * Bank's Regional Head to decide Whether to report or not. Below Rs.1 lac but above Rs.10000 to local police by Branch.

Report of CBI: Where amount is Rs.3 cr and above report to: **Anti-corruption cell of CBI** where staff involvement is there. **Economic Offences Wing of CBI** where no staff involvement. Amount Rs.25 cr to Rs.50 cr, to **Banking Security and Fraud Cell** and above Rs.50 cr to Joint Director, Policy (CBI-HQ). Frauds by 3`d parties like builders, dealers, professional — Report to IBA. **By Private Sector Banks :** Report to Local Police: (less than Rs.1 cr - report immediately). Rs.1 lac and above committed by outsider Above Rs.10000 involving staff members. **Report of SFIO:** Where amount is Rs.1 cr and above.
FMR -2 : Report on outstanding frauds: To be sent to RBI on quarterly basis within 15 days.
FMR 3: Case-wise quarterly progress report 1. lac and above To be sent to RBI on quarterly basis within 15 days.
Closure of fraud cases : Banks should report to RBI details of fraud cases closed, where the actions as stated below are complete: Cases pending with CBI/Police/Court finally disposed of. Staff accountability examination has been completed. Amount of fraud has been recovered or written off. Insurance claim wherever applicable has been settled.
Bank has reviewed the systems and procedures, identified the causative factors and plugged the lacunae and the fact of which has been certified by the appropriate authority (Board/ Audit Committee). For limited statistical purpose, the banks can close the fraud up to Rs.25 lac where investigation is on but challan/ charge sheet, has not been filed for 3 years.

BANK NOTES AND CURRENCY NOTE ISSUES : Counterfeit Note Procedure
Note to be impounded and to be branded 'COUNTERFEIT BANKNOTE' with a (5x5 cm) stamp. No credit to customer account. Acknowledgement signed by cashier & customer mandatory. The note to be forwarded to local police /Nodal police for investigation by filing the FIR where the no. is 5 or more in a single transaction. If no. is up to 4, a consolidated report to be sent to police at the end of month. In no case, the counterfeit banknotes should be returned to the tenderers or destroyed by the bank branches / treasuries. Note received back from Police, to be preserved for 3 years. Verification to be done on HY basis. After 3 years to be sent to RBI. 100% penalty if such notes are detected in sorted not remittance or detected in currency chest.
Each bank to have at its Head Office, a Forged (Counterfeit) Banknote Vigilance Cell to compile the centralised data (monthly) on counterfeit banknotes and report the same to RBI & NCRB by 7th of the next month.

Currency Distribution & Exchange Scheme (CDES) : RBI replace Incentives & Penalties Scheme with CDES, on 05.05.16. Banks are eligible for the following financial incentives for providing facilities for exchange of notes and coins:
i) Opening / maintaining currency chests at centers population < 1 lakh in under banked States
Capital Expenditure Reimbursement of 50% (North Eastern region upto 100%) max of Rs. 50 lakh per CC.
Revenue cost: Reimbursement of 50% of revenue expenditure for first 3 years (5 years in North Eastern region)
ii) Exchange of soiled notes/ adjudication of mutilated banknotes over the counter at bank branches
Exchange of soiled notes — Rs. 2 per packet for exchange of soiled notes up to denomination Rs. 50 Adjudication of mutilated notes — Rs. 2 per piece
iii) Distribution of coins over counter
i. Rs.25 per bag. Incentives to be paid on basis of withdrawal from currency chest, without waiting claims from banks.
(iv) Installation of Machines which extend cash related retail services to the public like —1. Cash Recyclers; 2. ATMs dispensing lower denomination notes (i.e. up to denomination 100)
Note - ATMs distributing higher denominations of 500 and above are **not** eligible for this reimbursement. The maximum amount of reimbursement for the machines will be as follows—
For Metro / Urban areas-1. Cash Recyclers — 50% of the actual cost of the machine or Rs. 2,00,000 whichever is lower 2. ATMs dispensing lower denomination notes (up to denomination Rs. 100) — 50% of the actual cost of the machine or Rs. 2,00,000 whichever is lower
For Semi-urban / Rural areas —1. Cash Recyclers — 60% of actual cost of the machine or Rs.2,50,000 whichever is lower 2. ATMs dispensing lower denomination notes (up to denomination Rs. 100) — 60% of the actual cost of the machine or Rs. 2,50,000 whichever is lower
Commission on deposit of cash in currency chest by non-currency chest branches : Rs.5 per packet of 100 pieces (1.1.16) Fire Audit of currency chest by Distt. Fire Deptt: Once in 2 years.

Scheme of Penalties in case of currency management

RBI has introduced penalties on banks in case of currency handling as given below.

Types of mistake	Penalty
Shortage in soiled note remittances for notes upto denomination of Rs 50	Shortage amount + Rs 50 per piece of shortage
Shortage in currency chest balances as above	------------- do -----------
Note: In case shortage is notes of denomination of Rs 100 or above the penalty in both the above cases will be	Shortage amount + Rs 100 per piece of shortage
Detection of mutilated notes in soiled note remittances and currency chest balances:.	Rs 50 per piece.
Non-functioning of CCTV, (b) Branch cash/documents kept in strong room and (c) Non-utilisation of note sorting machines (NSMs)	Rs 5000 for each irregularity. Rs 10 000 in case of repetition.
Violation of opening/maintaining currency chests	Rs 10000. and Rs 5 lakh in case five or more instances of violation.
Competent Authority to decide the nature of irregularity	OIC of Issue Department RO, RBI
Appellate Authority	RD, RO, RBI
Penal Interest for Delayed Reporting by Currency Chest	Penal interest would be levied on the amount due for the period of delay.

Method of reporting to Currency chests : Currency chests must report all transactions through ICCOMS on the same day by 9 PM by uploading data in the Secured Website (SWS) to their respective link offices. Link offices must report the consolidated position to the Issue Offices latest by 11 PM on the same day. The Sub-Treasury Offices (STOs) should report all transactions directly to the Issue Office of the Reserve Bank by 11 PM on the same day.

DIFFERENT KINDS OF NOTES

Use of Machines : Bank notes of Rs.100 and above to be put to re-circulation after machine processing for authentication. Use of machines mandatory at all branches irrespective of daily cash receipt (27.10.16).

Star Series Notes: RBI commenced the issuance of Star series banknotes in the denomination of Rs.10, Rs.20 and Rs.50 during 2006-07 (Rs.100 in 2009). The Star series banknotes look exactly like the earlier banknotes in the Mahatma Gandhi series but have an additional character, viz.,(Star) in the number panel between the prefix and the serial number.
Soiled notes: The currency note which has become dirty due to its use or cut into pieces. No portion of such note should be missing.
Mutilated notes: Such currency notes that are composed of various pieces or they are cut notes of which some portion is missing.
Facility of exchange of cut, mutilated, soiled notes to be made available at all branches of all banks (RBI 28.01.13)
Bank notes issued prior to 2005 : To be withdrawn from circulation w.e.f. 01.07.16.
Ascending in size numeral bank notes : 1st 3 digits fixed size. Other digits in ascending order. Rs.20, 50, 100, Rs.500, Rs.1000 and Rs.2000.,Denomination
Note Exchange : When no. of pieces presented up to 20 and value is up to Rs.5000 per day, exchange immediate.

RBI introduces Rs.200 note : RBI has launched Rs.200 notes to make it easier for the common man to transact in lower denomination and bring greater efficiency into the system. Rs.200 denomination banknotes in the Mahatma Gandhi (new) Series, bears the signature of RBI Governor Urjit R Patel. According to the new policy on theme-based currency notes, the T200 bill bears a motif of Sanchi Stupa to depict India's cultural heritage. The base colour of the note is bright yellow. The banknote, measuring 66 mm x 146 mm, would carry the denominational numeral "200" with rupee symbol in colour, changing ink-green to blue on the bottom right on the obverse (front) side of the note. The reverse side of the note would carry a Swachh Bharat logo with slogan. The introduction of a new currency denomination and design is done keeping in with various factors viz. ease of transactions for the common man, replacement of soiled banknotes, inflation and the need for combating counterfeiting.
RBI TO ISSUE NEW Rs.20 AND Rs.50 NOTES: RBI said that it will issue new currency notes of Rs.20 and Rs.50 denominations in the Mahatma Gandhi Series- 2005 with numerals in ascending size in the number panels and without intaglio printing. The old Rs.20 and Rs.50 notes will remain legal tender.

Tax Deduction at Source (TDS) PROVISIONS

TDS provisions are as per Sec 194 of Income Tax Act 1961 for payment other than salary. For salary payments provisions are as per Section 192.

TDS on Interest on deposit payments

Type of interest: On term deposits Including RD(01.06.15).Amount — Where amount of interest on FDR is above Rs.10000 (wef 1.6.2007) in a financial year in each branch separately. Minor's account To be clubbed with guardian. Joint account— Deduction in the name of 1" account holder.NRI accounts — No deduction for NRE and FCNR account. On NRO deduction to be made for all accounts and on all intt. payments. Rate of TD5 is 30%. But for interest on foreign inward funds, the rate is 20%.
TDS certificate — On deduction, TDS certificate to be issued on Form No.16-A within 1 month from end of quarter during which deduction made. The system of issue of annual or monthly certificate has been done away with.
Exemption from deduction: Where declaration on form No.15-G (up to 60 years) and 15-11 (60 years and above), is obtained from individual depositors, no deduction to be made. 15-G can be accepted if interest amount does not exceed Rs.2.50Iac. The declaration is valid for one finandal year. W.e.f. 1.10.2015, it can be in paper or electronic form. Banks to allot a Unique Identification Number (UIN — consisting of 10 digit sequence number + FY + TN of bank) to each 15G or 15H. Uploading of 15G and 15H on quarterly basis within 15 days (30th Apr for March Quarter). Information to be sent to IT Deptt. on quarterly basis. Declarations 15G or 151-1 to be preserved for 7 years.

Contractor payments (194C)	Rent payments (194-I)	Professional fee (194-J)	Brokerage or
Amount — Where amount of single payment exceeds Rs.30000 OR total amount during financial year exceed Rs. R5.1 lac, from all payment	Amount— Where amount exceeds Rs.180000 in a financial year. (No deduction if payment	Amount — Where payment exceed Rs..30000 in a financial year, by way of fee	Where amount is above Rs.5000 in a FY (Rs.15000 lac from 2016-17)

Common for all types of Payments / deductions

When to deposit	TDS Certificate	Annual Return	Quarterly Return
One week after close of the month during which deducted	On Form No.16 A to be issued within 15 days from close of quarter during which	Annual Return to be submitted on	To be submitted by 31stof thefollowing month on Form No. 26 Q. For Mar quarter, 31st May

Form 26QAA used for quarterly return on non-TDS accounts to be submitted by July 31, Oct 31, Jan 31 and June 30.

TDS Rates

Transaction	Rate	Transaction	Rate
Interest on Term Deposits:		**New Pament to contractor(other than Advertisement)**	
Individual, HUF, AOP	10%	Individual, HUF, AOP up to Rs.10 lac or for Partnership	1%
Partnership	10%	Partnership / Companies	2%
Domestic Companies	10%	**Payment of Commission/Brokerage**	5%
Payment of Rent:			
Individual, HUF, AOP	10%	Payment of Professional fee	10%
Partnership	10%		
Domestic Companies	10%		

ROI on (1) non-deduction of TDS = 1% pm (2) delay in deposit = 1.5% pm (3) On tax refund delay : 0.5% p.m.
TDS 1% on sale of immovable property where value exceeds Rs.50 lac. For residents including domestic companies, HUF, partnership, Education cess of 2% + 1% higher & secondary education cess. No surcharge
If PAN is not given TDS rate is 20% wef 1.4.2010, where it is less than 20%. Advance tax is payable if the tax liability is Rs.10000 or more from 2009-10 (15% by Jun 15, 45% by Sep 15, 75% by Dec 15 and 100% by Mar 15), Wealth Tax withdrawn w.e.f. 1.4.2015. Surcharge 10% on persons if taxable. income exceeds Rs.1 cr. Security Transaction Tax (STT) Reductions made in rates of Securities Transaction Tax in respect of certain transaction (Equity futures - from 0.017% to 0.01%, MF/ETF redemptions at fund counters - from 0.25% to 0.001%, MF/ETF purchase/sale at exchanges - from 0.1% to 0.001%, on the seller). Commodity

Transaction Tax (other than agr commodities (CTT) : 0.01%. E-filing of income tax return compulsory if taxable income above Rs.5 lac for FY 2012-13. Mandatory e-filing of tax audit report u/s 44AB of Income Tax Act where total sale > Rs.1 cr OR gross receipts > R s.25 lac

PERSONAL INCOME-TAX (2017-18)

Existing rate of taxation for individual assesses for income of above Rs.2.5 lakhs to 5 lakhs reduced to 5% from the present rate of 10%. All tax payers will get a benefit of Rs.12875, due to this change. Existing tax credit of Rs.5000, for income up to Rs.5 lac has been reduced to Rs.2500 and will be available for income only up to Rs.3.50 lac (Sec 87A).

Income tax slabs:

up to Rs.2.50 lac – Nil.

Above Rs.2.50 lac to Rs.5 lac @5% + cess 0.15% total – 5.15%,

above Rs.5 lac to Rs.10 lac @20% + cess 0.60%. Total 20.60%.

Above Rs.10 lac @30% + cess 0.90% total 30.90%.

Above 50 lakhs to 1 cr @30%+surcharge @10%+cess @0.99%, total:33.99%

Above Rs.1 cr @30% + surcharge @15% + cess @1.04%, total – 35.54%

Tax rate for Domestic companies : (1) Annual turnover up to Rs.50 cr @ 25% and (2) annual turnover above Rs.50 cr @ 30%. (3) Partnership firms and LLP : 30%.

Simple one-page form to be filed as Income Tax Return for the category of individuals having taxable income upto Rs.5 lakhs other than business income.If amount of rent exceeds Rs.50000 per month, the TDS shall become mandatory for individuals and HUF. Self employed can claim deduction up to 20% of gross total income for contribution to National Pension Scheme.

Delay in filing ITR for 2017-18, will attract penalty of Rs.5000 up to December and Rs.10000 after that. The penalty is Rs.1000 for tax payer with income up to Rs.5 lac. Due date and amount for Advance tax for 2017-18 shall be 15% of estimated tax by Jun 15, 2017, 45% by Sep 15, 2017, 75% by Dec 15 and 100% by Mar 15, 2018. The rate of TDS is proposed to be reduced to 2% (from 10%) in respect of deduction u/s 194J, for professional fee payments w.e.f 1.7.2017. Interest on delay of refund of tax shall be 0.5% p.m. w.e.f. 14.2017.

Income Tax Rates wef 2017-18 (FY)

Type of Assessee and amount	Exemption up to	Up to 5 lac ++	Above 5 lac to 10 lac	Above 10 lac
Normal	250000	5%	20%	30%
Women	250000	5%	20%	30%
Senior Citizen (60 yr)	3nn000	5%	20%	30%
Very Senior citizens (80 years and above)	500000	--	20%	30%

Education cess of 2% and Higher & Secondary Education Cess of 1% to be added. 10% surcharge above 50 lac up to 1 cr. 15% surcharge above Rs.1 cr. ++ For income up to Rs.3.50 lac, tax credit of Rs.2500 will be available.

Corporate Tax rates — Partnership 30%, Domestic Company 30% *(25% for companies with turnover up to Rs.50 cr),* Foreign company 40%. Surcharge on domestic company *7%* and other companies 2%, if income > Rs.1 cr.

PAN REQUIREMENT FOR BANKING TRANSACTIONS — Rule 114 B (1.1.16)

To open SB, CA, FD, RD, issue of Debit or Credit Card (but not BSDBA).Issue of DD, Banker's cheque, pay order > Rs.50000 by accepting cash Accepting term deposit > Rs.50000 or > Rs.5 lac in aggregate in a FY. Payment of PPI or DD or Banker's cheque or Pay order of >Rs.50000 in cash. Deposit or cash > Rs.50000 on any one day. In absence of PAN, declaration on Form 60 which is to be preserved for 6 years. Statement of Form 60, HY Mar & Sep to be submitted within 1 month. In case of Minor, PAN of father, mother or guardian.

STATEMENT OF FINANCIAL TRANSACTIONS TO INCOME TAX DEPTT. w.e.f. 1.4.16

Statement to sent on Form 61A by 31st May for following banking transactions: Cash purchase of PPI, DD, BC or PO Rs.10 lac or above in a FY. Cash deposit or withdrawal in CA Rs.50 lac or above in a FY. Cash deposit in any other account Rs.10 lac in a FY Time deposit (other than renewal) Rs.10 lac or more in a FY. Payment of bills under Credit Card (1) in cash Rs.1 lac or above and (2) other mode Rs.10 lac or above. In case of Joint account, amount to be included in each person's transactions.

Report to INCOME TAX DEPTT, on Form 61-B under Rule 114 F (Section 282 BA)

Foreign Account Transactions Compliance Act (FATCA) : Report of bank accounts of US Citizen w.e.f,31.08.15.Automatic Exchange of Information under Common Reporting Standards : Report of bank accounts of citizen of other countries w.e.f. 31.05.17.

VARIOUS PENALTIES IN TAX NON-COMPLIANCE

Failure to ensure payment of FDR of Rs.20000 or above, not in cash : penalty equal to sum of the payment (Sec 271E, IT Act)

Failure to furnish Annual Information Return : onalty of Rs.100 for each day during which the failure continues (Sec 271FA , IT Act)

Failure to furnish return of income :penalty of Rs.5000 (Sec 271F IT Act)

Non-deduction of TDS on interest on deposits, by a bank w.e.f. 1.7.12 : Bank shall be assessee in default in respect of that amount, pay from date TDS was deductible to actual date of deduction @ 1% p.m. For delayed deposit of TDS up to actual date of deposit @ 1.5% p.m.

Imprisonment for failure to deduct tax — U/s 276 (B) : 3 months to 7 years. Penalty equal to amount of tax not deducted.

Delay in filing TDS return (Section 234E) — Late fee w.e.f. 1.7.12 Rs.200 per day max = TDS amount. Section 271-H : If information is not submitted within one year or incorrect information is given, min Rs.10000 and max Rs.1 lac.

Non compliance of provision of PAN = Rs. 10000

Delay in deposit of service tax — Intt 13% pa + penalty @ 200 per day or 2% per month of tax liability, whichever higher. Maximum it could be up to amount of service tax.

Delay in filing service tax return — late fee up to Rs.20000 (delay up to 15 days — Rs.500. Delay >15d to 30d — Rs.1000. >30 d — Rs.1000 plus Rs.100 per day)

Monetary ceilings for important transactions

TRANSACTION	CEILING
Payment of FOR including interest for in cash	Less than Rs.20000
Issue of demand drafts and 7TS/MTS	Less than Rs.50000
Payment of demand drafts (DD of Rs.20000 or above to be issued only account payee crossed DD)	Less than Rs.20000
Issue of foreign currency in cash	Up to Rs.50000

Payment of interest on FD in cash	Less than Rs.10000

Time Frame for Collection of cheques State Capital : 7 days. Major cities : 10 days. Other places : 14 days. For delay in collection, interest @ SB rate + 2% p.a.

Interest rates on deposits

Period of interest payment : Interest on SB/FD should be paid at intervals quarterly or less (RBI Mar 16) Differential ROI on FD is allowed : (a) based on amount when it is above Rs.1 cr. (b) based on the option whether with premature withdrawal or without. (16.04.15).

Term Deposits

For individual deposit of Rs.15 lac and above, banks will offer deposits withdrawable before maturity. Above Rs.15 lac, non-withdrawable before maturity, deposits can also be offered. (RBI 16.04.15) Period : Min 7 days and max 10 years. Cash payment of FD : Not allowed when the amount is Rs.20000 or more. Else penalty equal to amount paid. Renewal of FD from date of maturity : Overdue FDR can be renewed from date of maturity, at Rate of Interest applicable on date of maturity, if renewal is done within 14 days. Renewal of FD frozen by Govt. : It can be done as per instruction by customer. If no instruction, it can be for a period equal to existing tenure. No fresh FD is to be issued.

INOPERATIVE ACCOUNTS : Banks to make an annual review of deposit accounts in which there are no operations for more than one year. In these accounts, letter to be sent to customer for operations. If on an enquiry, the reply given by the account holder is satisfactory, banks can continue classifying the same as an operative account for one more year

Savings /current account to be treated as inoperative / dormant if there are no transactions for over a period of two years.

For classifying an account as 'inoperative', debit & credit transactions induced at the instance of customers as well as third party should be considered. Accounts opened for the beneficiaries under various Central/State Government schemes are exempted.

Interest: Interest on savings bank accounts should be credited on regular basis whether the account is operative or not. If a Fixed Deposit Receipt matures and proceeds are unpaid, the amount left unclaimed with the bank will attract savings bank rate of interest.

In-Operative (10 Years and Over) — Unclaimed Deposits : Except for drafts, cash orders, RIU/Ciitt cheques all other accounts in in-operative (others) category remaining in-operative for further period of 7 years or more, are to be transferred to In-operative (10 years and over) on 1st day of December each year. An annual report also required to be submitted to RBI as on Dec 31, u/s 26 of Banking Regulation Act. (Banks are to display names /addresses of customers of inoperative /unclaimed accounts, at their website — RBI Feb 2012)

Settlement of claims of missing persons : Settlement of claims would be governed by the provisions of Section 107 / 108 of the Indian Evidence Act, 1872. As per the provisions of Section 108 of the Indian Evidence Act, presumption of death can be raised only after a lapse of 7 years from the date of his/her being reported missing. As such, the nominee / legal heirs have to raise an express presumption of death before a competent court. If the court presumes that he/she is dead, then the claim in respect of a missing person can be settled on the basis of the same.

DECEASED ACCOUNTS : In case of deceased accounts, the payment be made within 15 days from date of receipt of complete papers.Credit received after death (called pipe-line credit), can be credited with permission of survivor, legal heirs or nominee only. Pre-mature payment of term deposit can be allowed with out any penalty, but no loan can be allowed.Interest in case of current account and saving bank account to be paid as per saving bank rate till date of payment from date of death.

Interest in case of Term Deposit, if matured before death to be paid at contracted rate till maturity and at SB rate after maturity till date of payment. Interest in case of Term Deposit, if matured after death to be paid at contracted rate till maturity and from date of maturity till date of payment to be paid at rate applicable (on date of maturity) for the period the deposit was with bank.

OPERATIONS IN A/C ON DEATH OF A/C HOLDER

Type of Customer	**After death**	**Disposal of balance in the account**
Individual	Stop operation	Nominee or otherwise legal heirs
Joint Account	Stop operation	If E/S and F/S then, survivor. If FDR, not matured, survivor & legal heirs. IF joint operation, then survivors and legal heirs even if nomination, as long as one survivor is alive.
Partnership Firm (credit balance)	Stop operation	If account is to be closed, to legal heirs and other partners OR if account is to be continued, operations by obtaining fresh mandate from remaining partners
Partnership firm (debit balance)	Stop operations. Else Rule in Clayton's case	Before allowing fresh operation, credit decision whether to allow loan to reconstituted firm or not, to be taken. Fresh documents and closure of existing account
Trustee	Pay cheque	Allow operation to new Trustees after verifying the new deed.
Assignee or Receiver	Pay cheque	Proceed as per fresh court order
Liquidator	Pay cheque	Proceed as per fresh court order
Director in a company	Pay cheque	Operations will be by new authorized official
Executor or administrator	Pay cheque	Proceed as per fresh order from court
Agents or attorney holder or mandate holder++	Pay, if agent dies. Do not pay, if principal dies	Proceed as per fresh mandate from account holder, if alive

++cheques dated prior to date of appointment and dated after date of death not to be paid.

ACCOUNTS OF CUSTOMER

Accounts of Minors : A minor is a person who has not attained the age of 18 years. A person will become major at the age of 18 whether guardian is natural or appointed by a court of law. There could be three types of guardians — natural, testamentary and legal guardian. The guardian appointed by will is called Testamentary Guardian and the one appointed by court is called legal guardian. As per section 11 of the Indian Contract Act, 1872 a minor is not competent to enter into a contract. Types of Guardian :

1. Natural guardian, 2. Testamentary guardian (appointed by will of the father/mother) 3.Igaluardian (appointed by the court).

Minor	Guardian
Hindu son/unmarried daughter	Father and after death mother
Hindu Married daughter	Husband, if major. If husband is minor or expired, father in law and after his death mother in law.
Muslim minor	Father. After death, executor of father's will. If no will, his paternal grand father and after his death or if grand father is already expired, then legal guardian.

STATUS OF MINOR IN DIFFERENT TRANSACTIONS

Loan to minor	Minor or his guarantor not liable for the loan.
Ratification	He cannot ratify (confirm) a contract made during minority on becoming major.
Loan against RD or pre-mature	Loan cannot be permitted. But premature payment can be made, as he can give proper discharge
Partnership	Cannot be a partner but can be admitted for benefits of partnership. On majority if he becomes partner, his liability begins from date of admission for benefits.
Nomination	Can become nominee but cannot nominate. On his behalf, his guardian can nominate in other than self-operated accounts.
Agent	Cannot appoint agent, can be appointed agent
insolvency	Minor incurs no liability. Cannot be insolvent
Section 26 of NI Act	Minor can draw, endorse, negotiate and give discharge on getting payment from bank but without any personal liability.

JOINT ACCOUNTS - SUMMARY

Transaction	Either or survivor	Former or latter or survivor	Joint operations
Signatures on a/c opening form	All	All	All
Stop payment	Any one	Former	Any one
Request for loan	All jointly	All jointly	All jointly
Pre-mature payment of FDR	All jointly	All jointly	All jointly
Pre-mature payment in case of death	Survivor and legal heirs if mandate not already taken.	Survivor and legal heirs if mandate not already taken.	Survivor and legal heirs
Payment on maturity	Any of them	Only former	All jointly
Closure of account	All jointly	All jointly	All jointly
Nomination +	All to sign	All to sign	All to sign
Payment in case of nomination	Survivor till any of them is alive	Survivor, till any of them is alive	Survivor and legal heirs till any of survivors is alive
Attachment order	Applicable. Each liable Proportionately.	Applicable. Each liable proportionately	Each of them liable prorate
Garnishee order	Order in joint names applicable	Order in joint name applicable	Order in joint names applicable

PARTNERSHIP ACCOUNT

Partnerships are regulated by Indian Partnership Act 1932. Partnership is a contract between 2 or more persons, to share profits from business to be conducted by all or any of them, for all (Sec 4). The collective name of partners is called partnership firm, which is not a separate legal entity. As per Sec 464, Companies Act, 2013 max no. of partners = 100 (earlier 10 for banking and 20 for other business - Sec 11 of Companies Act 1956). Only a person competent to contract can become partner. Minor, insolvent insane cannot become partner. (HUF cannot be a partner due to Supreme Court judgment and NBFC cannot become partner as per RBI directives). A company and a firm can become partner in another firm (subject to total no. of individual partners of such firms not exceeding 10 or 20). Partners are principals & agents of each other. Authority of partners is called implied authority. All actions of a partner in ordinary course of business are actions of all partners for which they are liable.

Restrictions on implied authority (Sec 19-2) - All partners have to join for (a) opening bank account, (b) Sale, purchase, mortgage, lease of firm's immovable property, (c) Contracting liability (such as giving guarantee) (d) Appointment of an agent (e) filing, withdrawing suit or compromising a claim or referring a matter for arbitration. With death, insolvency or insanity or retirement of a partner the partnership firm gets dissolved. Two firms having all common partners, are one firm as firm is not a separate legal entity. Their loan accounts can be adjusted from their deposit accounts, by using right of set off. A minor can be admitted for sharing the benefits of the partnership. He has no personal liability. On attaining majority, minor gets 6 months (from date of majority or date of his knowledge about his admission for benefits, whichever is later), to decide, whether he wants to be a partner. If he chooses to be a partner, his liability begins from date of his admission for benefits i.e. when he was minor. Assets of the firm are first used to meet the liability of the firm. Surplus if any, can be distributed and used to meet the personal liability of the partners. Assets of the partners are first used to meet the liability of the partner. Surplus if any, can be used to meet the liability of the firm.

Bank account of a firm : To open bank account, P/ship deed or letter required. All partners are to sign AOF. Operations by all if no mandate or authorised partners / agents if mandate. Cheque signed by the agent appointed by all partners and dated till date of agent's death, would be paid, if agent dies. On death, insolvency, insanity of a partner, operations are stopped.
In that case, cheques drawn by any partner or agent, shall not be paid. If it is loan account, recall notice will be sent to surviving partners and legal heirs of the deceased partner. If there is credit balance and the surviving partners want to close down the business of the firm and need bank account for that purpose, operations on the basis of fresh mandate can be allowed. Any partner

can stop payment. Restoration possible with consent of all partners. Any partner can make stop payment of cheque. But its payment can be permitted by any partner authorised to operate the account.

Limited Liability Partnership

LLP - was introduced in India wef Apr 1, 2009. It is governed by Limited Liability Partnership Act 2008. The main features are: RoC shall be having jurisdiction over the incorporation of LLP. LLP is a separate legal entity separate from its partners and it can own assets in its name, sue and be sued. It has perpetual succession (death of partner does not affect the LLP).A partner is not liable for another partner's misconduct or negligence except in certain cases. Liability of the partners is limited to the extent of his contribution in the LLP. No exposure of personal assets of the partner, except in cases of fraud. Minimum 2 designated individual Partners have to be there. At least one of them should be resident in India. No limit on maximum no. of partners.
Partners can be resident individuals, a company or an LLP (NBFC cannot). Rights and duties of partners are governed by agreement between partners. The partners have the flexibility to devise the agreement as per their choice. In no agreement is entered into, the rights & duties as prescribed under Schedule I to the LLP Act shall be applicable.

COMPANY ACT & ACCOUNTS

Companies are regulated by Companies Act 2013 w.e.f. 1.4.2013 (earlier 1956). Company is a legal person, created through process of incorporation for which RoC issues Certificate of Incorporation. It has no physical existence. A limited company is an artificial person with perpetual succession incorporated under the Companies Act.Shareholders are the owners of the company. Board of directors (which represent shareholders) have the responsibility of management. A person can be director of max 20 (out of which 10 incase of public companies directorship of Public Company concurrently. (If no. exceeds this number, there is fine Rs.5000 to Rs.25000). Dealing with a company is through authorised persons, based on 5 important documents. These documents are (1) Memorandum of Association (2) Articles of Association (3) Certificate of Incorporation (4) Certificate of Commencement of Business — for public companies only. As per Companies Act 2013, it is required by all companies. (5) Resolution of Board of Directors.
No. of shareholder — Private company = min 2 max 200 (earlier 20). Public company = min 7 max no limit. One-man company = 1
No. **of directors —** In private company min 2 and in public company min 3. In public company, if the number is beyond 15, permission of Central Govt. is required. (Independent director can be max on 7 listed companies. As per SEBI, a whole time director can serve max 3 such companies as Independent Director. An individual can be director of max 10 public companies (Companies Act 13)
Private **company** cannot offer shares to public, its shares cannot be listed on a stock exchange and there are restrictions on transfer of shares. Min paid up capital Rs.1 lac requirement has been withdrawn under amendment of Act (26.5.15).
Public company is a company which is not a private company. Min paid up capital Rs.5 lac requirement has been withdrawn under amendment of Act in (26.5.15). Section 8 Company (Earlier Sec 25) — Means a charitable Company.
Small company : Other than a public company with a paid-up share capital max Rs.50 lac or turnover max Rs.2 cr (Companies Act 2013). Govt. company : If 51% **or** more shares are owned by Govt. it is a Govt. Co.

Loans to companies

Company's **borrowing powers arise from Memorandum of Association. Hence shareholders have** unlimited borrowing powers. Board's borrowing powers **are** stated in **the** Articles **of Association (as given by Shareholders). Where there are not mentioned, these are equal to paid up capital and reserves of the Company.**
Where Board wants to borrow beyond powers **mentioned in AoA, it has to seek authorization from**
shareholders u/s 179 Companies Act 2013 by way of resolution in annual general meeting. Co. can raise loans for activities stated in object clause of MoA. Any borrowing outside objects, is ultra-vires. Loan for such activity is not recoverable from the company.
Registration of charge
When company raises loans and create charge on its assets, it has to get the charge registered with RoC u/s 77 within 30 days of date of documents. Additional 270 days (30 days as per Companies Act 1956) *can* be allowed by RoC and thereafter unlimited period can be allowed by Company Law Board for filing of charge for registration.
Getting charge registered is company's responsibility and if company appears to be failing, Bank can get charge registered as creditor. Form CHG-1 is used for new loans and modification of charge and form CHG-4 is used for satisfaction of charge on adjustment of loan. Non-filing of particulars / non-registration renders the bank as unsecured creditor and loan becomes pad able immediately.All charges require registration. Earlier exemption of non-registration for Pledge, Lien, loan against deposit and contingent loans like LC, bank guarantee, is not available as per Companies Act 2013. When charge in favour of two banks is registered, priority of charge is in favour of bank in whose favour it is created first (i.e. date of documents).

BANK ACCOUNTS OF COMPANIES
To open bank account, MoA, AoA, Col, Board Resolution are required. Resolution should be passed in a meeting only (Sec 179 - Earlier sec 292).No introduction is required as Coll is enough introduction. AOF signing and account operation by Authorised persons, who is to provide photographs as per KYC guidelines. On death of AP, cheques dated prior to death to be paid. Authorised person cannot appoint agent.
Amendments made in the Indian Companies Act, 2013: The amendments to the Companies Act 1956 in 2013 Act has introduced several new concepts and has also tried to streamline many of the requirements by introducing new definitions.
After getting approval of both the houses of Parliament, the long-awaited Companies Bill 2013 obtained the assent of the President of India on 29 August 2013 and became Companies Act, 2013 (2013 Act). The changes in the 2013 Act have far-reaching implications that are set to significantly change the manner in which corporates operate in India.
Highlights of Companies Act 2013:
Immediate Changes in letterhead, bills or other official communications, as if full name, address of its registered office, Corporate Identity Number (21 digit number allotted by Government), Telephone number, fax number, email ID, website address if any.
One Person Company (OPC): It's a Private Company having only one Member and at least One Director. No compulsion to hold AGM. Conversion of existing private Companies with paid-up capital up to Rs 50 Lacs and turnover up to Rs 2 Crores into OPC is permitted.
Woman Director: Every Listed Company /Public Company with paid up capital of Rs 100 Crores or more / Public Company with

turnover of Rs 300 Crores or more shall have at least one Woman Director.
Resident Director: Every Company must have a director who stayed in India for a total period of 182 days or more in previous calendar year.
Accounting Year: Every company shall follow uniform accounting year i.e. 1 st April -31st March.
Loans to director – The Company CANNOT advance any kind of loan / guarantee / security to any director, Director of holding company, his partner, his relative, Firm in which he or his relative is partner, private limited in which he is director or member or any bodies corporate whose 25% or more of total voting power or board of Directors is controlled by him.
Articles of Association- In the next General Meeting, it is desirable to adopt Table F as standard set of Articles of Association of the Company with relevant changes to suite the requirements of the company. Further, every copy of Memorandum and Articles issued to members should contain a copy of all resolutions / agreements that are required to be filed with the Registrar.
Disqualification of director- All existing directors must have Directors Identification Number (DIN) allotted by central government. Directors who already have DIN need not take any action. Directors not having DIN should initiate the process of getting DIN allotted to him and inform companies. The Company, in turn, has to inform registrar.
Financial year- Under the new Act, all companies have to follow a uniform Financial Year i.e. from 1st April to 31st March. Those companies which follow a different financial year have to align their accounting year to 1st April to 31st March within 2 years. It is desirable to do the same as early as possible since most of the compliances are on financial year basis under the new Companies Act.
Appointment of Statutory Auditors- Every Listed Company can appoint an individual auditor for 5 years and a firm of auditors for 10 years. This period of 5 / 10 years commences from the date of their appointment. Therefore, those companies have reappointed their statutory auditors for more than 5 / 10 years; have to appoint another auditor in Annual General Meeting for year 2014.

National Company Law Tribunal and National Company Law Appellate Tribunal (NCLT and NCLAT)

NCLT created on 01.06.2016 (Companies Act 2013), is a quasi-judicial body to adjudicate company related issues. **Constitution of NCLT : President :** Is or has been a Judge of a High Court for 5 years. (Term 5 years and re-appointment for 5 years). + **Judicial Member** (Term till 67 years) + **Technical Member** (term till 65 years). **Constitution of NCLAT : Chairperson :** Is or has been a Judge of the Supreme Court or the Chief Justice of a High Court. (Term 5 years and re-appointment for 5 years) + **Judicial Member** (Term till 70 years) + **Technical Member** (term till 67 years). **Benches :** Central Govt. constituted 11 benches (Principal Bench in New Delhi). Bench presided by President.
Orders of Tribunal: Disposal of application within 3 months. It can be reviewed within 2 years. **Appeal from orders of Tribunal :** It can be to NCLAT within 45 days. Disposal period 3 months. **Appeal to Supreme Court :** It can be within 60 days.
Type of cases to be handled: Cases pending before Company Law Board or any District Court or High Court or before Board of Industrial and Financial Reconstruction under the Sick Industrial Companies (Special Provisions) Act.In addition, the Insolvency and Bankruptcy Code, 2016 (Bankruptcy Code), also provides wide powers to the NCLT to adjudicate upon the 'insolvency resolution process' and liquidation of corporate debtors.

Accounts of Hindu Undivided Family (HUF) :HUF is neither a legal person nor a natural person, It is not created by agreement. 1t is not incorporated under any Act. It is from—a-eornmon ancestor and membership is by birth or adoption. The eldest coparcener including daughter is the Karta and continues to be Karta even when he/she lives outside India.Operational authority to operate the account is with Karta. Karta can appoint any other coparcener or third party to conduct business of HUF and/or operate the account. Co parcener cannot stop payment of the cheque unless he is authorized to operate the account. In case of death, insanity or insolvency of Karta, next senior most member of family becomes Karta. The liability of Karta is unlimited while that of co-parceners is limited up to their share in the firm.

Account of Trusts : Types of Trusts: Trusts can be of two types - private trusts where beneficiaries are certain specified individuals or groups and public trusts where beneficiary is public at large. The document creating a trust is called 'trust deed'. Public Trusts are registered with the Charity Commissioner. Operational Authority: The operation and other aspects of the bank account are to be conducted as per the Trust Deed. Unless otherwise provided for in the trust deed, all trustees have to operate the account jointly. Trustees can't delegate their powers to an outsider even by mutual consent. Loan to a trust: Unless specifically provided for in the trust deed, no trustee can raise loan against the security of the assets of the trust. Loan should be for the objects as mentioned in the Trust Deed. On the death of a trustee, the trust property is passed on to the next trustee while in the event of death of sole trustee or last surviving trustee, the court can appoint a trustee. Death or insolvency of a trustee does not affect the trust property-and the bank can pay cheques issued by the deceased trustee prior to his death. Stop payment of a cheque and revocation of stop payment as per operational authority.

Account of Executors and Administrators :An executor is a person named by the deceased in his will to mange his estate whereas an administrator is appointed by the court of law for the same purpose where the deceased dies without leaving behind a will. Executors and administrators are treated as one person. On opening a bank account, therefore, executors/administrators can authorize any one or more of them to operate the account. On the death of an executor or administrator, the surviving executor(s) or administrator(s) can continue to operate the account unless otherwise provided for in the will or letter of administration. While opening the account of an executor, bank should obtain letter of probate, which is an official confirmation of the will of the deceased by a court of law. For opening account in the name of administrator(s), letter of administration is required which is issued by the court of law.
Societies and Clubs : Societies and Clubs are non-profit making organizations. These can be registered under Societies Registration Act 1860 with Registrar of Societies. Societies can also be registered with Registrar of Companies under section 25 of Companies Act which pertains to nonprofit making companies. Documents to be obtained while opening the account: (i) Copy of Registration Certificate (ii) Copy of Bye laws which contain rules and regulations (iii) Copy of resolution passed by the Managing Committee which should include authority to open the account and operational authority.
Cheques presented after death of Secretary or Office Bearer: Any cheque signed by the Secretary of Club or Society or any other office bearer who is authorized to operate the account and presented after his death can be paid provided if is otherwise in order and dated prior to his death.
AGENT / ATTORNEY HOLDERS, MANDATE AND POWER OF ATTORNEY : Through mandate or power of attorney, a person can appoint, any

other person, as his agent.

POWER OF ATTORNEY (POA)

POA is a document through which general powers (including for operating the bank accounts) are vested. It amounts to giving a public notice, when registered. Who can execute: Persons competent to contract can execute a power of attorney.
PoA holder : Minors or insolvent persons can become power of attorney holders. Stamp duty & witnessing : Both mandatory. State Govt. prescribes stamp duty rate. Abroad : PoA executed outside India must be stamped within 3 months of its receipt in India. Registration : with Registrar of Assurances, is not compulsory. Revocation : It can be cancelled by the principal or upon his death, insanity, insolvency, or liquidation in case of a company OR death or insanity (and not insolvency) of the agent. Cheques signed before termination by the agent: can be paid if otherwise in order. Against 3rd party, invocation takes effect when it comes to their notice. Delegation : Agent cannot further delegate the authority unless he has been authorized to delegate to a sub-agent or substituted agent.

MANDATE : A mandate is a simple letter of authority by an account holder, directing the bank to permit the person named in the authority, to operate the account. Mandate to operate the account, does not include the powers to overdraw or close the account. Mandate does not require payment of stamp duty or witnessing. In case of illiterate person it requires attestation/witnessing. Mandate is terminated in case of death/insolvency/insanity of account holder, revocation by account holder and non-acceptance or refusal of person to act as agent or death of the agent.

INCAPACITATED PERSONS

Where a person is incapacitated due to illness or other reason, to sign a cheque/withdrawal or is unable to come in person to the bank to withdraw the money, he can put his thumb Inv ression, which should be witnessed by two independent witnesses known to the bank, one of them being a responsible bank official. If a customer cannot put his thumb impression, the bank can make payment by impression of other body part, by obtaining two independent witnesses, one of them being a responsible bank official along with a certificate from competent doctor.

IBA Legal Opinion in case of a person who can not sign due to *loss* of both hands : In terms of the General Clauses Act, the term 'Sign' include 'mark'. Supreme Court has held that the signature can be by means of a mark. This mark can be placed by the person in any manner (including the toe impression).

4. DEPOSITS & KYC

Deposit Guidelines

Savings Bank account is considered as the mother of all accounts. The customer bank relationship starts with the opening of Savings Bank account. It is here that a major cross-selling of our products shall take place. On the other hand, Current account forms the base account for all commercial activities - Trade, Industry and Services. These two segments form approximately 85% of clientele base of the Bank. Hence it is in the fitness of things that we need to have good knowledge of these two products and related services. Joint accounts : Max.4 members.Minors of age 10 years age can open self operated account in all our branches. The Bank has implemented the provision of sending SMS alerts to the parents regarding all transactions in the account, as a precautionary measure. Minimum balance: Rural: 500/-.SEMI URBAN, Urban, Metro & Specialized branches:1000/-.Rate of interest : 4% wef 03.05.2011.ROI calculated on daily product basis from 01-04-2010 as per RBI instructions In case of joint accounts with Illiterate and Literate: Operation by Illiterate or Jointly. In special cases, we can permit operation by literate only, by taking "Authorization cum Indemnity letter" perfromwith illit requisite value. Cheque book can be issued for blind person for specific purpose. Minimum amount of withdrawal/deposit is `10/- Stipulation of cash deposit as initial deposit for newly opened Savings Bank Deposit accounts has been waived. TOD: Satisfactory dealings for 6 months. Scale IV and above can permit upto `10000/-. TOD against expected salary maximum `5000/- & for maximum 15 days but with the prior Permission of executive at CO (applicable for upto Scale III officers) No Powers to sanction TOD in SB/CA by authorities upto Scale III.Under. Canara Pay Roll Package Account Branch Head can allow TOD in account (Max Two times In a year)Max Upto 50% of last month Net salary credit with maximum upto 50000/- and Temporary Overdraft facility up to 50% of monthly pension on request after 15 days from last pension credit in SB Accounts to permitted to Pensioners receiving pension through our Bank under Canara Jeevandhara SB Account:

Free DDs: Upto `25000/- and upto 2 DDs basing on previous month"s mi case of new accounts, upto `10000/- can be issued free of charges without reference to minimum balance. To be permitted by branch in charge.

Free Cheque leaves as per table below:

Other Than Individuals	**Individuals**	
	Other Than Rural	**Rural**
20 leaves free in a calendar year	20 leaves free in a calendar year	20 leaves free in a calendar year
MICR Charges Rs. 3 per cheque leaf	MICR Charges Rs. 3 per cheque leaf	MICR Charges Rs. 2.50 per cheque leaf

Scheme Based relaxation is there on number of cheques issued free under Canara basic saving Bank deposit, canara payroll package account,Canara Jeevan Dhara,Canara Defence Saving Bank account, Gen Y account, etc.50 debit entry per half year. If Debit Entries (excluding Alternate Channels) exceeds 50 per half-year, either by cheques or otherwise, charges at Rs.10/- per Debit to be collected. (Feb to July and Aug to Jan). Transfer of Savings Bank accounts to any of our branches: Only out of pocket expenses to be recovered with a maximum of ` 50/-.

Minimum balance waived in following circumstances:

NRI while opening the account or having other deposits,Zero balance accounts at the time of opening the account or if we are having any other deposit or Housing Loan account,Students Accounts, Pensioners drawing pension through our Bank Employees of our Bank,Ex-employees of the Bank who are eligible for preferential rate of interest, Canara Defence Service account ,
Canara basic Deposit Bank account, Canara Small Saving Deposit account, Canara GEN –Y Account

RBI Guidelines on Pension Accounts

- The pensioner is not required to open a separate pension account.
- Joint Account with his/ her spouse**:** All Central Government Pensioners (except the pensioners of the Telecom Department) and those State Governments which have accepted such arrangement can open Joint Account with their spouses.
- The Joint Account of the pensioner with spouse or Survivor" or "Either or Survivor".
- The disbursement of pension by paying branch is spread **over the last four working days** of the month.
- March month - the pension is credited on or after the **first working day of April**.
- Account transfer from one branch to another branch of the same bank within the same centre or at a different centre – Permitted.
- He/ She can transfer his/ her account from one authorized bank to another within the same centre (such transfers to be allowed only **once in a year**);
- He/ She can also transfer his/ her account from one authorized bank to another authorized bank at different centre.
- The pensioner is required to furnish a Life Certificate/Non – Employment Certificate or Employment Certificate to the bank in the **month of November**.
- Life Certificate as well as other certificates can be submitted to any branch of the Bank. The Life certificate obtaining branches shall send email consolidating all the life certificates obtained to hopenfund@canarabank.com in two batches - first set by **20th November and the final on or before 5th December every year**, as an attachment in excel format (as per draft copy attached).The branch shall mark a copy of the email to respective Pension crediting branches without fail.
- Core Banking System and the operationalisation of Centralized Pension Processing Centre, the pensioner/family pensioner who wish to transfer his/her pension account from one branch to another branch (local or out station) of the same bank should

have the option of putting in his/her request at either of the two branches instead of the present dispensation wherein transfer request is entertained only at the home branch.(BA995) (Cir 156/2013). The pensioner"s**not** allowedaccounttobe operatedis by a holder of Power of Attorney. Cheque book facility and acceptance of standing instructions for transfer of funds from the account is permissible.

- **Deduction of Income Tax at source from pension payment:** The pension paying bank is responsible for deduction of Income Tax from pension amount in accordance with the rates prescribed by the Income Tax authorities from time to time. **TDS** to deducted by CPC in case of Central Pensioner. Defence Service personnel –Grant of dual pension to NoK(Next of Kin) of defence pensioners from Military/Civil department and Continuation of family pension to disabled children even after their marriage. Hitherto an unmarried son or an unmarried widowed or divorced daughter would become ineligible for family pension from the date he or she gets married or remarried. This has now been amended to the effect that an unmarried son or an unmarried or widowed or divorced daughter, **except a disabled son or daughter** shall become ineligible for family pension from the date he or she gets married or remarried. (Defence Pension)
- **Threshold Limit :** Threshold limits are to be fixed as per limits mentioned by customer at the time of opening the account and review the threshold limits once in 6 months.☐Threshold limit is fixed at account level on the basis of population category/nature of account/business activity/profession etc., to ensure that all accounts with transactions higher than generally expected level of transaction for the particular category, get reported. ☐Improposer Risk category / Threshold Limit will result in non-generation of genuine alerts/ generation of large number of false alerts.

Parameters adopted for centralized fixing of threshold limit (247/2010)

		Rural	Semi Urba	Urban	Metro
SB General	(101)	50000	One lacs	Two lacs	Three lacs
BSBD / Small/ Champ	(108)/ 109/111	50000/-	50000/-	50000/-	50000/-
SB Canara champ	(109)	50000/-	50000/-	50000/-	50000/-
SB Staff	(111)	One lac	One lac	One lac	One lac

- **Parameters for defining High Net worth Individuals:**

✓ Average balance of `2.00 lakh and above in SB/NRE SB.
✓ Balance of `10.00 lakh and above in Term deposit, Domestic/NR.
✓ Balance of `5.00 lakh and above in CA.
✓ Enjoying Fund based limits/term loans exceeding `30.00 lakh.
✓ Salary credit of `25000/- and above in a Super saving salary A/c.
✓ Business contribution/opinion makers /VIPs such as head of village/Town/City, Top Executives of Companies etc.

General Aspects pertaining to Savings Bank and Current Account:

- Wherever Thanks giving letter in NF 154 sent is returned undelivered, branches should immediately take appropriate action to safeguard the interest of the Bank. Branches can mark High Risk Account Severity memo in option CIM 13 (or) BA437 in CBS.
  - For first 6 months, rubber stamp bearing "new account" to be affixed on cheque leaves(IBA guidelines)
  - All debits of Rs.25,000/- and above in case of SB and Rs.1 lakh and above in case of CA to be authorized by Manager of Department/Branch in charge for first 6 months Withdrawals by way of Withdrawal form exceeding Rs.15,000/- to be authorized by Manager in charge of dept. in case of ELB/VLB and Branch incharge or line manager in case of large, small and medium branches (Cir no.170/2006 & 13/2009) However, all other aspects like checking / confirming the entry, verifying signature & other details etc., shall be carried out scrupulously by the concerned supervisor only.
- Deposits of Rs.1 lakh per person per Bank are having insurance coverage from DICGC. Premium is 10 paise per Rs.100- per annum, payable half yearly.
- Passport size/stamp size Photograph of depositor/authorized signatories Signature on reverse of photo – depositor and supervisor
- Photo not necessary for Pension accounts, employees accounts, term deposits below Rs.10,000/-, NNND a/c.

New PAN norms: From 1st January 2016, quoting of PAN is mandatory for the following transactions - Cash dealings above Rs. 2 lakh including transactions through cash, cheque and purchase of jewellery; all transactions of immovable property of over Rs. 10 lakh; all term deposits of over Rs. 50,000 in not only banks but also in co-operative banks, post offices, nidhis, and non-banking finance companies; opening an account (except basic account) in any bank, including cooperative banks; Cash payments to settle hotel bills and for foreign travel, such as purchase of tickets or buying foreign exchange of over Rs. 50,000; Opening of demat accounts, buying shares of listed companies which are worth more than Rs. 1 lakh, or purchasing debentures, RBI bonds, life insurance policies, and mutual funds of over Rs. 50,000; purchase of gift cards or cash cards of over Rs. 50,000. PAN will no longer be required for installation of telephone or cell-phone connections. Persons who do not hold PAN are required to fill a form and furnish any one of the specified documents to establish their identity. Opening of a no-frills bank account such as Jan Dhan will not require PAN.

CASA & TERM DEPOSIT PRODUCTS

SAVING PRODUCTS

SAVINGS DEPOSIT: An account for individuals, non-trading organizations, permitted institutions etc. can be opened with as minimum an amount as Rs 500/- with or without out cheque book in Rural Rs 1000/- with or without cheque book in Semi Urban, Urban & Metro branches. Pass book, pass sheet, nomination, standing instructions, cheque collection facilities, Debit Card, Internet & Mobile Banking facilities available. Two free DDs upto Rs 25,000/- per month subject to maintenance of stipulated balance. Instant credit of outstation cheques upto Rs 15,000/-, wherever eligible.

List of Eligible Institutions permitted by RBI for opening SB accounts and earning Interest thereon (As per Manual of Instructions – SB/CA) : Primary Co operative Credit Society financed by the Bank,Khadi & Village Industries Board, Agriculture Produce Marketing Committee,Society registered under Societies Act or any other corresponding law in force,Companies governed by Section 25 of Companies Act. Government Departments, bodies, agencies in respect of Grants, Subsidy released for implementation of various programmes, sponsored by Central Government. Development of Women and Children in Rural Areas (DWCRA), Self Help Groups – Registered and Unregistered, Farmers Club, Vikas Vahini, Non corporate bodies viz clubs, societies, associations, schools etc., Trust, Executors and Administrators, All monies contributed to Provident Fund, Capital Gains Account Scheme 1988

List of Organizations/Institutions whose SB should not be opened: Government Departments, bodies depending on Budgetary allocation for performance of the functions, Municipal Corporations, Committees, Panchayat Samithis,State Housing Boards, Water and Sewage Drainage Boards, State Text book Publishing Co-operative Societies,Metropolitan Development Authority, State, District level Housing Corporations, Any Political Party, Any Trading or Business or Professional concern, where such concern is Proprietary or Partnership firm or a Company

Online SB Account: For all Customers, Individual and Joint, in particular Young generation and Tech Savvy. Online submission of SB application through our Bank's website, without the hassles of waiting in "Q' at the branches.

Canara Mahila Saving Account(240/2014) : Concession / facilities are bundled in the account designed for women. Accounts can be opened under any of the existing relevant SB Product Codes.Net Banking / Mobile Banking Facility Free, Cheque Book Facility. Name printed cheques available Debit Card Debit card with photo Credit Card Issue of Credit Card free with limit based on personal annual income. Personal Accident Death Insurance Cover ranging from `2 lacs to `8 lacs to self and spouse available with the Credit Card. Locker Facility :Priority allotment subject to availability Locker operations – Free unlimited operations,Free SMS alerts/ NEFT / RTGS , Canara e-info book , Statement of Account by email, E-donation to Religious Institutions/Trusts free of cost , E-Info Book Facility in multi-language, Standing Instructions Free (For internal transactions), Loan Facility -Based on eligibility as per the norms of the Bank, Demat Account opening of Demat Account with concession of 10% in charges. Online Trading Account available Concession in Rate of Interest / Processing Charges on Loans, 0.50 Interest concession on Educational loans to girl Students, Interest concessions MAY BE EXTENDED subject to ultimate rate of interest not falling below prevailing Base Rate at 0.50% on loans/advances to Women Entrepreneurs under LOAN SCHEME ―CANARA MSE UNNATI‖ FOR FINANCING MICRO & SMALL ENTERPRISES (MSE)‖ (HO Cir.240/2014)

Canara Galaxy (501/2015) : This product (Product code -136) is combination of SB, DEMAT and OLT account. It can be opened by all individuals Only. Joint a/cs are permissible. All branches are eligible and enabled to open account under product code. No initial deposit / minimum monthly balance. At par personalized debit card /credit card, Waiver of AMC on Demat A/c ,SMS,NEFT ,RTGS charges from A/c opening stage, Freebies would be extended where the average monthly balance is ` 50000/- & above (SMS/NEFT/ RTGS ) & where , the average annual balance is ` 50000/- & above(AMC on Demat /Insurance/Debit/Credit Card). Branches which are located in cities where the DP cell / centres are functioning are eligible to open Canara Galaxy accounts. Personal Insurance (Accidental death) cover of ` 500000/- is extended free of cost. Renewal of insurance is subject to maintenance of average annual balance of ` 50000/- Opening Demat and Trading account is at the option of customer Account opening will trigger printing and dispatch of both personalized debit card & cheque book. No need to feed data in SAS/CHIPS package Other feature/facilities and service charges are as applicable to product code 101.

Canara Junior Saving Account (Product Code "120": Eligibility Minor Students above the age above 10 years up to 18 years; Declaration to be obtained from parent / guardian."Minor with restrictions"; maximumAccountcredit Rsto1 lakhremain in a year. Balance is maximum Rs 50000.Withdrawals: through withdrawal slip by the student / Debit Card in ATMs; Free fund transfer to collegesT/RTGS (CirEI"s252/2013);by way o monthly total debit transactions: Rs.10000/; USP · Personalized "Junior–Rupay"Debit(acknowledgedCard by guardian)- Max monthly withdrawal restricted to Rs.5000 .SMS alert; Greetings by SMS; e-Info Book Facility available

Canara Champ Saving Bank Account : To tap young customer for long patronage with the Bank. For children upto age of 12 years.

Initial deposit with min of Rs 100/-.Min 2 credits in a half year aggregating to Rs 500/-in rural/semi urban and Rs 1000/- in Urban/Metro. Chq book not to be issued. Joint a/c cannot be opened. No penalty for non maintenance of min balance. Transfer of balance to fixed deposit over Rs 5000/- permitted. Conversion to regular SB a/c on attainment of majority. A/C holder is eligible for EL after 12TH if maintained properly. One Savings Box and photo folder as gift.

Canara Basic Saving Bank Deposit Account (BSBDA) : Holder of CBSBD ACC will not be eligible to open any other SB account in bank If existed account is there then that is required to close it within 30 days from the date of opening. There is no restrictions like age and income criteria of the individual for opening 'Canara Basic Savings Bank Deposit Account„ Initial deposit NIL.Max 4 withdrawal PM including atm above this level charge RS5/- per withdrawal. Min withdrawal RS 10/- by ATM RS 100/.Need based cheque books within the total entitlement, say 5 books of 10 leaves in a year (as the max 48 widrawals in a year).

Canara Small Savings Bank Deposit Product Code No. 127 : Initial deposit NIL min balance not required. Foreign remittance not permitted Max balance and Total credit in a year Rs 50000/-and Rs100000/- p.a. Withdrawl by wihdrawl slip. Total amt of withdrawal and transfer p.m Rs 10000/-. Maximum 10 Cheque Leaves Per Year.Party to be notified when amt reaches 40000/-and total credit Rs 80000/-. Subject to relaxed KYC/AML job card by NREGA, Aadhaar card, self attested photograph Account shall remain operational initially for a period of twelve months and thereafter for a further period of twelve months if the holder of provides evidence of the officially valid documents

Canara SB Power Plus Account Product Code 132 : Designed to cater to needs of premier segment of customers who would maintain a quarterly average balance of Rs.1 lac and above Issue of DDs, Locker Operations, Standing Instruction and Reset of Password in Internet Banking - free of charge Name printed cheque books up to 300 cheque leaves per annum issued free Platinum Debit Card will be issued with daily Cash Withdrawal limit of Rs.50000 and with personal accident death insurance

In case of non-maintenance, a penalty of Rs 250 per Quarter will be levied till regularization. ATM withdrawal Rs.50, 000/= in our Bank ATM. In other Bank ATMs limits as permissible for other bank"s card holders. Net banking free. Auto sweep-in and sweep-out can be carried out as per cust for balance beyond Rs 1 lakh. A/C closer charges Rs.1000 penalty + service charges. Allotment on priority subject to availability. 25% concession in locker rent irrespective of size in the first year. Free unlimited locker operations

Canara Payroll Package Scheme Product Code 131 : A variant of Savings Bank a/c for employees of mid cap, large cap corporate A minimum 25 employees, with standing over one year are eligible to open account under this product. Else specific permission to be obtained from the circle head for opening the a/c under the scheme. A/c can be opened with zero balance .The initial credit Could be by way of chq or by credit of salary. Minimum monthly average balance of Rs.1000/= from the month succeeding the opening of the account. Free Personalized/non-Personalized up to 200 leaves per annum 1.TOD Permitted up to 50% of previousimum2occasionsmonth"s in a calendar year) subject to the following ceiling: For salary upto Rs 50000 p.m.: Upto Rs 10000, For salary above Rs 50000 to Rs 1 lakh p.m : Upto Rs 25000 For salary above Rs 1 lakh p.m.: Up to Rs 50000, Branch Heads of respective branch are delegated to allow TOD in SB accounts of Canara Payroll Package 50% of applicable processing fee only to be collected for Retail Loans like Housing Loan / Vehicle Loan / Canara Budget etc.

Canara SB Gen Y Product Code 129 : To target young generation prospective VIP customers in selected branches target highly reputed professional colleges, IIT / IIM students who are sure of getting campus placement IAS / IFS / IPS trainees / State services trainees (already selected and undergoing training) Initial and Minimum Bal Nil,FREE- Debit card, Canara Global Gold Card will be issued where Minimum income Rs 2 lacs and above ATM Cash withdrawal Rs 40,000 daily.

Canara NSIGSE Saving Bank Deposit Prod Code 128 : Ministry of HRD Govt of India has been providing financial assistance to the State/UT for deposing cash incentive to the eligible girl students under the National Scheme of Incentives to Girls for Secondary Education to reduce school dropouts. All SC/ST girls who pass VIII std are eligible. Girls passing from Kasturba Gandhi Balika Vidyalaya Are eligible (even if not SC/ST)who enroll for class IX in state run Govt school. Married girls excluded.No min bal .No chq book.Student ID as KYC doc. Part of DBT.Amount to be kept under Fd till majority. Amt rec as incentive to be kept in fd till she attains 18 yr age

Canara Defence Saving Bank Product Product Code 130 : Saving Bank Product specially designed for Armed forces and para military forces. Three variants Silver, Gold & Platinum available. On basis of ranking Several attractive free facilities provided. NIL minimum balance, Free Debit Card, Unlimited personalized cheques, Free PAIS(Rs.3 to 6 Lacs), RTGS/NEFT free, Defence Personnel Loan, Free Demat A/c opening**.** Locker facility at concessional rent. 25% in Gold and platinum No processing charges on Retail Loans. A bundle of services like Health Insurance at concessional premium, Free Accident Insurance Cover etc are offered

Canara Jeevan Dhara Deposit Product Code 110 : A Savings Bank Product for Senior Citizens/Pensioners who have attained age of 60 years, Offers Health Insurance on softer terms. No Minimum balance, Free debit Card, SMS Alert Free, Two NEFT/RTGS Free. Loan under Canara Pension upto 10 times of monthly pension, max Rs. 2 lacs. Temporary Overdraft facility up to 50% of monthly pension on request after 15 days from last pension credit Priority allotment of locker with 25 % concession in rent. (50% in case average bal Rs 200000/-) Assistance in writing of Will and Executants service at a nominal fee with full confidentiality provided Name printed up to 60 leaves per annum free PAIS- Up to Rs.2 lakhs covered subject to : Maintaining Pension Account with us or Maintaining average minimum balance of Rs.20000/= previous year on anniversary date. For all the accounts opened under the product code during the month, cover will be available from 1st of succeeding month subject to fulfillment of above criteria. Initially cover will be available only for accounts opened with pension account with us.

DOOR STEP BANKING FOR THE PENSIONERS -692/2014: Delivery of monthly pension at doorsteps of the pensioners aged 75 yrs and above. Minimum amount of delivery cash on monthly basis- Rs 5000/-; Max Amount- Rs 50,000/- Request of modification once in 6 months. In the event of hospitalization, pensioner can seek disbursement of amount either in cash or by way of EFT or DD drawn in favour of hospital; NO age limit; restriction for payment in cash Rs 50000/- Charges: Rs 50 +ST per transaction (may be waived/concession may be offered).

CURRENT ACCOUNT : For Traders, Businessmen, Corporate bodies etc who operate the account frequently. Minimum balance `1000 for Rural/Semi - Urban branches and ` 5000 Urban / Metro branches.Purdanishin Women CA not to be opened generally. However, they can be opened with prior permission of MIPD section of respective CO. Illiterate persons CA: Manager/SM can take decision and open Accounts with Minor as Proprietor: Should not ordinarily be opened. However there is no bar in opening such accounts, but over drawings not to be permitted. No Interest on CA. Interest at SB rate in case of deceased parties. RRBs sponsored by us ONLY may be paid interest as advised by HO. Permissible TOD: 10% of the delegation of powers for sanction of clean loans. Upto Scale III no TOD sanctioning power. (Cir 432/2010) . Before opening a CA branches should contact their General Advances Section, CO and obtain a confirmation through FAX/email regarding verification of CRILC database and ensure that the prospective customer is not enjoying credit facilities from other banks. (288/2016). Branches should obtain NOC from the drawee bank wherever the customer presents his/her own cheques drawn on other banks for credit of his/her current account on the date of opening of current account.

Canara Privilege Current Account (Cir 164/2014) : Quarterly average balance of `1 lac and above,Cash handling charges free up to `5 lacs per day for denominations of `100 & above, Issue of DDs / RTGS / NEFT - Free of charge, Name printed cheque books up to 500 cheque leaves per annum issued free Platinum Debit Card will be issued with daily Cash Withdrawal limit of `50000 and with personal accident death , insurance Accounts to be opened under Product Code – 214, 1000/ per Quarter for the quarter of non maintenance. Account closed before one year 2000 penalty+ service charges. Auto sweep facility available for balance over `1.00 lac in steps and period opted by the customer, Personal Accident Insurance Cover from `2 lacs to `8 lacs available to self/ spouse as an inbuilt facility under Platinum Debit Card / Credit Card.

Fixed Deposits (FDR): Minimum deposit: `1000/- : Maximum no ceiling,Period: Minimum 7 days for deposits of `5 lacs and above and 15 days for less than `5 lacs deposits. Maximum 120 months. In case of single deposits of `1 crore and above, wherever closed before maturity- Card Rate with 1% Penal Cut. Monthly Interest: Min. deposit `1000/- and min. period 1 year. If deposit is `10,000/- and above, less than 1 year period also monthly interest payable. Interest rates applicable to the deposits of Army Group Insurance Directorate,Naval Group Insurance Fund and Air force Group Insurance Society would be at par with the interest rates for other deposit (withdrawal of additional interest of 1.28 %) of general public of similar maturity and amount.(395/2015)

Kamadhenu Deposits (Cir. 33/2011): Minimum `1000/- No maximum ceiling. Interest compounded quarterly.

Minimum period 5 months Maximum 10 years. Court orders-more than 10 years also. 1% Penal Cut for closure before maturity. No interest payable if the deposit is closed before maturity before completion of 7 days period ,Loan upto 90% of balance subject to servicing monthly interest, No panel cut on deposit (accepted after 12/10/12) above `1.00 Crore, if closed before maturity. Preferential interest shall not be paid on such deposit ,if closed before maturity .
Penalty of 1% is applicable on Term deposit under Capital Gain Account Scheme -1988, which are prematurely converted / withdrawn /closed, irrespective of the size of deposit amount. Penalty of 1.00% shall be levied for premature closure/part withdrawal/premature extension of Domestic/NRO term deposits of less than `.1 crore that are accepted /renewed on or after 04.02.2011.
Part Withdrawal Facility : Permitted per unit of `1000/-, If amount of deposit accepted in odd amount, odd amount is treated as a unit. Example: The deposit of `10,505/- may be treated as 10 units of 1000/- and one unit of `505/-,Penalty – 1% penal cut for partly withdrawn portion. All deposits of domestic, NRE FDRs, KDRs accepted on or after 27-02-96 are eligible Applicable for all branches.

CANARA TAX SAVER DEPOSIT: A SMARTWAY TO SAVE YOUR TAXWHILE GENERATING INCOME: A term deposit scheme with the benefits of Deduction from income upto Rs 1.50 lakhs under Sec.80C of IT Act, 1961. Individual account in the name of the individual for himself or in the capacity of the Karta of a HUF can be opened. Further, Joint account can be opened by two adults jointly or an adult and a minor and payable to either of the holders or to the survivor. In the case of joint account, the deduction from income under section 80C of the Act shall be available only to the first holder of the deposit. Minimum deposit of Rs 100/-(In multiples of Rs 100/- thereafter) and maximum of Rs.1,50,000/- can be made for a fixed period of 5 years and cannot be closed before maturity. Scheme available for NRO accounts also

ASHRAYA DEPOSIT (FOR SENIOR CITIZENS): PREFERENCE TO OUR ELDER PEOPLE IN DEPOSIT SCHEMES: Account can be opened jointly with other Senior Citizens or with other persons below the age of 60 years subject to the condition that the first depositor should be the Senior Citizen. Additional rate of interest of 0.50%above the rate as offered to General Public is extended under the scheme.

Deposits from Cooperative Banks (Cir 151/2010): Notional weightage is permitted to term deposits from co-operative banks towards reckoning of target achievement, subject to the following: Minimum amount of `25 lakh.,Minimum period of 3 months. 50% of the quantum of term deposit outstanding over and above the level outstanding as on March end shall be reckoned for Branch/CO target both under aggregate and average deposits.

Capital Gains Accounts Scheme (Cir 35/2014) : Exemption under Section 54, 54B, 54D, 54F or 54G of Income-Tax Act.Accounts can be opened by an individual or on behalf of a minor, HUF, a firm, a company or an association of persons or a body of individuals. Joint Accounts cannot be opened under the scheme. Capital Gains accounts can be opened as SB-Capital Gains Account Scheme or Term Deposits – Capital Gains account scheme (similar to KDR or FDR), Current Account Capital Gains Scheme can be opened by Bohra Muslim community only. Except under circumstances specially permitted for the purpose, withdrawals can be made only after the expiry of the period for which the deposit under this account has been made and accepted. No Cheque book facility,Nomination: Depositor of this scheme may nominate upto 3 nominees.NRE, FCNR accounts cannot be opened Minimum balance applicable as regular deposits, Preferential rate of interest should not be allowed for Capital Gains Account, (Senior Citizens and Employees – No preferential rate of interest)

Call Deposits: Call Deposits can be accepted from contractors for submission to Govt. Departments or any other semi quasi Govt. Bodies/Departments relating to any contractos, Call deposits are those which are payable on demand. NO cheque book and No interest payable. Treated as Current Accounts as per the norms of RBI. No loans against Call Deposits.

New Nitya Nidhi Deposit (NNND) (160/2005, 215/2006, 17/2008, 99/2008, 308/2010,302/16,523/16): Deposit should in multiples of `1. Collection limit in NNND accounts is ` 1000/- per day per account on an average w.e.f. 01.09.2010 (Cir.308/2010).Period: 12m, 39 m and 63 months, Present rate of interest 1.5 (12m) and 2% (39,63 months) Cir 215/06 wef 10.8.06.If closed before maturity within 1 year – Customers: No interest and commission paid to NNND agent will be recovered. For Staff: no recovery of agent's commission and 1% interest payable. If no remittances are there in the account continuously for 2 calender months, the account is treated as LAPSED. For revival, `2 revival charges. If there are no remittances for a period of one year, account to be eliminated ,Loans upto 75% of balance, Security deposit for NNND agent: `1000/- initial and it will be increased to `5000/- by way of monthly credits @10% of his commission in excess of `300/- ,TDS on NNND agents commission: For IT purpose, salary & gratuity are to be treated as salary and accordingly calculations/deduction to be done.(Memo no.17/2008),Gratuity paid to NNND agent to be debited to general charges- gratuity paid to NNND(Cir 160/05), NNND balancing as on last working day of each calendar quarter. Confirmation letter in NF139 to be obtained in April & October immediately after completion of postings in March and September.

Areas of business operation for NNND agents : A area : Minimum deposit collection ` 5 lacs in each month and ` 15 lacs in a quarter, B area : Minimum deposit collection ` 4 lacs in each month and ` 12 lacs in a quarter, C area : Minimum deposit collection ` 3 lacs in each month and ` 9 lacs in a quarter, On collection of `. 3 lacs in a month, a Deposit Collector would get fall back wages of `.8000/- and conveyance allowance of `. 750/- (flat rate) per month irrespective of area. On a collection of over and above `. 3 lacs and upto `. 5 lacs, all Deposit Collectors, irrespective of their area of operation will earn incentive remuneration of 3%. On collection of over and above `. 5 lacs, a Deposit Collector would get incentive remuneration of 2%.

Recurring Deposits: Minimum Deposit `50/- and in multiples of 50/-,Minimum period 6 months and in multiples of 3 months thereafter max.120 months Penal charges : `1.50 per `100/- installment per month in case of RD for 5 years and less, `2/- per `100/- installment per month for RD over 5 years. Credit to Commission A/c Miscellaneous. Maturity on ostensible date/ or one month after payment of final instalment whichever is later(Ostensible date is the date on which the account completes the aggregate period of deposit as calculated from the date of opening the account). A discontinued RD is one where there is continuous default of 4 instalments. Irregular RD is one where instalments are not paid regularly but maintained till maturity. Preferential interest of 0.50% for Senior Citizen's RD accounts. For RD accounts which have not completed 15 days, no interest to be paid. For RD which have not completed 3 months, but completed 15 days, only simple interest to be paid. TDS is applicable on interest earned on RD wef 01.06.2015.

Canara Dhanvarsha (Cir 596/2013, 02/2015) : A Flexible Recurring Deposit scheme with facility of depositing additional amount & upto four installments skip facility. Instalment up to 10 times of regular instalment (including regular one) can be paid which earns contracted rate of interest on daily balance basis. Canara Dhanvarsha to be opened in Product Code – "186" for General Public and "187" for Employees/ex-Employees, —193‖ for NRI Customers. Installment of Dhanvarsha NRE to be received as debit from NRE-SB account or other approved inward remittances. No Penalty for skipping upto four number of installments. Minimum amount per month: `1000 and in multiples of `100 thereof & Maximum `1 Lac. Top up amount up to 10 times of the installment (including regular instalment) can be deposited per month. Minimum 1 year and in multiples of 3 months; Maximum 10 years. Where there are more than four skips of regular RD instalments, simple interest will only be paid. All other terms and conditions, as applicable to Recurring Deposit Accounts.

Callable or Non-Callable Term Deposit (Cir 58/2015) : Domestic/NRO/NRE Term Deposits of `1 crore & above can be either callable or non-callable, w.e.f.11.02.2015, but now it is Rs. 15.00 lacs. A Callable deposit (premature withdrawal permissible) can be closed before maturity at any point of time without penalty and the rate of interest will be payable at the rate prevailing on the date of opening, for the period that the deposit has run. A Non-callable deposit (premature withdrawal NOT permissible) (for a period of 46 days and above –other than Individual and HUF) cannot be closed before maturity and the Bank will offer additional interest rate above the rate as applicable to General Public for callable deposits. Non-callable deposits will not have auto renewal, part withdrawal and sweep in & sweep out facilities. Bank is not accepting Bulk term deposits under Non callable segment for maturities of 5 years and above. Quote for bulk deposits of `. 10 crore & above submitted by the branch to the party should be signed by Branch-in-charge and counter signed by the Overseeing Executive of MIPD Section of the Circle. (313/2016)

Nomination Facilities in Customers' Accounts

1. Nomination facility was introduced on the recommendation of Talwar Committee.
2. Nomination facilities are available in deposit accounts (Sec 45 ZA & 45ZB of Banking Regulations Act), articles deposited for safe custody with the bank (Sec 45ZC & 45ZD) and in locker accounts (45ZE & 45ZF).
3. Sections 45ZA, 45 ZC, 45ZE relate to nomination, change in nomination and cancellation of nomination. Sections 45ZB, 45 ZD, 45ZF state that bank will be discharged of liability by making payment/delivery to nominee.
4. Where facility is available: All types of deposit accounts like SB, CA, FD, RD, NRE, FCNR(B) and NRO.
5. Who can nominate: Individual, joint account of individuals or a sole proprietorship firm.
6. Who can not nominate: Partnership firm, HUF, clubs/societies/limited companies/trusts. A minor can not appoint a nominee. On his behalf, nomination facility can be exercised by the person legally competent to act on behalf of the minor.
7. Who can be nominee: Only an individual including minor. If nominee is a minor, the depositor has to appoint a major person to receive deposit amount / articles in the safe custody / locker etc. on behalf of the minor nominee.
8. Number of nominess: Deposit accounts — only one; Safe Custody — Only one but if articles are deposited by more than one person, nomination facility is not available; Safe Deposit Locker - single names or in joint names with either or survivor instruction only one; Locker in joint names with joint operation - more than one nominee (max 2).
9. When does the right of nominee start?: In case of joint accounts, right of a nominee starts only after death of all depositors. The only exception is the nominee(s) in case of jointly operated lockers.
10. Status of nominee:The status of nominee is just like trustee of legal heirs.
11. Legal Heir versus nominee: bank will make payment to the nominee unless there is a court order to make payment to legal heirs. Bank gets a valid discharge by payment to nominee.
12. 1n case of term deposits, there is no need of fresh nomination in the case of renewal of FDR.
13. While making nomination, the thumb impression of the accountholder should be attested by two witnesses. However, signatures of the accountholders in forms DA1, DA2 and DA3 need not be attested by witnesses.
14. 1n the case of accounts in the name of single persons, nomination must be obtained. If the depositor does not want to nominate anybody, he should give in writing.
15. Banks should incorporate the legend "Nomination Registered' on every pass book or deposit receipt. In addition to the legend "Nomination Registered", banks should also indicate the name of the Nominee in the Pass Books / Statement of Accounts / FDRs, in case the customer is agreeable to the same.
16. Nomination can be made any time. It can be cancelled and changed any time.

SETTLEMENT OF CLAIMS IN RESPECT OF MISSING PERSONS

As per the provisions of Section 108 of the Indian Evidence Act, presumption of death can be raised only after a lapse of seven years from the date of his/her being reported missing, As such, the nominee / legal heirs have to raise an express presumption of death of the subscriber under Section 107/108 of the Indian Evidence Act before a competent court. If the court presumes that he/she is dead, then the claim in respect of a missing person can be settled on the basis of the same.

5. DIGITAL BANKING

PAYMENTS SYSTEMS

Payment & Settlement Systems Act, 2007 - The PSS Act 2007 came into existence w.e.f 12.08.2008.
Access criteria for centralized payment system (CPC) – the CPC includes RTGS, NEFT, NECS. The membership is open to all licensed banks with following access criteria; Minimum CRAR of 9%, Net NPAs below 5%, minimum net-worth of Rs.25 crore Access criteria for decentralized payment system (DPS) – the DPS include clearing houses at MICR centres and Electronic Clearing Service including the Regional Electronic Clearing Service (RECS). Membership criteria for the same are as under; Minimum CRAR of 9%, Net NPAs below 5%.

RTGS System

"RTGS" stands for Real Time Gross Settlement. RTGS system is a funds transfer mechanism where transfer of money takes place from one bank to another on a "real time" and on "gross" basis. This is the fastest possible money transfer system through the banking channel. Implemented on 26.03.2004 and revised on 19.10.2013, is a centralized payment system operated by RBI. It uses Indian Financial Network (INFINET) and SFMS platforms. Its membership is open to all banks/institutions. Following are requirement for membership of RTGS: membership of INFINET/SFMS/domestic SWIFT network, current account, settlement account and subsidiary general ledger a/c with RBI.Following are various types of RTGS transactions: Inter-institutional /Inter RBI transaction, Customer transaction, Government transaction, Multilateral Net Settlement Batch (MNSB), Delivery versus payment, Own account transfer, Return Payment transaction. Following are daily events under RTGS: Start of Day, Open for Business, Initial Cut-off, Final Cut-off, IDL Reversal Session, End of Day. RTGS helps in preventing Systemic and Settlement Risks. Minimum / maximum amount for RTGS transactions: The minimum amount to be remitted through RTGS is Rs.2 lakh. There is no upper ceiling for RTGS transactions.Time taken for effecting funds transfer from one account to another: The beneficiary bank has to credit the beneficiary's account within two hours of receiving the funds transfer message. G.Timing for RTGS: Customer's transactions from 8.00 hours to 16.30 hours on week days **including Saturday except Second & Fourth Saturday will be closed** and Bank Transactions : 8.00am to 7.45pm. However, the timings between these hours would vary depending on the customer timings the branches have**..** For inter-bank transactions, the service window is available from 8.00 hours to 20.00 hours. **Charges:** a) inward RTGS— free; b) Outward transactions (i) Rs. 2 to 5 lakh — not exceeding Rs. 25 per transaction; Rs. 5 lakh and above — not exceeding Rs. 50 per transaction.(Service tax extra). If after 3.30 PM then Rs 5 extra.
With effect from 1.8.08, all payment transactions above Rs. 10 lac by RBI regulated entities in the RBI regulated markets would have to be mandatorily routed through electronic payment systems like the Real time Gross Settlement (RTGS) System, National Electronic Fund Transfer (NEFT) System and Electronic Clearing Service (ECS).

National Electronic Funds Transfer (NEFT)

NEFT is a batch system (and not an online continuous system). It is an account to amount transfer. W.e.f. 17.07.17 There are 23 settlements on half-hourly basis from 8 am to 7 pm.Settlement period B + 2 hours (destination bank to credit within 2 hours or return). For delay repo rate + 2% interest payable to customer. There is no minimum and maximum amount of a transaction.
NEFT uses an Indian Financial System (IFS) code — an Alpha numeric code that identifies the bank branches. It has 11 digits- 1st 4 represent bank code, 5th reserved as control code (presently 0) and remaining 6 are branch code.
Process — (a) remitter provides information in a prescribed form and authorises debit to account (b) branches prepares SFMS message to send to service centre of NEFT (c) Service centre forwards it to RBI to include in the next remittance cycle. (d) at clearing centre, RBI sorts bank-wise transactions for debit or credit on net basis and forwards the information to concerned bank (e) the receiving bank processes the message to give credit to the beneficiary. Penal interest for delay : 2% + Repo rate

Indo Nepal Remittance Scheme – Salient features

It is a cross-border one-way remittance facility scheme facilitating remittance from India to Nepal. A remitter can transfer funds up to Indian rupees 50,000 from any of the NEFT branches to Nepal. The beneficiary would receive funds in Nepalese rupees. One-way remittance facility by Nepalese migrant labourers only. Transfer of funds up to Indian rupees 50,000/- to Nepal. (The beneficiary would receive funds in Nepalese rupees). Remitter need not be an a/c holder. Nepal SBI Ltd has tied up with a money transfer company (M/s Prabhu Money Transfer Pvt Ltd) in Nepal, who would make arrangements for delivery of cash to the beneficiary. The remitter has to GIVE proof of identification document like Passport /PAN / Driving License for compliance of KYC norms. Commission: If beneficiary maintains account with Nepal NSBL: Rs.5/- by our Bank, Rs.20/- by SBI (Rs.10/- by SBI, Rs.10/- by Nepal SBL) i.e. total Rs.25/- to be collected by originating bank and pass on to SBI. If party does not maintain account with Nepal SBL, additional charges of Rs.50/- for remittance upto Rs.5000/- and Rs.75/- for remittance above Rs.5000/-. Originating branches of participating banks may please note to recover the entire charges and pass on the appropriate amount to SBI after retaining their share. Any remitter is allowed to remit maximum of 12 remittances in a year under this Scheme.

Point of Sale Machine : A point-of-sale (POS) terminal is a computerised replacement for a cash register which can process credit and debit cards. A customer needs to enter a card PIN to complete the transaction using the PoS terminal.
Merchant Discount Rate (MDR): MDR is capped for debit cards but not for credit cards. Effective July 1, 2012, RBI capped the MDR for debit cards at 0.75 per cent of the transaction amount for value up to Rs.2,000 and 1 per cent for a transaction amount for value above Rs.2,000. For credit cards, the MDR varies between 1.5 per cent to 2.5 per cent.
Electronic Funds Transfer at Point of Sale–(EFTPOS) :EFTPOSis an electronic payment system involving electronic funds transfers based on the use of payment cards, such as debit or credit cards, at payment terminals located at points of sale.
MICR(Magnetic Ink Character Recognition) : It is a technology which allows machines to read and **process cheques enabling thousands of cheque transactions in a short time.** MICR code is usually a **nine digit code First three digits:** Represent the city code that is the city in which the bank branch is located. **Next three digits**: Bank code **Last three digits:** Bank branch code. e.g. For example, if you have an account with Axis Bank,New Delhi (Defence Colony) then its nine digit. MICR code will be 110211004 where: 110, the first three digits representing the city code for New Delhi; 211, the next three digits representing the bank code for Axis bank; And 004, the last three digits representing the bank branch code for Defence Colony.
IFSC(Indian Financial System Code) : The Payment Systems such as National Electronic Funds Transfer (NEFT), Real Time Gross Settlement,(RTGS) & Centralized Funds Management System (CFMS) used IFS Codes. **IFSC developed by the Reserve**

Bank of India. The code consists of 11 Characters: **First 4 characters** represent the entity, **Fifth position** has been defaulted with a 0 (Zero) for future use **Last 6 characters** denotes the branch identity e.g CNRB0002675
SWIFT Code: It is a unique identification code for both financial and non-financial institutions approved by the International Organization for Standardization (ISO). SWIFT Standards, a division of the Society for Worldwide Interbank Financial Telecommunication (SWIFT), handles the registration of these codes.
SWIFT Codes are used when transferring money between banks, particularly for international wire transfers, and also for the exchange of other messages between banks.

Bharat Bill Payment System (BBPS) : Bharat Bill Payment System (BBPS) is an integrated bill payment system which will offer interoperable bill payment service to customers online as well as through a network of agents on the ground. The system will provide multiple payment modes and instant confirmation of payment. With a need of bill payments system, various organizations decided to provide a single platform to make all these payments. So an integrated bill payment system called BBPS was proposed for which the policy guidelines were issued by the Reserve Bank of India on November 28, 2014.
National Payment Corporation (NPCI) had been identified to act as Bharat Bill Payment Central Unit (BBPCU) which will be a single authorized entity for operating the BBPS. The biggest advantage is that the bill can be paid anywhere and anytime. The system will provide multiple payment modes and instant confirmation of payment. Payments may be made through the BBPS using cash, transfer cheques, and electronic modes. The BBPS outlets would include banks, ATMs, business correspondents, kiosks etc.s
Electronic Clearing Service (ECS) : Electronic Clearing Service is a mode of electronic funds transfer from one bank account to another bank account using the services of a Clearing House. There are two types of ECS called ECS (Credit) and ECS (Debit). ECS (Credit) is used for affording credit to a large number of beneficiaries by raising a single debit to an account, such as dividend, interest or salary payment. ECS (Debit) is used for raising debits to a number of accounts of consumers/ account holders for crediting a particular institution. Amount: There is no Minimum or maximum limit on the amount of individual transactions.

Speed Clearing
Speed Clearing refers to collection of outstation cheques through the local clearing. It facilitates collection of cheques drawn on outstation core-banking-enabled branches of banks, if they have a net-worked branch locally.
When will the beneficiary get funds under Speed Clearing?: The local cheques are processed on T+1 working day basis and customers get the benefit of withdrawal of funds on a T+1 or 2 basis. 'T denotes transaction day viz. date of presentation of cheque at the Clearing House. So, the outstation, cheques under Speed Clearing will also be paid on T+1 or 2 basis.
Availability and charges: Speed Clearing is currently available in 41 MICR centres. Collecting banks will not charge any charges for collection of cheques up to Rs 1 lac in saving bank accounts. For cheques of more than Rs 1 lac, bank discretion. For collection in current accounts, bank discretion irrespective of amount of chque. The charges are inclusive of all charges other than Service Tax.

Block Chain Technology : ICICI Bank is the first bank in the country and among the first few globally to exchange and authenticate remittance transaction messages as well as original international trade documents related to purchase order, invoice, shipping & insurance, among others, electronically on block chain in real time.
The usage of block chain technology simplifies the process and makes it almost instant—to only a few minutes. Typically, this process takes a few days. The block chain application co-created by ICICI Bank replicates the paper-intensive international trade finance process as an electronic de centralised ledger, that gives all the participating entities including banks the ability to access a single source of information.

CODE NAME	DIGITS
IFSC - **Indian Financial System Code**	11
MICR -**Magnetic Ink Character Recognition**	09
SWIFT-Society for worldwide interbank Financial Telecommunication)	11
PAN- Permanent Account no.	10
UID /UAN – unique Identification Number	12
PIN – Postal Index Number	6
CIN-Cheque Identification Number	7
BIC (BANK IDENTIFICATION NUMBER)	8

PREPAID PAYMENT INSTRUMENTS : Eligibility : Banks who comply with the eligibility criteria would be permitted to issue all categories of pre-paid payment instruments. Non-Banking Financial Companies (NBFCs) and other persons would be permitted to issue only semi-closed system payment instruments. Capital requirements : Banks and Non-Banking Financial Companies which comply with the Capital Adequacy requirements prescribed by Reserve Bank of India from time-to-time, shall be permitted to issue pre-paid payment instruments. All other persons shall have a minimum paid-up capital of Rs 100 lakh and positive net owned funds. Safeguards against money laundering (KYC/AML/CFT) provisions - The maximum value of any pre-paid payment instruments (where specific limits have not been prescribed including the amount transferred) shall not exceed Rs 100,000/-. Deployment of Money collected: Non-bank persons issuing payment instruments are required to maintain their outstanding balance in an escrow account with any scheduled commercial bank subject to the following conditions:- The amount so maintained shall be used only for making payments to the participating merchant establishments. No interest is payable by the bank on such balances. Validity: All pre-paid payment instruments issued in the country shall have a minimum validity period of six months from the date of activation/issuance to the holder. The outstanding balance against any payment instrument shall not be forfeited unless the holder is cautioned at least 15 days in advance as regards the expiry of the validity of the payment instrument.

Money Transfer Service Scheme (MTSS) : The Reserve Bank has issued Master Directions relating to Money Transfer Service Scheme (MTSS), which is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India.
MTSS can be used for inward personal remittances into India, such as, remittances towards family maintenance and remittances favouring foreign tourists visiting India and not for outward remittance from India.
The system envisages a tie-up between reputed money transfer companies abroad known as Overseas Principals and agents in India known as Indian Agents who would disburse funds to beneficiaries in India at ongoing exchange rates. The Indian Agents can in turn also appoint sub-agents to expand their network. The Indian Agent is not allowed to remit any amount to the Overseas

Principal. Under MTSS, the remitters and the beneficiaries are individuals only.
The Reserve Bank of India may accord necessary permission (authorisation) to any person to act as an Indian Agent under the Money Transfer Service Scheme. No person can handle the business of cross-border money transfer to India in any capacity unless specifically permitted to do so by the RBI.
To become MTSS agent, min net owned funds Rs.50 lac. MTSS cap USD 2500 for individual remittance. Max remittances 30 received by an individual in India in a calendar year. Min NW of overseas principal USD 01 million, as per latest balance sheet.

AUTOMATED TELLER MACHINE
What is ATM: ATM is a computerised machine that provides the customers of banks the facility of accessing their accounts for dispensing cash and other financial transactions without the need of actually visiting a bank branch.
Non receipt of cash from ATM: In case during the cash withdrawal process, cash is not disbursed but the account gets debited for the amount, the customer may lodge a complaint with the card issuing bank. This process is applicable even if the transaction was carried out at another banks ATM. As per the RBI instructions, banks should re-credit such wrongly debited amounts within a maximum period of 7 working days from the date of complaint. If there is a delay, customer is eligible for compensation for delayed period at the rate of Rs 100/- per day. This amount should be be credited to the account of the customer without any claim being made by the customer. However, if customer does not make complaint within 30 days of the transaction, he will not be entitled to compensation. Free transactions at bank's own ATM: At least five free transactions (inclusive of financial and non financial transactions) per month should be permitted to the savings bank account customers for use of own bank ATMs at all locations. 1. Free transactions at ATMs of other banks: With effect from November 1, 2014, the number of mandatory free ATM transactions (inclusive of both financial and non-financial transactions) at other banks' ATMs has been reduced to three transactions per month for transactions carried out at the ATMs located in six metro centres, viz. Mumbai, New Delhi, Chennai, Kolkata, Bengaluru and Hyderabad. This reduction will, however, not apply to small / no frills / Basic Savings Bank 4.Deposit account holders who will continue to enjoy five free transactions. At other locations i.e. other than the six metro centres mentioned above, the facility of five free transactions for savings bank account customers shall remain unchanged.
Charges for ATM transactions: Beyond free transactions, there will be a ceiling / cap on customer charges of Rs.20/- per transaction (plus service tax, if any).
ATMs for visually challenged: Banks should make ATMs friendly to physically handicapped persons by constructing ramps and cash dispensation at lower height. The ATM should be accessible to visually challenged persons also by providing brail key board. From July 1, 2014 all new ATMs to be installed should be friendly to blind persons.
Banks have been permitted to install Off site ATMs without RBI permission subject to reporting to RBI.
White Label ATMs are purely managed by third party service providers and have their label. These are branded non bank ATM machines. Cash handling, management and logistics are provided by third party. Debit cards of all banks can be operated through these machines. The role of the concerned bank is only limited to provide account information and back end money transfers to the third parties managing these ATM machines. This initiative will enable the excluded segments to avail ATM services as at present majority ATMs are confined to Urban/Metro areas only.
However, service provider levy charges which are to be either bear by the Bank or the customer. RBI has allowed white label ATM's in India to have more penetration of ATM machines. Tata Communications Payment Solutions has become the first company to launch this service in India under the brand name "Indicash". It has a tie up with majority commercial banks and now you will soon see branded non bank third party white label ATM machines in your vicinity.
Brown Label ATM — We always think that the bank branded ATM machines operated by the bank concerned, but this is not the case. Banks only handle part of the process that is cash handling and back-end server connectivity. The ATM machine is owned by the third party service provider along with the physical infrastructure. This type ATM is called as "Brown Label ATM" and acts as intermediate between Banks owned ATM and White Label ATM.

CHEQUE TRUNCATION SYSTEM (CTS)-2010 STANDARD :RBI prescribed following benchmarks known as **"CTS-2010 standard".**
Mandatory features applicable wef 1.12.2010. I. Paper: Paper should have protection against alterations. Paper should not glow under Ultra-Violet (UV) light i.e., it should be UV dull. Watermark : Each cheque to have min one full watermark "CTS-INDIA", oval in shape and diameter 2.6 to 3.0 cms. VOID pantograph : Pantograph with hidden I embedded "COPY" or "VOID" feature shall be included in the cheques. This should be visible in photocopies and scanned colour images as a deterrent.
Bank's logo: Bank's logo shall be printed in ultra-violet (UV) ink. The logo will be captured by / visible in UV-enabled scanners / lamps. Mandating colours and background : Light I Pastel colours. Print I Dynamic Contrast Ratio (PCR / DCR) more than 60%. Alterations / corrections on cheques : Not allowed even by drawer (except for re-validation). Printing of account field : Cheques for current accounts and corporate customers, should be issued with the account number field pre-printed. Preservation period : 10 years including for cash or transfer payment truncated cheques (Courtesy amount = Amount in figures. Legal amount = in words).

National Payment Corporation of India : launched the intermediate payment service i.e. Inter Bank Mobile Payment Service (IMPS), a 24/7 real-time electronic Interbank fund transfer on a Person-to-Person (P2P) or Person-toMerchant (P2M) basis, which has boosted mobile banking. It gives the banks an opportunity to expand their customer base without incurring additional infrastructure costs. It would also help in financial inclusion as it would provide a large number of un-banked people access to banking services. Banks could save a huge amount of money on card issuance and merchant acquiring with zero point of sale cost. Mobile Banking is the hottest area of development in the banking sector and is expected to replace the credit/debit card system in future. The increased phase of mobile usage is going to place our country on the top in the Asia Pacific region shortly.
NPCI was incorporated in Dec 2008 as a Sec 25 company under Companies Act 1956 (now Sec 8 of Companies Act 2013) and is aimed to operate for the benefit of all the member banks and their customers. The authorized capital is Rs 300 cr and paid up capital Rs 100 cr. NPCI has major 10 promoter banks and offers a no. of products, the brief of which is provided as under:NFS,BHIM, IMPS, UPI, 99#SERVICE

National Financial Switch : NFS was initially launched by Institute for Development and Research in Banking Technology (IDRBT). The objective was to make ATM deployment economical and viable to members, by pooling resources and increase use of ATM, through out the country. The operations were taken over by NPCI during Dec 2009. NFS is a shared ATM network which interconnects NFS members at ATM switches. The network is operational on 24 x 7 basis. There are 3 types of members (1) direct members (2) sub-members and (3) White Label ATM Operators. The members joining NFS network have to pay one time fee of Rs.3 lac.

Bharat Interface for Money (BHIM) : It is an app which enables the users to make quick payment transactions using Unified Payment Interface (UPI) of National Payment Corporation of India (NPCI). It can be used to make direct bank payment and collect money using Mobile No, or Payment Address (PA is an address which uniquely identifies a person's bank account). BRIM can be used by installing BRIM app in the smart phone or by dialing99#, in case of a feature phone. The phone no. should be linked to bank account and bank should be live on UPI. UPI-PIN is used in BRIM, which is a 4-6 digit code created by the customer at the time of registration.

Immediate Mobile Payment System : The National Payment Corporation of India (NPCI) has rolled out National Unified USSD platform (NUUP) based mobile banking service to boost IMPS based transactions. Users can dial *99# short code on their handset, which will allow every banking customer to access banking services with a single number across all banks - irrespective of the telecom service provider, mobile handset make or the region. The service is currently available on MTNL/BSNL telecom operators and with majority commercial banks. Since the service is Unstructured Supplementary Service Data (USSD) based, it will work only with GSM telecom operators and not with CDMA. Apart from that, the service does not need users to send an SMS or require a GPRS enabled device and can be used even on a basic mobile handset. As of now, users can perform Interbank Mobile Payment Service (IMPS) fund transfer through the service with a daily digit random number issued by the bank. When the customer dial *99# the service will ask for entering first three letters of Bank name or first four letters of IFSC code. Customers can select i) Balance enquiry ii) Mini Statement iii) Send money using MMID iv) Send money using IFSC code v) Show MMID vi) MPIN vii) Generate OTP. The prerequisites for using this application are Mobile Banking Registration, MMID and MPIN. The charges will be levied by Telecom service provider @ 0.50 paise per session which is most cost effective to the customers. IMPS is a real time payment service offered by NPCI, for transfer of money through banks and PPI instrument issuers, within in India. IMPS is used for funds transfer for merchant payments and remittances. For using IMPS, a customer has to do mobile banking registration with the bank (for initiating IMPS using bank branch, internet banking and ATM channels, registration not required). In IMPS Mobile Money Identifier (MMI), a 7 digit no., is issued by bank. Combination of Mobile no. and MMI is linked with account no.

Mobile Wallet: It is another payment channel independent of bank account. Recently, RBI has permitted the telecom service providers to enter into this space through collaboration. These entities can undertake host of services - Deposit, transfer of funds, utility payments and cash withdrawal. Under this the funds can be transferred from mobile to mobile and mobile to bank account. Companies that have launched mobile wallet in India are Paytm, Chillr, Buddy, mPay, Airtel money, Zip cash, Mobi cash etc.

Unified Payments Interface (UPI) is a unique payment solution as the recipient is now empowered to initiate the payment request from a smart phone. It facilitates "virtual address" as a payment identifier for sending and collecting money and works on single click Two factor authentications without knowing the recipient's name, mobile number, bank account number and IFSC code. It allows the user to pay directly to different merchants without the hassle of typing card details or net banking password. It also provides an option for scheduling push and pull transactions for various purposes like sharing bills among peers. One can use UPI app instead of paying cash on delivery on receipt of product from online shopping websites and can perform miscellaneous expenses like paying utility bills, over the counter payments, barcode (scan & pay) based payments, donations, school fees and other such unique and innovative use cases. The interface is the advanced version of NPCI's Immediate Payment Service (IMPS) which is a 24*7*365 funds transfer service. In order to make use the UPI services both the bank customer and the beneficiary is required to register with the bank and get the virtual ID.

BHIM: A new digital application "Bharat Interface for Money (BHIM)" is launched on 30th December 2016 by Shri Narendra Modi, Prime Minister of India. It acts as aggregator for all UPI based offerings of banks across the country. Till now, each bank has come out with its own mobile banking application on UPI platform being operated by NPCI. It is built by NPCI and expected to evolve as the common UPI application to facilitate faster and smoother digital payments.
Password: Form a random sequence of words and/or letters but easy to remember say base-word. Add numbers to the base-word to make it more secure and use punctuation and symbols to complicate it further. Create complexity with upper and lowercase letters. Change the password frequently and do not share your password with anyone and desist the practice of writing password on paper or in the system.

99# service
This service has been launched to take the banking services to every common man across the country. Banking customers can avail this service by dialing 99#, a "Common number across all Telecom Service Providers (TSPs)" on their mobile phone and transact through an interactive menu displayed on the mobile screen. Key services offered under 99# service include, interbank account to account fund transfer, balance enquiry, mini statement besides host of other services. 99# service is currently offered by most of the leading banks & all GSM service providers and can be accessed in 12 different languages including Hindi & English. 99# service is a unique interoperable direct to consumer service that brings together the diverse ecosystem partners such as Banks & TSPs (Telecom Service Providers).

National Automated Clearing House (NACH): National Payments Corporation of India (NPCI) has implemented the NACH, a web based solution for Banks, Financial Institutions, Corporates and Government to facilitate interbank, high volume, electronic transactions which are repetitive and periodic in nature. It is a centralized system, launched with an aim to consolidate multiple ECS systems running across the country leveraging robust technology platform with a single set of rules. It supports the financial inclusion measures through Aadhaar based transactions and Mobile based ACH transactions. The system is covering all core banking enabled bank branches spread across the country. It is used for making bulk transactions towards distribution of subsidies, dividends, interest, salary, pension etc. and also for bulk transactions towards collection of payments pertaining to telephone, electricity, water, loans, investments in mutual funds, insurance premium etc. Further, it has best in class security features, cost efficiency & payment performance (STP) coupled with multi-level data validation facility accessible to all participants in real-time mode rather than batch mode. It gives a positive confirmation from investors' bank about registration acceptance or non-acceptance, unlike ECS. Investors can opt for a one time registration and avail this facility any time for their future investments and can make use of this payment mode for their Lump-sum Mutual Fund investments apart from SIPs. Realization of funds from the investors account happens on "T" day which helps them to track their payments on time. The existing ECS is replaced with NACH with effective from 01.04.2016.

Debit Cards known as check cards. It operates like cash or a personal check. Debit cards are different from credit cards. Credit card is a way to "Pay Later" whereas debit card is a way to "Pay Now." In case of debit card, bank account of the customer will be debited immediately on completion of transaction. Debit cards are accepted at many locations, including retail stores, petrol pumps, and restaurants. The liberalized norms coupled with ease of usage have led to increase debit card base over the years. Of late, banks are consciously driving the customers to alternate delivery channels by issuing debit cards on the day of opening of the account itself to reduce the work load and to enable them to pay focused attention on core banking activities. In order to make Credit/Debit Card transactions more secure, RBI mandated the card holders to enter PIN while transacting at POS terminals. As per recent RBI guidelines, all banks are mandated to issue only Chip enabled Cards w.e.f.01.10.16.

Credit Cards: The concept of credit card was used in 1950 with the launch of charge cards in USA by Diners Club and American Express. Credit card became more popular with use of magnetic strip in 1970. The first Credit Card was issued in 1981 and Gold Card in 1986 by VISA. Credit cardholder need not carry cash and purchase goods and services at any approved Merchant Establishments/Point of sale Terminals by tendering the card duly signing the charge slip. Further, cardholders can make online purchases through internet using the card and PIN. Added to this, cardholder can withdraw cash at any ATM across the globe. However, cash advance attracts charge i.e. transaction fee as well as service fee/interest charge.

Charge Card is like any Credit or Debit Card. These cards neither offer revolving credit like the Credit Card nor debit the account instantaneously like Debit Card. However, the cardholder is required to settle the bill in full by the due date each month. Charge cards make a good option to develop financial discipline which likely to enable the cardholders to improve their credit history. Further, charge card offers a dynamic limit, while rewarding good payment record.

Prepaid Card looks like a credit card and works like a debit card. These cards resemble credit and debit cards in appearance and allow users to load any amount up to ?100000/- and can be used at any ATM/Point of Sale Terminal. On use of card, funds are directly debited from the card. Cardholders preload the cards with funds via a cash deposit or wire transfer. There are no finance fees or interest payments as charges are deducted from the prepaid balance. It is an opportunity for people who have had little or no access to the mainstream financial system by loading funds onto a prepaid card. It is a secure and convenient alternative to cash. The issuers of prepaid cards should ensure KYC compliance while issuing cards to the customers/public. Various types of Prepaid Cards are – Re-loadable Cards (value is replenished once it is used), Disposable Cards (discarded once the value is used), Closed Cards can be used for a specific purpose (Phone Cards) and Open Cards (multi-purpose). Re-loadable cards are most popular among "under-banked" individuals, or those who tend not to possess conventional bank accounts.

Gift Card is one of the paperless payment systems and is highly popular in card industry. It is a card with predetermined limit and value is loaded through cash or transfer from the account. Maximum value of each prepaid gift instrument shall not exceed Rs.10000/-.However, these instruments shall not be reloadable.

Forex Card: It is similar to a normal prepaid card with a special feature meant for the students going to abroad for higher studies. It can be used at POS terminals, ATMs and for online transactions. Parents can load/reload the card using the login credentials issued while buying the card. The banks are levying reasonable charges for cash withdrawal and some banks waiving the charges too. Another advantage of the card is that it can be used to pay fees instead of paying through wire transfer from India. The withdrawals or payments are allowed in five currencies viz., USD,GBP, EUR, CAD and AUD. The card validity ranges up to five years and the maximum permissible limit by RBI under Liberalized Remittance Scheme is $2.50 lakh. At present, ICICI and HDFC banks are issuing forex cards and other banks may follow.

RuPay Debit Cards: It is a domestic card payment network established by National Payment Corporation of India (NPCI) having more than 100 Banks in India as members with its ATM network spread across the country. These cards can be used at all ATMs of NPCI network and POS terminals & e-com transactions (Internet) enabled for RuPay acquiring. The various types of RuPay Debit cards are as under:

Card Type	**Meant for**
RuPay Kisan	Farmers availing Agriculture production loans (Crop Loans)
RuPay Aadhaar	Beneficiaries of Electronic Benefit Transfer (EBT) scheme
RuPay Debit	Beneficiaries under Financial Inclusion schemes

It provides accidental insurance cover up to ?1 lakh without any charge to the customer. To avail this benefit, the card must be used minimum once in 90 days. The existing identification modes used in new delivery channels has a major drawback as it recognize the PIN but not the person. Sometimes, it leads to impersonation and may cause financial loss. To overcome the problem, biometric technologies such as Fingerprint Recognition, Face Recognition, Voice Authentication, Hand Geometry, Retinal Scanning, Iris Scanning and Signature Verification have come in to force. Whenever the user access to delivery channel, it verifies with the server and deliver the service if found correct.
Recently, NPCI introduced two variants of cards viz., Rupay Platinum and Rupay Select with value added features at competitive interchange fee compared to VISA/Master.

Internet Banking is leveraging the potential of Internet to facilitate customer access to his account from any place at any time. Apart from viewing the transactions in his account for any period, the customer is able to effect transfer of funds and request for various services. Internet is one of the cost effective channel for delivery of banking services. Internet Banking is provided to Individual/Joint/Sole proprietary concerns, Corporate etc. at their request. The terms and conditions governing Internet banking are displayed on the Bank's website. The services available through Internet banking are - View account balances and download statements, Transfer of funds within Bank and across the Banks, Request for Cheque Book

/ Fixed Deposit, Payment of Utility bills viz., Electricity, Telephone, Income Tax etc., Booking of Train/Bus/Airline tickets, Recharge of Moble / Online shopping, Online Equity Trading – Primary and Secondary market etc. Registered customer has an option to transfer balances between linked operative accounts of the same customer across the branches and also undertake third party transfers from his/her account to any other operative account. Funds transfer facility to the customers across the Banks through NEFT/RTGS is allowed on Internet. Normally, the transaction limit is fixed at ?2 lakh per day, inclusive of all types of funds transfers (Self, Third party, External, e-tax payments, Online trading, e-commerce etc.). However, banks can have their own limits depending on the client profile. To execute funds transfer facility, the internet customer is required to create an account i.e. Online Authentication Code (OAC), which is a mandatory. Customer access is controlled through "Customer ID" and "Password". It is protected with "firewalls" to prevent unauthorized access, hacking and virus infection. Advanced encryption technology is used to ensure that messages from/to the customers are not intercepted and misused by others. In the light of potential risks (hacking and phising) associated with Internet Banking and to protect the interest of the internet customers, Banks have introduced Two Factor Authentication where bank generates six-digit One Time Password (OTP) and sending as SMS to the customer as and when the customer transacts on internet.

Applications Supported by Blocked Amount (ASBA) is a payment method for IPO or FPO where the bidding amount remains in investors account, but blocked by the bank until allotment is done. It is made mandatory for both retail and institutional investors with effective from 1st January 2016. The investors have option to bid IPO/FPO either through designated branches or Internet Banking. Revision and cancellation of bids are permitted till the issue closure date and time. The investor continues to earn interest on the application money. It enables the listing process faster. Registrar transfers the allocated shares to investor's Demat Accounts. No charges will be levied to the investors for this service. It is an opportunity to branches to improve low cost deposits and non-interest income since bank earns commission on each application received under ASBA.

Mobile Banking: The mobile-phone revolution that is transforming the world could also turn into a banking revolution. Banks have been exploring the feasibility of using mobile phones as an alternative channel of delivery of banking services. The swift growth in number of Mobile users and wider coverage of mobile phone networks has made this channel an important platform for extending banking services to customers. Today, the number of Mobiles in India crossed 1.18 billion of which 1/3rd mobiles are in Rural India alone. At present, Mobile Banking is providing the Bill payment and Funds Transfer facility besides information services to the customers. Registered customers can only avail this facility from banks. All operative account holders having ATM/Debit card are eligible to avail this facility. Customer has an option to link any CASA account connected to the card with the mobile number. However, the mobile handset should be Java enabled or Windows Mobile 5.0 & above model or Windows Mobile Professional model with activated GPRS (General Packet Radio Service). Customer can register for mobile banking through Branch or ATM across the country. Banks are allowed to provide cash-out through ATMs or BCs subject to cap of Rs.10000/- per transaction and maximum of ?50000/- per month per customer. Banks may put in place end-to-end encryption of the mobile PIN number (mPIN) for better security. All the transactions/services should be in Indian currency only. Cross-border transfers through mobile banking are strictly prohibited and the operating banks have to be based, licensed and supervised in India. It is hassle-free paperless process and upon registration, customer receives a registration slip which contains the default application password and MPIN. Under this the customer can transfer Rs.50000/- in a day through mobile banking application and X5000/- SMS tag messaging which attracts transaction cost of Rs.5/- plus applicable service charges.

BharatQR: NPCI and Mastercard & Visa have joined hands and launched a unique application "BharatQR", the first smartphone based standardized, interoperable Quick Response (QR) code payment solutions. It is a distinctive code to each merchant and the merchant will receive the money instantaneously. However, in case of a card based transaction at Point of Sale terminal, the merchant receives money on the next day. BharatQR code is of two types viz., Static and Dynamic. In case of static code, the consumer have to first scan the merchant's unique code and enter the amount to be paid and the same is to be authorized with PIN. With regard to Dynamic code, the merchant will generate a new QR code each time. It has many benefits such as consumers need not scan different QR codes and at the same time merchants provided by different payment networks. In order to enhance the reach further, it is integrated with Unified Payment Interface (UPI).
Aadhaar Pay: Shri Narendra Modi, Prime Minister of India launched the product at Nagpur on 14.04.07. It is a new service which enables the public to make and receive payments using their Aadhaar number and biometrics. With this the users need not require to carry mobile for payments, simply they can share Aadhaar number with merchants and verify themselves using biometric for their financial transactions. It is more secure and cost effective compared to other available options. It is meant for merchants to receive digital payments from customers over the counter through Aadhaar authentication. It is named as BHIM Aadhaar Sewa.
Bharat Bill Payment System (BBPS) is an integrated bill payment system offering interoperable and accessible bill payment service to customers through a network of agents, enabling multiple payment modes, and providing instant confirmation of payment. NPCI is the authorized nodal agency responsible for setting business standards, rules and procedures for technical and business requirements for all the participants. It is officially launched on 17th October 2017 and all existing bill aggregators and banks are envisaged to work as Operating Units and the payment system is likely to be stabilized shortly.

UNITS OF COMPUTER DATA

Computer data is stored in Bytes ,8 bits = 1 byte, 1024 bytes = 1 Kilobyte, 1024 KB = 1 Megabyte, 1024 MB = 1 Gigabyte, 1024 GB = 1 Terabyte, 1024 TB = 1 Petabyte, 1024 PB = 1 Exabyte, 1024 EB = 1 Zettabyte, 1024 ZB = 1 Yottabyte

DIGITAL BANKING

OUR TECHNOLOGY PRODUCTS / SERVICES

Canara Swipe - This app have all service names and an option to either auto dial for missed call or auto construct the required SMS format. Customer can choose any of the services by swiping any option left and then taping on missed call/SMS. This app also provides a choice of language- Hindi or English. The app can be used offline, internet connectivity not required. Following services are offered by Canara Swipe: (i) Balance Enquiry (Hindi & English) ,(ii) Mini Statement ,(iii) ePassheet ,(iv) Cheque Book Request ,(v) Hotlist Debit Card ,(vi) Block Net Banking ,(vii) Hotlist Credit Card ,(viii) Mobile Banking Registration, (ix)PMJJBY/PMSBYStatus, (x) Car Loan Enquiry,(xi) Home Loan Enquiry,(xii) Home Loan for HNI and (xiii) Home Loan for NRI

Canara EasyCash - Canara easyCash is the instant money transfer (IMT) service that allows our customer to send money to any user having mobile, with the help of Canara Bank ATM at any time (24 x 7). The beneficiary need not be customer of any Bank, and can withdraw cash through IMT enabled Canara Bank ATMs without any card easily and instantly using the One Time Password (OTP) received through SMS and code shared by the Remitter. Minimum amount per transaction is 100/-. Maximum amount per transaction is 5000/-. Maximum Monthly limit per remitter is 25000/-

Canara e-Info book: It is an electronic passbook and banking related information facility on Mobile handsets. The facility supports multiple Operating Systems (Android2.2 & above, Windows 8, IOS 7.1 & above and Windows/Android/IOS TAB). The Canara e-Info book can be used by all the Canara Bank customers who have registered mobile number with their accounts. The application will retrieve the details of users on the basis of mobile number itself. This application is available in 8 languages i.e in English, Hindi, Kannada, Tamil, Malayalam, Telugu, Bengali and Marathi. Following services are available to customers: Electronic pass sheet of accounts (last 10 transactions, last 15 days transactions and last 30 days transactions for SB/OD accounts and last 25 transactions for Current Accounts). Customers can Book an appointment online for accessing Locker using Android version. Products information ,Statement of accounts to email IDs ,Tracking of transactions date wise ,Cheque status ,ATM locator ,Branch locator ,Balance enquiry, Locker operation appointments(for Android version),Accounts summary, What's new in Canara Bank ,Credit card statement, Loan pass sheet, TD details

Canara mSERVE - Canara m-Serve is a facility provided for Debit card and Credit Cards ü Keep the Cards ON or OFF Position ü Applicable for both Debit and Credit Cards ü Hot list the Debit or Credit Cards

BHIM Canara Empower - Unified Payment Interface (UPI) application is enabled with an enhanced feature – QR Code based payment. EMPOWER can be available for CASA account holders with proprietorship concerns/individualaccounts/individual OD account holders so that payments can be accepted. The Maximum amount for transacting through UPI is 1, 00,000/- per day per customer. There is no lower limit in UPI. The merchant must have an android smart phone version 4.4.4 and above. The merchant should have been issued a debit card. The Mobile Number of the merchant should be registered.

Bharat Interface for Money (BHIM) - NPCI has developed a common UPI BHIM, which would co-exist with other apps released by participating banks. BHIM is a simplified version of the existing UPI Applications of individual Banks. BHIM is an additional UPI platform to Bank's UPI application and does not replace the same. BHIM consists of basic functionalities whereas Bank's UPI application- eMpower is an exhaustive one. Similar to eMpower, BHIM is also presently enabled only for Android smart phones with version 4.1.1 and bears the same pre-requisites as required for eMpower. Features available in BHIM: Balance enquiry, Transaction history, Pay option, Collect option, Scan & pay through QR code, Change & generate UPI-PIN, and Change account. Maximum limit per transaction under eMpower is Rs.1 lac and under BHIM is Rs.10000. Maximum limit per day under eMpower is Rs.1 lac and BHIM is Rs.25000.

BHIM Aadhaar POS (272/2017) : BHIM Aadhaar POS is a mobile application (App) and not a physical Instrument. BHIM Aadhaar POS is a payment system wherein a Customer pays for goods/ services using his/ her Aadhaar as the payment instrument. The system involves enrollment of a Merchant/ trader for BHIM Aadhaar POS. Once the Merchant establishment is on-boarded, the Merchant shall use the BHIM Aadhaar POS app of our Bank downloaded to his/ her Mobile handset along with a Biometric device (finger print scanner) connected to it to receive payments from his/her customer/s.

1.Pre-requisite from Merchant's Perspective - Merchant should have either Current account or Saving Bank account in our Bank . Account can be individual/ proprietorship /Joint account (JOO & JOF only) Aadhaar number of the Merchant to be linked with his/ her account that is proposed for receiving payments Merchant should have an android based smart phone (android version 4.4 and above) that supports OTG (On-The-Go) connectivity for connecting the biometric device. Merchant should have a biometric finger print scanner purchased either M/s interga or from any of the UIDAI approved vendors Merchant should approach the Bank branch for getting enrolled as a Merchant under BHIM Aadhaar POS for receiving payments from his/ her customers.

2.Pre-requisite from Buyer's Perspective - Buyer can be an account holder of any Bank with his/ her account seeded with Aadhaar number. For making a payment through BHIM Aadhaar POS, buyer needs to be physically present (for biometric data capturing) along with Aadhaar number at the Merchant outlet. Buyer need not download any app. Limit on transaction account: Minimum amount : ` 10 , Maximum ` 2000 Buyer: ` 2000 per day , ` 8000 per week Seller: ` 50000 per day , ` 2 lakh per week

Canara Bank International Travel Prepaid Card: This card is a prepaid card – the value of the card shall be paid up front. Card is valid for 5 years. A non personalized CHIP Card with PIN/Signature. Up to seven currencies viz.USD, EURO, GBP, AUD, CAD, SGD and AED (United Emirates Dirham) can be loaded in a single card. TAX PAN need not be insisted upon for remittance made towards permissible current account transactions up to USD 25,000. The card cannot be used in India, Nepal, Bhutan, North Korea, Cuba & Iran. The list of exempted countries may vary as per RBI guidelines. Maximum amount of load per individual during a calendar shall be as per the RBI / FEMA guidelines. The card is a multi currency card with EMV compliant chip. The individual Limits permissible without prior approval of RBI for release of foreign exchange per financial year to individuals for holidays/personal visits, Business Travel, medical treatment, studies abroad etc is subsumed under the overall Limit of USD 250,000 under LRS. Where the card is used for transactions other than the currency available in the card, cross-currency rates at MasterCard specified rates will be applied. This rate will be marked up by a rate as decided by the bank which is presently 3%. The card value can be reloaded during the validity of the card. Refund shall be permitted only after 10 days from the date of last transaction in the card for ensuring accounting all transaction with the card. Cardholders can retain the unspent foreign exchange in the card up to USD 2000 or its equivalent in other currency for future trips till expiry of the card, as per extant FEMA guidelines. Unspent currency in the card in excess of USD 2000 or its equivalent in other currencies needs to be surrendered within 180 days of arriving in India. The card can be used for making payments for online purchase, merchant outlets as well as to withdraw cash.
Initial sale fee: Rs.200 + ST, Reload fee: Rs.50+ST, Encashment Charges: Rs.100 +ST, Reissue /renewal charges: Nil, Statement request: Nil, New ATM Pin : Nil, Replacement card fee : free , Cross currency usage : 3 % mark up

Prepaid Cards: Canara Prepaid Classic Card (Reloadable), Canara Prepaid Plus Card, Canara Gift Card – all the three cards are meant for domestic usage only and denominated & settled in INR only. Transfer from prepaid card to card holders". Operative account through which it was purchased is permitted. No interest is payable on the balances held in prepaid card account.

Scope/Application: For all bill payments / internet usage / Purchases at POS / Cash Withdrawal (except Gift Cards), intended for all customers, workers, labourers, etc. Remittance by relatives of NRIs, Others / Gifting needs/ Payroll of workers and employees / Student for receiving scholarships etc/ Direct Benefit Transfer to receive Government benefits/ Employee Benefit Transfer for Corporates employees.

Parameter	Classic Prepaid Card	Gold Prepaid Card	Gift Card
Minimum Amount	No Minimum	Rs.100	Rs.500
Maximum Amount	Rs.10000	Rs.50000	Rs.10000
In Multiples of	Rs.1	Rs.1	Rs.1
Validity	3 Years	3 years	1 Year
Usage Point	ATM/PoS, eCommerce, Fund transfer to card holders operative account	ATM/PoS, eCommerce, Fund transfer to card holders operative account, Cash withdrawal at ATM/PoS	PoS, eCommerce , No Cash withdrawal
Cash withdrawal limit at ATM	Minimum Rs.100 and in multiplesof Rs. 100 Maximum : Amount in card	Minimum Rs.100 and in multiples of Rs.100. Maximum :In our Bank ATM Rs.40000 .Other bank ATM : as per respective bank limit	Not allowed
Cash withdrawal at PoS	Maximum Rs.1000 in tier I/II centers and Rs. 2000 in tier III/IV/V/VI centers		Not allowed
Issue Charges	Rs.50+ST	Rs.100 + ST	Rs.50 +ST
Load/Reload Charge	Rs.20+ST		Rs.20+ST,No Reload
Charges for Cancellation/Hotlis ting/redemption after expiry - Rs.50+ST			
Cash withdrawal at our bank ATM	Free		Not Applicable
Cash Withdrawal at other Bank ATMs beyond 3/5 financial /non-financial transactions	Rs..10/- for nonfinancial Transactions, Rs..20/- for Financial Transactions		Not Applicable
Cash Withdrawal at POS	1% of the Transaction Amount		Not Applicable

Canara Bank Business Debit Card Global : Meant for our SME segments, Issued in association with MasterCard under BIN 529819, EMV CHIP card with PIN based authentication, Valid for Global usage, Non photo card, Valid for 10 years, No entry fee & Annual fee. Inactivity fee of Rs.300/- will be charged where the annual card turnover for purchases does not reach minimum Rs.50, 000/-. 20% variation shall be considered for giving relaxation for levying inactivity fee. (Levy of inactivity fee is put under moratorium for a period of first three years from the date of launch of this product viz till 25.02.2018). Purchase limit up to Rs.2 lakhs per day. ATM cash withdrawal limit of Rs.50,000/- per day Rewards point @ one point for every purchase of Rs.100/-. Rupee equivalent of one point is Rs.0.50. Minimum single ticket purchase shall be Rs.10,000/- to be eligible for Rewards point.
Eligibility: Current Account and Overdraft Account with constitution Individual & Proprietorship only. Ineligible Accounts: Encumbered Accounts: Overdraft accounts with inventory Limits like Cash Credit Accounts & other loan accounts. Accounts of Minors. Accounts under Garnishee /attachment orders or which are subject to litigation/dispute.
Charges: The following charges are applicable for Canara Bank Business Debit Card Hotlist/duplicate card on account of loss of card – Rs.150, Replacement Card – Rs.50, Card Inactivity fee: Rs.300/-.Charges for request for copy of charge slip: For transaction at our Merchant Establishments: Rs.100/- For transaction at other Banks Merchants: Actual cost with a minimum of Rs.100/- For transaction abroad: Actual Cost
Complementary Insurance Cover: Lost Card liability up to Rs.5 lakhs covered from the time of intimation to the Bank, in excess of 1% of the claim amount or Rs. 2000 which is higher. Misuse of Counterfeit Cards for Internet Banking: Up to Rs.20,000/- Misuse of Counterfeit Cards for Purchase of Air Tickets on the Internet Banking: Upto Rs.50,000/- Risk of Death due to Accident – Air :Self Rs.8.00 lakhs, Spouse Rs.4.00 lakhs. Risk of Death due to Accident – Others: Self Rs.4.00 lakhs, Spouse Rs.2.00 lakhs.Purchase Protection Rs.0.25 lakh, Baggage insurance Rs.0.25 lakh

Canara Campus Card - Canara Campus Card (CCC) is an Identity Card –cum-Debit Card. Issued in association with school & colleges. Canara Campus Cards can be issued to students who are studying in 8th standard and above and who have attained the age of 13 years and above, and having CBS account with us. NO Joint Accounts, No Add On Cards. Canara Campus Card is a Visa Debit Card bearing the name & logo of the educational institutions on the front side of the card. Also students photo on front side of card. Students can use the card to: a. to withdraw cash from ATMs b. To make purchases with the card c. To pay fees to the institution When cards other than Canara campus cards are used in the POSEDC machines installed at the College/Institution, commission@ 2% of the transaction amount shall be collected by the college/Institution and paid to our Bank. Other features like our Normal Debit Card. After completion of study in that college, normal Debit Card will be issued to the student.

Canara Bank Visa/Master/RuPay Platinum Debit Card : Customers having average quarterly balance of Rs.25, 000/- and above in existing SB/Current Account or with balance of Rs.25, 000/- & above in new SB/Current accounts(less than 3 months). Existing Canara Bank Debit cardholders who have used the Canara Bank Debit Card for purchase transactions totally to the tune of Rs.50, 000/- and above during the previous 12 months. No card inactivity fee if the card is used for a minimum purchase transaction of Rs.50,000 per annum during the year or minimum average annual balance of Rs.50,000/- is maintained in the account during the year (in line with Canara Galaxy account scheme guidelines). For arriving at the average annual balance for this purpose all the SB & current accounts linked to the card shall be considered. Card Cash limit is Rs.50000 and purchase limit is Rs.2 Lacs. Hotlisting charges (Rs.150) and replacement card charges (Rs.50) while upgrading existing base variant card to platinum debit card variant waived. Per day cash withdrawal Limit of Rs.50, 000/- and purchase Limit of Rs.2.00 lacs. One reward point for every purchase of Rs.100. Rupee equivalent of one reward point is Rs. 0.25 . Lost card liability from the time of intimation of bank

is Rs.5 Lacs Insurance cover for 1.Misuse of card on the internet upto Rs.10000 2.Misuse of card while buying Air Tickets on the internet up to Rs.25000 & 3.baggage insurance and purchase protection is Rs. 25000 .ATM charges for cash withdrawal /balance enquiry as applicable to normal card (Rs.20 for financial and Rs.10 for financial transaction). Complementary Insurance cover, up to Rs. 2.00 lacs against the risk of death or permanent disability due to accident, extended by NPCI
Copy of Charge Slip – at our ME : Rs.100/- other banks ME: min. Rs.100 Complementary insurance cover for Death due to air accident :For self Rs. 8.00 Lacs ,For spouse Rs. 4.00 lacs Death due to other than Air accident: For self Rs. 4.00 lacs, Spouse Rs. 2.00 lacs

Canara Visa Pay Wave Platinum Debit Card : This Card is with dual interface EMV card having Near Field Communication (NFC) – contactless technology. Dual Interface Debit Card is a chip based contact as well as contactless Debit Card. Cardholder can simply wave the card on the POS terminal (at a 4 cm range) to pay up to the threshold limit. No insert/swipe is necessary as cards are enabled with Visa payWave technology, in POS terminals enabled for contactless payments. Registration of Mobile number in CBS and enabling for transaction alerts is made mandatory for issuance of contactless cards.Maximum amount that can be transacted is Rs.2000/- per occasion and 5 transactions per day, for transactions through contactless mode. Transactionsthrough contact mode (through insert/swipe) with PIN authentication are as per the extant guidelines, i.e. up to Rs.2, 00,000/ - per day for Platinum Debit cards. As a security measure, a cardholder is allowed a maximum of 3 transactions within one hour so that 4th transaction within one hour will not be allowed through contactless mode. Transactions above this cap (as per item 5 above). happens through normal mode i.e.,insert/swipe at POS terminals authenticated by PIN. Transactions at ATMs are through normal mode only authenticated by PIN irrespective of transaction amount.
Charges: No enrollment fee, No annual fee, Hotlist/duplicate card : Rs. 150 , Replacement of card : Rs.50 Balance enquiry/decline transaction in other Bank ATM: Rs. 10. Charges for request for copy of charge slip: For transaction at our ME : Rs. 100 , at other Bank"s ME : Actual with minimum Rs. 100 and for transactions abroad: Rs.100. Charges for Cash withdrawal at Point of Sale: 1% of the transaction amount + Service Tax. Inactivity fee: Rs..500/- for annual purchase below Rs. 50,000

CREDIT CARD : Eligibility: Minimum income Rs.1 Lakh, Staff- Rs.60000/- p.a.(Minimum NTH Rs. 4000 p.m.).NRI eligible. Foreign nationals of Indian origin not eligible Card inactivity fee : Rs.400/- Minimum turnover per annum for waiver of inactivity fee: Rs.12,000/- Add on card free. Card inactivity fee: Rs.300/- .For waiver, usage Rs.12, 000/- per annum. Free Credit period 20 to 50 days. Inactivity fee for base variant viz., Classic/Standard & Gold variants of Visa/MasterCard Credit Cards waived for a period 4 years - from 01.04.2016 till 31.03.2020. Canara credit cards are presently issued free of cost (no joining fee & annual fee). Revolving facility: The card holder shall pay 5 % of the billed amount and balance amount carries service charges of 2.5 % p.m. plus applicable service tax. Cash advance limit against credit card amount: 50% of credit limit with a maximum of Rs.50, 000/-. For add on cards maximum cash withdrawal limit is Rs. 25000. ATM Cash withdrawal Limit to NRE customers through Credit Cards is enhanced upto Rs.50, 000 subject to 50% of Credit Card limit per month. The guidelines regarding ATM Cash Withdrawal facility extended only to Main NRE Credit cardholders, remains unchanged. Add on cardholders are not eligible for cash withdrawal facility. Card validity : Three Years Card limit for Classic/Standard card: upto 10-30% of gross annual income.(Min-Rs.10000/-, Max- Rs.3 lakh). Generation of CIBIL report (or report from any other CICs) is mandatory for all Individuals & Others irrespective of Card Limit, except in case of our Bank staff / Secured Credit Card. CIBIL rating below 700 & where there is no credit history should be referred to next higher sanctioning authority for their consideration and disposal. Respective SA can sanction, if CIBIL score is 700 or above. Where CIBIL rating is below 700, proposal should be sanctioned by NHA excluding the cases falling within the power of circle head. Structured format of Sanction / enhancement / Office Note has been devised. Complimentary insurance cover for Accident Death: Air Crash: Self Rs.4 lacs and Spouse Rs.2 lakhs. Other than Air crash: Self: Rs.2 lacs, for spouse Rs.1 lakh. For Baggage Rs.25, 000/- insurance.
Lost card liability: Excess of Rs.1000/- from the time of reporting of loss of card. Charges on Revolved Amount outstanding liability: 2.5% pm(30% pa). Cheque dishonour charges : Rs.50/- Cash Withdrawal charges: 3% of transaction amount with min. Rs.30/- per thousand or part thereof Copy of charge slip: Rs.100/- for domestic, USD 10 for international or actual costs whichever is higher Request for Original Charge slip: USD2 if processed by our Bank and USD 6 if processed by other Bank. Notice/Reminder charges : Rs.50/- per notice Delayed payment beyond due date: 2% min. Rs.10/- max Rs.150/- for cards with revolving facility.Cards without revolving facility: 2% min. Rs.20/- max. Rs.300/- Free SMS on billing and transactions irrespective of value of transaction. Reminder for repayment of overdues over SMS : Rs.5/- per SMS Duplicate card issue: Free. Foreign Currency transaction load (mark up) upto 3%.
Hotlisting fee: Rs.300/- Canara Rewards: Two reward points for every purchase transaction of Rs.100. Value of one reward point is Rs.0.25. Reward points accrued on Debit card & Credit card cannot be clubbed. Reward points can be redeemed after reaching a threshold level of 100 points and shall be redeemed within 12 months of date of accrual. The management & maintenance of entire „Canara Rewards" Programme including redemption of the Reward points are outsourced to M/S Loyalty Rewardz Management Pvt. Ltd. Cardholders are auto enrolled under Canara Rewardz programme and are required to register through the website www.canararewardz.com for activation & redemption of rewards points. All complaints received from cardholder shall be attended within 15 working days unless interventions of external agencies are required.

Hotlisting of Cards Customer to file FIR / complaint with Police Station immediately, within 24 hours and Branch to submit the claim to Head Office within 7 working days from the date of incident. However, reporting to be done immediately on receipt of the information of the incident. Card has to be hot listed immediately through any one of the following: Hot listing directly by customer: Call Center for Master /VISA (1800 425 0018) (The customer to give any of the five specified credentials viz., Debit Card Number / CBS Account Number / Customer ID / Mobile Number registered in his CBS account / Tax PAN, for hotlisting the Debit Card) Through Net Banking for registered users (retail customers).
Hotlist lost Debit/Credit card option in "CANARA SWIPE" App. SMS for hot listing Debit Card / Credit Card : Canara Debit Card (Master /Visa/Rupay) :Either Call1800 425 0018 or SMS CAN<space>HOTLISTDC<space>CARDNUMBER (16 digits) to 92666 23333 Canara Credit Card(Master/VISA):either call 1800 425 0018 or SMS CAN<space>HOTLISTCC<space>CARDNUMBER (16 digits) <space>DOB (YYYYMMDD) to 92666-23333
Canara Gold Card : Eligibility: Satisfactory dealings, minimum income Rs.2, 00,000/- p.a. Usage: Globally. No enrolment fee. Card inactivity fee : Rs.750/- Minimum turnover per annum for waiver of inactivity fee: Rs.25,000/- Add on card free. Card

inactivity fee: Rs.750/- .For waiver, usage Rs.25, 000/- per annum. Free Credit period upto 50 days. Minimum Repayment on Revolving Credit: 5% of the billed amount with minimum Rs.100/- Card limit: upto 30% of gross annual income.(Min-Rs.50000/-, Max- Rs.25 lakh). Cash advance limit against credit card amount: 50% of credit limit with a maximum of Rs.50,000/-(Per day maximum limit of Rs.35,000/-). Complimentary insurance cover for Accident Death: Air Crash: Self Rs.8 lacs and Spouse Rs.4 lakhs. Other than Air crash: Self: Rs.4 lacs, for spouse Rs.2 lakhs. For Baggage Rs.50, 000/- insurance. Lost card liability: In excess of Rs.1000/- from the time of reporting of loss card. Charges on Revolved Amount outstanding liability: 2.5% pm(30% pa). Cheque dishonour charges : Rs.50/- Cash Withdrawal charges: 3% of transaction amount with min. Rs.30/- per thousand or part thereof Copy of charge slip: Rs.100/- for domestic, USD 10 for international or actual costs whichever is higher Request for Original Charge slip: USD2 if processed by our Bank and USD 6 if processed by other Bank. Notice/Reminder charges : Rs.50/- per notice Delayed payment beyond due date: 2% min. Rs.10/- max Rs.150/- for cards with revolving facility. Cards without revolving facility: 2% min. Rs.20/- max. Rs.300/- Reminder for repayment of overdues over SMS : Rs.5/- per SMS Foreign Currency transaction load (mark up) upto 3% Duplicate card issue: Free // Hotlisting fee: Rs.300/-

Canara Corporate Card (Domestic) : Borrower"s account must be "Standard". Non borrower must have 12 months satisfactory dealings with us Main Card is a dummy card - Depending on the requirement of each firm add-on cards are issued upto 99. Enrolment Fee Rs. 250/-
Card limit – Minimum of Rs.50, 000/- and Maximum of Rs.100 lakhs in multiple of Rs.5000/-. Card can be issued in multiples of Rs. 5000/- Minimum limit on add on card is Rs. 10000/-Corporate card cash withdrawal limit – upto 50% of card limit subject to maximum of Rs.5 lakhs – per add on card cash withdrawal limit – Rs.25000/- per calendar month.

Canara Secure Credit Card : Max 75 % of ledger balance for KDR and 75 % of principal amount for FDR Secured credit card : Min Rs. 10000, Max Rs. 25 Lacs If revolving facility is opted, service charges shall be 2% per months plus service tax is payable on revolved amount. Exempted from drawing CIBIL

Canara World Credit Card : Eligibility - Minimum Net Annual income of Rs.7.50 lacs. EMV CHIP & PIN based Card which provides additional security against skimming & cloning. Global validity Facility to customers to choose back ground image on the Card (personalized back ground image). Preview of the card with the back ground image will be made available to the customer through web link, for approval. On approval of the card image by the applicant customer, the card will be finally personalized & printed with the background image chosen & approved by the customer. Credit Card Limit ranges from Rs.1.00 lac to Rs.25.00 lac. Cash withdrawal Limit Rs.50,000/-. Card issuance fee (One Time) of Rs.2000/- per card issuance (No additional charges for issuance of EMV Chip card). Annual fee: NIL. Inactivity fee, if the Card is not used for a minimum annual turnover of Rs.50, 000/- per year @ Rs.1000 per annum. Revolving credit facility, on option, @ 2.5% per month Cash withdrawal facility with service charges @ Rs. 30/- per Rs.1000/-. Card Bill payment facility through NEFT. Accidental Insurance, Purchase protection cover & reward points : Similar to Gold Card. Lost Card Liability: NIL from the time of reporting of loss of Card. Extant guidelines as applicable to normal Credit Cards shall be applicable to Canara World variant also. Concierge services, discounts and other time bound offers by the Card Association MasterCard to their `World" card variant as published in their official website are applicable to `Canara World" also.

Cash Recyclers : CASH RECYCLERS have the features of accepting the currency notes in bulk/bundle of notes and dispensing cash as ATM.It has dual interface viz. accepting cash for deposit as well as dispensation of cash and all other ATM functions. It has re-cycler functionality. □It will accept currency notes in only three denomination (configurable) i.e. Rs. 100/-, Rs. 500/- and Rs. 2000/-. □It has a capacity for holding up to 17300 currency notes. It will accept up to a maximum of 300 currency notes in one go. (Presently CDM accept up to a maximum 40 notes in each occasion). □The maximum amount per transaction that can be deposited by a customer through the machine is: Rs.6,00,000/- (i.e. at present with Rs.2000 denomination notes), if PAN number has already been updated in the Cust-ID of the account. Rs.49,900/- in case PAN number is not updated in the Cust-ID of the account. □The machine would check the acceptability of the currency notes deposited before accepting the same. It will not accept multi pieces, soiled, mutilated currency notes. The counterfeit notes will be impounded by the machine. □The machine will issue a printed receipt of the same to the customer for the amount accepted. However, the machine will not accept cash if Receipt Printer is not functioning properly or print roll is not loaded / available. □The amount of cash accepted successfully by the machine would be credited into the customer„s account on a real time basis as the machine is integrated with CBS system. □The machine has the capacity to sort notes and keep denomination wise in separate cassettes as against single stacker in existing cash deposit machines

Mobile Banking Facility-Canmobile Eligible Accounts : CASA accounts – Overdraft (individual self account only),Joint account with operating condition severally. Account/s should be fully KYC compliant. Ineligible Accounts Joint accounts with operation condition other than ―Severally‖ . Non Resident Accounts. Accounts of Illiterate persons. Account of Minors, Visually challenged persons.Account/s of HUFs, Trusts, Clubs and Associations. Account/s under Court orders/Attachment orders. Dormant account/s. Corporate Accounts Frozen account/s for various reasons like disputes, litigation etc. KYC non compliant accounts Letter of authority/Power of attorney holder Any other accounts not included under eligible accounts category. Mobile banking will be issued on written or electronic requisition through Net banking/Canmobile application/ATM channel or written application from the customer. Activation can be done through Canara Bank ATM also. Mobile Banking user registration for individual customer/s can be done by Central Processing Centre (CPC) after opening account wherever the customer has opted for Mobile Banking in the Account opening form through Canmobile portal. Entering the wrong MPIN thrice will block the CanMobile facility for the day. After three unsuccessful attempts in a day, system will allow other three attempts on next day, and then the user_id automatically gets deregistered. Customer has to apply afresh for new user ID. There is no validity period for MPIN. Encryption: Data and messages travel in a 128 bit SSL mode encryption technique provided by IDRBT which is a subsidiary of RBI. Two factor authentication is used for every Financial and Non Financial Transaction like MPIN and Mobile handset. No transactions, including enquiries are permitted before changing default MPIN provided at the time of registration.
Limits For Funds Transfer : For USSD /SMS customer: Within Canara Bank and IMPS (Inter Bank): Rs. 5000/- per transaction. Maximum limit per day Rs. 5000/- For GPRS/WAP customer: Within Canara Bank and IMPS (Inter Bank): Rs. 200000/- per transaction. Maximum limit per day Rs. 200000/- (464/2017)
IMPS- IMMEDIATE PAYMENT SERVICES

Interbank Funds Transfer is extended through Interbank Mobile Payment Service (IMPS) of M/s National Payment Corporation of India Ltd (NPCI). IMPS transactions will happen between the customers of IMPS member banks on realtime. All users can utilize IMPS services across all channels without any MMID generation. This functionality is available for all our users to use IMPS facility irrespective of whether they are mobile banking users or not i.e. IMPS facility is now open to all Canara Bank's customers. In view of this, all the customers can use the IMPS facility over all alternate banking Channels and Instant money can be remitted without any registration for mobile banking or IMPS services. (584/2016). The 7 digit Mobile Money identifier (MMID) number consisting of Bank's identifier (like 9015 for canara Bank) and three digit number for that account. Customer can remit funds/receive funds to/from other banks through IMPS. Funds can be transferred through ATM using IMPS. Beneficiary's mobile number and MMID is required to effect funds transfer Customers using Java based mobile phones can download Canmobile app using the link: http://mobile.canarabank.in/canapp/ The customer can also download the link required for CanMobile application by sending an SMS as mentioned below: CAN<space>GPRS and send it to 92666 23333. The customer can register for CanMobile facility by sending an SMS as mentioned below: CAN<space>REG and send it to 92666 23333. The customer can get fresh MPIN by sending an SMS as mentioned below: CAN<SPACE>FGETMPIN<SPACE>USERID and send it to 92666 23333. Charges for the above service are as shown below: SMS Charges: Rs. 3/-per SMS as applicable by Mobile Service provider. Service charges for IMPS transactions Upto Rs. 5000 : Nil. Above Rs. 5000 and upto Rs. 25000: Rs.5/-. Above Rs. 25000 and upto Rs. 100000: Rs.10/- Above Rs. 1 lakh to Rs. 2 lakhs: Rs. 15/- These service charges are not applicable to Staff Account, Ex-staff, Jan Dhan Accounts, Canara Bank Basic Savings Bank Deposit (BSBD) Accounts and other Financial Inclusion Accounts.

Foreign Inward Remittance through IMPS

Our Bank is enabled to receive remittances from abroad as a Beneficiary Bank through IMPS P2A (using Account number and IFS Code) and P2P (Using MMID and Mobile number) channels . Amount limit per transaction is Rs. 2,00,000/ (Rupees Two Lakhs Only) (Cir 32/2015).

National Unified USSD Platform (CAN-NUUP)

NPCI introduced National Unified USSD Platform (NUUP) and the USSD code for this purpose was *99# (USSD 1.0).Independently NPCI launched Unified Payment Interface (UPI) with member banks. Our bank's UPI application is available in the name Empower NPCI introduced the NUUP facility through USSD code (*99#) so that UPI could be accessed even when internet is not available in the mobile device. This version of USSD was named as USSD 2.0 .Hence version 1.0 is discontinued w.e.f. 01.08.2017.

Facilities available in USSD 2.0

Customers can send money by entering the beneficiary's (A/c No. + IFSC) /Aadhaar Number/ (Mobile Number + MMID) /Saved beneficiary/Virtual Payment Address Customers can request Money by entering the remitter's mobile number/ Virtual Payment Address. Check balance , Pending request, Transactions, UPI Pin (to change or set UPI PIN) My profile: the following sub-options are available under _my profiles'. Change bank account: At any point of time only one bank account can be linked under USSD and BHIM. This option holds good, in case the customer needs to change the bank account. My details: Provides the name of the customer, Virtual payment address and bank account linked. Payment address: Displays the virtual payment address of the customer. Manage beneficiary: Displays the list of beneficiaries saved by the customer. Merchant: De-register: enables the customer to de-register for BHIM application. Balance enquiry and Mini Statement services can be availed by all our customers whose Mobile Number is registered in CBS ,even if not registered for Mobile Banking Rs 1.50 per transaction is chargeable ,irrespective of whether transaction is successful or not.

NUUP channel for making merchant payment

Through NUUP channel, merchant can be enrolled for receiving the sale/service receivables even through a generic handset and also without data pack. NUUP mobile banking channel is available on generic handset, where in customers do not even need smart phone or QR code scanner for making merchant payment. The user just need to key in merchant's account number & IFSC or merchant's mobile number & MMID to make the payment without having any data pack. Buyer shall open NUUP channel by typing *99*46# to directly access Canara bank NUUP facility. USSD is available in 12 different Indian languages. Generation of user ID and MPIN: i. SMS Mode: Users need to send —CAN REG‖ message to —9266623333 from their registered mobile numbers to generate user ID and MPIN. The system receives the mobile number and forwards it to CBS interface, which in turn returns the user details along with account number, name etc. The system stores these data in its repository and generates user ID and MPIN for user. ii. Internet Banking: Inside our internet banking page, system has provided option for mobile banking registration, which hits mobile banking server thus generating user ID and MPIN. iii. Admin Module (Branch): Branches, circle offices and TM sections have been provided with an online portal for managing mobile banking facility. One of the functionality under Mobile portal is registration of user, where Teller inserts user's credentials thus generating user ID and MPIN. iv. ATM Mode: User can register them from visiting any Bank's ATM for mobile banking registration. Every ATM now has option for mobile banking registration. Change of MPIN: After receiving the user ID and MPIN, user needs to change his default MPIN from his mobile. Systems cross checks the mobile number and user ID mapped before allowing user to change their default MPIN. The option to change MPIN isavailable in NUUP options. Verification of changed MPIN: Users after successfully changing their MPIN need to verify it through branch/ATM thus validating their account number. User can visit branch and request Supervisors for authenticating them. User may also visit nearest Canara Bank ATM andfollow below steps: I. Swipe ATM card and give their ATM card PIN. II. User shall follow this link in ATM screen: Main Menu →Other Services →More Mobile Banking Activation III. User shall input their registered mobile number and select type of account and submit. IV. User shall receive the activation SMS in their registered mobile. In this step, ATM captures the account number of user and prompt user to insert registered mobile number, the same will be verified at CBS as well as Mobile banking server. If all validations hold true to user, user gets activated for using mobile banking facilities. Presently customers are permitted to avail mobile banking from only one channel from any of the four channels namely: 1. Application (GPRS) 2. WAP 3. SMS 4. NUUP (USSD Channel). Renewal Of Debit Cards Procedural Guidelines : For automatic renewal of debit cards, there should be atleast 1 transaction during preceding 12 months, as on date of initiating renewal process. This process will be commenced 2 months prior to expiry of card. Renewed debit card with new 16 digit card number and validity : 5 years from the first day of issuing month.

BHIM Canara eMpower

Unified Payment Interface (UPI) application is enabled with an enhanced feature – QR Code based payment. Now EMPOWER is opened for CASA account holders with proprietorship concerns/individual accounts/individual OD account holders so that payments can be accepted. Charges: As of now, no charges are applicable to the customers for transactions done on UPI.The Maximum amount for transacting through UPI is Rs. 1, 00,000/- per day per customer. There is no lower limit in UPI. Prerequisite The merchant must have an android smart phone version 4.4.4 and above. The merchant should have been issued a debit card and the details should be available in CMS01 option of CBS. The Mobile Number of the merchant should be registered in CIM09 option in CBS. The merchant should have his mobile number and CASA accounts mapped to only one customer ID. The merchant must have at least one KYC Complaint CASA account with our Bank. The merchant should have mobile internet pack or WIFI connection. There should be sufficient balance in the registered SIM. Procedure: Installing the application from Google Play store. Registering to the application by selecting the appropriate SIM. Creating of profile and Virtual Payment address. The merchant has to set UPI PIN and remember it like ATM PIN. Linking of their CASA account to the created Virtual payment address. Now QR code is to be generated by entering his relevant details viz. VPA and purpose. Generated QR code is to be saved as PDF, printed in an A4 Sheet, the name of the merchant is to be written on it in English and in vernacular language and the merchant has to sign on the print and laminated (at the cost of Merchant). The merchant has to display this Sheet to his/her customers / clients containing all the above details for each QR Code based transactions.In case where buyer has sent the money but the seller has not received the SMS confirmation , the seller may check the account balance/transaction through either Miss Call alert to check balance (+919015483483) and Mini Statement (+919015734734) , Can Mobile or through Call centre- 1800 425 0018. If the amount is debited from buyer's account but not credited to seller's account for reasons such as Network failure, connectivity issues etc, the buyer has to log a dispute in his UPI application and the same will be addressed by the concerned Bank. The seller has to check whether the QR code displayed by him / her is correct by scanning it through UPI application and if it is found to be incorrect, the buyer has to log a dispute in UPI application as an out of order transaction.

Bharat Interface for Money (BHIM)– UPI application
NPCI has developed a common UPI BHIM, which would co-exist with other Apps released by participating banks. BHIM is a simplified version of the existing UPI Applications of individual Banks. BHIM is an additional UPI platform to Bank's UPI application and does not replace the same. BHIM consists of basic functionalities whereas Bank's UPI application- eMpower is an exhaustive one. Similar to eMpower, BHIM is also presently enabled only for Android smart phones with version 4.1.1 and bears the same pre-requisites as required for eMpower. Features available in BHIM : Balance enquiry, Transaction history, Pay option, Collect option, Scan & pay through QR code, Change & generate UPI-PIN, and Change account. Maximum limit per transaction under eMpower is Rs. 1 lac and under BHIM is 10000. Maximum limit per day under eMpower is Rs. 1 lac and BHIM is Rs. 25000.

Bharat Bill Payment System (BBPS)
BBPS is an integrated bill payment system initiated by RBI. It connect the biller and paying public. Canara Bank is one of the selected banks to operate as operating units so that they can collect bills. NPCI function as central unit for BBPS. NPCI has provided a portal in the name of CANVAS. All transaction related disputes shall be settled with the help of this portal. Service Charges: Though NPCI defines Customer Convenience Fee (CCF), Canara Bank does not charge its customers for electronic on-us (Our net banking customers) channel implemented as of now. At the same time, for every BBPS transaction routed by us we receive certain nominal inter-change fee from the respective banker of biller (merchant). The channels supported in the proposed BBPS system in our Bank: Net Banking (including payment gateway), Mobile Banking, ATM, Business Correspondents and Agents. The Payment Systems supported in the proposed BBPS system in our Bank: Cards , Internet Banking , Mobile Banking , Payment Gateway, UPI, AePS Presently BBPS in our Bank is implemented through Net Banking – Prelogin channel with Net Banking – Direct Debit Payment System. The bill payment facility of BBPS billers has to be made available only on BBPS and not through other Agencies. Hence Billers who were appearing earlier under Insta-pay like ‗BSNL Landline, BSNL POSTPAID etc„shall be appearing under BBPS.

Bharat QR Code Payment Solution
QR Code is a two dimensional picture which stores URLs and other information. There are two types of QR codes, Static (Ready) and Dynamic. In case of Static QR code, customer has to manually enter the amount of transaction and in case of Dynamic QR code the non-editable transaction amount will be displayed by default. RBI has come out with BHARAT QR Code Payment Solution, where QR Codes
of all the three Card Network Associations viz., NPCI, Visa and MasterCard, are interoperable. Merchant will display only one common QR Code instead of multiple codes. It supplements / replaces physical Point of Sale [PoS] machine. Merchants enrolled will be provided with Mobile App and Unique Quick Response [QR] code. Customers can make payment through their mobile banking by using ―SCAN AND PAY‖ option by scanning Merchant QR code. In case of any complaint, it should be submited their complaints/grievances, if any, within 120 days from the transaction date. At present, the BHARAT QR Code Payment Solution has been introduced for Debit cards only.

Bharat QR : Canara Bank as an acquirer: BHARAT QR from Canara Bank is a merchant app which serves as a payment solution for Canara Bank„s merchants. Cusomer has to create QR code on the Canara BHARAT QR Merchant Application. Bank has appointed the service provider for this purpose. Present Service Provider is ATOS Worldline and it is the same agency that supports Physical POS machines presently.The app supports creation of both static and dynamic QR codes. Merchant can view last four weeks transactions and history of last 6 months selectively. The merchant app provides auto settlement. Canara Bank QR Merchant enrollment: Eligibility: Applicant merchant should have CA/OD/OCC a/c. Satisfactory dealing for one year. Enrollment: CIBIL rating should be more than or equal to 700.If CIBIL rating is below 700 and upto 590 or Merchant has no credit rating, the proposal should be sanctioned by Circle Head. As a promotional measure, DM of ROs is permitted to sanction BHARAT QR Merchant with powers for waiver of monthly service charges for proposals that do not involve any MDR Concessions. The Canara BHARAT QR merchant code is supported on all handsets with Operating systems Android 2.3 onwards.

Real Time Gross Settlement (RTGS): A Real time, secure payment mode, processed and settled simultaneously. Each payment instruction is handled individually. The processing and settlement is on real time basis from 8 AM to 4.30 PM for customer payment on all working days. Inter Bank payment timing is 8 AM to 7.45 PM on all working days. Payment is final and irrevocable and the receiver can utilize the funds immediately. Minimum funds transfer amount is 72 Lakh. Straight Through Process (STP) is implemented for automatic accounting and settlement of RTGS transactions. Facility has been extended in all our branches and Administrative Offices. The RTGS facility can be used for direct credits to loan accounts.
National Electronic Funds Transfer (NEFT): An efficient, secure, economical and expeditious Inter-Bank funds transfer and clearing

system. No minimum limit for transactions under NEFT. Two authorizers are required to send High Value NEFT transactions of Z10 lakhs and above. The processing and settlement is Half-an-Hourly basis from 8 Am to 7 PM Totaling 23 Settlements. Straight Through Process (STP) is implemented for automatic accounting and settlement of HEFT transactions. Facility has been extended in all our branches. NEFT facility can be used for direct credits to loan accounts, HEFT Standing instruction facility has been provided for the CASA/TD/TD INTEREST PAYOUT. Walk-in customers who do not have an account with remitting bank can send remittance through HEFT upto z50,000/- by paying cash. One way remittance facility from India to Nepal through HEFT with a ceiling of Z50,000/-and maximum of 12 remittances in a year is available.

Net Banking: Online Banking at anytime, anywhere through internet on 24x7 basis. Caters to both Retail and Corporate customers. Facilities available for Retail Customers are: Create net banking user online, Retrieve User id, Reset Password online, generation of transaction password, View account details - CASA, Term Deposit and Loan accounts, viewing of transaction details, Fund Transfer - To Intra Bank a Inter Bank accounts, Term deposit Opening, Online Tax payment, Utility Bill payments, Applying for IPO through ASBA, Repayment of installments to own Loan account, Registration for Mobile Banking facility, Donation to religious and philanthropic Trusts.

Facilities available for Corporate Customers are: View, Print account details- CASA, Fund Transfer - To Intra a Inter Bank accounts and Bulk File Upload Facility. Suitable security and risk mitigation measures are implemented for Net Banking. Second factor authentication is ensured through One Time Password (OTP) for beneficiary maintenance and fund transfer. In updated Net Banking, customers can avail facility of multiple transfer of funds within Canara Bank, without creating beneficiary. Candigital, an upgraded version of Can secure, will provide
secured Net Banking environment.

SI. No.	New Missed Call Numbers	Service
1	0 9015 483 483	To Enquire the Balance
2	0 9015 734 734	To Enquire the last 5 Transactions
3	0 9015 613 613	To Enquire the last 5 Transactions in Hindi
4	0 9015 637 637	Home loan enquiry
5	0 9015 642 642	Car loan enquiry
6	0 9015 257 257	Home loan for HNI customers
7	0 9015 778 668	Home loan for NRI customers

Mobile Banking: Canmobile- is the brand name of Canara Bank mobile banking. It is simple, safe, swift and instant. It is available on GPRS channel. Facilities available are: - Balance Enquiry, Mini Statement, IMPS Funds Transfer using MMID (P2P), IMPS Funds Transfer using IFSC (P2A), IMPS Funds Transfer to Merchants (P2M), IMPS Funds Transfer to Aadhaar (P2U) , Funds Transfer within Canara Bank, QR code based payments, Register Beneficiary, Generate OTP (For IMPS P2M Pull Transaction), Generate MMID, Retrieve MMID, Cancel MMID, Cheque Book Request, Donations to Charitable Temples, Trusts, etc., M-Commerce - Mobile Top-Up / recharge, M- Commerce - DTH recharge, Loan a Term Deposit Enquiry, Branch Locator, ATM Locator, Change M-Pin, Manage Self-Account, Forgot M-Pin, Manage Beneficiary, De-register Account.

E-lounge: E-lounge is an outlet where basic banking services are made available to the customer at a convenient / comfortable place on a self operating basis. Customer can avail the banking facilities in E-lounges are: Cash deposit, Cash withdrawal, Cheque deposit, Passbook updation, On line transactions through Netbanking (if enrolled for Net Banking). In a nutshell E-lounge is a mini bank branch operated by the customer himself, without the intervention of Bank staff. It also facilitates as an outlet for servicing and marketing of banking and banking related technology products with added convenience to the customer.

DIGITAL BANKING BRANCH 'CANDI'

Our Bank launched its first Digital Banking Branch 'CANDI' at Spencer Towers, M G Road, Bengaluru on 27th July 2017.
Digital Branch is a cashless & paperless futuristic banking envisioned as a part of digital agenda of the Bank. It is equipped with a suite of innovative, next-generation banking tools which use advanced technology to streamline services and improve efficiency.
These devices includes:
1. Customer On-Board Application which facilitates
Instant opening of Savings Bank account by the customer himself through Kiosk using finger print/IRIS authentication
Printing of personalized debit card, Mobile / Internet Banking registration, Issuing of virtual welcome kit, Generation of e-Passsheet
Accessing of Canara Bank apps such as e-infobook, Canara Swipe, UPI-empower etc.
2. App based token a Queue Management System to facilitate papertess appointment system via SMS to customer's mobile phone using cloud based technology. Appointment can be booked for various services such as Fund Transfer, RTGS/NEFT, remittances etc. For an appointment on a particular day, customer can schedule it the previous day itself. She/he cancel/reschedule an appointment too. Customer will get an SMS with token number and approximate time of service. If there's a delay expected in service time, the same will be communicated through SMS. A LCD/LED display will direct the customers to the appropriate counter by displaying the token number and the counter number where the customer can avail the service. The app also keeps track of the time taken by the teller for servicing various services. This information would help optimize operations area. The app is integrated with Queue Management System. When customer visits Branch, she/he will be attended to according to the token number allots, irrespective of the customers already waiting in the Branch. The app will be available on Android/i0S/Windows Platform.
For all the services listed on the app, a brief description will be provided. It serves as a 'services guide' for the user.
The app also facilitates prioritizing Senior Citizen/Pregnant Women/Physically Handicapped Customers.
3. Digital Challan
For services requiring filling up a Challan, the customer will be presented with a Digital Challan to be filled. A link for filling up digital challan will be sent to the customer, via SMS. Customers can fill up the challan at their own convenience and visit the branch later. It can be used for services such as cash deposit/withdrawal, fund transfer using'a cheque, cheque clearing, remittance, Account/RD/FD opening, cheque book request, address/nomination change request, email/mobile number registration, Aadhaar

linking, PAN updation, debit card request, hotlist/block debit card etc. We are the first among Public Sector Banks to provide this facility. It is cloud-based technology. The teller can also fill/edit the challan information while serving a token. This ensures that mandatory details are available before customer approaches the counter. After the challan is serviced, acknowledgement is sent to customer's e-mail ID and mobile number.

4. Digital Feedback System

On completion of the service, teller will provide a tab to the customer for rating the service availed. Otherwise, customer will be sent an SMS confirming the completion of the service, provided with a link in the SMS requesting for feedback on the service availed. Rating can be given based on three categories: Branch Ambience, Staff Courtesy, and Quality of Service. Based on the rating given by customers, we can improve services in appropriate areas accordingly.

5. Video Banking - to facilitate the interaction with remote-site Subject Matter Expert on various categories of Retail Loans Et Corporate Advances. This is a glass enclosed area where 4 people can sit across a round table. This space will also be used by Marketing Manager to discuss/ deliberate with prospective customers. Staff at Digital Branch might not always be able to guide customers on various products. Using video conferencing, customer can connect to an expert on that aspect and make decision based on the discussion.

6. Interactive touch screen based 'Touch Banking' to enable the customer to understand about Banking products and apply online for the products. An LCD/LED touch-screen monitor will be available in the Digital Branch, enumerating various ancillary services.Customers will have an interactive experience while browsing through the monitor on their own.

Some customers might not want to interact with staff for availing a Housing Loan or an Education Loan. Some may want to explore the products on their own. Some might even don't find the opportunity to communicate with a staff to discuss. For customers like these, interactive screen will pave the way. Customers can explore products such as Housing Loans, Education Loans, Car Loans, Mutual Fund, Life/Health Insurance etc., on their own. Leads can be generated with the help of this. Marketing Officers can later follow up with the leads generated.

7. Cheque Deposit Kiosk Customers can deposit their CTS enabled cheques at this KIOSK that will scan the cheque in real time and route it to the Clearing House directly. The cheques shall be processed faster and confirmation will be sent back to the customer via SMS.

8. Cash Deposit kiosk (BHA) : Accept the cash using debit card authentication No need of keying in account number and no scope for credit to wrong account

9. Humanoid Robot : To entertain the basic queries of customers on banking products & services. This is a first of its kind initiative by a Public Sector Bank in the country. Customer need not approach any staff and queue up for basic queries. This will save time of the customer as well as our staff.

Payment Gateway: Presently, Bank is providing the Online Payment facility to our Customers desirous of collecting their dues digitally. Bank has enrolled some of the LEADING ACTIVE PAYMENT AGGREGATORS in our EMPANELMENT. The facility is available to the customers having their own website. Can be tied up for collection of funds through all the channels like Net banking, Debit Cards and Credit Cards. Facility is available at nominal transaction charges.

Bank's own Payment Gateway will be made available soon.

Canara easy Cash in ATMs: Canara easy Cash service is designed to serve the migrant population who do not have access to formal banking channels. This service facilitates fund transfers of small value for this segment of society, giving push to the process of financial inclusion. This will also benefit student community who will be able to receive funds without having an account. Canara easy Cash is the instant money transfer (IMT) service that allows our customer to send money to any user having mobile, with the help of Canara Bank ATM at any time (24 x 7). The beneficiary need not be customer of any Bank, and can withdraw cash through IMT enabled Canara Bank ATMs without any card easily and instantly using the One Time Password (OTP) received through SMS and code shared by the Remitter.

SMS Alerts: For getting SMS alerts customer's mobile number has to be registered with the Bank either through the concerned Branch or through any Canara Bank ATM. At present Bank is sending SMS to the customers for various activities like, all transactions (irrespective of the amount) through ATM/ Net Banking / Mobile Banking and for transactions done at branch for more than 25000, minimum balance not maintained, account while transferring account from operative to inoperative and vice versa, pre/post alert installment and arrears for loan accounts, term deposit maturity, cheque book issue, pension credits, welcome message for newly opened accounts.

Bharat Bill Payment System (BBPS): Canara Bank is permitted by RBI to act as Bharat Bill Payment Operating Unit (BBPOLI). Now users can pay their bills including mobile, DTH, Gas, Water, Insurance premium, institution fee etc. at one place. This is a dream project by RBI to bring all bill players under one umbrella of BBPS. This shall bring uniformity in the bill payment industry in terms of charges, customer convenience fee etc.

ePass sheet through Missed CaII/SMS: This facility is targeted to serve all our Bank customers irrespective of those registered for the ePass Sheet facility in CBS / elnfoBook/Net Banking. The ePass Sheet can be generated for a period starting from the 1st of previous month upto the previous working day and sent to their registered mail id. Customer have to give a missed call to +91 8882 678 678 and ePass Sheet for upto three CASA accounts linked to the Customer mobile number will be fetched and sent by email. The Password for opening the PDF shall be the "Customer ID". Customer will receive appropriate SMS notification on processing the request. The request for the ePass Sheet can also be opted by the customer by sending SMS through their registered mobile number to +91 92666 23333. SMS based request will be for a specific account opted by customer.

Pass Book Printing Kiosk: In continuation with our efforts to bring in new technology products in the functioning of the bank, we have introduced "Pass Book Printer Kiosk (PBK)" at select branches. The Pass Book Kiosk is aimed to increase productivity and performance with high - end technology. It is convenient and user friendly to use in the bank premises or in a remote location. With the help of Pass Book Kiosk, customers can print their passbook on their own any time during the banking hours. The Pass Book Kiosk is a voice enabled machine and easy to use. This will reduce the time and process of passbook printing in the branches.

Cash Deposit Machine: In continuation with our efforts to bring in new technology products and effective alternate delivery channels in the functioning of the bank, we have introduced "Cash Deposit Machine (CDM)" at select branches. The Cash Deposit Machine is aimed to increase productivity and simplify customer needs with the help of technology. It is very simple and user friendly as a customer can Deposit Cash to any Account of his/her choice from these machines without waiting in the queue of Cash Counters. The Machine can accept 40 pieces of notes at a time and it credits the account instantly. This will enable customers to deposit cash on their own and thus will reduce the time and process for depositing cash in the branches.

CASH AT POS: With your Canara Bank Debit Card, now you can draw cash while you shop through Point Of Sale at selected Member Establishments. You can swipe your card to draw cash upto 22000 per day. Convenient and safe to draw cash while you shop. Charges are very low compared to charges levied for usage at other Banks ATMs. Bill Payment Facility: You can now pay your insurance premium, utility bills, shop online, book movie tickets, Air / train tickets, etc. with our seamless net banking facility. This utility is introduced in association with "BILL DESK", a property of Indiatimes.com Ltd., a one-stop destination through which we could make all our payments, at one time, from one location - or better still, anytime from any location. This is a one single destination that keeps track of our bills, informs us of due dates, eliminates the hassle of writing out cheques and standing in queues and gives us the freedom and the ability to pay with just one instruction to our bank. No registration is required from the Bank's side. However, registration may be required on biller's website depending on their policy.

Visa Bill Pay: "visa Bill Pay" facilitates 88 different utility Bill Payments now and more in future! Canara VISA cardholders (Credit Card / Debit Card) may log in (www.visabillpay.in) to avail of this hassle free Bill payment facility. Purchases through Canara Credit Cards rank for Bonus points.

Canara Bank Call Centre: Our Bank is providing Call Centre Services under Toll Free Number 1800 425 0018 round the clock i.e. 24x7 except 3 National Holidays. Customers/Non-customers from any part of the country can get various product and account related services from Call centre. A Toll Number 080-25129461 is also functioning for customers to contact from any country in the world.

Canara Bank Web Chat/chat with us: "Chat with us" is an online Chat service available on Bank's website, www.canarabank.com, for customers/Non-customers to clarify their doubts/queries instantaneously by chatting with the Customer Service Desk of the Bank.

Twitter: Bank's twitter handle is www.twitter.com/canarabanktweet. Please follow to contact us and also get updates on products and services of the Bank.

Youtube: Bank's Youtube channel is www.youtube.com/canarabankofficial. Please subscribe to get latest updates on news, products and services of the Bank.

E-Tax Payments: Canara Bank e-tax facilitates Direct Tax payments, Indirect Tax payments (Customs, Excise Duty and Service tax), Commercial Taxes/Sales Taxes for the States of Andhra, Bihar, Delhi, Dadra Et Nagar Havel", Gujarat, Karnataka, Kerala, Maharashtra, Odisha, Punjab, Telengana, Tamil Nadu, Uttarakhand a West Bengal through Internet. Facility is made available on 24x7 basis to all our Net Banking Customers.

Online Trading Facility (OLT): Canara Bank offers OLT facility in association with M/s Canara Bank Securities Limited (A wholly owned subsidiary of Canara Bank). For details log on to www.canmoney.in or www.canarabank.com

GST (Goods and Services Tax): GST has been implemented in our banks as per the Government directions from 1st July, 2017. All our branches are authorized to collect GST from the customers through OTC, Online modes.

6.STAFF MATTERS & OL

Staff : Clean loan facility (Ref. Cir. no.:(478/2017)
All confirmed employees who have completed 3 years of total service.
The loan shall not be extended to the employee against whom action is pending for major misconduct.
Quantum of Loan: One and half months gross salary for every completed year of service with a maximum of 15 months gross salary or the following amount whichever is less: (a) Officers - `8.00 lacs // (b) Workmen-`5.00 lacs // (c) Sub-staff / PTE - ` 2.50 lacs
The amount over and above the existing limit if opted will be sanctioned as DPN only for those who are presently enjoying OD clean facility.
Those employees who are having clean DPN loan at present can be sanctioned additional DPN for enhanced eligibility.
Repayment: The additional DPN sanctioned is repayable in 120 EMI. Wherever the service of employees is less than 10 years EMI as applicable to 10 years may be permitted with an undertaking from the employees to clear the above balance outstanding out of terminal benefits.
Tenability of clean OD is 2 years.
The **NTH** should be not less than 40% of the Gross emoluments after deduction of proposed EMI.
If an employee closes DPN loan and seeks further DPN loan at a later date again, the same can be permitted .however, there must be at least three years gap from the date of previous availment.(142/16)
Sanctioning Authority: DM (CO) for all category of employees (except self)
NTH: The following relaxation is withdrawan: —excluding the deduction towards SPF & VPF contribution and LIC premium) at the time of sanction where DPN, DUAL and Canbudget loan scheme for purchase of books are availed/outstanding the installments amount of these loans are to be added back for determining the gross emoluments and immediately on availing DPN loans these loans are to be cleared with full upto date interest‖.
ROI: 8 % p.a. compounded monthly (210/2017)

Car Loan For Officers/Workman: (Ref. Cir no.479/2017)
OFFICERS : -Loan under this scheme can be granted to confirmed officers for purchase of brancd new passenger motor car or used passenger motor car- of not more than 5 years old (either diesel or petrol). Physically handicapped officer employees are eligible purchase of special motor car for physically handicapped persons provided the officer has completed five years of continuous service in the Bank. Net The net take home salary should not be less than Rs.10,000 or 35% of gross salary, whichever is higher. Loan quantum for new vehicles is 90% of the cost of car which includes insurance, registration and taxes subject to a maximum of Rs.10,00,000/-. The maximum quantum of loan amount for used cars shall be 80% of the value as per approved valuation by the approved qualified automobile engineer or actual purchase consideration/price or original price whichever is least, subject to a maximum ceiling of Rs.6,00,000/-. Interest: 7 % simple
Sanctioning Authority:Divisional Manager of the concerned Circle Office. The officer employee should declare in the application form as to whether the loan application is for the first or the second occasion of availing car loan; Repayment: 180 monthly installments (120 months towards principal & 60 months towards interest). This revised repayment period shall be applicable to new loans (i.e. loan granted after 16.10.2015) and the repayment period for existing loans shall be continued as hitherto. In case of used cars, the repayment is restricted to the residual period i.e. the period till which RC is valid OR within the period for which the motor car is likely to be roadworthy as certified by the qualified automobile engineer. Where the officer employee opts for a lesser period of repayment, repayment can be fixed as per the request. However, at the time of retirement (including voluntary retirement), the loan can be continued at the option of the employee for a further period of 10 years (120 months) subject to the conditions that the total repayment period shall not exceed 180 months or the period opted by the officer.
The above provision shall be applicable for existing loans also where repayment period of 200 months is fixed.Continuation of limits/liabilities under car loan may be for a period of 10 years from the date of cessation of the service or the ex-employee attainting the age of 70 years whichever is earlier. However, it should be within the maximum period permitted under the scheme. The enhanced period for continuation of limits/liabilities from 5 years to 10 years shall also be applicable to the existing accounts where continuation is already permitted for only 5 years. As hitherto, DGM of the Circle shall continue to be the authority to permit continuation of the loan. Fresh loan can be considered subject to clearance of earlier loan. Employees are not permitted to purchase 2 cars within their entitlement under car loan. Similar is the case in respect of two-wheeler loan also.

Car loan (four wheeler) scheme to workmen employees (479/2017)
Loan under this scheme can be granted to confirmed officers for purchase of brancd new passenger motor car or used passenger motor car- of not more than 5 years old (either diesel or petrol).
Workmen employees who have put in minimum of 5 years of service and whose Basic Pay is not less than Rs.15360/- (Xth Bipartite) are eligible. Wherever there is revision in Basic Pay due to bipartite settlement, corresponding Basic Pay shall be reckoned. Physically handicapped workmen employees will be eligible for car loan for purchase of special motor car for physically handicapped persons on par with other workmen employees. The net take home salary should not be less than Rs.10,000/- or 35% of gross salary, whichever is higher.
The maximum quantum for new vehicles is 90% of the cost of car which includes insurance, registration and taxes subject to a maximum of Rs.6,00,000/-. The maximum quantum of loan amount for used cars shall be 80% of the value as per approved valuation by the approved qualified automobile engineer or actual purchase consideration/ price or original invoice price whichever is least, subject to a maximum of Rs.4,00,000/-. ☐ Sanctioning Authority: DM of Circle office, ☐Interest : 7%. ☐Entire loan along with the interest should be repaid in not more than 180 monthly installments (120 months towards principal liability & 60 months towards interest). ☐Continuation of limits/liabilities under car loan may be for a period of 10 years (120 months) from the date of cessation of the service or the ex-employee attainting the age of 70 years whichever is earlier. However, the total repayment period shall be within maximum period permitted in the

scheme, including the extended period of 10 years as above. ☐The enhanced period for continuation of limits/liabilities from 5 years to 10 years shall also be applicable to the existing accounts where continuation is already permitted for 5 years only. ☐DGM of the Circle shall continue to be the authority to permit continuation of the loan.

Two wheeler loan scheme to officer and workmen employees (479/2017)

☐Loan can be granted for purchase of brand new vehicles (excluding bicycles and mopeds) or used vehicles (excluding bicycles and mopeds) of not more than 5 years old. In case of purchase of used vehicles, the age of the vehicle will be reckoned from the date of original registration of the vehicle

☐All confirmed officers/workmen are eligible. ☐The quantum of loan for new 2-wheeler:Rs 100000/- or 90% of the cost of the vehicle whichever is less. ☐The quantum of loan for used 2- wheeler:Rs 50,000/- or 80% of the cost of the vehicle . ☐The life tax of the vehicle, registration charges and insurance premium shall be reckoned to determine the quantum of the loan in respect of two-wheeler loans. ☐The net take home salary: 25% of his/her gross salary. ☐Interest : ☐Up to 40,000: 7 % p.a. Simple ☐Above ` 40000: up to `100000: 7.5 % p.a. ☐The entire loan along with interest is to be cleared in 84 monthly installments (66 months towards principal liability & 18 months towards interest) or before the employee ceases to be in the services of the Bank, whichever is earlier.

SPECIAL VEHICLE LOAN (Ref. Cir no. ; 434/2013, 72/2014)

- For purchase of brand new two-wheeler by employees of the bank during the probationary period
- Quantum of the loan 260,000/- or 90% of the cost of the vehicle whichever is less
- Rate of interest at on-going base rate
- Repayment period fixed at 84 EMIs.

Probationary Officers on confirmation in the services of Bank, may opt for conversion of loan under this scheme to staff LHV scheme. Similarly, probationary clerks on reaching

Basic Pay of Rs.8400/- may opt for conversion of the loan to staff LHV scheme. On conversion of the loan, the instalment can be recasted so as to adjust the loan to be repaid in remaining intalments in the ratio 5:2.

- Stipulation To Note Lien On Caution Deposit Obtained From Probationary Officers (Pos) As Additional Security To The Loan For Purchase Of Brand New Two-Wheeler Is Waived**.**

EMPLOYEES' HOUSING LOAN SCHEME(Cir.217/2006, 331/2010, 403/2012, 270/2013, 561/2014, 230/2015)

- ELIGIBILITY: ALL CONFIRMED OFFICER EMPLOYEES AND (B) ALL CONFIRMED WORKMEN EMPLOYEES WHO HAVE COMPLETED 2 YEARS OF CONTINUOUS SERVICE ARE ELIGIBLE TO AVAIL THE LOAN.
- AVAILMENT OF THE ELIGIBLE BALANCE AMOUNT UNDER EHL AS ADDITIONAL HOUSING LOAN (AHL) ALLOWED.

Quantum- Maximum Quantum of loan is as under. EHL can be considered jointly/individually if both husband & wife are employee of our bank. Employee can acquire two House/Flat within over all entitlement. Only 1/3rd of loan can be sanctioned for acquisitation of plot. (Rs in lacs)

Cadre	EHL
Executives Sc-VI & VII	75.00
Executives Sc-IV & V	60.00
Officers I to III	50.00
Clerical Staff	30.00
Sub-ordinate Staff	20.00

Margin - 10% of the project cost. Rate of Interest - 8% p.a.simple.

Repayment -To be repaid in 240 months. Principal in 168 equal monthly installments and interest in 72 equal monthly installments thereafter for all employees uniformly. For loans availed on or after 30.04.2015, total repayment period 360 months (Principal in 240 months & Interest in 120 months). HL limits/liabilities is permitted to be continued on same terms and conditions as EHL for a period upto 15 years from the date of retirement (including voluntary retirement) or the ex-employee attaining age of 75 years whichever is earlier. The monthly net take home salary after taking into account the proposed EHL repayment installments shall not be less than 25% of the monthly gross salary.

Eligible amount for purchase of plot in case of proposals for purchase of site and construction of house thereon - 40% of the loan sanctioned for purchase of plot is stipulated if the loan is sanctioned for purchase of a plot and construction of house thereon irrespective of the cadre viz., this guideline is applicable to both officer employees and workmen employees (For loans sanctioned on or after 30.04.2015).

Loan amount for repairs/ maintenance/ renovation/ enlargement of existing dwelling unit in case the employee has not availed loan under EHL: Loan Amount (Z in lacs) 10.00, 7.00 & 4.00 for Officers, Clerical staff & Sub-staff respectively.

Repayment: As applicable to EHL i.e. 30 years. Other terms and conditions as applicable to EHL.

The restriction stipulated on the availability of minimum residual service is removed and all the employees, irrespective of the residual service, may be permitted to avail EHL for house/ flat which is under construction. In such cases, repayment holiday period of maximum 12 months may be considered.

Further, at least one disbursement should have been taken place before retirement (including voluntary retirement) from the services of the Bank. Repayment of installment shall commence from the 13 th month or in case left over service is less than 12 months, repayment shall commence immediately after retirement irrespective of the completion of the project. However, the maximum repayment period after retirement shall be 10 years.

Repayment for the EHL shall be reckoned considering the permanent source of income i.e. Pension. The income earned from the investments may also be considered for arriving at total income/NTH. Besides, the retiring employee shall give an undertaking to maintain the minimum required NTH during the pendency of the loan liability.

The condition of maintenance of margin of 40% on the original project cost while permitting continuation of EHL of the employees from the date of retirement including VRS has been waived. (Cir 59/2014)

Additional Housing Loan (AHL) CIR -373/2015

ADDITIONAL HOUSING LOAN – FIXING OF CEILING FOR REPAIRS/ RENOVATIONS.

Revised ceiling on the quantum of loan under Additional Housing Loan (AHL) for undertaking repairs/ renovations and enlargement within the total eligible quantum and modified repayment terms (Rs. In lacs).

(a) Quantum	For Repairs/ Renovations	Enlargement
Officers	10	Maximum eligible amount under EHL less amount already availed under EHL/AHL
Clerks	7	
Subordinate staff	4	
(a) Repayment	120 months. Principle 84 months Interest 36 months	As applicable to EHL i.e. 30 years. Principle 240 months Interest-120 months

Revised ceiling on the quantum of loan under Employees Housing Loan (EHL) for undertaking repairs/ renovations and enlargement within the total eligible quantum and modified repayment terms (Rs. In lacs).

(a) Quantum	For Repairs/ Renovations	Enlargement
Officers	10	Maximum eligible amount under EHL less amount already availed under EHL/AHL
Clerks	7	
Subordinate staff	4	
(a) Repayment	120 months. Principle 84 months Interest 36 months	As applicable to EHL i.e. 30 years. Principle 240 months Interest-120 months

- site and construction of house thereon

Existing guidelines	Modified guidelines **
1/3rd of the loan sanctioned for purchase of plot is stipulated if the loan is sanctioned for purchase of a plot and construction of house thereon irrespective of the cadre viz., this guideline is applicable to both officer employees and workmen employees.	40% of the loan sanctioned for purchase of plot is stipulated if the loan is sanctioned for purchase of a plot and construction of house thereon irrespective of the cadre viz., this guideline is applicable to both officer employees and workmen employees.

- ** Applicable in case of loans sanctioned on or after 30.04.2015
  - Continuation of HL liability on cessation from the services of the bank
  - The clause regarding continuation of HL liability on cessation from the services of the Bank modified as under:

Existing guidelines	Modified guidelines #
HL limits/liabilities is permitted to be continued on the same terms and conditions of the Employees' Housing Loan (EHL) for a period upto 10 years from the date of ceasing to be in services of the Bank [i.e., those who retired from the services of the Bank (including voluntary retirement)]. However, the repayment tenor (including continuation of repayment after retirement) shall not exceed the repayment tenor stipulated as per sanction terms.	HL limits/liabilities is permitted to be continued on the same terms and conditions of the employees housing Loan (EHL) for a period upto 15 years from the date of retirement (including voluntary retirement) from the services of the Bank or the exemployee attaining the age of 75 years, whichever is earlier. However, the repayment tenor (including continuation of repayment after retirement) shall not exceed the repayment tenor stipulated as per sanction terms.

- # Applicable in case of permission accorded on or after 30.04.2015 for continuation of the limits/ liabilities of Housing Loan.

Note- Sanctioning Of Loans And Advances To Employees Of The Bank Kept Out Of The Purview Of The Credit Approval Committee (CACs). The powers delegated to the individual authorities prior to the formation of CACs shall continue to be exercised by them in respect of staff loans under respective schemes.

Employees' Housing Loan (EHL) Scheme of the Bank (485/2017) – Substitution of property can be permitted two times i.e., maximum of one substitution per property under EHL, during the entire service of the employee /officer in the Bank. However, Employee / Officer is not permitted to substitute the once substituted property i.e. no repeated substitution is permitted. **Maximum Repayment period** can be 30 years or the period upto employee attaining 75 years of age whichever is lower. Repayment of Principal and Interest shall be fixed in 2:1 ratio.

Housing Loan scheme to Retired Employees of the Bank (CIR 358/2015)

The scheme is for those employees who retired on superannuation but has not availed any Housing Loan from any of the Bank and does not own house during their active service. Employees ceased to be in service due to VRS, CRS, termination & resignation are not eligible.
Product code for retired workmen employees is 666 and for retired officer employees are 667.
HL for purchase /construction of house/flat .HL for purchase of site alone is not permitted .Maximum 40 % of loan sanctioned can be permitted for purchase of site. Age limit : Above 60 & upto 65 years .The shall be availed in the name of retired employees and spouse and/or one or more major children .The property should be in the name of retired employees and/or spouse or jointly with one or more major children. Quantum : Officers → Rs 30 Lacs ,Clerical Staff →Rs 18 Lacs , Sub Staff →Rs 12 Lacs
NTH: 25 % or Rs 5000 whichever is higher .Income of joint borrower may be reckoned for the purpose of NTH. Additional loan amount may be permitted under Housing Loan scheme for senior citizens. ROI: 8.5 % simple. Upon demise of the retired employee, the loan shall attract ROI as applicable under Housing Loan Scheme for Senior Citizens.
Repayment Period : Maximum 15 Years ,till borrower attain the age of 75 years ,1-18 months repayment holiday (Principal installment : 124 months , Interest installment :56 months)
Processing Charges : Nil, **Sanctioning Authority : DGM of circle**

GROUP PERSONAL ACCIDENT INSURANCE POLICY FOR EMPLOYEES.(cir 481/2017)- The Group Personal Accident Insurance Policy for employees under Staff Welfare Measures Scheme has been renewed from 01.09.2017 to 31.08.2018

Category	For Death		For Temporary/Partial/Total Disability	
	Rest of India	J &K	Rest of India	J &K
Sub Staff/PTE	125000	150000	Not Applicable	
Clerk/SPL	150000	300000		
Scale I	300000	550000	50000	100000
Scale II & III	400000		100000	
Scale IV & V	600000	950000	200000	200000
Scale VI & VII	700000			

Insurance cover available to Executives / Visiting Executives in respect of Jammu & Kashmir is in addition to the insurance cover available for death for Rest of India and it shall include any type of accidental death as per Group Personal Accident Clause. The insurance cover available to workmen / officer employees for death is for 24 hours i.e. on and off duty. Additionally temporary total disablement is available to officer staff. It is 1% of capital sum insured per week (Max ? 5000 per week). Compensation is available for max 100 weeks. Weekly benefits can be claimed if leave exceeds three days in a week. If permanent /partial disability is caused on account of accident compensation at different rates are available. An officer who meets with an accident while on duty opts to prefer GPAI claim for weekly compensation, then weekly compensation settled by the Insurance Company will have to be retained by the Bank, if the Officer is sanctioned with Special Leave. Alternatively, if

Cir 597/2017- Livery to subordinate cadre employees - Terricot Livery : Rs.3,500/- for 3 sets once in 2 years Woolen livery : Rs.3,500/- for 1 set once in 3 years. The above limits will be effective from 01.01.2018.

A. STAFF MATTERS: HRD ASPECTS

Staff Meeting: Agenda can reflect variety, topicality of issues and branch specific priorities. Conducting staff meeting on third Friday of every month ismandatory .It may be conducted during office hours and may stretch beyond office hours at time . Once in a month with agenda decided well in advance. Expenditure: Rs. 20 /per person, per month/meeting. A goal oriented, target, task oriented, education oriented meetings.
Job Rotation: Compulsory both at branches and also at administrative units up to II Line Managers. The Job Rotation should be normally effected once in every six months. The branch in charge, depending on the size of the branch and departments handled, can have some flexibility regarding the period. but, the same should not be more than 12 months. This is to ensure smooth change over without affecting the customer service.
Employees Suggestion Scheme: To put in place system, procedures & reduce risk to inculcate team spirit. All employees of the Bank are eligible to participate.Employees in O&M Section, Management Audit System, Inspection Wing and their overseeing executives are not eligible. Group of employees: Minimum 3 and Maximum 5.
Study Circle: Under this forum of Study Circle, **important topics** can be discussed like Time Management, Stress Management, Yoga and Meditation, Taxation, Blood Donation, Basel III norms, Quiz Program, etc. However, care to be taken to see that the topic chosen is interesting one and kindle desire in the minds of employees and active their thinking process. **Periodicity** of conducting study Circle meeting is once in 3 months in case of branch and bimonthly in CO. Topics of banking/nonbanking will be discussed by inviting a guest speaker who is well versed with the topics.
Honorarium of Rs. 200 can be paid in case of branch having staff strength of less than 50 and Rs. 500 in case of CO/Branch having more than 50 staff strength.
Presentation of Milestone Awards: After completion of 25 years of meritorious service. The cost of the award should not exceed Rs. 5000.The award will be presented in the monthly staff meeting. Award may be presented during the staff meeting of April / October – Every Year
Canteen Subsidy: All branches, irrespective of the staff strength, are eligible for canteen subsidy. The Subsidy amount at the rate of Rs 75/per month, per employee shall be released by the Bank to the caterer directly (w.e.f. 1/9/2012).
Festival Advance to Employees: Rs. 30,000/for Officers, Rs.20,000/for Clerical Staff, Rs.15,000/for Subordinate staff
Livery To Subordinate Staff: Ceiling limit for providing livery to all subordinate staff including Part Time ,Employees on Scale Wages is enhanced as follows: Terry cot Livery : Rs. 2,500/for 3 sets once in 2 years[existing limit Rs.2000 /Woollen livery : Rs.

2,500/for 1 set once in 3 years[existing limit Rs.2000 /The above limits will be effective from 01.12.2011

Incentive Scheme to Honor Alert Staff:

- Upto Rs.10000/- : Cash Award Rs.500/- + Appreciation letter – CO Head
- Rs .10001/- to Rs.1 Lac – Cash Award upto Maximum of Rs.2000/- + Appreciation letter by CO Head
- Rs .100001 to Rs 5 lac - Rs .7000/- + App. Letter by ED
- Rs .500001 and above - Rs .10,000/- + App. Letter by CMD

Withdrawals in Employees Accounts Authorization : Upto Rs.5000/by supervisor, Upto Rs.10,000/by officer ,Above Rs.10,000/by Manager/Sr.Manager, In extension counters, official in charge can authorize above Rs.5000

Mandatory Leave & Away from Desk(Cir 487/2015)

☐All officials covered under the list as per 487/15 will have to compulsorily avail leave for at least 10 working days in a single spell in each calendar year against leave standing to their credit and after obtaining regular sanction thereof from the leave sanctioning authority.

☐In case an employee covered under ‗be away from desk list‛ but has not availed leave continuously for 2 or 3 working days in a calendar year, the Competent Authority may advise the employee to be away from his desk for 3 continuous working days each year.

Sabbatical Leave Scheme (Box Item 92/2006, 235/2000, 20/2000,157/2012) ☐Purpose:

☐For prosecuting higher studies both inland as well as abroad.

☐Health grounds of self / dependent family members.

☐Joining the spouse

☐Taking care of the family or children.

☐Eligibility: Employees who have put in 5 years of active service & Confirmed employee(Relaxation can be permitted)

☐Period of leave: Minimum period of leave – 1 years at a time continuously and can be extended upto 2 years. Number of occasions leave can be availed shall be restricted to 2 times in the entire service of the employee subject to a maximum of 2 years. Before expiry of sanctioned leave, employees cannot rejoin duty.(For women employee minimum period is 3 month)

☐For outside employment, prior permission from Competent Authority is to be obtained.

☐Employees who intend to avail leave under this scheme shall submit an application with other undertakings to the GM, HR Wing and shall give 3 months notice.

☐In the case of woman employees, this can be availed as an extension of Maternity leave even though minimum stipulated service of 5 years is not completed.

Paternity Leave

With effect from 01.06.2015, male officer employees with less than two surviving children shall be eligible for 15 days paternity leave during his wife's confinement. This leave may be combined with any other kind of leaveexcept casual leave. The leave shall be applied upto 15 days before or upto 6 months from the date of delivery of the child

Special Sick Leave

With effect from the 01.06.2015, Special Sick Leave up to 30 days may be granted to an officer employee once during his/her entire period of service for donation of kidney/ organ

B. OFFICIAL LANGUAGE

Official Language Act 1963 (amended in 1967) and Official Language Rules govern the use of Hindi in public sector banks (and not the private sector banks). Hindi was accepted as official language in India, on Sept 14, 1949.

Monitoring of progress : Monitoring is done by Deptt. of Banking Operations and Development. Classification of Regions : Various States/UTs have been categorized into 3 regions:

Region-A : HP, Haryana, Rajsthanm MP, Bihar, UP, Uttrakhand, Jharkhand, Chattisgarh, UT of Delhi, Andaman & Nikobar Island

Region-B : Maharashtra, Gujarat, Punjab & UT Chandigarh.

Region-C: All other remaining States & UTs.

Display of Boards:

- All sign boards, counter boards, Bank name board, other boards, placard etc. should be in Hindi, besides English.
- Banks to display notice boards at branches in Hindi speaking areas to the effect that forms etc. filled in Hindi are entertained.
- Name/designations boards of offices, departments, divisions and officials of the banks to be displayed bilingually in offices in Region A & B.

Official Language Implementation Committee:

- OLIC should be set up at the HQs, offices and branches of banks. Branch Manager to be ex-officio chairman of the committee. Hindi Officer and in his absence any other officer, to be secretary and other members from different sections. Committee to meet once in a quarter.

❍ OLIC meeting convened by RBI to be attended by officials at Senior levels.

- Hindi divas - To be observed on Sept 14. Reply to letters in received in Hindi
- Under Rule 5, Letters received in Hindi to be replied in Hindi All Regions A,B&C uniformly - 100% Preparation of bilingual training material All Regions A,B&C uniformly - 100%

Original correspondence in Hindi

Region "A"	Region "B"	Region "C"
From "A" to "A" - 100% "A" to "B" - 100% "A" to "C" - 65%	From "B" to "A" - 90% "B" to "B" - 90% "B" to "C" - 55%	From 1. "C" to "A" - 55% 2. "C" to "B" - 55% 3. "C" to "C" - 55%

7. LOANS & ADVANCES

GUARANTEES

During the course of business, banks are often required to furnish guarantees on behalf of their own customers in lieu of their obligations, performance or other requirements. Section 126 of *Indian Contract Act 1872,* defines guarantees as a contract to perform the promise or discharge the liability of a third person **in case** of his default.

Types of guarantees

Financial Guarantees: These are direct credit substitutes wherein a bank, irrevocably undertakes to guarantee the repayment of 8 contractual financial obligation. Financial guarantees essentially carry the same credit risk as a direct extension of credit i.e., the risk of loss is directly linked to the creditworthiness of the counterparty against whom a potential claim is acquired. Example : a) Guarantees for credit facilities; b) Guarantees in lieu of repayment of financial securities; c) Guarantees in lieu of margin requirements of exchanges; d) Guarantees for mobilisation advance, advance money before the commencement of a project and for money to be received in various stages of project implementation; e) Guarantees towards revenue dues, taxes, duties, levies etc. in favour of Tax/ Customs / Port / Excise Authorities and for disputed liabilities for litigation pending at courts; f) Credit Enhancements; g) Liquidity facilities for securitisation transactions; g) Acceptances (including endorsements with the character of acceptance ; i) Deferred payment guarantees.

Performance Guarantees: These are transaction-related contingencies that involve an irrevocable undertaking to pay a third party, in the event the counterparty fails to fulfill or perform a contractual non-financial obligation. Example : a. Bid bonds; b. Performance bonds and export performance guarantees; c. Guarantees in lieu of security deposits / earnest money deposits (EMD) for participating in tenders; d. Retention money guarantees; e. Warranties, indemnities

Deferred payment guarantee

This is a guarantee for a payment which has been deferred or postponed. In case of purchase of capital goods like machinery, the necessity to issue deferred payment guarantee arises. In such guarantees, the banks area undertaking to pay the instalments due under the deferred payment schedule. Unlike all other LGs here the payment will have to be made by the banks on the accepted due dates and thereafter the instalment is recovered from the party.

Advance payment under DPG: The terms of payment for the purpose of such guarantee, are normalt7 advance payment of 10-15% of the price of the capital goods and payment of another 10-15% on receipt of the goods/documents. The balance amount, along with interest, is payable in instalments spread over a period of 3-7 years; which is secured by the deferred payment guarantee.

Appraisal for DPG: The appraisal of a proposal involving issue of deferred payment guarantee has to be undertaken as it is done in case of a term loan to see the long term viability of the operations, since the payment is to made out of the future cash generation from the activity.

Payment Mechanism under DPG: As regards the payment mechanism, normally the sellers draw usance bills of exchange which are accepted by the buyer and counter-accepted by the buyer's bank (bank giving the guarantee). These bills are discounted by the seller with his bank and on due date the seller's bank presents the bills for payment, which the issue bank pays to the debit of buyer's account. Where the buyer's account does not permit such debit, bank has to pay the due amount and initiate steps to recover the payment from the buyer. Security : Banks secure such guarantees by having charge on the assets purchased and also counter guarantee of the buyers.

RBI INSTRUCTIONS ON BANK GUARANTEES

Banks should not issues guarantees on behalf of customers, who do not enjoy credit facilities with them. Bank guarantees for Rs.50,000/- and above, should be signed by 2 officials jointly.

Payment of invoked guarantees: Where guarantees are invoked, payment should be made to the beneficiaries without delay. Supreme Court had observed [in U.P. Co-operative Federation Private Ltd. versus Singh Consultants and Engineers Private Ltd. (1988 IC SSC 174)] that commitments of banks must be honoured, free from interference by the courts.

Bank Guarantee beyond 10 years : RBI decided (April 22, 2009) to allow banks to issue guarantees for periods beyond 10 years under a policy approved by their Board of Directors.

LETTER OF CREDIT (For details Please see Forex – Chapter no. 8)

REGISTRATION AND SATISFACTION OF CHARGES

What is a charge: the word 'charge' is used to mean any form of security or debt. Sec 125(4) of the Companies Act, 1956 provides the following charges of a Company are to be registered with Registrar of Companies:- a) A charge for the purpose of security debentures, b) A charge on uncalled Capital of the Company, c) A charge on immovable property ; d) A charge on book debts e) Charge on asset in or outside India

Fixed charge: Also called 'specific charge'. It extends over a specific property of the company. It gives right to the creditor to sell the property and claim the proceeds towards the dues payable by the Company.

Floating charge: Means a charge that is general and not specific.

Floats over the present and future property of the Company, and it do not attach any specific property.

On happening of an event or contingency, crystallizes as a fixed charge. A floating charge is an equitable charge which does not attach on any specific property but covers the whole of the company's property.

Effect of floating charge becoming fixed charge: When a floating charge becomes fixed charge, it constitutes a charge upon all the property or assets then belonging to the company.

Registration of charge: All the charge created by the Company shall be filed with the ROC within 30 days of its creation. It can be extended by Registrar of Company for another 270 days. The registration, modification and satisfaction of charge are to be filed in form No CHG – 1& CHG-4 in MOC21. Recently Government of India has introduced electronic filing of returns.

Effect of non-registration: If the charge created is not registered with ROC, the charge would not be valid against the liquidator and any other creditor of the Company in the event of winding up of the company, as against the company itself. So long as the company does not go into liquidation, the mortgage or charge is good and may be enforced.

Sec 142 empowers ROC to impose penalty on the Company if it fails to comply with the provisions relating to registration of charge.

Sec 144 provides that any creditor or member of company can inspect the books relating to charges created by the Company and it is the duty of the Company to keep the register of charges open to inspection

CHARGING OF SECURITIES AND DOCUMENTATION

I INTRODUCTION

Charging a security means creating right'of the creditor (bank) over the security so that in case **of** default by the borrower, creditor (bank) can realize the security to recover its advance.
Fixed charge: It is created on assets such as land and buildings, plant & machinery etc. which remain in the same form during the period of loan.
Floating charge: It is created on assets which keep on floating (stocks in case of cash credit hypothecation account). It is an equitable charge on the assets of a going concern. The security is allowed to be used by the borrower in the ordinary course of business.
Part Passu Charge: It is created in favour of several banks, with the condition that they have equal priority on pro-rata basis according to the amount of their loan. It is generally created in case of consortium accounts.
charge will be called as 2nd charge and so on. If a charge is created in favour of several creditors with the condition that all creditors will have equal priority in proportion to the amount of their advance it is called as Part passu charge. When consortium advance is granted thistype of charge is created by the borrower. In case of pari passu charge sale proceeds of the property are shared among creditors in the proportion of their outstanding within sanctioned limits.

II TYPES OF CHARGES

Charge on securities can be created by various methods depending on the type of security charged.

TYPES OF CHARGES ON SECURITIES

Security	Charge	Defined in Act
Immovable Property (Land & Building, Ship, Vessel)	Mortgage	Transfer of Property Act (Sec 58)
Actionable claims i.e. unsecured debts (Book debts, FDR, NSC, LIC Policies)	Assignment	Transfer of Property Act (Sec 130)
Movable property / goods (Plant & machinery, stocks, vehicle etc.) (in case of possession - pledge or lien and without possession hypothecation)	Pledge or lien or	Indian Contract Act (Pledge Sec 172, Lien 170). Hypothecation (SARFAESI Sec 2-n)
Paper securities (Shares, debentures, MP units, bonds)	Lien or Pledge	Indian Contract Act (Section 170 and 171)
Personal guarantee (Promoters / 3rd party Guarantees)	Personal liability	Indian Contract Act (Sec 126).

HYPOTHECATION/PLEDGE - DISTINCTION

	Hypothecation	Pledge
Defined in	SARFAESI Act 2002 ·Sec 2 n)	Indian Contract Act 1872 (Section 172)
Definition	Charge on movable property in favour of securedcreditor without delivery of possession	Bailment of goods as security for payment of a debt or performance of promise
Parties: Borrower /Bank	Hypothecator / Hypothecatee	Pledger/pawner Pledgee/pawnee
Nature of securities	Movable assets (stocks, machinery, vehicles)	Goods
Nature of charge	Equitable charge	Legal fixed charge
Ownership	Borrower	Borrower
Possession	Borrower (in trust for bank). Bank can take possession with consent of borrower. After possession bank becomes pledgee and can sell assets without court suit.	Possession with bank till repayment of the loan. Bank has to preserve the goods carefully and return the same, if loan is repaid.
Right of sale	Available through court only. Under SARFAESI Act,sale is possible after possession.	Available by giving notice, through public auction.
Registration of charge	U/s 125 of Companies Act	No registration required
Limitation	3 years	Not applicable

MORTGAGE (Sec 58 Transfer of Property Act)

Mortgage is transfer of interest in specific immovable property to secure a loan, existing or future.

Types Of Mortgages

Particulars	Simple	Conditional Sale	Usufructuary	English	Equitable
U/s .. of TP Act	58-b	58-c	58-d	58-e	58-f
Can be created, where	Any where	Any where	Anywhere	Mumbai, Kolkata, Chennai & notified places Borrower	Mumbai, Kolkata, Chennai & notified places Borrower
Possession	Borrower	Borrower	Bank		
Owner-ship	Borrower	Borrower	Borrower	Bank	Borrower
How created	Mortgage deed	Mortgage deed	Mortgage deed	Mortgage deed	Deposit of title deed

1.Right of Redemption is available for all mortgages.
2.Right **of Foreclosure** is available for Mortgage by Conditional Sale only.
3.Personal liability of mor•tgager not available for Mortgage by conditional sale and usufructuary mortgage.
4.Right to sell is available in simple and equitable mortgage, with court permission.
5.Right to sell without court intervention is available in English Mortgage only.
6.Registration of mortgage with Registrar of Assurances not required in Equitable Mortgage. Other mortgages to be registered within 4 months. Additional 4 months can be allowed by RoA.

LEGAL ENTITY IDENTIFIER (LEI)

LIE is a 20 digit unique ID code to be obtained from borrower. It can be obtained from LEI India Limited, a subsidiary of CCI Limited. Objective — Better financial reporting Schedule to obtain LIE:

Exposure : Rs.1000 cr and above	By 31.03.2018
Exposure : Rs.500 cr up to Rs.1000 cr	By 30.06.2018
Exposure : Rs.100 cr up to Rs.500 cr	By 31.03.2019
Exposure : Rs.50 cr up to Rs.100 cr	By 31.12.2019

STAMP DUTY RATES

Instrument	Rate (R91
Receipts-for any money or property the amount or value of which exceeds Rs.5000	1.00
Proxy **letter**	0.15
Letter of credit	1.00
Transfer of shares (Rs.100 or part)	0.25
Demand bill of exchange, Cheque	Nil
Usance Promissory Notes/Usance Bills (As per period of usance and amount of bill; for example for usance up to 3 months the stamp duty is 62 paise per Rs 1000 and for usance up to 6 months the duty is Rs 1.25 per Rs 1000). However, Bills of exchange with usance not exceeding three months drawn on/drawn by/made in favour of a commercial bank/cooperative . bank and representing a genuine transaction are completely exempted from stamp duly. For usance export bills **of** exchange, no duty is payable, as per Central Govt. notification dated July 08, 2004.	
Demand promissory note: -value not more than Rs.250 -value > Rs.250 but up to Rs.1000 -Value > Rs.1000	 0.05 0.10 0.15

Limitation of Loan Documents

The provisions are contained in Limitation Act 1963, applicable in India except State of J & K. **Computation** — To compute the limitation period, the date from which such period is to be reckoned, shall be excluded. The suit can be filed on anniversary day (Sec 12). (for a document dated June 12, 2009 with 3 year limitation, the suit can be filed up to June 12, 2012). Absence from India The period of absence from India would be excluded. Closure of Courts when limitation is expiring (Sec 4) The suit can be filed on the day when court re-opens. Even where the suit is filed in a wrong court inadvertently, but in good faith, the time consumed in such proceedings can be excluded, for computing the period.

Extension of Limitation : It can be extended by acknowledgement (Sec 18) or by part payment (Sec 19), but only before the expiry of the limitation period.

Acknowledgement of debt means admission of liability by the debtor which may be by way of a letter or confirmation addressed to the creditor. It can be a public acknowledgement also like showing the bank as creditor in a balance sheet signed by authorised person.

Part payment : If debtor makes a part payment before the expiry of the limitation period, either by himself or through his agent or in the handwriting of himself or such agent, fresh period of limitation starts from date of such part payment.

Revival of expired limitation through fresh promise to pay : After the expiry of limitation, the liability can be enforced if there is a fresh promise to pay the debt barred by limitation, because u/s 25(3) of the Contract Act, a time barred debt is a valid consideration for a fresh promise to pay.

Description	Period of Limitation
Temporary Overdraft without DPN	3 years from date of loan
Demand Loan	3 years from the date of loan
Demand Promissory Note	3 years from date of DPN
Bill of exchange_payable on demand	3 years from date of Bill.
Usance bill of exchange or promissory note	3 years from the due date of the bill or PN
Suit for Money Decree	3 years from the date right is due
Term Loans payable by instalments	3 years from due date of each instalment . .
Mortgage	12 years from the due date of the loan
Right of foreclosure by the mortgagee	30 years
Right of redemption	30 years
Cash credit against hypothecation or overdraft	3 years from the date of document.
Cash Credit Pledge	Not applicable
Any suit by State/Central Government	30 years from the date when limitation would start
Deposit like SB, CA, FD with a bank	3 years from date of demand
Execution of Decree	12 years from the date of decree
Recovery of loss caused by fraud	3 years from the date of detection of fraud
Claim under Consumer Protection Act	2 year from the date light accrues
Dishonour of cheque under sec 138 of NI Act	1 month from the date right accrues
Appeal to High Court against Lower court	90 days from date of decree
Appeal to other courts on the decree at Lower court	30 days from date of decree

LOAN POLICY OF RBI

MONETARY POLICY COMMITTEE **(MPC)**

Purpose- To determine policy rates by targeting inflation rate. (to start functioning in 2016) Members : 6 members (RBI Gov. Dy. Gov, RBI Official +3 to be nominated by Central Govt). Meetings : *4* meeting in a year. Decision by voting. RBI Governor to have 2nd or casting vote also. Inflation target : to be fixed once in 5 years. Publishing of monetary policy report : Every 6 months.

GROUP EXPOSURE OR EXPOSURE LIMITS Purpose- Credit risk management with ceiling on max exposure to a party. Criteria for group identification : Common management. Effective control. Exposure ceiling - as % of Capital Fund - CF (total of Tier **I +** Tier II).

Borrower	**Single**	**Group**
General	15% of CF	40% of CF
Infrastructure	15%+5%	40% + 10%
OIL Companies+	25%	
Bank Discretion with Board approval	5% in all case	5% in all cases

+ Only Oil Companies issued Oil Bonds (which do not have SLR status) by Govt. of India (wef 29.5.08).
(5% additional discretion is subject to disclosure in balance sheet of the bank).
Exposure include -Sanctioned limit or outstanding balance for IL, working capital limits and non-fund based limits, investment in shares / debenture, forward cover etc. (if TL not fully disbursed, amount of limit to be taken).
Exempted accounts : (a) Sick/weak units under rehabilitation, (b) against deposits, (c) Central Govt. guaranteed accounts and (d) Food credit allocated by RBI. *These guidelines will be replaced by Large Exposure Framework w.e.f. 01.04.1019.*

Credit Supply to Large Borrowers through Market Mechanism (25.08.2016) : w.e.f. 01.04.2017, such borrowers means borrowers with aggregate sanctioned credit limit (ASCL) > 25000 cr in FY 2017-18, > 15000 in 2018-19 and > 10000 cr in 2019-20 onwards. The lending limit means 50% of incremental funds raised by specified borrower over and above its aggregate sanctioned credit limit.
For incremental exposure of banks : (1) Additional 3% provision on the incremental exposure, to be made over the normal (2) Additional risk weight of 75% over the normal applicable rate.

LARGE EXPOSURE FRAMEWORK (01.12.16) : LEF is applicable at individual bank level (solo) and group level (consolidated group) - [Group criteria is common control i.e. one entity holds more than 50% of controlling interest]. Large exposure means total of all types of exposure to counterparties and group of connected counterparties, which is 10% of more of bank's eligible capital base (Tier-1 capital). Banks to report all Large Exposures and also 20 largest exposures. All aspects to be implemented fully, by 31.03.19.

Large exposure ceiling as % of Capital base (Tier-1	Single	Group
Amount	20% of capital	25% of capital

Additional 5% can be allowed with Board approval. Any breach to LE to be reported to RBI immediately and to be corrected within 30 days.
Loan System OF Credit Delivery : Proposed by — Jilani Committee in 1995, Objective — Better funds planning by banks.
Applicable — Fund based Working capital limits (MPBF) of Rs.10 cr or above from banking system.
Components — WCDL = Min 80% and Cash Credit Component = max 20%. Banks have discretion to change the %age.
Security It is common for WCTL and CC component. Rate of interest — It can be different for both components.
Exemption from application of the system — Seasonal industry, export credit, bills finance, food credit, loan against deposit.

Capital Market Exposure / Loan against security of shares
Statutory restriction: Banks cannot lend on the security of their own shares (Sec 20 (1) of Banking Regulation Act)
Statutory ceiling: U/S 19 (2) of Banking Regulation Act, the banks cannot hold more than 30% of their own paid up capital + reserves or 30% of paid up capital of the company (whichever is lower), as pledgee, mortgagee or absolute owner.

- Advances against shares to individuals : It is limited to Rs.10 lac (Rs.20 lac for demat shares). Margin 50% for paper and 25% for demat shares.
- If guarantees is issued on behalf of stock exchange brokers or commodity exchange brokers, min margin 50% including cash margin of 25%.
- Banks cannot allow loan to their employees for purchase of their own shares.
- Aggregate capital market exposure is restricted to 40% of net worth of bank as on Mar 31 of previous year. Within this, direct investment in shares, debentures/bonds (called direct exposure) not to exceed 20% of net worth.
- Loans to employees of companies under ESOP up to Rs.20 lac max 90% of purchase price of the shares.
- Issue of guarantees by banks favouring other banks/Fls: If the bank assumes a funded exposure of 10% (5% in infraStructure) of project cost.
- Loans against FDRs ui oilier lain deposits issued by other banks: Not to allowed due to possibility of fake FDRs.
- Investment in unlisted non-SLR securities — Max 10% of total investment in non-SLR securities as on Mar 31 of the previous year.
- Loan for cost-overruns: Can be sanctioned up to 10% of project cost.
- Takeover under takeout financing : Takeover allowed if aggregate exposure of all institutional lenders is min Rs.1000 cr. In partial takeover min 30% of outstanding loan is taken out by new set of lenders.
- Non-fund based limits can be sanctioned if borrower does not avail any fund facility in India (RBI 7.1.16)

Other Regulatory Restrictions of RBI

- No advances should be granted by banks for purchase of gold in any form, including primary gold, gold bullion, gold jewellery, gold coins, units of gold Exchange Traded Funds (ETF) and units of gold Mutual Funds.
- Banks can sanction loan at their discretion (22.07.14) against pledge of gold ornaments and jewellery to non-farmers up to 12 months on which interest is charged monthly and recognized on accrual basis.
- Loan to value ratio can be max 75% for bank lending against gold jewellery. It is to be valued at closing price of 22 carat gold for preceding 30 days quoted by Indian Bullion & Jewellers' Association.
- No loans can be granted against partly paid shares.
- No loans to be granted to partnership firms or proprietorship firms against primary security of shares and debentures.
- No loans can be granted on the security of a certificate of deposit. Further, CDs can not be bought back before maturity.
- Non-fund based limits should normally not be allowed to non-constituents.

- Banks should not open without recourse LCs.
- Banks can negotiate bills drawn on without recourse basis, under LC, but not the bills that are not drawn under LC.
- Advance against gold coins weighting maximum up to 50 grams. No loan against Gold bullion, Gold ETF or Gold Mutual Fund Units.
- Banks cannot levy prepayment or foreclosure charges for Floating Rate loans.

CENTRAL REPOSITORY OF INFORMATION ON LARGE CREDIT (CRILC)
U/s 27 (2) B R Act, RBI decided to use the information in Form-A (Return on Large borrowers of Rs.I0 cr and above) for Central repository. W.e.f. 1.4.14, RBI created CRILC (Central Repository of Information on Large Credit). Banks are required to send on quarterly basis (within 21 days) the information relating to loan account of Rs.5 cr & above (fund and non-fund based with PAN details). current account balance (debit or credit) of Rs.1 cr and above. SMA accounts with exposure of Rs.5 cr and above and all SMA-2. Non-cooperative borrowers. (v) Loans classified as RFA or Fraud above Rs.50 cr. Loans classified as Red Flagged Account (RFA) or Fraud above Rs.50 cr.
Legal Audit of Title Deeds and Documents : It is mandatory for all credit exposures of Rs.5 cr and above. Quarterly review to be placed to Board of Directors (RBI — 07.06.13).
Filing of records of Charges with Central Registry : The institutions (including banks) notified under SARFAESI Act are to mandatorily register with Central Registry of Securitisation Asset Reconstruction and the Security Interest of India (CERSAI), the records of the equitable and other mortgages, hypothecation, assignments etc. (on movables and intangible assets) created in their favour.
Policy for valuation of properties : The valuation should be done by professionally qualified only independent valuers (no direct or indirect interest. The banks should obtain minimum 2 Independent Valuation Reports for properties valued at Rs.50 cr or above.
Unsecured Exposure
Unsecured exposure means where either no security has been obtained or value of security at the time of sanction is not more than 10% of the exposure. Ceiling on unsecured loans (exposure) has been withdrawn by RBI. Unsecured loans norms can be fixed by banks themselves.
Loan to Directors of Banks : Director of same bank — No loan except against security of FDR, Govt. securities or LIP or staff loans, if the director is a staff member (Sec 20 BR Act). Directors of others bank or their relatives or relatives of same bank: Loans below Rs.25 lac can be sanctioned by an authority approved by the Board (subject to report to the Board). Loan of Rs.25 lac and above, by Board only.
Write off of loans: Can be remitted (written off) with prior approval of RBI.
Fair Practices Code (wef Apr 01, 2003) Purpose — Spell out obligation of lenders towards borrowers.
In case of rejection of any loan application, lenders should convey in writing, specific reasons for **all accounts.**
Post disbursement supervision by lenders, particularly in respect of loans up to Rs.2 lakh, should be constructive with a view to taking care of any" lender-related" genuine difficulty that the borrower may face.
Transfer of account: Existing bank has max time of 21 days from receipt of request to convey its consent or otherwise, when request is received from borrower or other bank, for transfer of loan account. Copy of loan documents to borrower should be furnished to the borrower.
Bank Rate : Bank Rate is defined in Sec 49 of RBI Act 1934 as the 'standard rate at which RBI is prepared to buy or rediscount bills of exchange or other commercial papers eligible for purchase under this act.
Base Rate Implementation : w.e.f. July 1, 2010 by replacing BPLR system. **Minimum interest rates :** Banks not permitted to lend below Base Rate. **Revision of base rate : At** least once in a quarter.
Factors to fix base rate : (1) cost of funds (average cost or marginal cost), (2) negative carry of CRR/SLR, (3) Unallocatable overhead cost and (4) average return on net worth.
Marginal Cost Based Lending Rate (MCLR) Date of implementation : 01.04.2016
Components of MCLR : (1) Marginal Cost of Funds (2) Negative carry on account of CRR (3) Operating cost (4) Tenor premium
Components of Marginal cost of funds : (1) Marginal cost of borrowing (2) Return on net worth **Formula fur calculation of negative carry of CRR :** Required URR x (Marginal cost) / (1-CRR)
Linking of MCLR with lending rates : All interest rates on loans to be linked to MCLR except (1) Govt. sponsored /refinance schemes whelk) UAL:lest ruLu k specified (2) luau against deposit (3) staff loans (4) loans based on market determined external benchmark (5) Fixed rate loans, **Review of MCLR :** Every month
Publishing of MCLR Tenors : (1) overnight MCLR (2) one month MCLR (3) 3 month MCLR (4) 6-month MCLR (5) 1-year MCLR
Reset period of interest rates : One year or low
Maximum Loan to Value (LTV) Ratio (RBI 21.06.13)
Up to Rs.30 lac — 90%. This means min margin 10%, Above Rs.30 lac up to Rs.75 lac = 80%. This means min margin 20%
Above Rs.75 lac = 75%. This means min margin 25% (Cost of stamp duty, registration charges not to be included in cost for house above Rs.10 lac)
Basel guidelines on Credit Risk Reporting system for arriving at Risk Weighted Asset for computation of Capital
Capital Charge on Credit Risk Risk Weight for Housing Loan exposures. As per the RBI guidelines, the revised Loan to Value (LTV) ratios and risk weights for individual housing loans sanctioned on or after 07.06.2017 shall be as under:

Category of loan	LTV ratio (%)	Risk Weight (%)
Upto Rs 30 lakh	≤ 80	35
	> 80 and ≤ 90	50
Above Rs 30 lakh and upto Rs 75 lakh	≤ 80	35
Above Rs 75 lakh	≤ 75	50

The Loan to Value (LTV) ratios and risk weights for individual housing loans sanctioned up to 06.06.2017 shall continue. LTV ratio is computed as a percentage with total outstanding in the account (viz. "principal + accrued interest + other charges are pertaining to the loan" without any netting) in the numerator and the realizable value of the residential property mortgaged to the Bank in the denominator.Restructured / Rescheduled Housing Loans should be risk weighted with an additional risk weight of 25% to the risk weights prescribed above. Loans / exposures to intermediaries for on-lending will not be eligible for inclusion under claims secured by residential property but will be treated as claims on Corporates or claims included in the regulatory retail portfolio as the case may be.In cases, where LTV ratio declines below the prescribed ceilings due to reasons such as repayment of loan over a period of time, increase in the property value, etc., Branches should continue to maintain the prescribed risk-weights based on original LTV ratio prescription as long as the asset is classified as Standard. Restructured / Rescheduled Housing Loans should be risk weighted with an additional risk weight of 25% to the risk weights prescribed above. Irrespective of the constitution, the borrowers shall be classified as Corporate if the credit exposure is over `.5 crores. Basel Recognised Securities: Cash, Gold, Securities issued by central/state government, KVP,NSC,LIP etc. Basel Recognised Guarantees: Guaranteed by Central/State Govt., Scheduled bank, CGTMSE,ECGC, CRGFTLIH and CGFSEL. Cover under CRGFTLIH : 1. HL upto Rs. 2 Lakhs :90% 2.HLabove Rs. 2 Lakh & upto Rs. 8 Lakh: 85%.Zero percent risk weight is assigned for the portion of exposure guaranteed by CRGFTLIH. For Education Loans Guaranteed by CGFSEL limit of ? 7.50 lacs the risk weight will be NIL and capital provisioning will not be required.

CENTRAL REGISTRY OF SECURITISATION, ASSET RECONSTRUCTION AND SECURITY INTEREST OF INDIA (CERSAI)
Registry has been set up under sec 25 of Companies Act 1956 on 31.03.11 and operates central registry functions as per SARFAESI ACT 2002. The majority shareholding of the company (51%) is held by Central Govt., Public Sector Banks & NHB. The objectives are to register security interests of lenders to compile data of secured transactions which can be accessed by anybody on payment of prescribed fees. All EMTs are mandatorily required to be registered at CERSAI portal by the secured creditors within 30 days of creation of charge on payment of normal prescribed fees. Where the security is available with more than one lender, registration can be done within 60 days by payment of normal fees. However our Bank has now advised the branches that registration should be done immediately on creation of charge and not to wait for 30 days to have the superiority of charge.
CERSAI FEE CHARGEABLE WITH IN STIPULATED TIME FRAME OF 30 DAYS

S .NO	TYPE OF TRANSACTION	FEE CHARGABLE FOR LOAN / LIMIT AMOUNT IN Rs	
		UPTO Rs 5 lakh	Above Rs 5 lakh
1	Addition in Security interest	Rs 50	Rs 100
2	Modification of Security interest	Rs 50	Rs 100
3	On Line Search	Rs 10	
4	Satisfaction Of Security Interest	NIL	

CERSAI FEE CHARGEABLE ON ACCOUNT OF DELAYIN REGISTRATION

S .NO	**REGISTRATION ON SESAI AFTER DATE OF TRANSATION**	**ADDITIONAL FEE TO BE CHARGED FOR LOAN / LIMIT AMOUNT IN Rs**	
		UPTO Rs 5 lakh	Above Rs 5 lakh
1	From 31st to 40th Day	Rs.100	Rs 200
2	From 41st to 50th day	Rs 250	Rs 500
3	From 51st Day Onwards	Rs 500	Rs 1000

GST shall be applicable over and above the fee mentioned above
For registration of charges beyond 60 days of its creation, permission from Central Registrar will be required.

TIME LIMITS FOR DECISION ON CREDIT PROPOSALS

Banks have been given discretion to fix their own time limits.

Time lines for processing and sanction of loan proposals - Time Norms for Branch sanction
Loans up to ` 25000, KCC, MSME loans up to ` 5 lakhs:15 days, Other PSA including Retail Lending, MSME loans above ` 5 lakhs: 30 days

	Export Credit		Sole Banking, MBA, Consortium ,JLA	
		Gold Card Holder		Export Credit
Fresh/Enhanced Credit limit	30 days	25 days	30 days	30 days
Renewal	30 days	15 days	30 days	30 days
Adhoc	15 days	7 days	30 days	15 days

Time norms for RO and CO sanctions

Nature of Credit facilities	**Time Norms for sanctions**		**Total TAT**
	Processing at Branch	Processing/Sanction at RO/CO	
Other PS advances & Retail Advacnes over ` 25000	15 days	45 days	45 days
Micro and Small Enterprises			
1.Beyond `25000 & up to ` 5 lakhs	7 days	8 days	15 days
2.Beyond ` 5 lakhs & up to ` 25 lakhs	15 days	15 days	30 days
3.Beyond ` 25 lakhs	15 days	30 days	45 days
Medium Enterprises			
1.Beyond `25000 & up to ` 5 lakhs	10 days	20 days	30 days
2.Beyond ` 5 lakhs & up to ` 25 lakhs	15 days	30 days	45 days
3.Beyond ` 25 lakhs	15 days	30 days	45 days
Export Credit (In bracket Gold card holder)			

1.Fresh Limit/Enhancement	15 days (10 days)	20 days (15days)	45 days(25 days)
2.Renewal	15 days (5days)	15 days(10 days)	30 days(15 days)
3.Adhoc	5 days (3 days)	10 days(4 days)	15 days(7 days)
Sole banking, MBA, Consortium, JLA (In bracket time norm for export credit limit)			
1.Fresh Limit/Enhancement	15 days (15 days)	30 days(30 days)	45 days(45 days)
2.Renewal	15 days (15 days)	30 days(30 days)	45 days(45 days)
3.Adhoc	15 days (5 days)	15 days(10days)	30 days(15 days)

Time Norms for HO Sanction				
Nature of Credit facilities	**Time Norms for sanctions**			**Total TAT**
	Processing at Branch	Processing at RO/CO	Processing/San ction at HO	
Other PS advances & Retail Advacnes over ` 25000	15 days	10 days	35 days	60 days
Retail Loans above ` 25000	10 days	15 days	20 days	45 days
Micro and Small Enterprises				
1.Beyond `25000 & up to ` 5 lakhs	3 days	4 days	8 days	15 days
2.Beyond ` 5 lakhs & up to ` 25 lakhs	7 days	10 days	13 days	30 days
3.Beyond ` 25 lakhs	10 days	15 days	20 days	45 days
Medium Enterprises				
1.Beyond `25000 & up to ` 5 lakhs	7 days	10 days	13 days	30 days
2.Beyond ` 5 lakhs & up to ` 25 lakhs	10 days	15 days	20 days	45 days
3.Beyond ` 25 lakhs	10 days	15 days	20 days	45 days
Export Credit (In bracket Gold card holder)				
1.Fresh Limit/Enhancement	10 days (5days)	15 days (7days)	20 days (13 days)	45 days(25 days)
2.Renewal	7 days (3 days)	10 days(4 days)	10 days (8 days)	30 days(15 days)
3.Adhoc	3 days (2 days)	4 days(2 days)	8 days(3 days)	15 days(7 days)
Sole banking, MBA, Consortium, JLA (In bracket time norm for export credit limit)				
1.Fresh Limit/Enhancement	10 days (10 days)	15 days(15days)	20 days(20 days)	45 days(45 days)
2.Renewal	10 days (10 days)	15 days(15 days)	20 days(20 days)	45 days(45 days)
3.Adhoc	7 days (3 days)	10 days(4days)	13 days(8 days)	30 days(15 days)

DELEGATION OF POWERS FOR PERMITTING REDUCTION IN RATE OF INTEREST (OTHER THAN RETAIL LENDING SCHEMES & LOAN AGAINST DEPOSIT (VSL/OD) - MODIFICATIONS.

Authority	Risk Rating	Maximum Reduction	Subject to Minimum ROI
GM/CGM HO CAC (Upto their delegated power)	LR	2.00 %	MCLR + 1.50 %
	NR	1.75 %	MCLR + 1.75 %
	MR	1.25 %	MCLR + 2.25 %
ED CAC (Upto their delegated power)	LR	2.50 %	MCLR + 1.00 %
	NR	2.25 %	MCLR + 1.25 %
	MR	2.20 %	MCLR + 1.75 %
CAC of the Board upto their powers and for accounts sanctioned by MC :	Upto Respective MCLR		
MC of Board	Upto Respective MCLR		

GENERAL ADVANCES

Criteria

1.Credit Audit : Above Rs 1 Cr . Randomly in 5 % of account having limits less than Rs 1 Cr . To be conducted within 3 months of first disbursement but before six months .Max fee payable to auditor is Rs 5000/-. For exposure upto Rs 5 Cr , review by circle head. For exposure above Rs 5 Cr revies by GM CA & M wing.
Pre Release audit : Rs 5 Cr & above . Within 48 hours of documentation. Audit by Scale III/IV authorities
Legal Audit: Rs 5 Cr & above. Max fee to advocate is Rs 5000/-. Part of RBIA and done till loan is fully repaid
Stress Audit: Rs 50 Cr & above in standard assets. Annually by inspecting officers. No closure report is stipulated.
Advisory Committee: All compromise proposal having sacrifice of Rs 1 Cr and above.. Committee consist Retired high court judge and two former Bankers (Min ED Rank or Dy MD of SBI)

Lok Adalat : upto Rs 20 Lacs . Legal Services Authority Act 1987
DRT Lok Adalat : Above Rs 20 Lacs
DRT : Rs 10 Lacs & above. Narasimhan Committee. Bank & Financial institution Act 1993
Corporate Debt Restructuring: Rs 10 Cr & above . Shyamala Gopinath Committee
Red Flagged Account (RFA): Threshold on Early warning Signal and RFS is Rs 500 million (Rs 50 Cr) **11.Non-Cooperative Borrower:** Rs 50 million (Rs 5 Cr)
12.HOS/QOS: FB + NFB Rs 5 Cr & above .Penal 1 % on FB and 0.25 % on NFB on liability for the delayed period (entire quarter) .NFB liability alone cap on penal is Rs 1 Lac. To be submitted in 6 w/8 w from the end of quarter /HY
13.Stock Audit: Once in a year . LR → above Rs 5 Cr , NR/MR/HR/unrated → above Rs 1 Cr . Doubtful → once in two year for liability below Rs 5 Cr and every year for liability above Rs 5 Cr
14.Project appraisal Report for medium and long term loan : New Borrower → Rs 200 Lcas , Existing Borrower → Rs 500 Lacs.
15.CMF : Rs 1 Cr and above .Upto moderate risk → bimonthly , HR → monthly
16. Fixed Asset valuation: Once in three years. 1. NR → not required 2.NR→ once in 3 years for Rs 2 Cr and above, 3.MR & HR →Once in three years for Rs 1 Cr and above.
Applicable in J & K : NI Act , SARFAESI , Banking Ombudsman Not applicable in J & K: Service Tax, Consumer Protection Act, DRT

Credit Information Companies
CIBIL- for consumer and commercial segment, Experian CIC India Private Ltd-for consumer segment only, Equifax Credit Information Services Pvt Ltd- for consumer segment only, CRIF High Mark Credit Information Services Pvt Ltd
Exempted Categories : Staff Loans and loans against own deposit. Though CIR is mandatory, sanctioning authority may consider following proposal irrespective of risk grade: DRI Loan, Government Sponsored Scheme with loan upto Rs 2 Lacs, Canara Pension Loan, Gold Loan. Agriculture Loan upto Rs 3 Lacs , Fully secured loans upto Rs 2 lacs under non priority sector , education loan and renewal of existing facilities. In case of CIBIL, there are 3 scores Viz. Trans-union Score version 1, Trans-union score version 2 and personal score. Trans-union score version 2 shall be reckoned.

Criteria for drawing second CIR apart from CIBIL.
For Secured loans :HL above Rs 10 Lacs , Car Loan & all other secured loans (including EL) above Rs 5 Lacs, Agriculture Loan above Rs 3 Lacs, MSME segment and all other loans above Rs 10 Lacs .
For Unsecured Loans : Two CIRs to be obtained In personal segment ,Personal loan above Rs 1 Lac ,EL above Rs 4 Lacs and all other loans above Rs 3 Lacs , Agricultural segment Rs 1 Lac , MSME loans above Rs 2 Lacs and all other loans above Rs 5 Lacs.
Charges: Rs 50/- per CIR from individual, Rs 500/- for commercial report .

Delegation of power:
For Credit Score 1, 2 and 3 → respective sanctioning authority
For Credit Score 4: Upto DGM-CO-CAC (except circle head) → NHA, Circle head CAC & above →
Respective Sanctioning authority
For Credit Score 5: Circle head CAC and above authorities
Renewal of existing facility can be considered by respective sanctioning authority irrespective of Risk Grade.

Modification in delegation of Power (297/2016)
Commercial Segment: No credit facility to wilful defaulters. Fresh and need based finance can be provided to non wilful defaulters who have settled their earlier dues with the Bank/other banks/financial institutions under OTS/ Compromise/ CDR package etc., selectively on merits ensuring due diligence on technical feasibility, economic viability and bankability. Such proposals shall be permitted only by CGM/GM-HO-CAC and above authorities within their delegated powers. Guidelines regarding credit facility to borrowers whose credit card dues outstanding settled through OTS/Compromise ,no need to take cognizance of default upto Rs 5000 and consideration of need based credit facilities by respective SA wherever overdues are below ` 25000 and beyond that prior clearance from NHA **stands deleted**
Consumer Segment: Guidelines regarding credit facility to borrowers whose credit card dues outstanding settled through OTS/Compromise ,no need to take cognizance of default upto Rs 5000 and consideration of need based credit facilities by respective SA wherever overdues are below Rs 25000 and beyond that prior clearance from NHA **stands deleted.** In case the credit history indicates the status as Written Off/ Overdue /Settled account (Not older than 3 years) then same shall be placed to Next Higher Authority. However, in case the proposal falls under the delegated power of Circle Head CAC (AGM/DGM/GM/CGM) & above authorities, then same can be considered by the respective sanctioning authorities. Reports having status as Written Off/ Overdue /Settled account which are more than 3 years old may be ignored for the purpose of linkage to delegation.

High Risk Accounts:
Upto Circle Head CAC power accounts: Renewal / additional /fresh facilities (excluding adhoc facilities) or enhancement in existing limits, sanction shall be obtained from not less than CGM/GM-CO- CAC.
HO Power account: The respective sanctioning authority can permit renewal with enhancement / additional / fresh exposure. Loans to close relatives (other than Agri and Personal (Retail) Loan) of existing individual borrowers, proprietor in case of proprietorship firms; and partnership firms where all the partners are close relatives: NHA for sanction. Renewal without enhancement by respective sanctioning authorities. Renewal with enhancement shall be subject to clearance from the next higher authority. In respect of accounts rated Moderate risk, the concession in ROI can be permitted subject to ensuring that collateral security by way of EMT of L & B / deposits with our Bank, Assignable Life Insurance policies, Govt. Securities / NSC available shall not be less than 50% of the total exposure. However, the above condition may be relaxed, selectively, by CAC of the Board & above authorities upto their powers for

permitting such reduction in ROI.

Concession in Rate of Interest: ED-CAC can permit upto 1% and CAC of Board can permit beyond 1% reduction in ROI for PCFC/BRD facilities is respect of accounts falling upto their delegated powers
Wherever regular limits have been sanctioned to a borrower, need for additional short term credit facility may arise due to unforeseen business needs either by way of FB or NFB facility. Such additional facilities may be permitted by way of Ad hoc limits / Temporary Over limits. Additional limits / Single
Transaction Limits shall also be covered under Ad hoc limits. Further, no adhoc credit /additional limits / single transaction limits facility can be permitted in any account on more than 2 occasions in a year.
Various authorities are vested with powers to permit adhoc credit facility as under :
Secured adhoc credit facility: 20% of the sanctioned facility (i.e, various limits / sublimit permitted to the borrower) Or 20% of the delegated limit / sub limit of the permitting authority for corresponding secured facility whichever is less.

Non Fund Based Limits: (Secured) (Cir 157/2010, 432/2010, 209/2013)
The stipulation of minimum security cover of 60% by way of collaterals (inclusive of 25% margin by way of cash deposits and/or approved securities is withdrawn. However, obtention of minimum margin of 25%/15% shall continue. Bank Guarantee of `50000 & above shall be signed by two authorised signatories.
Risk Rating linked delegation power is applicable only in, not fully secured non fund based limit. The delegated power to different authorities are as under: Manager in charge of Small branch - `8 lacs(LR) & `5 lacs(NR).
Manager in charge of Medium branch/ Credit Manager in VLBs/ELBs - `15 lacs(LR) & `10 lacs(NR)
Manager in charge of large branch - `50 lacs(LR) & `30 lacs(NR)
Senior Manager in ELB/VLB - `50 lacs(LR) & `30 lacs(NR), Specialised branches, viz., SSI/ Overseas/ IF/AF and Manager of advances section at CO- `50 lacs(LR) & `30 lacs(NR), DM/CM - `100 lacs(upto NR) & `75 lacs(MR), AGM In Branch - `250 lacs(upto NR) & `150 lacs(MR), DGM - `800 lacs(upto NR) & `600 lacs(MR).

Temporary Over limit(Cir: 233/09,154/13,398/15,126/16)
Nomenclature of 'Adhoc overlimit' is changed to 'Temporary overlimit'To meet exigencies of borrowers, the authorities may be required to permit credit facilities for very short duration viz., temporary Overlimit. Temporary overlimit facilities over the sanctioned limits to existing borrowers upto 10% of the unexpied regular limit provided the total of such Temporary over limit is restricted to:

CM/DM/CO-SME Sulabh	`25 lacs	GM/HO/CO	`150 lacs
AGM/CO-SME Sulabh	`75 lacs	ED	`500 lacs
DGM/CO-SME Sulabh	`100 lacs	C&MD	`1000 lacs

Other conditions for Temporary over limit:
Temporary over limit may be permitted once in a month for a period not more than 7 days with in the maximum delegated powers for adhoc credit facility. The facility should be adequately covered by Drawing Power. Security: The facility should be adequately secured Asset status: Standard and not rated High risk Regular limit: To be in force and no overdues
The Temporary overlimit as above shall be within the permissible limit delegated for adhoc credit facility as per Cir. 268/2014. Reporting & Periodicity: The reporting formats on Temporary overlimits as advised in Annexures to this circular shall be submitted on fortnightly basis i.e. as on 15th and last day of the month. To facilitate effective monitoring of Temporary over limit, a BO report (Code 280113) is provided with the details of the Temporary over limit permitted.
Adhoc credit facility/ temporary over limit shall not be permitted in Restructured accounts.
No adhoc credit facility can be permitted in any account more than 2 occasions in a year.(Cir 352/2012)

Policy guidelines on ratification of action (Cir 03/2013)
In terms of the Accountability policy, maximum period of 30 days from the date of receipt of the request for ratification is permitted i.e. the sanctioning authority shall grant or reject the request for ratification of the action within 15 days of receipt of report from the branch and in case of any queries/ clarifications, another 15 days for taking final decision, otherwise, the transaction in question shall be deemed to have been approved by the competent authority. The policy also stipulates that it is the responsibility of the official concerned who is exercising his/ her power to ensure that timely reporting is made and reasonable follow up is made with the competent authority to obtain ratification.

Marginal Cost of Funds Based lending Rate (MCLR)
MCLR is introduced in place of Base Rate for loans/advances and credit facilities on renewal/reset w.e.f.01.04.2016(185/2016) Tenor linked MCLRs w.e.f. 01.04.2016. Pricing of Credit under Base Rate system for eligible new loans/advances is discontinued except for exempted categories. Exempted categories are advances to banks' depositors against their own deposit Advances to banks' own employees, retired employee, CEO/Whole Time Directors. Fixed rate loans of tenor above three years. Loans linked to a market determined external benchmark Floating interest portion of hybrid loan shall not be exempted from MCLR system, WCTL,FITL and scheme specific loans formulated by GoI, wherein rate of interest is specified Loans granted under refinance schemes formulated by GoI /Government undertaking wherein banks charges interest at the rates prescribed under the scheme to the extent refinance is available are not linked under MCLR. Interest charged on portion not covered under refinance should adhere to MCLR guidelines. There will be no lending below MCLR.
ROI on exposures above Rs 2 Cr shall continue to be based on credit risk rating (internal/external) .ROI on exposure above Rs 2 lakhs upto Rs 2 Cr to be based on internal risk rating, except agriculture loans, retail loans and other specific scheme. Banks, at their option specify interest reset dates on floating rate loans. Reset date can be linked either to first disbursement or date of review of MCLR.MCLR prevailing on the date of first disbursement, shall be applicable till next reset date, irrespective of the changes in the benchmark during the interim. Future reset dates shall be determined accordingly. The periodicity of reset shall be one year or lower. The exact periodicity of reset

shall form part of the terms of the loan contract.
Existing loans and credit limits linked to the Base rate/BPLR may continue till repayment or renewal.
Maximum lending rate for working capital and term loan specified. Additional liquidity premium to be loaded to the card rates for applicable loans/advances . For loans repayable more than 1 year upto 5 years 0.40 % and repayable for more than 5 years 0.85% liquidity premium to be loaded to the Card rates additionally.
Loans/Term Loans sanctioned with the maturity of one year or more shall be linked to one year MCLR. Short Term Loan/credit facilities below one year shall be linked to respective MCLR. MCLR shall be reset in borrowal accounts based on the original tenor and not on the residual tenor. The tenor of the reset MCLR shall be the same as that of the initial benchmark MCLR tenor. For existing loans under Base Rate, at the time of switchover to MCLR, fixing of MCLR will be with reference to residual tenor.
For running limits, viz., OD/OCC/KCC, One Year MCLR will be applicable irrespective of the tenability/ extension/short renewal permitted. Loans with maturity of 1 year or more and Term Loans will be linked with one year MCLR with reset period of one year.
Maximum Lending rate : Working capital /Short term loans : 700 bps over highest MCLR , ECNOS: One year MCLR + 500 bps Clean OD/DPN : Highest MCLR+ 700 bps
1 % additional ROI (even beyond maximum rate also) may be charged for unsecured advances of Rs 1 Cr & above. CGM/GM-CO-CAC & above can waive it up to their delegated powers

Delegation of powers for extending reduction in interest rates (188/2016,363/16, 17/2017)
1.Excluding Retail Lending & VSL:
GM/CGM (HO)-CAC For all borrowal accounts upto GM/CGM (HO) powers : LR accounts :2.00%(subject minimum MCLR+1.50%) NR accounts:1.75% (subject minimum MCLR+1.75%), MR accounts:1.25% (subject minimum MCLR+2.25%)
ED-CAC : For all borrowal accounts upto their powers, LR accounts :2.50%(subject minimum MCLR+1.00%)
NR accounts:2.25% (subject minimum MCLR+1.25%), MR accounts:2.00% (subject minimum MCLR+1.75%)
CAC of Board: Upto respective MCLR, MC of the Board:Upto Respective MCLR
2.Retail Lending :
GM/CGM (HO)-CAC For all borrowal accounts upto CGM/GM (HO) powers :1.50%(ultimately not below MCLR+2.0%)
ED-CAC : Max-2%, Upto MCLR + 1.50%, CAC of Board: Beyond the above delegated power .Upto MCLR
3.Loans in Indian currency against FCNR TD: ED CAC can permit reduction upto 1 % on the applicable interest rate
4.Loans in FC against FCNR TD shall not be eligible for any interest concession
5. Loan against term deposits (Reduction in interest rate and margin)(411/2016,594/2016)

Authority	Loan against TD standing in the name of Borrower		Loan against third party deposit	
	Margin	Reduction in ROI	Margin	Reduction in ROI
RO Head CAC	10%	Deposit Rate + 1%	20%	MCLR+ 2.5 % or Deposit Rate +2.5 % ,whichever is higher
CO Head CAC	5%	Deposit Rate + 1%	20%	MCLR+ 2.0 % or Deposit Rate +2.0 % ,whichever is higher
GM/CGM HO CAC	5%	Deposit Rate +0.75%	20%	MCLR+ 1.5% or Deposit Rate +1.5 % ,whichever is higher
ED CAC	5%	Deposit Rate +0.50%	10%	MCLR+ 1.0% or Deposit Rate +1.0 % ,whichever is higher
CAC of Board	5%	Beyond the delegated power of ED CAC	10%	Beyond the delegated power of ED CAC subject to Min of MCLR

Reduction in margin can be exercised in cases where the unexpired period of the maturity of deposit is more than 45 days, either with / without reduction in ROI on loans.

Delegation of power:
For Credit Score 1,2 and 3 → respective sanctioning authority
For Credit Score 4: Upto DGM-CO-CAC (except circle head) → NHA , Circle head CAC & above → Respective Sanctioning authority
For Credit Score 4 (for sanctiong loans by RO under consumer segment): Upto AGM-RO-CAC (Except RO head) → NHA, RO head CAC can consider loan upto their power account.(273/2016), For Credit Score 5: Circle head CAC and above authorities
If two digit credit score (sufficient credit history not available) or risk index is displayed in report ,suitable credit decision can be taken based on normal credit sanctioning powers. CIBIL's CIR charges for commercial loans:500/-+GST per loan.For Consumer loans CIBIL CIR and other CICs report fee @ 50/- per report. Copy of report to be provided to applicant free of charge . Branches/Offices can draw commercial CIR of either CIBIL or CRIF High Mark in all categories as per extant guidelines.
The charges payable for drawing commercial CIR shall be:
CRIF High Mark :. 325 + GST (With Commercial Score), CRIF High Mark :Z. 300 + GST (without Commercial Score) ✓ CIBIL : 500 + GST . per loan
In case of Commercial Accounts (Non individual Accounts), the fees shall be recovered from the respective applicants for credit facility at the time of processing the proposal. The fees once paid by the loan seeker shall not be refundable. In case of any rejection of the loan proposal after drawing the CIR, the fees shall be absorbed by the Bank.
Commercial Score of „Non Individual" entity is only for reference purpose. No Score based delegation shall apply in case of —Commercial Segment".
In case of variation in scores of the applicant or co applicant , score of the applicant should be reckoned for decision making (105/16) . In case the credit history indicates the status as written off/overdue/ settled account (not older than 3 months) then same shall be placed to NHA.If such proposals falls under the delegated power of circle head CAC & above authorities , the same can be considered by respective SA. Reports having status as written off/overdue/settled account which are more than 3 years old may be ignored for the purpose of linkage to

delegation. Renewal of existing facility can be considered by respective sanctioning authority irrespective of Risk Grade.
The data on suit filed accounts in respect willful defaulters of Z25 lakh and above and other borrowal accounts of Z1 Crore and above, are available in the M/s Transunion CIBIL Limited website which can be accessed freely

DRAWING CREDIT INFORMATION REPORTS (CIRs) FROM M/s Transunion CIBIL Limited – DELEGATION OF POWERS – Credit Card Overdues (2/2013,297/2016)
Branches/ offices need not take into cognizance of defaults upto 5000/- .Need based credit facilities can be considered by respective sanctioning authorities wherever credit card overdues **are below Rs.25000**/- and beyond that subject to preclearance by the next higher authority.A report on overdue liabilities written off/ settled status by sanctioning authority shall be a part of the office note placed for decision and a monthly reporting in the format furnished shall also be submitted.

8. PRIORITY SECTOR ADVANCES

RBI revised priority sector lending guidelines w.e.f. April 23, 2015, on the basis of recommendations of an Internal Working Group (headed by Ms Lily Vadera). **Categories under priority sector :** (I) Agriculture (2) Micro, Small and Medium Enterprises (3) Export Credit (4) Education (5) Housing (6) Social Infrastructure (7) Renewable Energy (8) Others (9) Investments eligible for PS classification.

Targets /Sub-targets for Priority sector Domestic scheduled commercial banks and Foreign banks with 20 branches and above Total Priority Sector: 40% of Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of Off-Balance Sheet Exposure (CEOBE), whichever is higher.Agriculture: 18% of ANBC or CEOBE, whichever is higher. Small and Marginal Farmers: Within the 18% target for agriculture, target for Small and Marginal Farmers will be 8% of ANBC or CEOBE, whichever is higher. This target to be achieved in a phased manner i.e., 7% by March 2016 and 8% by March 2017. Micro Enterprises: 7.5% of ANBC or CEOBE, whichever is higher to be achieved in a phased manner i.e. 7% by March 2016 and 7.5% by March 2017. Advances to **Weaker Sections:** 10% of ANBC or CEOBE, whichever is higher. Achievement of Targets by foreign banks: Foreign banks with 20 branches and above have to achieve the Total Priority Sector Target, Agriculture Target, Weaker Section Target within a maximum period of five years starting from April 1, 2013 and ending on March 31, 2018. The sub-target for Small and Marginal farmers and for Micro enterprises would be made applicable post 2018 after a review in 2017. Foreign banks with less than 20 branches :Total Priority Sector: 40% of ANBC or CEOBE, whichever is higher to be achieved in a phased manner by March 2012 – (32% by 2015-16, 34% by 2016-17, 36% by 2017-18, 38% by 2018-19, 40% by 2019-20. The additional priority sector lending target of 2% of ANBC each year from 2016-17 to 2019-20 to be achieved by lending to sectors other than exports. The sub targets, if to be made applicable post 2020, would be decided in due course.

Computation of Adjusted Net Bank Credit (ANBC)

Bank Credit in India [Item No.VI of Form 'A' under Section 42 (2) of the RBI Act, 1934].	I
Bills Rediscounted with RBI and other approved Financial Institutions	II
Net Bank Credit (NBC) - For the purpose of priority sector computation only	III (I-II)
Bonds/debentures in Non-SLR categories under HTM category+ other investments eligible to be treated as priority sector +Outstanding Deposits under RIDF and other eligible funds with NABARD, NHB and SIDBI on account of priority sector shortfall + outstanding PSLCs	IV
Eligible amount for exemptions on issuance of long-term bonds for infrastructure and affordable	V
Eligible advances extended in India against the incremental FCNR (B)/NRE deposits, qualifying for exemption from CRR/SLR requirements.	VI
ANBC	III+IV-V-VI

For calculation of Credit Equivalent Amount of Off-Balance Sheet Exposures, banks to follow Master Circular on Exposure Norms.

Description of the eligible categories under PS : 1. Agriculture

There will not be any distinction between direct and indirect agriculture. Lending to agriculture sector has been redefined to include (i) Farm Credit (which will include short-term crop loans and medium/long-term credit to farmers) (ii) Agriculture Infrastructure and (iii) Ancillary Activities. A.Farm credit : A. Loans to individual farmers [including Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual farmers, provided banks maintain disaggregated data of such loans], directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture. This will include: Crop loans to farmers, including traditional/ nontraditional plantations and horticulture, and allied activities. Medium and long-term loans to farmers for agriculture and allied activities (e.g. purchase of agricultural implements and machinery, loans for irrigation and other developmental activities undertaken in the farm, and developmental loans for allied activities.). Loans to farmers for pre and post-harvest activities, viz., spraying, weeding, harvesting, sorting, grading and transporting of their own farm produce.
Loans to farmers up to Rs 50 lakh against pledge/hypothecation of agricultural produce (including warehouse receipts) for a period not exceeding 12 months. Loans to distressed farmers indebted to non-institutional lenders. Loans to farmers under the Kisan Credit Card Scheme. Loans to small and marginal farmers for purchase of land for agricultural purposes.
B. Loans to corporate farmers, farmers' producer organizations/companies of individual farmers, partnership firms and co-operatives of farmers directly engaged in Agriculture and Allied Activities, viz., dairy, fishery, animal husbandry, poultry, bee-keeping and sericulture up to an aggregate limit of Rs 2 crore per borrower. This will include loans as per categories listed at A(i, ii, iii and iv)
B. Agriculture infrastructure : Loans for construction of storage facilities (warehouses, market yards, godowns and silos) including cold storage units/ cold storage chains designed to store agriculture produce/products, irrespective of their location.
Soil conservation and watershed development. Plant tissue culture and agri-biotechnology, seed production, production of bio-pesticides, bio-fertilizer, and vermi composting. For the above loans, an aggregate sanctioned limit of Rs 100 crore per borrower from the banking system, will apply.

C.Ancillary activities : Loans up to Rs 5 crore to co-operative societies of farmers for disposing of the produce of members. Loans for setting up of Agriclinics and Agribusiness Centres. Loans for Food and Agro-processing up to an aggregate sanctioned limit of Rs 100 crore per borrower from the banking system. Bank loans to Primary Agricultural Credit Societies (PACS), Farmers' Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS) for on-lending to agriculture.

Outstanding deposits under RIDF and other eligible funds with NABARD on account of priority sector shortfall.

For computing 7% / 8% target, Small and Marginal Farmers will include the following:-

1. Farmers with landholding of up to 1 hectare are considered as Marginal Farmers. Farmers with a landholding of more than 1 hectare and upto 2 hectares are considered as Small Farmers. Landless agricultural labourers, tenant farmers, oral lessees and share-croppers. Loans to Self Help Groups (SHGs) or Joint Liability Groups (JLGs), i.e. groups of individual Small and Marginal farmers directly engaged in Agriculture and Allied Activities, provided banks maintain disaggregated data of such loans.

Loans to farmers' producer companies of individual farmers, and co-operatives of farmers directly engaged in Agriculture and Allied Activities, where the membership of Small and Marginal Farmers is not less than 75 per cent by number and whose land-holding share is also not less than 75 per cent of the total landholding.

2. Micro, Small and Medium Enterprises (MSMEs) : The limits for investment in plant and machinery/equipment for manufacturing / service enterprise, as notified by Ministry of Micro, Small and Medium Enterprises, vide S.O.1642(E) dated September 9, 2006 are as under:-

Investment Criteria for MSME

Enterprises engaged in	Micro	Small	Medium
Manufacturing, production, preservation or processing (Investment in Plant & Machinery)	Up to Rs.25 lac	> 25 lac up to Rs.5 cr	> 5 cr up to Rs.10 cr .
Rendering services (investment in equipment excluding Land & building, fixture and furniture etc.)	Up to Rs.10 lac -	> 10 lac upto Rs.2 cr	> 2 cr upto Rs.5 cr

Eligibility of enterprises for PS classification: Manufacturing Enterprises: Bank loan to Micro, Small and Medium Enterprises irrespective of amount of loan. Service Enterprises: Bank loans up to Rs 5 crore per unit to Micro and Small Enterprises and Rs 10 crore to Medium Enterprises engaged in providing or rendering of services. Khadi and Village Industries Sector (KVI): All loans to units in the KVI sector will be eligible for classification as Micro enterprise under the sub-target of 7 percent /7.5 percent prescribed for Micro Enterprises under priority sector.

Other Finance to MSMEs : Loans to entities involved in assisting the decentralized sector in the supply of inputs to and marketing of outputs of artisans, village and cottage industries. Loans to co-operatives of producers in the decentralized sector viz. artisans, village and cottage industries.Loans sanctioned by banks to MFIs for on-lending to MSME sector. Credit outstanding under General Credit Cards (including Artisan Credit Card, Laghu Udyami Card, Swarojgar Credit Card, and Weaver's Card etc. catering to the non-farm entrepreneurial credit needs of individuals). Outstanding deposits with SIDBI on account of priority sector shortfall. Overdrafts upto Rs. 5,000/- under Fradhan Mantri Jan-DhanYojana (PMJDY) accounts where borrowers household annual income does not exceed Rs.100,000 for rural areas and Rs.1,60,000 for non-rural areas.

With recourse factoring being conducted departmentally or transactions under TReDS : Sub categorization of Micro enterprises: The earlier sub-categorization within the definition of micro enterprises (i.e. investment up to Rs 10 lac in plant and machinery and up to Rs 4 lakh in equipment) has been dispensed with. Continuation of MSME status: The MSME units will continue to enjoy the priority sector lending status up to three years after they grow out of the MSME category concerned.

3. Export Credit : Domestic banks: Incremental export credit over corresponding date of the preceding year, up to 2% of ANBC or CEOBE, whichever is higher, effective from April 1, 2015 subject to a sanctioned limit of □25 crore per borrower to units having turnover of up to □100 crore. For foreign banks with 20 or more branches in India, this will be effective from April 1, 2017. Foreign banks with less than 20 branches: Export credit will be allowed up to 32 percent of ANBC or CEOBE, whichever is higher.

Education : Loans to individuals for educational purposes including vocational courses upto Rs 10 lakh irrespective of the sanctioned amount will be considered as eligible for priority sector. Now even for education abroad loans up to Rs 10 lakh will be eligible for coverage under priority sector.

Housing : Loans for purchase/construction of a dwelling unit per family : Up to Rs. 28 lakh (overall cost of house maximum Rs.35 lac) in metropolitan centres (with population of 10 lakh and above) and loans up to Rs. 20 lakh (overall cost of house maximum Rs.25 lac) in other centres. The housing loans to banks' own employees will be excluded.The housing loans backed by long term bonds (which are exempted from ANBC), should either be included under loans to individuals or banks may take benefit of exemption from ANBC, but not both. Loans for repairs to damaged dwelling units of families up to Rs. 5 lakh in metropolitan centres and up to Rs.2 lakh in other centres. Loans to any governmental agency for construction of dwelling units or for slum clearance and rehabilitation of slum dwellers subject to a ceiling of Rs.10 lakh per dwelling unit. Loans for housing projects exclusively for construction of houses for economically weaker sections and low income groups, the total cost of which does not exceed Rs. 10 lakh per dwelling unit. For identifying the economically weaker sections and low income groups, the family income limit of Rs. 2 lakh per annum, irrespective of the location, is prescribed. Bank loans to Housing Finance Companies (HFCs), approved by NHB for their refinance, for on-lending for the purpose of purchase/construction/reconstruction of individual dwelling units or for slum clearance and rehabilitation of slum dwellers, subject to an aggregate loan limit of Rs. 10 lakh per borrower.

The loans to HFCs are restricted to 5% of the individual bank's total priority sector lending, on an ongoing basis. The maturity of bank loans should be co-terminus with average maturity of loans extended by HFCs. Banks should maintain necessary borrower-wise details of the underlying portfolio.

Outstanding deposits with NHB on account of priority sector shortfall. : Loans for affordable Housing which is not part of PS Loans, includes — (i) house construction loans eligible under PS (ii) Housing Loans up to Rs.50 lac (Max house cost Rs.65 lac) in 6 metro towns and up to Rs.40 lac (max house cost Rs.50 lac)}

Social infrastructure : Bank loans up to a limit of Rs 5 crore per borrower for building social infrastructure for activities namely schools, health care facilities, drinking water facilities and sanitation facilities in Tier II to Tier VI centres.

Renewable Energy Bank loans up to a limit of Rs 15 crore to borrowers for purposes like solar based power generators, biomass based power generators, wind mills, micro-hydel plants and for non-conventional energy based public utilities viz. street lighting systems, and remote village electrification. For individual households, the loan limit will be Rs 10 lakh per borrower.

Others

Loans not exceeding Rs 50,000/- per borrower provided directly by banks to individuals and their SHG/JLG, provided the individual borrower's household annual income in rural areas does not exceed Rs 100,000/- and for non-rural areas it does not exceed Rs 1,60,000/-. Loans to distressed persons [other than farmers) not exceeding Rs 100,000/- per borrower to prepay their debt to non-institutional lenders. Overdrafts extended by banks upto Rs 5,000/- under Pradhan Mantri Jan-DhanYojana (PMJDY) accounts provided the borrowers household annual income does not exceed Rs 100,000/- for rural areas and Rs 1,60,000/- for non-rural areas. Loans sanctioned to State Sponsored Organisations for Scheduled Castes/ Scheduled Tribes for the specific purpose of purchase and supply of inputs and/or the marketing of the outputs of the beneficiaries of these organisations.

IV. Weaker Sections

Small and Marginal Farmers, Artisans, village and cottage industries where individual credit limits do not exceed Rs 1 lakh Beneficiaries under Government Sponsored Schemes such as National Rural Livelihoods Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers (SRMS), Scheduled Castes and Scheduled Tribes, Beneficiaries of Differential Rate of Interest (DRI) scheme, Self Help Groups, Distressed farmers indebted to non-institutional lenders, Distressed persons other than farmers, with loan amount not exceeding Rs 1 lakh per borrower to prepay their debt to non-institutional lenders ,Individual women beneficiaries up to Rs 1 lakh per borrower Persons with disabilities Overdrafts upto Rs 5,000/- under Pradhan Mantri JanDhanYojana (PMJDY) accounts, provided the borrowers' household annual income does not exceed Rs 100,000/- for rural areas and Rs 1,60,000/- for non-rural areas, Minority communities as may be notified by Government of India from time to time

Investments eligible for classification as PS

1. Investments by banks in securitised assets: (i) Investments by banks in securitised assets, representing loans to various categories of priority sector, except 'others' category, provided (a) the securitised assets are originated by banks and financial institutions and are eligible to be classified as priority sector advances prior to securitization; (b) the all inclusive interest charged to the ultimate borrower by the originating entity should not exceed the Base Rate of the investing bank plus 8% p.a. (ii) Investments by banks in securitised assets originated by NBFCs, where the underlying assets are loans against gold jewellery, are not eligible for priority sector status.
2. Transfer of Assets through Direct Assignment /Outright purchases: Assignments/Outright purchases of pool of assets by banks representing loans under various categories of priority sector, except the 'others' category, provided: (a) the assets are originated by banks and financial institutions which are eligible to be classified as priority sector advances; (b) the eligible loan assets so purchased should not be disposed of other than by way of repayment; (c) the all inclusive interest charged to the ultimate borrower by the originating entity should not exceed the Base Rate of the purchasing bank plus 8% p.a.

When the banks undertake outright purchase of loan assets from banks/ financial institutions to be classified under priority sector, they must report the nominal amount actually disbursed to end priority sector borrowers and not the premium embedded amount paid to the sellers. Purchase/ assignment/investment transactions undertaken by banks with NBFCs, where the underlying assets are loans against gold jewellery, are not eligible for priority sector status.

3. Inter Bank Participation Certificates: (IBPCs) bought by banks, on a risk sharing basis,
4. Priority Sector Lending Certificates: The outstanding priority sector lending certificates bought by the banks.

(Loans for affordable Housing which is not part of PS Loans, includes — (i) house construction loans eligible under PS (ii) Housing Loans up to Rs.50 lac (Max house cost Rs.65 lac) in 6 metro towns and up to Rs.40 lac (max house cost Rs.50 lac)}

PRIORITY SECTOR TARGETS

Domestic banks and foreign banks with 20 or more branches

Priority sector (as % of ANBC OR credit equivalent of Off-balance sheet exposure, whichever higher).	40%
Agriculture (% to ANBC or CEOBE) (it is 45% of priority sector). Direct lending to beneficiary min 13.5%.	18%
Small & Marginal Farmers (7.0% 31.03.16, 8% 31.03.16) [MF : LH upto 1 hec, SF : up to 2 hec)	8%
Weaker section (% of ANBC or CEOBE) (it is 25% of priority sector loans)	10%
Micro Enterprises (7% 31.03.16, 7.5% 31.03.17)	7.5%
Housing finance allocation (of incremental deposit for last reporting Friday of previous year.	3%
Minority communities (% of priority sector advances)	15%
Export Credit (incremental export credit over previous year up to 2% of ANBC can be included in priority sector)	Bank discretion
Prime Minister's Employment Generation Program	50% in rural areas
National Urban Livelihood mission: Women 30%, PH 3%, minority 15%, SC/ST as per %age in local population	
Differential Rates of Interest : Within DRI to SC/ST beneficiaries – 40% Within DRI through rural/semi urban branches of banks – 2/3rd	
FOREIGN BANKS (less than 20 branches) : PS target	40% 75% 15% 40%
Regional Rural Banks : (w.e.f. 1.1.2016) Priority Sector (as % of total advances) Within this, for Weaker Section (of total advances) Agriculture lending, Small and Marginal farmers and Micro Enterprise, same as above	
Urban Coop Banks : (% of Adjusted net bank credit)	
Women beneficiaries (of ANBC) — outside priority sector	5%
Agriculture Advances disbursement target for 2017-18	Rs.1000000 cr

Foreign Banks with 20 or more branches to achieve 40% target within 5 years (by 31.3.18) beninninc from 1.4.13 and Foreign Bank with less than 20 branches to achieve 40% in 5 years beginning 31.03.16.

Lending to non-corporate farmers: The system wide average figure for computing achievement under priority sector lending for the FY 2017-18 is 11.78 percent.

Monitoring of Priority Sector Lending targets : To ensure continuous flow of credit to priority sector, the monitoring will be on 'quarterly' basis instead of annual basis. The data on priority sector advances have to be furnished by banks at quarterly and annual intervals.

Non-achievement of targets and sub-targets

FOREIGN BANKS (with less than 20 branches)

Amount of shortfall (w.r.t. achievement level as on March 3I[st]) in PS target, will be placed with SIDBI or other financial institution. To be shown as Other Assets in Schedule 11 of bank balance sheet. Classification in PS, MSE.

DOMESTIC BANKS and FOREIGN BANKS with 20 or more branches

Amount of shortfall (w.r.t. achievement level as on March 3 I[s']) in lending to overall priority sector target or agriculture or weaker section, shall be called (after giving one month notice) by RIDF of NABARD or other funds with NHB / SIDBI or other FI. To be shown in Schedule 11 of bank balance sheet as Other Assets. PS Classification - agriculture advance.

Period of deposit for RIDF / SEDF/other fund : fixed by RBI.

Rate of interest on amount deposited with RIDF or SEDF w.e.f. 1.4.2012 = Bank rate - 2% to 4%, depending upon %age of shortfall. Rate on Loan disbursed from RIDF/SEDF= Bank Rate less 1.5%

Priority Sector Lending Certificates Objective : To enable banks to achieve their PS Lending target, by purchasing PSLC issued by other banks. Risk will continue to be with issuing bank. Amount : PSLC can be issued against underlying PSL, up to 50% of bank's achievement of PSL target of previous year, with a standard lot size of individual certificate @ Rs.25 lac, Trading : It will be traded through e-Kuber platform (CBS portal of RBI). Variants : 4 types — Agriculture, SF/MF, Micro Enterprise, General representing PSL of respective category. Investment by purchaser bank to be counted in the respective segment. Maturity period : Automatically mature on 31[St] March. Counting : Amount of investment will be excluded from PSL of issuing hank and added to PSL of purchaser bank.

Education Loans : It is a model scheme of IBA (R J Kamath Committee).. Loan can be given as per location of parents' residence or educational institute. (no service area restrictions). Borrowers : Indians secured admission to professional / technical courses. Max Amount = Priority Sector only Rs. l0 lac (out of total sanctioned amount),Margin = Nil for loan up to Rs.4 lac. Above Rs.4 lac — Education in India 5% and education abroad 15%. Moratorium - Studies period + 1 year. In case of non-completion of course, the period can be extended up to 2 years. Repayment = Up to 15 years. Security - Parents co-borrowers. Up to Rs.4 lac — Nil. Above Rs.4 lac up to Rs.7.50 lac — 3[rd] party guarantee and above Rs.7.50 lac — collateral security. The accrued interest during the repayment holiday period to be added to the principal and repayment in Equated Monthly Instalments (EMI) fixed. Repayments: oratorium: Course period + 1 year (2 year as economic slowdown) from completion of studies or 6 months after getting job, whichever is earlier. The loan to be repaid in 10 to 15 years after commencement of repayment. The accrued interest during the Repayment holiday period should be added to the principal and repayment in EMI fixed. Interest subvention provided by Govt for entire interest charged during moratorium period if annual income of parents up to Rs 450,000.

IBA MODEL LOAN SCHEME FOR VOCATIONAL EDUCATION AND TRAINING

Quantum of Finance: Need based with a maximum of: (a) For courses of duration upto 3 months: Rs 20,000; (b) For courses of duration 3 to 6 months: Rs 50,000 (c) For courses of duration 6 months to 1 year. Rs 75,000; (d) For courses of duration above 1 year: Rs 1,50,000. Margin: Nil. Repayment Period: Moratorium period plus (a) Courses upto 1 year: 2 to 5 years (b) above 1 year 3 to 7 years. Moratorium Period: For courses of duration upto 1 year: 6 months from the completion of the course. For courses of duration above 1 year: 12 months from the completion of the course

Central Sector Scheme of Interest Subsidy For Education Loans : Applicable Academic Year: From 2009-10 starting 1[st] April 2009 onwards The student should belong to economically weaker sections – EWS.EWS means annual gross parental /family income upper limit of Rs.4.50 Lacs per year (from all sources). EWS income limit is based on economic index and not on social background.Income proof should be given by the students issued by authorities authorized by the State Governments for certification of income status for this Scheme.Limit/ liability up to Rs. 10.00 lacs is eligible for subsidy under the CSIS scheme. if the loan limit is more than ` 10.00 lacs, interest subsidy would be available only upto Rs. 10 lakhs.

Padho Pardesh Scheme of Interest Subsidy on Education Loans for Overseas Studies for the students belonging to the Minority Community (Effective From Financial Year 2013-14-01.04.2013). Padho Pardesh - Government of India, Ministry of Minority Affairs has formulated a scheme for interest subsidy on educational loans for overseas studies to promote educational advancement of students from minority communities (Muslims, Christians, Sikhs, Buddhists, Jains and Parsis) for adoption by all banks. The objective of the scheme is to award interest subsidy to meritorious students belonging to economically weaker sections of notified minority communities so as to provide better opportunities for higher education abroad and enhance their employability. The approved courses are Masters, M. Phil and Ph.D levels. Presently the subsidy is restricted to the loans with limits specified under IBA model scheme i.e. Rs.20 lakhs only. The overall family income of the student should not more than Rs.6 lakhs p.a. and the Income certificate should be obtained from the competent authority at the time of availing loan. The scheme shall be applicable from the academic year 2013-14 starting from 1st April, 2013 and loans sanctioned and disbursed from 01.04.2013 onwards will only be eligible for interest subsidy under this scheme. Beneficiary can avail subsidy only under any one of the subsidy schemes being implemented by Government of India.

Ambedkar Interest Subsidy for Education Loans of OBC / EBC : Eligible : Overseas education (Masters, M Phil, Phd) by students from Other Backward Classes or Economically Backward Classes Subsidy : interest during moratorium period to be paid by way of subsidy , and subsidy is restricted to IBA Model EL Scheme.Max Annual Family income : OBC Rs.3 lac. EBC Rs.1 lac. 50% subsidy marked for girl students.

National Credit Guarantee for Education Loans : Guarantee is provided by National Credit Guarantee Fund Company (NCGFC).Eligible loans : Education loans up to Rs.7.5 lac, as per IBA Education Loan Scheme. Rate of Interest : Base Rate + 2% (max), Margin : Up to Rs.4 lac — nil and above Rs.4 lac 5% for education in India and 15% for overseas, Guaiantee fee : 0.5% p.a. of o/s balance. Payable upfront within 30 days from beginning of FY. Guarantee cover : 75% of amount in default. Claim can be sent within 1 year of NPA, Claim payment : 75% within 30 days. Balance on write off.

Minority Communities : Minority communities include Sikhs, Muslims, Christians, Zoroastrians, Buddhists & hips. (notified by Ministry of Welfare, Govt. of India). National Minorities Development & Finance Corporation NMDFC is providing Margin Money where bank finance is up to 60% of project cost. The remaining amount is shared by NMDFC, the State channelising agency and beneficiary in ratio of 25%, 10%, and 5%, respectively. Role of banks: Credit flow to be monitored in 121 Distt having min 25% minority population. Banks to set up special cell for ensuring smooth flow of credit to them (headed by DGM/AGM to function as a `Nodal Officer'). HY report to be sent to RBI and GOI, within one month.

Common guidelines for priority sector loans : Loans up to Rs 25,000 in PS there is no margin, no collateral security, no penal interest on advance, no processing fees and no inspection charge. 2.Loan more than Rs 25,000, the margin will be from 15% to 25%. For Loans beyond Rs 25,000, bank can ask for TPG/collateral security or both. 3.Loan application disposal norms : As decided by Bank's Board of Directors

COLLATERAL SECURITY :

For agriculture: NIL In case of:	Up to Rs.100000. Up to Rs.3 lac in case of recovery tie-up
Other priority sector	Up to Rs.25000 - nil
Micro & Small Enterprises: -normal accounts -good track record a/c -accounts guaranteed under CGF guarantee	Not to be insisted upon: Up to Rs.10 lac Up to Rs.25 lac (discretion of the bank) up to Rs.100 lac (no Collateral / 3rd party guarantee) and now Increased upto Rs. 200 lacs.
Agro clinics & business centres	Up to Rs.5 lac — nil
NRLM: -Individual up to Rs.100000 -Group up to Rs. 10 lac	Not to be obtained up to this amount
SISRY/NULM	Not to be obtained
Education loan up to Rs.7.50 lac	Not to be obtained up to this amount.

Rate of interest: As per directives issued by RBI.
Service charges: No loan related and adhoc service charges/inspection charges on priority sector loans up to Rs 25,000. Receipt, Sanction/Rejection/Disbursement Register: A register/ electronic record should be maintained by the bank, wherein the date of receipt, sanction/rejection/disbursement with reasons thereof, etc., should be recorded. Issue of Acknowledgement of Loan Applications: Banks should provide acknowledgement for loan applications received under priority sector loans. Bank Boards should prescribe a time limit within which the bank communicates its decision in writing to the applicants.

PROCESSING/INSPECTION FEE, SERVICE CHARGE, PENAL INIT IN PRIORITY SECTOR ADVANCES

1.For loans up to Rs.25000 No charges
2.For loans above Rs.25000 Bank discretion

AGRICULTURAL ADVANCES : No Margin and No Collateral security for agricultural advances up to Rs 100,000, No no dues certificate for loans up to Rs 50,000. Committee on flow of credit to agriculture was headed by: Prof Vyas. Crops divided into short duration and long duration. Short duration crop where crop season upto: 12 months. Long Duration crop where crop season more than 12 months. The decision regarding duration of crop by SLBC.Service Area approach discontinued except for Government sponsored schemes.
Rashtriya Krishi Birna Yojna (RKBY) is operated by : Agri Insurance company Limited. Risks covered by RKBY: damage to crops by natural calamities like flood, draught, pest attack etc Risks not covered under RKBY/PMFBY : War and Nuclear risk. Annewari refers to damage to crop due to natural calamities like draught, flood, hailstorm etc. There are mainly two types of crops Le. Rabi and Khalif. Rabi is generally sown in Oct/Nov and harvested in April and Kharif is generally sown in July and harvested in Sept/Oct. Main Rabi crops are wheat and gram and main Kharif crops are paddy, jwar, bajra etc. The scale of finance per acre for crop loans is to be decided by District Technical Committee.If crop is damaged, crop loan has to be converted to medium term loan repayable in 3 to 5 years.

Various types of cultures and revolutions :
1. Sericulture: Silk production. 2. Apiculture: Honey Bee keeping, 3. Aquaculture: Shrimp farming, fishes 4. Pisciculture: Breeding of fishes in pond, 5. Floriculture: Flower production 6. Apriculture: Mushroom production 7. Silviculture: Forestry 8. Horticulture: Fruits production 9. White revolution: milk production 10. Green revolution: increase in foodgrain production 11. Blue revolution: fish production 12. Yellow revolution: increase in oilseeds and pulses, 13. Olericulture : Vegetable Cultivation 14. Tissue culture: Improvement of plant varieties, 15. Vermiculture - Rearing of earth worm 16. Mulberry Associated with - Sericulture 17. Rainbow revolution- connected with flowers

Ground Water Availability:
White Blocks- exploitation of ground water is less than 70% of the available water. Grey Blocks - 70% to 90% of the available water has already been exploited. Dark Blocks – More than 90% of the available water is already over-exploited.

The Branches have to submit LBR (Lead Bank Return)
LBR 1- Annual statement showing annual target under the plan,LBR 2- Month wise disbursement under the credit plan
LBR 3- Half yearly recoveries and outstanding loans ,LBR U1/U2/U3 are submitted by branches located in urban areas
Small farmer- Land holding up to 2.5 acre of wet land or 5 acres of dry land.
Marginal farmer- Land holding up to 1.25 acre of wet land or 2.5 acres of dry land.
Agricultural labourer- Land holding up to 0.5 acre of land or having a home-stead; should have income of more than 50% by way of agricultural wages.

Interest Subvention for Agricultural Loans
Central Govt. has approved interest subvention of 2% for the year 2017-18 available to public sector banks, private banks, rural co-

operative banks and RRBs on their own funds used for short term credit up to Rs 3 lac, provided to farmers in rural and semi-urban branches. Subvention amount is calculated on the amount of the crop loan from the date of disbursement/drawal up to the date of repayment or up to the date beyond which the outstanding loan becomes overdue, whichever is earlier. Rate of interest from farmer will be 7% p.a. Claim to be obtained on HY basis.

3% additional subsidy to farmers, for prompt payment of loan can be availed. Farmer pays 4% interest instead of 7% after repayment of loan up to Rs.3 lac Repayment within one year. (claim to be lodged on yearly basis). (Govt. ovided Rs.15000 cr for 2016-17 for this Purpose.

Kisan Credit Card Scheme 2012

Scheme prepared by Nabard and changes also by Nabard. Revised on recommendations of Committee headed by Shri T.M.Bhasin. Kisan Credit Card Scheme can be used for (a) meeting the short term credit requirements for cultivation of crops (b) Post harvest expenses (c) Produce Marketing loan (d) Consumption requirements of farmer household (e) Working capital for maintenance of farm assets and activities allied to agriculture, like dairy animals, inland fishery etc. (f) Investment credit requirement for agriculture and allied activities like pump sets, sprayers, dairy animals etc. **Fixation of limits:** The short credit limit for farmers other than marginal farmers for first year will be calculated as under - Scale of finance for the crop (as decided by District Level Technical Committee) x Extent of area cultivated + 10% of limit towards post-harvest / household / consumption requirements + 20% of limit towards repairs and maintenance expenses of farm assets + crop insurance, PAIS & asset insurance_ For subsequent years, limit will be increased each year by 10% towards cost escalation increase in scale of finance for every successive year and estimated Term loan component for the tenure of Kisan Credit Card, i.e., five years. Validity Period of KCC: Banks may determine the validity period of KCC and its periodic review.If there is a credit balance in the account it will earn interest at Saving Fund rate as per rules applicable in SF account.

Personal Accident Insurance for KCC holders: KCC holders are covered against death due to accident for Rs.1,50,000 & permanent disability : Rs. 1,87,500.00. For partial disability due to accident the cover is available for Rs 75,000. The cover is available only to KCC holders up to 70 years of age at the time of entry to the Scheme. The insurance premium is competitive but not more than Rs 25 per annum to be shared by the bank and the borrower in the ratio of 2:1. (Rs.17+8).

Relief Measures for Crop Damage : Crop loans can be converted into MTL repayable in 2 years, if loss 33% to less than 50% and 5 years, if loss 50% or more. Consumption loan up to 10000 allowed.

Priority Sector Advances Data (07.01.13) : Banks to send on quarterly & yearly basis to Rural Planning and Credit Department, of RBI within 15 days & one month. For reporting purpose, disbursement means debit summation less interest and other charges.

PM FASAL BIMA YOJNA : Scheme launched 18.02.16. AICL and private insurance companies participate. All crops having past yield data covered. All farmers covered (for loanee farmers mandatory). Risk covered : Yield loss, Prevented Sowing loss (25%), Post-harvest loss (14 days) [war, nuclear, riots, theft etc. not covered], Amount of insurance = SOF (max up to threshold yield), Sum insured = Notional Threshold yield x MSP, Premium rates : Kharif — 2%, Rabi— 1.5%, Annual, crops — 5%, Risk sharing : Govt. + Insurance Companies (IC), (IC=350% of total premium or 35% of sum insured — whichever high, Threshold yield = [Sum (last 7 year of yield less 2 notified calamity years] / [5-7 years, as the case be] x level of indemnity, Level of indemnity according to risk = 70%, 80%, 90%.

Farmers' Club Programme (FCP) : 1**. Features of the Club:**

Size of the Club:No restriction on the upper limit but the minimum size should be 10 members Membership: Both farmers as well as non farmers can become the members of the club. Office bearers: Each Club will have two office bearers, viz, Chief Co-ordinator and Associate Coordinator. Operational area: Preferably one village or a group of 2-3 villages on contiguous basis. Registration: Not required. Bank Linkage: All the Clubs should have savings bank accounts with the bank in the joint name of the office bearers.

NABARD assistance: Rs.10000/- per club per annum for a period of three years as per following details: Formation and maintenance expenses:Rs.2000; Awareness / orientation meet at base level:Rs.5000; Meet with experts programme ,2 programmes in a year) : Rs.3000. Assistance exceeding Rs.10,000/- may be met by the bank with maximum of Rs 50001- per annum during the first three years and Rs.10000/- per year during 4th & 5th year of formation of the club.

AGRI CLINIC & AGRI BUSINESS CENTRE : Launched by - Ministry of Agricultural, Govt. of India & NABARD. Training: 2 months' free of cost specialized training to Agriculture Graduates, by select institutes. 1. Eligibility: (i) The applicant should be Agricultural Graduates/Graduates in subjects allied to agriculture. (ii)Diploma in agriculture and allied subjects from State Agricultural Universities. (iii)Science graduates with post graduation in agriculture and allied subjects (iv) Individuals or in group of not exceeding 5 persons; of which one could be a Management Graduate with qualification or experience in business development and management.

2. Maximum Project cost: (a) Project by individual: Rs 20 lakh; (b) Project by a Group: Rs 100 lakh. Margin: (a) Upto Rs 5 Lakh: Nil; (b) Above Rs 5 lakh: 25%. Security: (i)Upto Rs. 5 Lakh: No collateral security (ii) Above Rs.5 Lakh: Hypothecation of assets created out of bank loan and Collateral security or Third Party Guarantee. NABARD Refinance: 100 per cent of bank loan.

Automatic Refinance Scheme of NABARD: Maximum loan - Rs.30 lakh, and the ceiling for refinance would be Rs.20 lakh. Projects with outlay over Rs 30 lakh require NABARD approval. Depending on the type of venture, the loan can be repaid within 5-10 years (with moratorium upto 2 years), in easy installment. Credit linked capital subsidy by Govt of India: (a) 36% of the capital cost of the project. It would be 44% for SC, ST, Women and other disadvantaged sections and those from North-Eastern and Hilly States. Lock in period for subsidy is 3 years

Self Help Groups : Objectives: Self Help Group is a homogeneous group of persons below poverty line who have joined for savings, mutual help, developing management skills and not for speculative profit and raising finance is not main objective. SHGs may be an informal group or registered under Societies Act, State Co-operative Act or a partnership firm. Number of members: 10 to 20; Difficult areas like deserts, hills: 5 to 20. Maximum percentage of above poverty line: 30% but they are not eligible for subsidy

Joint Liability Group : Number of members: 4 to 10,, small/marginal Farmers, Landless Farmers. Max finance per member - Rs 50,000; Max finance per Group - Rs 5,00,000, Main objective: raising credit from bank. NABARD refinance ; 100%, Rs.2000 incentive from NABARD for Promoting JLG in 03 instalment.

MINORITY COMMUNITIES : Sikhs, Muslims, Christians, Zoroastrians , Buddhists and Jains (Jan. 2014) are part of Minority community. **Margin money scheme of National Minorities Development and Finance Corporation**: Loan by bank: 60% of the project cost. Balance 40% shared by Minorities Corporation, state channeling agency and the beneficiary in the ratio of 25%, 10% and

5% respectively. As per Govt and RBI guidelines, credit flow to minorities to be monitored in 121 districts having minimum 25% minority population

Laghu Udyami Credit Card (LUCC) : For small business, retail trade, artisans, SSI, professional/ self employed Can be issued if 3-years' satisfactory record (standard account). Maximum amount Rs.10 lac. Limit calculation — 20% of annual sale. For professionals 50% of the gross income. Valid for 3 years (subject to annual renewal

Swai-Rozgar Credit Card : 1. Meant for SHG, small artisans, micro-enterprises. 2. Revolving facility for 12 months. 3. Amount Rs.25000, (discretion of banks to enhance). 4.Valid for 5 years.

WEAVERS' CREDIT CARD (WCC) : Scheme prepared by Ministry of Textiles and circulated by IBA during Oct 2011. Type of loan — TL or Working capital in the form of simplified open cash credit. Eligibility — All handloom weavers (preference to identified weavers under 3rd Census of Handloom weavers). Amount of loan — up to Rs.2 lac. Margin money of Rs.4200 available from Govt. of India. Repayment TL : max 36 months. WC valid up to 3 years subject to annual review. WC can be operated. Security : CGTMSE guarantee available. Interest subvention of 3% available for 3 years from 1st disbursement if account is not NPA. As per Budget 2014 – Interest rate on Handloom Sector : 6% on WC & TL.

Targets for finance to Micro Enterprise & T K A Nair Committee Recommendations

Minimum 60% of advance to micro and small enterprises should be made to micro enterprises.Yearly Growth in credit to MSEs should be: 20%. Annual growth in number of micro enterprise accounts: 10%. Cluster approach should be adopted for financing MSE

National Equity Fund Of SIDBI for MSEs : Objective : To provide equity type margin money support to eligible MSEs.
Eligible project: MSEs with project cost up to Rs.50 lac (including working capital. For rehabilitation, cost outlay max Rs.25 lac.
Margin available: as Soft loan @ 25% of project cost. Max Rs.10 lac. **Minimum promoter's contribution :** 10% of project cost Debt **equity ratio requirement :** 1.875:1, **Repayment —** 7 years including moratorium of 3 years. **Security :** Credit risk is born by SIDBI. Hence no security.

Credit Linked Capital Subsidy Scheme (CLSS) for Technology Upgradation of MSEs
the ceiling on loan for technology upgrade : Rs.100 lac, (b) the rate of subsidy : 15% (Max amount of subsidy : Rs.15 lac)
Subsidy to be calculated w.r.t. purchase price of plant and machinery, instead of term loan disbursed to the unit; Subsidy claim from SIDBI within the quarter next to the quarter during which loan last disbursed.

National Credit Guarantee Trust Company Ltd NCGTC was set up by the Ministry of Finance, Government of India to act as a common trustee company to manage and operate various credit guarantee trust funds. It was incorporated under the Companies Act on March 28, 2014 with a paid-up capital of Rs.10 crore, with its registered office in New Delhi. Presently it provides following:
Credit Guarantee Fund for Skill Development : 1.Guarantees for Skill Development Loans by the member banks of IBA up to Rs.1.5 lakh extended without collateral or third-party guarantee. 2. Credit Guarantee Fund for Education loans for Education Loans under IBA up to Rs.7.5 lakh. 3. Credit Guarantee Fund for Factoring (CGFF) : Guarantees for domestic factored debts of MSMEs,

Credit Guarantee Scheme for Micro Units (CGSMU) 18.04.15
Guarantee provided by : National Credit Guarantee Trust Company (NCGTC). Eligible loans : Loans under MUDRA i.e. Shishu, Kishore and Tarun & OD up to Rs.50000 under PM Jan Dhan Yojna Guarantee fee : Standard Rate 1% + risk premium on NPA level & Claim Payout ratio. Fee payable within 16 days from beginning of the year. Cover : First 5% of amount is loss of MU. Out of remaining, 50% cover on amount of default is available, (amount of default means NPA for 6 months)
Claim payment period 60 days.

Credit Guarantee Scheme for Stand-up India (5.4.16) Guarantee provided by : National Credit Guarantee Trust Company (NCGTC) Eligible borrowers SC, ST, Women with loan amount above Rs.10 lac up to Rs.1 cr. ROI = Base rate + 3% + Tenor premium. Guarantee fee : Standard Rate 0.85% + risk premium on NPA level & Claim Payout ratio. Cover up to Rs.50 lac @ 80%. Max Rs.40 lac. Above Rs.50 lac @25% max Rs.25 lac. Total max Rs.65 lac. Claim payment period : 30 days. 75% immediately. Balance 25% on conclusion of recovery proceeding.

CREDIT GUARANTEE FUND TRUST FOR MICRO & SMALL ENTERPRISES (CGTMSE) CGTMSE
was set up by Govt. of India and SIDBI in August 2000.
Eligible institutions: All scheduled commercial banks and specified RRBs, NSIC, NEDFI, SIDBI *(called Member Lending Institutions (MLIs).*
Eligible borrowers: New & existing MSE units as per MSME Dev Act 2006 (except Retail Trade) OR in IT and software industry services or credit facilities to select activities under Agri-Clinics and Agri-Business Centres.
Rehabilitation cases : For the unit covered under CGTSI and becoming sick due to factors beyond the control of management, assistance for rehabilitation extended by the lender could also be covered within the overall cap of Rs.200 lac.
Extant of guarantee cover : (wef Dec 08, 2008):

Women enterprises & North Eastern States	
Loan up to Rs.5 lac : 85%*	4.25
Loan up to Rs.50 lac: 80%*	40.00
Loan above Rs.50 lac to Rs.200 lac: 50%*	75.00
Total amount restricted to	100.00
Micro Enterprises	
Loan up to Rs.5 lac : 85%*	4.25
Loan up to Rs.50 lac: 75%*	37.50
Loan above Rs.50 lac to Rs.200 lac : 50%*	75.00
Total amount restricted to	100.00
Other loans	
Loan up to Rs.50 lac : 75%*	37.50
Loan above Rs.50 lac to Rs.200 lac: 50%*	75.00
Total amount restricted to	100.00

*as %age of amount in default.

Conditions for Guarantee Cover Loans (fund and non-fund) extended by banks and/or financial institutions jointly and/or

separately to eligible borrower up to a maximum of Rs.200 lakh (Rs.50 lac for RRBs and select FIs) per borrower subject to ceiling amount of individual MU are elgible. Rate of interest should not be more than 14%pa.
Collateral security: Loans sanctioned with collateral and/or third party guarantee or against guarantee of Govt. or DICGC, are not eligible. Time **limit for obtaining guarantee cover:** Within a quarter, next to the quarter, during which the loans are sanctioned.

Standard Rate SR for Com osite Guarantee *Fee*

Fee as % of sanctioned loan w.e.f. 1.1.13	Women, NE States,	Others
For loan up to Rs.5 lac	0.75% p.a.	1% p.a.
Above Rs.5 lac up to Rs.100 lac	0.85% p.a.	1% p.a.

If fee is not paid on time, CGTMSE may allow payment "nterest at bank rate + 4%.
W e f 01.04.2016 the premium on SR will be as under:

1.Risk premium on NPA in guaranteed portfolio		2. Risk premium on claim payment ratio	
NPA %age	Risk Premium	Claim payout	Risk premium
0-5%	SR	0-5%	SR
>5% to 10%	10% of SR	>5% to 10%	10% of SR
>10 to 15%	15% of SR	>10 to 15%	15% of SR
>15 to 20%	2070 of SR	>15 to 20%	20% of SR
>20%	25% of SR	>20%	25% of SR

NPA level shall be calculated as a % of guarantees Issued on and up to 31st Mar, every year
Invocation of guarantee : Guarantee can be invoked if a. account is classified as NPA as per RBI guidelines, b. suit has been filed and (c) guarantee is in force
Time limit for invocation: (a) within 2 years from date of NPA If NPA is after lack in period or (b) within 2 years from date of completion of 18 month lock in period.
Lock-in period of 18 months Is from the date of last disbursement of the loan or the date of payment of the guarantee fee whichever is later.
Phyment of the claim amount : The trust shall pay 75 % of the guaranteed amount on preferring of eligible claim by the lending institution, within 30 days. For *delay beyond 30 days,* trust shall pay interest on the eligible claim amount at the prevailing bank rate. The balance 25 % will be paid on conclusion of recovery proceedings by the lending institution or within 3 years from date of decree, whichever is earlier.
Sharing of recovery: Recovery shall be *first* appropriated towards cost of recovery, balance amount for recovery of fee and other charges of CGTMSE and balance amount on prorate basis i.e. 85:15, 80:20 or 75:25.
Delay in sharing the amount recovered : If any amount due to .the trust remains unpaid beyond a period of 30 days from the date on which it was first recovered, interest shall be payable to the trust at the rate which is 4% above bank rate for the period for which payment remains outstanding after the expiry of the said period of 30 days.
DRI for MSEs with guarantee cover of CGTMSE As per RBI guidelines dated Apr 15, 2014, banks can provide differential interest rate for MSE borrowers, having guarantee cover from CGTMSE. But such rate of interest should not be below the Base Rate.

Trade Receivables Discounting System (TReDS)

It is an electronic platform provided for auctioning of trade receivable/ 'bills discounting'.
The auctioning process involves three parties namely (i) the seller who has sold on credit basis, (ii) the buyer who has bought on on credit basis and (iii) the financiers. Seller: As per RB guidelines, only MSMEs can participate as sellers in the TReDS. Typical examples of sellers are garment manufacturer or an automobile spare parts manufacturer etc. Buyer: Examples: Retailers like Pantaloons or a Bike manufacturer like Honda or Bajaj etc. Financiers: Only banks, NBFC-Factoring companies are permitted as financiers. Process involved: A seller uploads on the platform the credit sale invoice, which is accepted by the buyer company. Once the buyer accepts the invoice, the invoice becomes a factoring unit , which goes for auction. The seller or buyer, whoever is bearing the interest (financing) cost, has to accept the final bid. The financier pays around 85%/90% of the invoice after the recovery of discount i.e. upfront interest charged on the amount paid on advance. Acceptance of the bid: TReDs then settles the trade by debiting the financier and paying the seller. The amount gets credited the next working day into the seller's designated bank account through an electronic payment mode. The second leg of the settlement is executed when the buyer/acceptor of the invoice, makes the repayment to the financier. Minimum discounting rate: Minimum rate to be quoted is bank's MCLR. The spread over MCLR varies depending upon the buyers' credit rating. Platform providers: RBI has given license to three entities to act as TReDS. These are (a) Receivables Exchange of India (RXIL), which is a joint-venture of National Stock Exchange and SIDBI and which commenced its operation in January 2017; (b) A Treds, a joint-venture of Axis Bank and Mjunction Services; and (c) Mynd Solution. Registration with CERSAI: All transactions on the TReDS have to be registered with the CERSAI

Micro Units Development and Refinance Agency (MUDRA) Bank
MUDRA Bank launched on 08.04.15, is a public sector institution for loans to small entrepreneurs. Wholly owned subsidiary of SIDBI (Jan. 2016). **Role :** (1) Regulate the lenders and the borrowers of microfinance. (2) Extend finance and credit support to MR (3) Register all Ills (4) Offer a Credit Guarantee scheme for providing guarantees to loans being offered to micro businesses. **Corpus:** The bank will have a corpus of Rs. 20,000 crore and a credit guarantee fund of Rs. 3,000 crore. **Organisation : It** will function as a non-banking financial company and a subsidiary of SIDBI. **Targets group :** Mainstream young, educated or skilled workers and entrepreneurs including women entrepreneurs, which currently find it difficult to access credit from the regular banking system.**Segments :** Bank has classified the borrowers into 3 segments: the starters, the mid-stage finance seekers and the next level growth seekers. To address these segments, Bank has launched 3 loan instruments: Shishu: Upto Rs 50,000/-, Kishor: Above Rs 50,000 & upto Rs 5 lakh, Tarun: Above Rs 5 lakh & upto Rs 10 lakh

Credit Guarantee Fund for Micro Units (CGFMU) for Loans under MUDRA Scheme Under the scheme was notified on 18.04.16, guarantee is offered by National Credit Guarantee Trust Company. **Eligible Loans :** Loans sanctioned under PM Mudra Yojna (PMMY) since 08.04.2015 by Commercial banks, MFIs and NBFCs (called Member Lending Institution MU) named as Shishu, Kishor & Tarun and overdraft up to Rs.5000 under PM Jan Dhan Yojna. In these loans, the MU should not obtain any collateral security or 3rd party guarantee.

Procedure to obtain guarantee : MU shall collate all eligible disbursed loans as at end of the quarter and submit information on quarterly basis before end of next quarter to NCGTC for guarantee cover.

Guarantee Fee Rate: It has 3 components namely, standard basic rate (SBR) of 1% of sanctioned amount + Risk premium on NPAs in the guaranteed portfolio + Risk premium on claim payout ratio. The risk premium is in the range of 0% to 25% of SBR for commercial banks which changes annually. The fee is paid on the sanctioned amount corresponding to the outstanding balance of quarterly build up of balance for full year or broken period which is valid up to end of the financial year. Fee in case of NPA accounts will be payable till lodgement of claim. MU shall pay the fee within 16 days from end of the quarter, in which the credit facility was sanctioned / renewed. If due fee is not paid on time, the guarantee cover shall not be available.

Guarantee cover : (1) Guarantee is in the nature of 'First Loss Portfolio Guarantee' where first loss of 5% of the crystallized portfolio is borne by MU. (2) For the remaining amount, the extent of cover is 50% of amount in default (amount in default means NPA for more than 6 months).

Lock-in period : It is one year from date of crystallization of the portfolio (which is March 31 of the year in which the portfolio was built). **Claim :** It can be lodged in respect of amount in default. The Trust shall pay the amount within 60 days. In case of delay it will pay interest at Bank Rate. **Recovery after; payment of claim :** MU shall pay amount to the Trust within 30 days.

Ancillary Units : An undertaking which is engaged or is proposed to be engaged in the manufacturing of production of parts, components, sub-assemblies, tooling or intermediates or the rendering of services and undertaking supplies or proposes to supply or renders at least 50% of its production or services, as the case may be, to one or more other industrial undertakings. Ancillary's investment in plant and machinery, is same as in case of micro & small enterprises.

Women Enterprises : An MSE unit related service or business enterprise, managed by one or more women entrepreneurs in the proprietary concerns or in which she/they individually or jointly have a share capital of not less than 51% as partners/shareholders/directors of private limited Company/Members of Co-operative society would be known as Women Entrepreneurs' Enterprise.

Non-SSI Sick And Weak Units (RBI definition) : Weak units : account irregular for more than one year or erosion in net worth of previous year 50% or more. Non-SSI Sick unit : Accumulated losses > net worth.

Committees associated with MSE Advances : Nayak Committee — Use of turnover method for sanction of working capital limits.
Kapoor Committee — Introduction of CGTMSE scheme and other operational issues; Ganguly Committee — Flow of credit to SSI Chakravorthy Committee — Rehabilitation of sick MSE unit, TKA Nair Committee (PM Office) — Credit for MSE

CRGFT for Low income Housing

Credit Risk Guarantee Fund Trust (CRGFT) for Low Income Housing is serviced by the National Housing Bank.
Eligible loans : Max Rs.5 lac sanctioned without collateral or 3rd party guarantee. Rate of interest max 2/0 above Base Rate of the bank. Time to apply the guarantee: Before expiry of next quarter. Guarantee cover : Up to Rs.2 lac — 90% of the default amount subject to ceiling of 90% of sanctioned amount. Above Rs.2 lac up to Rs.5 lac — 85% of the default amount subject to ceiling of 85% of sanctioned amount. Guarantee fee : One time upfront guarantee fee.of 1%, payable within 30 days from first disbursement or 30 days from date of demand of guarantee fee by the Trust, whichever is later. Invocation of guarantee: NPA before expiry of lock in period - within one year after expiry of the lock in period. NPA after lock in period - within one year from date of NPA. Legal proceedings mandatory. Payment of claim : 75% to be paid within 60 days. The balance 25% on conclusion of recovery proceedings. Recovery after claim settlement : Any amount recovered by the lending institution to be paid to the Trust within 30 days. After adjustment for recovery cost, the amount shall be shared in the ratio of claim payment. For delay interest to be paid at 4% plus bank rate.

Interest Subvention Scheme for Export Credit/Interest Equalisation Scheme: Government is providing interest subvention at 3% p.a. to all Scheduled Commercial Banks in respect of rupee export credit (Pre & Post shipment) extended to employment oriented export sectors such as Handicrafts, Handlooms, Carpets, Readymade garments, processed agriculture products, Sports goods, Toys, Engineering items, ITC and Textile goods. However, merchant exporters are not covered under this scheme. Banks are required to completely pass on the said interest benefit to all eligible exporters upfront and submit the claims to RBI on a monthly basis through a revolving fund system. This scheme is also called as "Interest Equalization Scheme" w.e.f. 01.04.2015 and valid for 5 years.

GOVT. SPONSORED SCHEME

PRIME MINISTER's EMPLOYMENT GENERATION PROGRAME (PMEGP)

Activity: Manufacturing, service & business. **Applicable :** Urban & rural areas (rural areas = population up to 20000 and area classified as villages in revenue record of State Govt.). Eligibility : Borrowers: Individuals, SHGs (of BPL), Charitable Trusts, Institutions registered under Societies Registration Act, Production Coop Societies. Existing unit, those who have borrowed under some subsidy scheme or defaulters of banks/institutions not eligible. **Age :** Individual above 18 years. **Income ceiling :** There is no income ceiling. Minimum qualification 8th pass is mandatory <u>only for</u> manufacturing projects costing above Rs.10 lac & service/business projects above Rs.5 lac. **Family :** Beneficiary & spouse. Only one person from family eligible. **Implementing Agency:** Administration by Ministry of MSE, Govt. of India. Implementation by KVIC at National level. **Project cost** [capital expenditure excluding land +one cycle of working capital (only working capital not eligible)]. Manufacturing sector : up to Rs.25 lac. Business and service sector: up to Rs.10 lac. Projects costing more than Rs.5 lac but not requiring working capital to be cleared by Regional Offices of the bank. Targets : To be allocated by KVIC and in the State, by SLBC. 50% cases should be for rural areas projects. Subsidy : Subsidy to be kept as interest free FD. To be credited to loan account at the end of 3rd year from date of 1st disbursement. If loan becomes NPA, subsidy can be utilized before 3 years. Amount of subsidy - General category of borrowers 15% of project cost in urban and 25% in rural areas. For special category borrowers25% and 35%. No ceiling on amount of subsidy. Targets: 50% should be Rural Area Projects. Credit Scoring Sheet and common format for sanction communication is introduced for PMEGP loan. The applicant should get a minimum score of 50 out of 100 for loan amount up to Rs.10 Lakhs and 60 out of 100 for loan amount above Rs.10 Lakhs. Irrespective of the score obtained in the scoring sheet, the applicant should obtain a minimum CIR score above 650 (Normal Risk) to be eligible for the loan. No collateral security upto Rs 10.00 lakhs Subsidy to be kept in Sundry suspense account, to be credited to loan account at the end of third year from the date of first disbursement. No Interest is to be charged on the loan on the corresponding amount of Suspense a/c. If loan becomes NPA, we can credit the amount to loan account even before completion of 3 years

DDU Antodya National Rural Livelihood Mission (NRLM)

Ministry of Rural Development, Govt. of India launched NRLM (Aajeevika). Eligibility Affinity-based SHG with 10-15 women. For difficult areas, groups with disabled persons and groups in remote tribal areas, min of 5 persons. For groups having persons with disabilities and other special categories like elders, trans-genders, the men and women can be the group members.
Financial Assistance : Revolving Fund (RF) : RF is available as corpus, with a min of Rs. 10,000 and max of Rs. 15,000 per SHG, for building capacity and credit history within the group. Conditions for RF : (1) SHG in existence for 3-6 months (2) Follows 'Panchasutra' — regular meetings, regular savings, regular internal lending, regular recoveries, maintenance of proper books of accounts (3) Did not receive any RF earlier. Lending Norms for banks: a) the eligibility criteria : SHG should be in active existence for min 6 months as per the books of account of SHGs. SHG should be practicing 'Panchasutras Loan : Loans are allowed through repeat doses, as under:

	1st Dose	2nd Dose	3rd Dose	4th Dose
Loan amount	4-8 times of proposed corpus in the year or Rs. 50,000 Whichever is higher.	5-10 times of existing corpus & proposed saving in next 12 months or Rs. 1Lakhs, whichever is higher.	Min Rs. 2 lakhs, based on Micro credit plan prepared by SHGs & appraised by Federations/Support agency and the previous credit history.	Loan amount can be between Rs. 5-10 lakhs or higher in subsequent doses, based on the Micro Credit Plans of the SHGs and their members.
Repayment period	6-12 instalments	12-24 months.	Monthly/quarterly /half yearly, between 2 to 5 Years.	Monthly/quarterly /half yearly, between 3 to 6 Years

Security and Margin: NIL for loan upto Rs. 10 lakhs. No lien should be marked against savings bank account of SHGs.
Interest subvention: Equal to difference between Weighted Lending Rate fixed by Ministry of Finance and 7%, on loans up to Rs.3 lac to women SHGs, in two ways: In 250 identified districts, banks will lend to all the women SHGs @7% upto an aggregated loan amount of Rs 3 lac. The SHGs will get additional interest subvention of 3% on prompt payment, reducing the effective rate of interest to 4%. In the remaining districts, NRLM compliant women SHGs will be registered with SRLMs. These are eligible for subvention to the extent of difference between the lending rates and 7% for the loan upto Rs. 3 lakhs. This is to be operationalized by SRLMs.

DDU Antodya National Urban Livelihood Mission (NULM)

The scheme implemented w.e.f. 24.09.13, by Ministry of Housing & Urban Poverty Alleviation.
COMPONENT 4: SELF-EMPLOYMENT PROGRAM - SEP (only this component applicable to banks) Target ; (i) Women beneficiaries minimum 30%, (ii) SCs and STs in the ratio of their city/town population, (iii) differently-abled 3%, (iv) minority communities 15%. Individual Enterprises (SEP-I)-Loan & Subsidy. Age: Minimum 18 Years at the time of applying for loan. Project Cost (PC): Maximum Rs 2 lac. Collateral security : NIL. Banks can seek guarantee of CGTMSE as per the eligibility of the activity. Repayment period : 5 to 7 Years after initial moratorium of 6-18 months. Group Enterprises (SEP-G) -Loan & Subsidy SHG or members of SHG constituted under SJSRY/ NULM or a group of urban poor can avail the subsidised loans. Eligibility : Group should have minimum 5 members with a minimum of 70% members from urban poor families. Age: All members min 18 years. Project Cost (PC): Maximum Rs.10 lac. Loan : Project cost less margin of beneficiary. Margin : Bank has discretion to decide the margin %. Collateral security on Bank Loan: Nil. The banks can seek CGTMSE. Repayment: 5 to 7 Years after initial moratorium of 6-18 months as per norms of the banks.

Interest Subsidy on SHG Loans (SHG-Bank Linkage)

No capital subsidy is available. Scheduled commercial banks, RRBs and cooperative banks (with CBS platform) are eligible for getting interest subvention. NULM will provide interest subsidy for all loans to SHGs of urban poor, being the difference between prevailing interest rate charged by the bank and 7% p.a. which will be reimbursed to banks. Additional 3% interest subvention will be provided to all Women SHGs, who repay their loan promptly. The banks should credit the amount of 3% interest subvention to the eligible WHSGs accounts and seek the reimbursement. For SHG bank Linkage banks are to open Savings Bank Account of registered or unregistered SHGs. These SHGs may be sanctioned Savings Linked Loans (saving to loan ratio of 1:1 to 1:4) In case of matured SHGs, loans may be given beyond the limit of four times the savings, as per the discretion of the bank.
ULB will do groundwork to open bank accounts for SHGs and facilitating access to Revolving Fund (RF). Scheme Funding : Centre and States in the ratio of 75:25. For Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Jammu & Kashmir, Himachal Pradesh and Uttarakhand, this ratio will be 90:10.

Deendayal Antyoday Yojna (DAY) National Urban Livelihoods Mission (NULM) -Self Employment Programme (SEP) – Component 4 : For both components No minimum educational qualification is required for prospective beneficiaries under this component. Project Cost: The Maximum unit Project Cost for individual micro-enterprises cases is Rs 200,000 (Rs Two Lakhs) and The Maximum unit Project Cost for a group enterprise is Rs 10,00,000 (Rs Ten Lakhs). ROI: Applicable Rate of Interest is to be charged to the account. Difference over 7% to be claimed as interest subsidy with Urban Local Body (ULB) . An additional 3% interest subvention will be provided to all Women SHGs (WSHGs) who repay their loan in time. Interest Subsidy, being interest charged over and above 7% rate of interest will be available for the term loans granted under SEP-I and SEP-G.

DIFFERENTIAL RATE OF INTEREST (DRI – started on June 12, 1972)

Annual family income Rs.18,000/-- in Rural and Rs.24,000/- in Urban and Semi-Urban areas Individual whose land holding does not exceed 1 acre of irrigated and 2.5 acres. of un-irrigated land. No land Ceiling for SC/ST engaged in Agriculture and Allied activities. Maximum quantum: Rs.15, 000/- (For physically handicapped additional loan of Rs.5000/- for artificial limbs/Braille typewriter), Interest: 4% Simple. Housing Loans under DIR Rs.20, 000/- for SC/STs and Rs.15, 000/- for others .For EL, as per EL guidelines. 2/3rd of DIR loans in Rural & Semi UrbanMinimum 40% to SC/ST beneficiaries.

SCHEME FOR REHABILITATION OF MANUAL SCAVANGERS (SRMS) 2013 : Scheme launched under Prohibition of Employment as Manual Scavengers and their Rehabilitation Act 2013 by modifying the earlier scheme 2007. Scheme implemented by National Safai

Karamchari Finance & Development Corpn under Ministry of Social Justice. Manual scavengers and their dependants Irrespective of their income are eligible (min age 18 years). **Training :** Beneficiaries to be provided 2 years training with stipend @ Rs.3000 pm. **Cash assistance :** Identified persons (one from each family) eligible for cash assistance of Rs.40000 (withdraw able in monthly instalment of Rs.7000). **Max Loan amount :** Rs.10 lac (in case of sanitation related projects, the loan amount is Rs.15 lac)
Repayment : Project up to Rs.5 lac = 5 years and above Rs.5 lac = 7 years. (including moratorium period of 2 years). State Channelizing Agency (SCA) would distribute funds within 3 months from date of application. **Rate of interest :** Project up to Rs.25000 = 5% (4% for women). Above Rs.25000 = 6% pa. If banks charge higher interest rate, difference will be paid by SCA.

Back ended Capital subsidy :

Project cost	Rate of subsidy
Up to Rs.2 lac	50% of project cost
> Rs. 2 lac to Rs.5 lac	Rs.1 lac + 33.3% of project cost above 2 lac.
> Rs'.5 lac to Rs.10 lac	Rs.2 lac + 25% of project cost above 5 lac.
> Rs.10 lac to 15 lac	Rs.3.25 lac

Full amount of loan shall be disbursed including amount of subsidy, by the bank. In case of misuse, borrower liable to repay back the subsidy amount @ 9% pa interest.

Interest Subsidy Scheme for Housing the Urban Poor (ISHUP) is introduced by Government of India with an objective to enable the Economic Weaker Sections (EWS) and Lower Income Group (LIG) segments in the urban areas to construct or purchase houses by providing an interest subsidy of 5% on loan amount of maximum Rs.1 lakh. EWS and LIG are defined as households having an average monthly income up to Rs.5,000 and Rs.5,001 to Rs.10,000 respectively. The borrowers under the scheme must have a plot of land for the construction or have identified a purchasable house. The preference under the scheme should be given to SC/ST/Minorities/Women/persons with disabilities in accordance with their population in the total population of the area as per 2001 census. The scheme will provide a subsidized loan for 15-20 years for a maximum amount of v Rs.1 lakh for EWS individual for a house at least of 25 sq. mts, and Rs.1.60 lakh for a LIG individual for a house at least 40 sq.mts, will be admissible. However, subsidy will be given for loan amount up to Rs. 1 lakh only.

Pradhan Mantri Awas Yojana (PMAY): The scheme is meant for "Housing for all by 2022" and banks are advised to extend housing loan facility to common man residing in selected statutory towns for purchase or construction of house / flat or conversion of kutcha dwelling unit to pucca house. However, the beneficiaries should meet the following criteria with regard to income and carpet area of the proposed house/flat to avail interest subsidy under Credit Linked Subsidy Scheme (CLSS).

Category	Annual Income	Max. Carpet Area
Economically Weaker Section (EWS)	Up to Rs.3 lakh	30 sq meters
Low Income Group (LIG)	Rs.3 to Rs.6 lakh	60 sq meters
Middle Income Group (MIG-I)	Rs.6 to Rs.12 lakh	120 sq meters
Middle Income Group (MIG-II)	Rs.12 to Rs.18 lakh	150 sq meters

The entry age of the applicant shall be minimum 21 years and maximum 60 years. The maximum loan allowed is Rs.24 lakh subject to 4 times of gross annual income with 40% net take home pay. The interest rate is MCLR + 0.05% and the loan is repayable within 300 months including gestation period of 18 months. However, the repayment shall be within 70 years age of the borrower. The margin requirement is 10% for new house/flat and it is 20% & 30% for up to 10 years & above 10 years old house/flat respectively. The precondition to avail this facility is that the beneficiary of the family (Self/Spouse/unmarried children) should not own any dwelling unit in any part of the country. However, an adult earning member can be treated as a separate household. The house should be in the name of female head of the household or in the joint names of male head of the household and his wife. CLSS is available to the borrower for limit up to Rs.6 lakh (irrespective of the loan sanctioned) at 6.50% for a period of 15 years or till tenure of the loan whichever is less. This works around Rs.2.30 lakh interest subsidy per beneficiary. The EMI will be fixed duly taking the interest subsidy component upfront into consideration. National Housing Bank is acting as Central Nodal Agency for this scheme.

AGRICULTURE

Agriculture
Loan application disposal time: Loan amount up to ` 25000/- : within 2 weeks, Loan, amount > `25000/- : Branch-30 days.KCC with in Branch powers: 15 days.
Margin: For Loans upto `1, 00,000/- No Margin. More than `1, 00,000/- : 15 to 25% (for MF,SF upto `2 lacs:10-15%), Agri Clinics, Agri Business Centres, upto `5 lacs : No Margin ,ALLHV: 10% (except MCVs and HCV – 25%) Land Purchase Scheme: 20%, Estate Purchase Loans: 50%.
Security Norms: Without Mortgage, upto `1, 00,000/-. Beyond ` 1 lakh, mortgage. In case of KCC, Upto ` 1.5 lakh, without mortgage. However for loans above ` 1 lakh, charge has to be created on lands wherever provision for charge creation is available (online/Manual).. For KCCS loans to plantation crops, Tobacco and Sugarcane crop with tie-up subject to conditions 300000.
Hypothecation Board: All Agricultural loans above `25,000/-. Exempted for Crop Loans irrespective of amount. Pre-Sanction visit waived for renewal of Crop Loans
PIPR quarterly basis – to be submitted for term loans of `50 lakhs or above
Insurance: Crop Insurance. For others, insurance is waived up to `50,000/-. For Govt. sponsored schemes – Insurance is must.
No Due Certificate –: No Due Certificate' from the individual borrowers (including SHGs & JLGs) in rural and semi-urban areas for all types of loans including loans under Government Sponsored Schemes, irrespective of the amount involved is **dispensed** unless the Government Sponsored Scheme itself provides for obtention of 'No Dues Certificate'.
Service Area Norms: Applicable for Government sponsored Schemes only. Branches can finance upto 16 kms in their command area for Priority Sector. Beyond 16 kms, CO permission required. Financing New Farmers: Each Rural/Semi-Urban branches have to finance at least 250 New farmers each year.

Kisan Credit Card Scheme: Cultivation & other short term needs including consumption and Term Loan requirement. Sub limit-I as per formula, Sub limit-II - 3 years net annual income of the farmer (Max `5 Lakh).Validity is 5 years (Annual Review- NF974). Annual review does not require presence/signature of the borrower. Respective sanctioning authority can permit renewal of limit after expiry up to 2 years. Term loan repayment with in 5 year from date of disbursement. Each withdrawal under the short term sub-limit to be liquidated in 12 months (short term crops)/18 months (in case of long term crops). A KCC/Kisan Suvidah account is considered nonperforming when a drawal and interest demanded, remains unpaid for a period of 2 crop seasons in case of short duration crops. In case of long duration crops, account becomes non- performing when a drawal and interest demanded, remains unpaid for a period of one crop season. KCC borrowers will be issued RuPay debit cards that shall be linked to their KCC(Revolving sub limit) through CASA account (Product 226). The requirements would be arrived at as under:

Sub-limit	**Norm**
Crop maintenance (A)	As per Scale of Finance
Sub-limit for Working capital requirement for allied activities(B) and for farm machinery maintenance(C)	Maximum 25 % of (A)
Sub-limit for consumption need (D)	10% of (A)+(B) subject to a maximum of `15000/-
Sub-limit for non-farm sector (E)	20% of projected turnover not exceeding 25% of (A)+(B)
KCCS limit	(A)+(B)+(C)+(D)+(E)

10 % annual increase in WC Limit. Suppose first year limit is X as per formula than subsequent year limit will be as under.
IInd year limit- X(1.1), IIIrd year limit- X(1.1)^2, IVth year limit- X(1.1)^3, Vth year limit- X(1.1)^4=1.4641X

Interest Subvention : Amount of interest subvention the crop loan component from the date of its repayment of the crop loan by the farmer or ,whichever is earlier ,subject to maximum ensure that all crop loans for which interest for stated purpose and there is no diversion memorandum (Branch sanction) along reviewing authorities in case of sanctions of and incentive will be calculated disbursement / drawal upto the date up to the due date of loan fixed by the of one year .Post disbursement audits subvention is being claimed are being in funds Copy of appraisal note and with application form should be send Rs. 5 lakh in case of KCCS and loans to SHG.

Interest Subvention : Amount of interest subvention and incentive will be calculated on the crop loan component from the date of its disbursement / drawal upto the date of repayment of the crop loan by the farmer or up to the due date of loan fixed by the Bank ,whichever is earlier ,subject to maximum of one year .Post disbursement audits to ensure that all crop loans for which interest subvention is being claimed are being used for stated purpose and there is no diversion in funds Copy of appraisal note and sanction memorandum (Branch sanction) along with application form should be send to reviewing authorities in case of sanctions of ` 5 lakh in case of KCCS and loans to SHG.

Pradhan Mantri Fasal Bima Yojana (PMFBY) : PMFBY is replacing National Agriculture Insurance Scheme (NAIS) and Modified National Agriculture Insurance Scheme (MNAIS).NAIS and MNAIS has been rolled back from kharif 2016 but WBCIS and CPIS shall continue Features of PMFBY are Share of farmer in actuarial premium has been rationalized for crops / areas throughout the country & reduced to a lower level subject to a maximum ceiling of 2% of sum insured for Kharif food grains, pulses & oilseed crops, 1.50% for Rabi food grains, pulses & oilseed crops and 5% for Kharif & Rabi annual commercial/annual horticultural crops. Provisions of capping on actuarial premium rates and reduction in sum insured have been removed. The coverage of post-harvest losses has been extended throughout the country and unseasonal rains have been included. Besides hailstorm & landslide, Inundation has been included for coverage under the localized risks .One more Indemnity Level of 70% has been included and as such, three levels of Indemnity, viz., 70%, 80% & 90% will be available for high, moderate and low risk crops/areas under PMFBY. As per the scheme guidelines of PMFBY, "Bank and other financial institutions etc. shall be paid service charges @4% of the premium collected from farmers

Personal Accident Insurance Scheme (PAIS): Age upto 70 years. Coverage `150,000/- for death, 187500/ for permanent total disability & loss of two limbs or two eyes or one limb & one eye, 75000/- for loss of one limb or one eye.. Premium Rs25/- (Bank Rs`17/-(inc GST Rs3/-) + party `8/-/-(inc GST Rs1/-)) .. The PAIS & Asset Insurance for term loan is optional. If waiver is sought same to be recorded in application form.

Canara Kisan OD Scheme : Agriculturists with One year satisfactory dealings. Limit:

Where recovery percentage is upto 90% Where recovery percentage is more	Where recovery percentage is upto 90% Where recovery percentage is more
than 90% (to be permitted by circle	than 90% (to be permitted by circle
office)	office)
Maximum of three times of gross	Maximum of three times of gross

Tenability: 3 years. Upto `1 lakh can be permitted for repayment of outside debts by farmer. Respective sanctioning authority can permit renewal of limit after expiry upto 2 years.
Purpose – NOT for crop production as existing KCCS covers the same.Tenability: 3 years with annual review Eligible for ATM card. Interest has to be debited half yearly, September/March. Interest debited is to be recovered within a maximum period of 90 days .Agreement-NF 985 (revised).

Kisan Suvidha Scheme :
Working Capital(for crop, allied activities) and Term Loan needs. Assessment of sub limit I is done using the same formula we use for KCCS. Under Sub limit 2 ie for term loan quantum is 3 years net annual income of the farmer with max. `5 lakhs. Validity is 5 years.Working capital drawings to be repaid in 12-18 months and each Term loan in 5 years from the date of disbursement.

Produce Loan : Maximum `50 lacs per party. Repayment: within 12 months from the date of grant. 50 lacs is the restriction for Produce Loan to Corporate also.

Canara Kutir : The Age of the individual member should be between 25-55 years to avail the loan. The scheme is applicable only to SHG members who have been credit linked under NABARD model and SGSY/NRLM model. Maximum loan is `75000/-.If the loan is for repair of the existing building, the loan up to a maximum of `25000/-(Rupees twenty five thousand only) .The repayment holiday up to a maximum of 9 months may be permitted.

Kisan Sampada Yojana : Kisan Sampada Yojana Scheme will be implemented by the Ministry of Food processing Industries, to provide comprehensive package which will result in creation of modern infrastructure with efficient supply chain management from farm gate to retail outlet. The following schemes will be implemented under Kisan Sampada Yojana Scheme.
1. Mega Food Parks (ongoing), 2. Integrated Cold Chain and Value Addition Infrastructure (ongoing), 3. Creation/Expansion of Food Processing & Preservation Capacities (new), 4. Infrastructure for Agro-Processing Clusters (new), 5. Creation of Backward and Forward Linkages (new), 6. Food Safety and Quality Assurance Infrastructure (ongoing) ,7. Human Resources and Institutions (ongoing)

Gold Loans For Agriculture: Loan: Minimum `500/- and in multiples of `100/- with max. `3 lacs for crop purpose and upto Rs 5 lacs for non crop purpose .If granted over `2 lakhs, Re appraisal to be done in 2 days by another jewel appraiser. Repayment within 12 months. Branch in charge can extend another 6 months. Age of Jewel appraiser: i) Maximum age of 70 years is stipulated for availing services of jewel appraiser. ii) Branches to obtain proof of date of birth /age of the existing jewel appraisers immediately and for new appraisers at the time of empanelment. Reappraisal: In 12 months – 10% of regular a/cs + all overdue loans and in case of 18 months inspection, it is 15% of regular + all overdue loans

Agril Land records for Gold Loan: For aggregate loans up to `100000/- declaration of the party in the application can be accepted and production of land records need not be insisted. Loans sanctioned to NBFCs for on-lending to individuals or other entities against gold jewelers, are not eligible for classification under agriculture sector. Investments made by Banks in securitized assets originated by NBFCs, where the underlying assets are loans against gold jewelers are not eligible for classification under agriculture sector.

Kisan Tatkal : Only for KCC holders to meet post harvest expenses. Min. `1000/- Maximum `50,000/-(max.50% of KCC limit /25% of the estimated annual income of the agriculturist).

Tractor Loans & Farm Machinery Loans : Financing farmers for purchase of Farm Machinery, mainly Tractors & power tillers is an important segment of agricultural finance. Eligibility: 6 acres irrigated/12 acres dry land Tractor usage for 1000-1200 hours. Minimum 500 hours in farmers own land Scoring matrix introduced for assessing the eligibility for tractor loans Retention of 5% of the value of the tractor payable to the dealers till the RC Book is received. In case of Joint Borrowers, borrowers should be from same family only. If borrowers from different family, permission from Circles DGM is to be obtained. Repayment period: 5 to 9 years in half yearly/yearly installments. For power tillers, eligibility 2 acres irrigated or 4 acres dry and usage is 600 hours in own lands or hiring basis and 50% income from own farm.
Special Scheme For Financing Small Tractors Farmers /Group of farmers owning 3 acres of perennially irrigated agriculture land or 6 acres of dry land or corresponding acreage of land as prescribed in the land ceiling act will be able to reap the benefits of the scheme .Maximum quantum of loan will be `3.50 lakh (For purchase of Tractor). Additional 50000/- can be considered for the cost of accessory and implements .Tractor usage for 1000 hours. Minimum 300 hours in farmers own land. Retention of 5% of the value of the tractor payable to the dealers till the RC Book is received. Financing Second Hand Tractors Tractor should not be more than 3 years old loan shall not be more than 60% of the value of the tractor as per valuation report or sale consideration whichever is less. Repayment: Maximum 5 years in half yearly / yearly installments depending upon income generation.

ALLHV:
Heavy Vehicles: Agriculturists with minimum 15 acres of Perennially Irrigated lands. Margin 10% (except for MCVS/HCVS) Mortgage is must for Medium Commercial Vehicles & Heavy Commercial Vehicles and Margin is 25%.Repayment: 5-7 years for MCVs and LCVs -- Monthly / Quarterly installments. Eligible Vehicle for ALLHV: Only loans given for the following purposes can be covered under ALLHV viz. Purchase of Trucks/Lorries, Mini trucks, Jeeps, Pick up vans and other transport vehicles /equipments used for transport of agricultural inputs and farm products but not cars. Second Hand Vehicle – ALLHV: Vehicle should not be more than 5 years old. The quantum of loan should not be more than 75% of the value of the vehicle as per valuation report or purchase consideration whichever is less. The loan is to be repaid within 3 years.

Kisan all-purpose term loan: Term loan with an upper cap of `20 lakhs, for any farm investment /development purposes .Repayable within 9 years. It shall be subject to 5 times of Annual farm income (current-pre development stage as assessed by the branch based on crop pattern & allied activities undertaken) of the farmer. Security for loan above Rs one lakh should be least 200% of the limit sanctioned in addition to the hypothecation of assets created.

Matsya Suraksha : (A Scheme to Finance Fishermen) .Single transaction short term loan to meet recurring expenses of fishermen towards cost of fuel, oil, consumables and stores, repairs and maintenance of own boats, selling and other working capital related expenses. Fishermen owning traditional catamarans, masula boats, plank-built boats,dug out canoes, machwas, or dhonis are eligible. Fishing shall be his sole source of income .Quantum-Minimum: `10,000/- Maximum `1,00,000/-. Margin – Nil To be repaid in 35 months in 24 equal installments. (Repayment holiday from June to September every year).

Matsya Parirakshan (**A Scheme to Finance Fisher Women .**Single transaction short term loan to meet recurring business expenses of fisherwomen engaged in processing (preparation of dry fish etc) / retailing of fish in markets , towards cost of procurement of fish for selling/processing and related expenses. Quantum- Minimum: `5,000/- Maximum `50,000/-.Nil. Margin.To be repaid in 35 months without any repayment holiday. Interest to be recovered along with installments.

Matsya Samruddhi :(**A Scheme to Finance SHGs/JLGs)** Members may be involved in fresh Fish vending, Fish Drying, fish salting, fish net making, fish feed production, fish manure production, boat/net purchase , fish carrying vehicle purchase, inland fisheries, women involved in cleaning the fish at fish markets either individually or in groups. Group may be financed for consumption purpose also ..Maximum loan of `50,000/- per member with a maximum of 10,00,000/- to a group. Nil Revolving cash credit tenable for 5 years and interest to be repaid on monthly basis.Single Transaction limit to be repaid in equal monthly installments.

Smart Machines:
A new scheme for Purchase of brand new smart machines/implements, grain threshers, sprayers, dusters, ploughs, drills and such other farm machines/implements needed for agricultural activity. Repair & Maintenance of smart machines/implements & re placements. Loan Quantum:i) Term loan: Maximum quantum: `5,00,000/- (Rupees Five lakh only).ii) Working Capital: Maximum quantum: `50,000/-(Rupees Fifty Thousand only).

Farmers club
VVV club rechristened as Farmers Club –Size: Minimum 10 members. No restriction on upper limit .Membership: All villagers except defaulters .Leader: Democratic election, valid for 2 years. NABARD will provide `10,000/- per club for 3 years. Subsequently, our Bank will provide `2000/- per year for 2 years. After 5 years, farmers club to become self sustain.

Agriclinics & Agribusiness Centres (ACABC)
Eligibility: Agriculture graduates / graduates in subjects allied to agriculture like horticulture, animal husbandry, forestry, dairy, veterinary, poultry farming and pisciculture. Diploma (with 50% marks) / Post Graduate Diploma holders (with minimum 60% agriculture and allied subjects), Biological Science Graduates, Degree holders (UGC recognized and at least 60% agriculture and allied subjects) & Agriculture related courses at intermediate level (at least 55% marks) have also been made eligible.
Group consists of 5 or more persons all except one of them would have to be agriculture graduates trained under the scheme and the remaining person could be non-agriculture graduate with experience in business development and management
Project Cost Ceiling: Individual projects will be `20.00 lakh. Group projects would be `20.00 lakh per trained graduates, subject to an overall ceiling of `100.00 lakh
Repayment period: 5 to 10 years with maximum grace period upto 2 years. Subsidy amount is adjusted after liquidation of net bank loan (excluding subsidy) .**Margin:** Upto `5 lakhs- No Margin. Beyond 5 lakhs: 15 to 25% For SCs/STs, women and beneficiaries of North-eastern states, Hill areas, Credit linked capital subsidy @ 36% of the Total Financial Outlay of the project. This subsidy would be 44 % in respect of candidates belonging to SC, ST, Women and all categories of candidates from North-Eastern and Hill States.

Agricultural Innovation Centre Agricultural Consultancy Services(functioning under Priority Credit and Financial Inclusion Wing) is renamed as Agricultural innovation Centre.1) Undertake appraisal of
Projects , technical / management consultancy issues, viability studies, rehabilitation packages for sick units, follow up and consultancy. Cut off limit for appraisal by agricultural innovation Centre,HO 150 Lakhs for fresh Term Loan proposal and Rs300 Lakhs for existing customer. Viability study shall be conducted by Agricultural Innovation Centre, HO in respect of Agriculture accounts with outstanding of Rs 100 lakhs and above .

Agricultural Marketing Infrastructure (AMI)
Grameen Bhandaran Yojana (GBY) and Agricultural Marketing Infrastructure, Grading and Standardization (AMIGS) are merged and renamed as Agricultural marketing Infrastructure by GOI.It is applicable to SC/ST across the country and for projects from North eastern Region (NER) including Sikkim. Minimum promoter margin – 20% of the project cost. Back- ended capital subsidy- 25% or 33.33% of the capital cost.NABARD has allowed sanction of subsidy to all eligible projects for which Term Loan has been sanctioned on or before 05.08.2014

Dairy Entrepreneurship Development Scheme (DEDS) : To generate self-employment and provide infrastructure for dairy sector NABARD is implementing the scheme to set up modern dairy farms and infrastructure for production of clean milk and encourage heifer calf rearing for conservation and development of good breeding stock. Farmers, Individual Entrepreneurs and Groups of Unorganized and Organized Sector like SHG on behalf of their members, Dairy Cooperative Societies, Milk unions on behalf of their members, Milk federation, Panchayati Raj Institutions (PRIs) etc.Back ended Subsidy: 25% of project cost for General category. 33.33 % of project cost for SC/ST .Assistance is credit linked. Subsidy will be release on first come first serve

7.MSME

Target
7.5 % of ANBC% target for Micro Enterprises (Include KVIC), by March 2017. (7 % by March 2016) .
Loan to service enterprises will be classified as priority sector, if loan amount is upto Rs 5 crore per unit for MSE and upto Rs 10 Crore is financed to Medium enterprises.MSME will enjoy priority sector classification upto 3 years after they grow out of MSME category. Share of Micro Enterprises in total lending to MSEs should be 60% as on preceding March 31st. Branches have to achieve a 20% year-on-year growth in credit to MSEs and 10%, annual growth in the number of Micro Enterprises financed. The buyer to make payment on or before the date agreed on between him and the supplier in writing or, in case of no agreement before the appointed day. The agreement between seller and buyer shall not exceed more than 45 days. The buyer fails to make payment of the amount to the supplier, he shall be liable to pay compound interest with monthly rests to the supplier on the amount from the appointed day or, on the date agreed on, at three times of the Bank Rate notified by Reserve Bank. Our Bank has decided to observe every THIRD FRIDAY in a month as MSME DAY”.

Time Norms For Disposal of Micro , Small & Medium Enterprises Proposals
Loans to MSE (at Branch/CO/RO level): Maximum Turn Around Time; Upto ` 5 lakhs: 15 Days, Above ` 5 lakhs & upto ` 25 lakhs:30 Days, Above ` 25 lakhs:45 Days, Loans to Medium enterprises : Above ` 25000 & upto ` 5 lakhs : 30 days Above ` 5 lakhs & up to ` 25 lakhs: 45 days, Above ` 25 lakhs: 45 days, The above provided such applications are complete in all respects. Branches to issue Token of Service on receipt of application.
Rejection of MSME proposals is subject to concurrence of the NHA Lending Rates in MSME
ROI on exposures above ` 2.00 crore is to be based on credit risk rating (internal / external). For the exposures above 2 lakhs and upto 2 crore ROI is to be based on Internal Risk Rating under Small Value Model (Exposures above ` 2 Lakhs upto ` 20 Lakhs) and Manual Model (Exposures above ` 20 Lakhs upto ` 2 Crore).
Concession of 0.25 % in applicable rate of interest in CGTMSE covered accounts upto an exposure of ` 100 lakh is available, subject to the condition that the ultimate interest rate shall not fall below the respective MCLR.
A reduction of 0.50% in the applicable rate of interest on loans and advances to Women Entrepreneurs under MSE (both manufacturing & services) to be extended to new loans.

For loans repayable more than 1 year upto 5 years and more than 5 years, the liquidity premium to be loaded to the Card rates additionally @ 0.40 % and 0.85 % respectively.
Spread over MCLR for MSME loans above ` 2 lacs and upto ` 1 Cr : 1.55% for LR ,2.15 % for NR, 2.80 % for MR , 3.80 % for HR I and 5.65 % for HR II & III
Spread over MCLR for MSME loans above 1Crore upto 5 Crore based on risk ratings as well as Collateral comforts
Exposure above ` 5 Crore externally unrated, an additional interest of 0.25% pa shall be charged till such time external rating is obtained by the entity
Tenability of limit for MSME borrowers (Low Risk Grade I & II)- 2 Years and for (Low Risk Grade III) 15 Months

Security Norms

No collateral security and/or third party guarantee to be taken in respect of loans / advances to MSME units as under (including KVIC and Government sponsored): (a) Up to `10 lakhs,Up to `25 lakhs in respect of units whose track record and financial position are good as per Bank records. Up to `200 lakhs in respect of Micro & Small Enterprises whose borrowal accounts are covered under CGMSE Presently CGMSE cover is not available for credit facilities extended to Retail Traders, Educational Institutions, Training Institutes, Training cum incubator centres and loans/advances granted to Medium Enterprises, JLG & SHG.

Working Capital Limit Assessment for MSE :

The credit requirements of the village industries, MSME requires limit to be computed either under turnover method or MPBF method, whichever is higher, for new as well as existing units. Working Capital credit limit for Micro and Small Enterprises (MSE) increased from minimum 20% of the accepted projected turnover to 25% with FB limits up to `. 5 Crore. Margin would be 8.33% of accepted projected turnover. For MSE ,additional 5% working capital limit increased i.e. 30% of the portion of the assessed projected turnover of the entity expected to be carried out through digital mode for MSEs with FB working capital limits up to `. 5 Crore. Margin would be 3.33 % of projected accepted turnover. New parties who have just started their business shall be provided selectively by reckoning 25% of the projected sales accepted by the Bank for the current financial year under digital mode.
In abomodified working capital assessment ,all proposals for sanction of Adhoc facility shall be placed to next higher authority. The aggregate limit to the borrower with Adhoc facility shall not exceed 35% of the projected turnover.

Review of Working Capita Limits for MSEs : If branches/offices are convinced that changes in the demand pattern of MSE borrowers require a mid-term review, such mid-term reviews may be based on an assessment of sales performance of the MSEs since last review without waiting for audited financial statements. However, provisional financial statements shall be the basis of such review. such mid-term review shall be revalidated during the subsequent regular review based on audited financial statements. If on revalidation, the performance is not in tune with the provisional figures submitted, the limits shall be reviewed with immediate effect to recover excess finance.

Other Finance to MSMEs

Loans to entities involved in assisting the decentralized sector in the supply of inputs to and marketing of outputs of artisans, village and cottage industries. Loans to co-operatives of producers in the decentralized sector viz. artisans,village and cottage industries.
Credit outstanding under General Credit Cards (including Artisan Credit Card, Laghu Udyami Card, Swarojgar Credit Card, and Weaver"s Card etc. in existence and catering to the non-farm entrepreneurial credit needs of individuals).
Overdrafts extended by banks after April 8, 2015 upto Rs.5, 000/- under Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts provided the borrower"s household annual income does not exceed 100,000/- for rural areas and Rs. 1, 60,000/- for non-rural areas. These overdrafts will qualify as achievement of the target for lending to Micro Enterprises.
Outstanding deposits with SIDBI and MUDRA Ltd. on account of priority sector shortfall
Loans sanctioned by banks to MFIs for on-lending to MSME sector as per the conditions specified ; Terms and conditions to be complied with MFIs for classification under MSME
Bank credit to MFIs extended for on-lending to individuals and also to members of SHGs / JLGs will be eligible for categorization as priority sector advance under respective categories viz., Agriculture, Micro, Small and Medium Enterprises, and 'Others', as indirect finance, provided not less than 85 percent of total assets of MFI (other than cash, balances with banks and financial institutions, government securities and money market instruments) are in the nature of "qualifying assets".
In addition, aggregate amount of loan, extended for income generating activity, should be not less than 50 percent of the total loans given by MFIs.
A "qualifying asset" shall mean a loan disbursed by MFI, which satisfies the following criteria: The loan is to be extended to a borrower whose household annual income in rural areas does not exceed Rs.1,00,000/- while for non-rural areas it should not exceed Rs.1,60,000/-.
Loan does not exceed Rs.60,000/- in the first cycle and Rs. 100,000/- in the subsequent cycles and Total indebtedness of the borrower does not exceed Rs. 1,00,000/-.
Tenure of loan is not less than 24 months when loan amount exceeds Rs.30000/- with right to borrower of prepayment without penalty. v. The loan is without collateral
Tenure of loan is not less than 24 months when loan amount exceeds Rs.30000/- with right to borrower of prepayment without penalty. v. The loan is without collateral. vi. Loan is repayable by weekly, fortnightly or monthly instalments at the choice of the borrower.
The margin cap should not exceed 10 percent for MFIs having loan portfolio exceeding Rs.100 crore and 12 percent for others.
interest rate on individual loans will be the average Base Rate of five largest commercial banks by assets multiplied by 2.75 per annum or cost of funds plus margin cap, whichever is less. The average of the Base Rate shall be advised by Reserve Bank of India.

Delegation of power for MSME:

Lending to MSME is be based on credit risk rating (internal / external).
For Branch-in-charge of specialized SME branches: Sanctioning powers at par with Large branch delegated power (` 75 Lakh)- (Except Canara Trade, MSME CAP, OD,MSME and Canara Contractor Scheme). Also applicable to Overseas/IF/AF Branch.
Separate Common Delegation of Powers without any sub limit clause for Book Debts is applicable for four Loan Schemes, viz. Canara MSME CAP; Canara Contractor; OD-MSME and Canara Trade are as follows;

Irrespective Risk Rating
Standby credit for SME: 20% of sanctioned limit or delegated powers whichever is lower. Standby export credit: 10% of sanctioned limit or 10% of delegated powers whichever is lower.
CGM/GM-HO-CAC may consider maximum of 2 deviations in a proposal, including major deviations, in respect of Corporate and MSME proposals including CRE, falling upto their powers.
MSME proposals, including Commercial Real Estate, ED-CAC & CAC of the Board may consider maximum of 4 deviations in a proposal, out of which Major deviations shall not exceed 2 and beyond that proposal shall be placed before the MC of the Board for prior approval/permission.
From 16-01-2017 MSME Proposals to be processed through CLAPS Package.

Takeover norms for SME Advance
Respective sanctioning authority may permit takeover of Borrowal accounts from other Banks/Financial institutions upto their normal delegated powers in case of Low Risk & Normal Risk Accounts. In case of borrowal accounts(non takeover) in other than MSME segment, if the account is risk rated as Moderate risk in the pre-sanction stage, the sanction can be accorded by Circle Head
Current ratio can be 1. Debt Equity Ratio may go up to 3.
For takeover of fund based limits, concession in Rate of Interest by 0.25% over the applicable rate may be permitted for takeover of borrowal accounts from other banks / Financial institutions by CM/DM and above authorities. MOU for Due Diligence Services of Micro, Small & Medium Enterprises
MSE units who approach our Bank for the first time for the credit facility requirement of above ` 10 lakhs and upto ` 200 Lakhs and eligible to be covered under CGMSE are to be brought under Due Diligence Service.
Due Diligence Report proposed from the external agencies is to be treated as an additional comfort only and shall be optional.

Credit Enhancement Guarantee Scheme for Schedule Caste (CEGSSC)
Ministry of social justice and empowerment has come out with CEGSSC, which is being implemented by Industrial Finance Cooperation of India Limited (IFCI). Minimum loan amount is Rs 25 lakhs and no limit on maximum loan amount. Maximum guarantee amount is Rs 500 lakhs.
Interest rate cap : Base rate +3 %. Guarantee fee: First Year - 0.75 % for women SC entrepreneurs and 1 % for other SCs. Annual renewal fee -1 % (exclusive for taxes) for all. Lock in period is 12 months from the date of last disbursement. Guarantee cover will be available for a period of 7 years or the repayment period of the advance whichever is less.
Initial corpus of fund is Rs 200 Cr is allotted and shall be placed in a No Lien Account‖ by IFCI ltd.
Registered companies (including one person companies), societies and registered partnership firms having more than 75 % shareholding by SC individuals with management control for 12 months are eligible.
The guarantee fees for the first year shall be paid within 30 days from the date of GPN or within 30 days of first disbursement of the loan, whichever is later, but not exceeding 90 days from the date of sanction. A confirmation of payment of guarantee fees to IFCI, giving reference to the GPN and Borrower ID shall be sent within 15 days from the date of payment of guarantee fees.

MSME PRODUCTS

	Canara MSE Unnati•	Canara Trade*	Doctors' Choice*
Purpose	Business Needs	Business Needs for MSME - Services	To meet the working capital and Term Loan requirement of RMP
Loan Amount –	10 lakhs upto 100 lakhs	10 Crores	Max.5 Crores
ROI	MCLR + 0.85%	As applicable	MCLR+0.95% to MCLR+2.20%
Margin	20%	10 %to 25 %	20 %to 25%
Repayment	84 Months	84 Months	60 to 84 Months
Processing / Upfront fee	25% concession in applicable charges	As per extant Guidelines	75% of the applicable Upfront fee
CGTMSE AGF/ Collateral Security	Borne by the Borrowers	Collateral by way of land and building valued 100% to 133% of the loan amount	Primary/Collateral by way of land and building valued minimum 50% of the loan amount

	MSME VAHAN*	MSE Vijeta*	Canara MSME CAP*
Purpose	Purchase of vehicle for business purpose	Business needs of Women Entrepreneurs	Business needs
Loan Amount	25 lakhs	Above 10 lakhs & Upto 200 Lakhs	Mfg: 5 Crores ,Services: 2 Crores
ROI	MCLR + 0.80%	MCLR.1.30% to MCLR+1.55%	MCLR+1.55% to MCLR+2.30%
Margin	10% on "on road cost"	20%	10%

Repayment	Two Wheeler: 60 M Four Wheeler: 84 M	84 months	60 to 120 Months
Processing/ Upfront fee	0.25% of loan amount	25% Concession in applicable charges	50% concession in applicable charges
CGTMSEAGF/ Collateral Security	Loans upto 10 Lakhs borne by the Bank	Upto 200 Lakh under CGTMSE at the option of the borrower, else EMT of Property to the extent of 60% of the loan	Land & Building collateral mandatory- valued 100% to 125% of the loan amount

	Canara MSE Smart*	Canara Caravan*	Canara Contractor*
Purpose _	Business Needs of Professionals	Finance to new small, light, medium and Heavy Commercial vehicles	Business needs of Contractors/ sub-contractors
Loan Amount	Urban & Metro 200 Lakhs other places 50 lakhs	Min. 25 lakhs Et Max 5 Crores	From 10 lakhs to 10 Crores
ROI	As Applicable	0.50% to 1.00% Interest concession from applicable rate, depending on scoring model.	0.50% to 0.75% interest concession from applicable rate
Margin	25%	Depending on scores	10%
Repayment	60 to 120 Months	60 Months	60 to 84 Months
Processing/ Upfront fee	50% concession in applicable charges	25% concession in the applicable charges depending on scores	25% concession in the applicable charges
CGTMSE AGF/ Collateral Security	Collateral by way of land and building 125% of the loan amount	Collateral by way of land and building 25% of the loan amount	Collateral by way of land and building 125% of the loan amount

*-Term premium to be added separately depending upon the repayment period as per guidelines

Canara MSME Expo : The loan amount is linked to turnover of customer and is restricted to a maximum of Rs 50 lakhs. For the purpose of participation in Trade fair / exhibitions the maximum loan amount is restricted to Rs 25 lakhs .Only exporters with a minimum turnover Rs 100 lakhs in the immediately preceding year and having credit limit with us can avail loan under the scheme. If turnover is between 200-500 lacs and 500-1000 Lacs, maximum loan can be sanctioned is Rs 20 Lacs and Rs 30 Lacs respectively. Only Term Loan can be sanctioned under the scheme.Repayment period of term Loan is 3 years and repayment holiday can be upto 3 months.Margin under the scheme is 15 -25 % of the project cost. If CGTMSE coverage is not opted by borrower, primary / collateral security by way of land and building to the extent of 100 % of the loan amount should be obtained. Minimum DSCR must be 1.5 and Current Ratio must be 1

OD MSME scheme : Maximum Loan Rs 3 crore can be granted under OD MSME. Maximum Tenability for OD MSME limit up to Rs 2 Lacs is 2 Years. Tenability for LR , NR and MR rated accounts under OD MSME scheme are 18 months , 15 months and 12 months. Mortgage of land and building with value not less than 125 % of the limit sanctioned is required unde OD MSME. Vacant site with no superstructure can be accepted if allotted by Government approved bodies but tenanted property can not be accepted.

Financing Start Ups and Early Stage Units promoted by graduates of reputed educational Institutions

- ✓ WC / TL to MSME manufacturing and service units, to graduates of reputed educational institutions, subject to a minimum of Rs 10 Lacs and maximum of Rs 200 Lacs for Startup and Rs 500 Lacs for Early Stage Units.
- ✓ Early stage Units are units which have not completed 3 years from the date of commercial operation/first balance sheet.
- ✓ Promoters must be graduates from IIMs/IITs/IIITs/ISBs/XLRI/IISCs/IISERs/Symbiosis Pune/Bangalore/MDI Gurgaon or NITs).Age of the promoters must be between 20-50 years. ✓ **Margin** : Working capital 25 % , Term Loan 20 %
- ✓ **ROI :** Card rate as applicable to MSME units minus 0.25 %
- ✓ Repayment for project cost upto Rs 100 Lacs :7 Years excluding moratorium, but not to exceed overall tenor of 10 years
- ✓ Repayment for Project cost above Rs 100 Lacs→ 7 years & in exceptional case upto 10 years, excluding moratorium, but not to exceed an overall tenor of 12 years.
- ✓ Loan upto Rs 100 Lacs: CGTMSE coverage or 50 % of the loan amount by way of Land and Building /Approved securities/Our Bank deposit either primary/collateral or primary and collateral put together
- ✓ Loan above Rs 100 lacs: 50 % of the loan amount by way of land and building /approved securities/our bank deposits either primary/collateral or primary and collateral put together.Upfront Fee for TL: 0.25 % of sanctioned loan amount. Minimum Rs 5000/-. Delegation of power vested with circle head CAC.

Stand Up India Scheme

□Purpose: For setting up a New Enterprise (Only Green Field Project) in Manufacturing, Trading or Services Sector by SC/ST/Women Entrepreneur. Green Field Project signifies, the first time venture of the borrower in the Manufacturing or Services or Trading Sector. Quantum: Minimum above ` 10 Lacs and Maximum ` 100 Lacs, □Margin: 25% of the Project Cost. Margin money can be provided in convergence with eligible Central/State schemes. While such schemes can be drawn upon for availing admissible subsidies or for meeting margin money requirements, in all cases, the borrower shall be required to bring in minimum of 10% of the project cost as own contribution.
□Sanctioning Authority, Risk Rating , Processing fee/Upfront Charges & ROI: As per prevailing guidelines
□Collateral Security: If not covered/Not eligible to be covered under CGTMSE/CGFSIL, The borrower shall provide collateral security in the form of land and building to the extent of 100% of the sanctioned limit.
□Repayment: Seven Years for Term Loan. Working Capital – As per prevailing guidelines , Repayment Holiday: 18 months
□The scheme to cover loans granted under Stand Up India is known as "Credit Guarantee Scheme for Stand Up India (CGSSI)".
□Refinance window through Small Industries Development Bank of India (SIDBI) with an initial amount of Rs. 10,000 crore.

Canara DAL Mill Super ,Quantum: Minimum loan amount under the scheme is above ` 10 lakhs. Maximum Loan amount is ` 10 Crores. Security: Minimum Value of the Collateral Security by way of mortgage of immovable Property in the form of land/building should be 75% of the loan amount.
□ROI: ROI is linked to MCLR and value of collateral security. Where collateral security comfort by way of mortgage of immovable property is 100% & above of the limit permitted: Working Capital @ MCLR+1.05 % and TL @ MCLR+1.55 %
□Where collateral security comfort by way of mortgage of immovable property is 75% & above but less than 100% of the limit permitted: Working Capital @ MCLR+1.30 %, term Loan @ MCLR +1.80 % .
□Interest concessions - □0.50 % in the applicable rate to women MSMEs □0.25 % on loans covered under CGMSE

Rice Mill Scheme for financing Rice Mills/Shellers & Poha manufacturer □Quantum: Minimum above ` 10 lakhs upto a maximum of ` 25 crore. □Mortgage of immovable property acceptable to the Bank- Either Primary or Collateral or Primary and Collateral and whose value is not less than 50% of the limits permitted.
□Rate of Interest as per security comfort. Applicable term premium as per prevailing guidelines to be loaded additionally in case of term loans. In case of women entrepreneurs, further interest concession of 0.50% may be extended.

Scheme for implementation of energy efficient technologies FOR MSMEs [Technology and Quality Up gradation Support (TEQUP) □25 % of the project cost upto a maximum of ` 10.00 Lakhs is available as Government Grant. Repayment period upto 5 Years, Excluding holiday period of 6 months, □Margin: 25% (Upto ` 1 Cr), 20% (Beyond ` 1 Cr), □The project taken up under the scheme should primarily focus on energy efficiency for the applicant MSME units leading to at least 15% reduction in the energy consumption by the enterprise. Applications for grant of subsidy should be submitted within a maximum period of 2 months from the date of sanction of Term Loan by the Bank. □Savings in energy consumption due to introduction of solar energy, etc., in nonmanufacturing process shall not be considered for subsidy assistance. Scheme Steering Committee (SSC) releases the grant after disbursement of the loan. The SSC convey its decision to bank under intimation to the applicant within 10 days.
□If unit becomes non operational within two years of the receipt of Govt. Grant , it should need to be refunded alongwith the interest at bank„s Base rate from the date of closure till date of refund.
BE-MSME
□Purpose : Discount /Purchase of Bill of exchange (only pre-accepted bills or bills drawn under LC) drawn by MSME (manufacturing units) on reputed Joint stock companies/PSUs
□Where private sector banks and foreign banks (non prime banks) are involved, prior permission from RM wing, HO is to be obtained for exposure limit. □Margin: 5-10 %. Margin can be waived by Sanctioning Authority. □RoI: 90 days Usance: MCLR+0.50%, Usance above 90 days but not exceeding 180 days - MCLR +0.95%.

Bills under LCs (BULC) Scheme □The scheme shall be made available to (a) constituent borrowers (corporate/noncorporates) with highly satisfactory performance. The account shall be under Moderate Risk and / or having external rating grade up to BB. Wherever both internal and external ratings are available, only external rating shall be taken into account and (b) non-constituent borrowers (corporate / non-corporates).
□The minimum amount of each bill not less than 5 lacs with maximum usance period 180 Days and must be accepted by prime Banks in India and select private sector banks for non constituent borrower.
□Designated Branches may negotiate bills (both DP & DA) drawn under LCs established by our branches to full extent and upto twice the normal delegated power for secured facility. For the purpose of arriving at delegated amount only regular Working Capital Facility assessed MPBF may be permitted by the respective sanctioning authorities subject to tolerance of 10% of MPBF. Negotiation of inland bills drawn under LCs (With recourse) of Other Banks by PCB Head: ` 50 Crore (Separate limit without aggregation) with nil processing charges. □bills drawn under LCs of co-operative /private banks, the same can be permitted subject to exposure clearance from GM,RM wing HO.

Pradhan Mantri Mudra Yojana (PMMY) : Micro Units Development and Refinance Agency Ltd (MUDRA) is launched as a new financial entity developing and refinancing last mile financial Intermediaries like Banks, NBFCs, MFIs etc., who are in the business of lending to Micro enterprises. MUDRA Yojana launched for extended finance to micro enterprises in manufacturing, trading and service sector. □Private Limited Company, HUF and Trusts are not eligible .High Risk rated, higher/highest scoring norms applicants are not eligible.
□The loans given to nonfarm enterprises under micro enterprises segment up to ` 10 lakh for income generation activities. In addition to the above, the overdraft amount of ` 5000.00 sanctioned in PMJDY Savings Bank accounts shall also be classified as MUDRA loans under PMMY.
□MUDRA Rupay Debit cards (Non Personalized) shall be mandatorily issued to all beneficiaries who have been granted working capital limits under the scheme. □Variants: 1.Shishu (loan upto ` 50000) 2. Kishore( Loan above ` 50000 to ` 5 lacs) 3.Tarun ( Loan above ` 5 Lacs to ` 10 Lacs ). □Quantum: Max finances ` 10 Lacs. TL →85% of project cost □Margin: For loan upto ` 25000→ Nil, Above ` 25000 →15 to 25 %, In case Book Debt held as security, 30 % margin is required.
□Processing Charges: Nil for loans upto ` 5 Lacs. Normal processing charges for loans above ` 5 Lacs.

No Collateral security/Third Party Guarantee
Repayment: TL-5 to 7 years with repayment holiday 2-3 months , WC tenability → as per prevailing guidelines .

Credit Guarantee Fund for Micro Units:
The scheme to cover loans granted on and after 01.04.2017 under Pradhan Mantri Mudra Yojna (PMMY) scheme is known as —Credit Guarantee Fund for micro units (CGFMU) shall be maintained and operated by NCGTC CGFMU guarantees loans granted to eligible micro units under PMMY upto the limit of `.10.00 Lakhs, without obtaining any collateral or third party guarantee.
Loans extended to allied activities under agriculture (pisciculture, beekeeping, poultry, livestock, grading, sorting, aggregation agro industries, dairy, fishery, agriclinics and agribusiness units, food & agro processing, etc.) upto `.10.00 lakhs should be compulsorily covered under CGFMU .
For Guarantee coverage on SHISHU category loans (upto `.50, 000/-) rate of interest should not exceed 12% p.a.
No rate of interest cap under KISHOR & TARUN categories.
Credit Guarantee is available on a portfolio basis and not on individual loan basis, i.e., all the eligible loans granted under PMMY shall be automatically covered under CGFMU and branches need not cover the loans individually.
The financial year in which the loan is granted is called the base year. The last working day of the financial year shall be known as the date of crystallization of the portfolio. Sanction amount would be portfolio value.
The Currency or Life of the guaranteed portfolio (availability of guarantee cover) is four years, i.e., base year plus three complete financial years.
The guarantee cover will be available from the date of payment of guarantee fee and shall run through the agreed tenure of the micro loan or the termination date of the portfolio whichever is earlier.
The guarantee fee consists of a standard base rate of 1.00% plus risk premium based on the NPA percentage and claim payout ratio in the guaranteed portfolio.
Guarantee fee is payable on NPA accounts for which claim has not been lodged.
The guarantee can be invoked after one year from the date of crystallization of the portfolio, (i.e., one year after the base year) and thereafter, at the end of every financial year. Interim payouts on the claims shall be made in the 3rd & 4th year of the portfolio life and the final claim settlement shall be done after the portfolio life ends, I.e., during the 5th year.
The guarantee is in the nature of —First Loss Portfolio Guarantee‖ wherein first loss to the extent of 5% of the crystallized portfolio of the Bank shall be borne by the Bank and will be excluded for the claim. The amount in default over and above 5% will be settled by the fund to the extent of 50% on pro-rata basis, subject to submission of an Auditor„s Certificate confirming eligible claim amount.
NCGTC has developed an online portal for seamless guarantee transaction. The portal is called System for Undertaking, Re-assurance & Guarantee Endorsement (SURGE).
Covering eligible loans under the guarantee scheme and payment of guarantee fee shall be centralized and taken care at Head Office level.
The loans upto `.10.00 Lakhs extended to activities allied to Agriculture and services supporting these, which promote livelihood or are income generating(including Traders, SHGs and Educational Institutions) are eligible for coverage under CGFMU.
Government sponsored schemes like DAY-NULM, DAY-NRLM, PMEGP (upto `.10.00 lakhs), Weavers Mudra, etc., shall be covered under MUDRA. Any loan upto
`.50000/-, including loans granted under Govt. sponsored Besides, overdraft limit of `.5000/- granted under PMJDY accounts are also eligible for cover under CGFMU.
Only Individuals/Proprietorships/partnerships/SHGs are eligible for finance under PMMY. Guarantee fee shall be paid within 16 days from the end of the quarter.
The lending institution may invoke the guarantee in respect of the amount in default„ out of the crystallized portfolio of micro loans, subject to the condition of first loss guarantee, after 1 year from the date of crystallization of the portfolio and thereafter, at the end of every financial year. The Fund shall pay eligible claim amount on preferring of claims by the lending institution, within 60 days,.
Every amount recovered and due to be paid to the Fund shall be paid without delay, and if any amount due to the Fund remains unpaid beyond a period of 30 days from the date on which it was first recovered, interest shall be payable to the Fund by the lending institution at the rate stipulated by the Management Committee for the period for which payment remains outstanding after the expiry of the said period of 30 days. Standard Base Rate (SBR): 1% of the sanctioned amount.

MSME Sahay
Purpose: To provide credit against Input Tax Credit Claims related to GST to fund the liquidity gap in working capital requirements of MSME (Manufacturing/Service). (Excluding Educational institutions, Self Help Group, Joint Liability Group).
Terms: Applicable for accounts risk rated upto Moderate Risk/BB only. party is in possession of Tax Invoice or Debit Note or such other tax paid documents as may be prescribed; party has received the goods or services or both The supplier has actually paid the tax charged in respect of the supply, to the government, and party has furnished the return under section 39. Party has to submit the Certificate from Chartered Accountant (who certifies the books of account of the party in the normal course of business) certifying the above in seriatim to avail the facility of —MSME SAHAY. Nature of Facility :Single Transaction Loan, i.e. WCDL(Working Capital Demand Loan). Quantum: 20% of the existing FB Working Capital limit OR 80% of Input Tax Credit Claims, whichever is lower. The above limit is over and above MPBF. Delegation of Powers:CM/DM and above authorities are empowered to sanction such loans uptotheir delegated powers as applicable to Adhoc limits. Review of Sanctions: Sanctions have to be necessarily reviewed as per extant guidelines within one month from the date of sanction.
Rate of Interest :For LR/NR : MCLR+1.65 % , For MR : MCLR+1.85%, Tenability & Repayment: Tenability till 31.03.2018 and shall be closed on or before 31.03.2018. Security: Hypothecation of stock and receivables. If any Adhoc facility is existing in the name of the party, it is to be cleared before availing MSME SAHAY. This facility will be beyond the number of Adhoc facilities, a borrower is eligible during a particular year.

MoU with M/s Ashok Leyland limited
Purpose :For providing Term Loan to MSME customers for purchasing commercial Vehicles from M/S Ashok Leyland Ltd.
Eligibility : registered public carriers or transport carriers Proposals for purchase of pre owned/second hand vehicle not allowed.

Terms: Quantum of finance: 85 %of on road cost (Margin 15%), Upfront Fee: For loan up to ` 5 lakhs: Nil, above ` 5 lakhs up to ` 1 Cr : .50% , above ` 1 Cr: 0.75% of loan amount, Rate of Interest: For loan up to ` 50000 : One Year MCLR+ 1.20%, above ` 50000, up to ` 2 lakhs: One year MCLR+ 1.45%, above ` 2 lakhs: as applicable to MSME Loans
Interest concession as applicable to NE Region and J &K till it„s validity Reduction of 0.50% to women entrepreneurs in MSE sector No collateral security for loans up to ` 10 lakhs. To be covered under CGMSE. For loan above ` 10 lakhs, immovable property, to the extent of 50% of the loan amount to be mortgaged. Repayment: 5 Years excluding repayment holiday. Repayment holiday : 3 months, Service Charges to dealers: 1% of the loan amount. Maximum ` 15000 per vehicle, Service Charges to dealers„sales executive: 0.25% of loan amount .maximum `3000/- per loan.

MUDRA Canara Atithi
Purpose: To provide assistance in form of working capital needs and term loan requirements for purchase of equipments required for setting up of business to MSE-Services under Mudra viz. Cafeteria, Restaurants, Hotels with self service facility, Mobile Canteens, Dhabas, Fast food centres. Terms: Eligibility: Individuals, Proprietorship and Partnership firms upto Moderate Risk Quantum : Maximum: Rs.10.00 lakhs, as per Mudra Variants: Margin: Working capital 10%, TL 15% (Term Loan limit of Rs.2.00 lakhs, for purchase of equipments, furniture, utensils etc., if the business premises is on lease/rent, Advance rent/Deposit paid, if any, may be treated as Margin with documentary proof). Repayment/Tenability: Working Capital up to 2 years subject to annual review
Term Loan: 5 years inclusive of moratorium period based on cash flows. Short Term Loan: Repayable within 12 months in suitable monthly installments. Prime Security: Assets created out of loan proceeds(Hypothecation of moveable assets and /or Mortgage of immovable property) and existing business assets of the borrower
No Collateral Security/Third party Guarantee, Accounts to be mandatorily covered under CGFMU in case of micro and CGTMSE in case of Small. Stock statement submission: Simplified Quarterly and Detailed annually. Working capital needs may be computed based on the stock holding requirement (realistic) for maximum 7 days.
Inspection: Quarterly, Up front fee/Processing charges: 50% of the applicable charges. Statutory approvals/ clearances shall be in force/ obtained wherever required. Permissions/ Licenses of Food & Civil Supplies Department (Regulator), wherever stipulated are to be obtained.
Regulatory guidelines of Local authorities in respect of Food Act if any shall be necessarily adhered to. AND/ OR
An Undertaking shall be obtained from the beneficiaries under the subject Scheme for compliance of FOOD SAFETY NORMS. Financing Hotels/ Dhabas located at National Highways should necessarily be run by permanent residents(Borrower)of the same locality subject to compliance of regulatory guidelines.

9. RETAIL LOAN PRODUCTS

- Applications:NF 964 for Housing Loan, Home Improvement, Canara Rent and Canara Mortgage
- NF 965 for all other schemes excluding Traders Advance and Doctors choice
- NF 990-Rating Sheet cum Credit Report. NF967-Certificate of Compliance of Terms and conditions. Independent pre sanction visit are to be confirmed /incorporated in NF 967.(117/16). NF991 Modified Pronote for Retail Lending schemes
- NB 179 – Separate Credit cum application inward register for retail lending schemes. Now it is web based.
- NF 981 & NF 982 Booklet containing total documentation for Housing Loans
- Employees of our bank are not eligible for RL schemes except HL and Canara Budget(Book Purchase).
- The spouse of our employee is eligible for RL schemes of our bank with the co-obligation or guarantee of our employee. It should be sanctioned by NHA.
- Other bank employees can be given RL loans with NOC from their employers.
- ABS need not be insisted for any of our RL schemes irrespective of loan quantum. However this is not applicable for loans given under Traders' scheme.
- If Canara Vehicle is sanctioned to proprietary concern or firm or company enjoying credit facility, such loans need not be referred to higher authorities. The respective SA himself can sanction the loan if it is within his overall delegated powers.
- RL loans are not subject to Mid term review.(Except Traders loans and Doctor's choice) irrespective of SA.
- Reporting in PSR 71, now web based statement. Branch sanction register NB 179 is also web based inwarding of applicaltions.
- Balancing – Calender quarterly last Friday
- OLTS:Retail, Agriculture(Selcted schemes) & MSME Loans can be applied & tracked Online through our public website www.canarabank.com.
- Wherever the loan proceeds are required to be disbursed by making direct payment/s to vendor/s, dealer/s etc., by way of DDs/Pos with a view to ensuring the end use thereof, such **DDs/Pos can be issued at par** (except for loan under Canara Rent and Canara Mortgage scheme). **(RL Manual)**
Retail lending scheme : Whenever, branch sanctions Retail Loans exceeding 25 numbers in a month in any one Retail Scheme (Excluding loans granted under Tie-up arrangements) authorization from the Circle Head is necessary.
Bank has provision of on line in principle sanction of Housing loan and Car Loan. No charges for online instant in principle sanction of HL and Car Loan.Customer should be contacted within 24 hours of applting for the loan.(40/16, 120/16).Aggregation of liabilities/limits NOT to be done for deciding the Sanctioning Authority in case of sanction of Loans under same RL Scheme. However aggregation of liabilities should be done for deciding sanctioning authority for second/subsequent loans under the same RL scheme. But aggregation of second / subsequent loans in case of RL scheme should not be done for Deciding Rate of Interest.(363/16). For HL, aggregation of limit to be done irrespective of its non HL CRE or CRE category for deciding SA.
- Proposals in respect of RL Schemes of close relatives of our employees shall be sanctioned by scale IV and above authorities. Retail Lending proposals of close relatives other than Personal Loans shall be placed before the NHA for

sanction. Renewal without enhancement can be sanctioned by respective SA, if on previous occasion; sanction was accorded by NHA. Renewal with enhancement in the limit shall be subject to clearance from NHA.If such credit facility falls within the powers of a particular authority and such proposal is from a relative of that authority, in such cases, it should be sanctioned by the next authority only. (363/16)

- Additional clause to be incorporated in irrevocable mandate for deduction from salary while sanctioning Retail loan ,in cases where bank has not entered MOU with borrower.(HO Cir 262/2015)
- Branches having NPA level of more than 4% under Housing Loans, more than 3% under Canara Budget Loans and more than 2% under Canara Vehicle loans respective branches are permitted to sanction and disburse loans as per their delegated powers under specific MOUs/Tie-ups/Special Packages permitted by HO.
- Branches having NPA levels of more than 4% under any Retail lending schemes,(other than Canara Budget and Canara Vehicle) and 3% under Canara Budget Scheme have no powers to sanction the loans under these schemes.. Proposals if any under these schemes are to be submitted to RO and RO Head CAC is permitted to sanction such loans. Branches with more than 2% NPA under Canara Vehicle loan scheme shall have no powers to sanction the loans under that specific scheme and if any proposals are to be considered, the same has to be referred to NHA at RAH/RO/CO .(363/16)
- All mortgage based Retail Loans to be mandatorily sanctioned at RAHs or forwarded through RAHs to RO/Circle/HO for sanction wherever the Branches are attached to RAHs. In case of Branches not attached to RAHs, these loans are to be sanctioned at Branches up to their delegated powers.(363/16)
- Waiver of Salary credit /mandate in respect of Canara Vehicle and Housing loans may be permitted by DM/AGM RAH or DM/AGM-RO/CO-CAC in respect of proposals falling upto their powers.
- Canara Mortgage/Canara Rent proposal beyond `. 5 Crore falling under HO powers shall be processed by Corporate Credit Wings at HO (545/2017).
- Branch in Charge can sanction loans under the packages permitted by CO/HO as per terms of package without referring to delegated powers under the specific scheme permitted and also without referring to the NPA level under the scheme. In such cases credit managers/2nd line Managers can sanction loans up to their delegated powers and beyond their powers, Branch in-charge to sanction the loans as per the package terms.

Review of Sanctions under Retail Loans : Cut-off limit for forwarding copies of application / credit report to CO enhanced to ` 5 lacs for all branches including VLB / ELB.Sanctions made by Credit Manager/Senior Manager in VLB/ELB/ OR second line in ELBs and Manager/Senior Manager of RAH (including under special package) to be reviewed by respective Branch Head/RAH Head. Sanctions made by in-charge of Branches/RAHs overseen by RO (including Loans permitted under special package) shall be done by the NHA, i.e., DGM/AGM/DM at RO through the Credit review & Monitoring Section of RO.Sanctions made by DM-CM/AGM/DGMs at Branches/ROs and /Head of Retail HUBs (including under special packages) , to be reviewed by the Circle – level Review Committee I. wherever Branches/RAHs are not overseen by RO.

- The CLAPS package is intended to capture all data and processes from the date of receipt of loan application till disbursement including appraisal, financial analysis,credit checks, sanctions, scoring, risk rating, documentation, on-line tracking of loan application etc including online submission of loan applications.
- Bank has provision of on line in principle sanction of Housing loan and Car Loan. No charges for online instant in principle sanction of HL and Car Loan. Customer should be contacted within 24 hours of applying for the Loan.
- Inspection Charges: Housing Loans, Canara Vehicle Loans & Other Retail Loans (Secured by Mortgage/Hypothecation): Upto `10 Lacs : `200/- per inspection .Max `600/- per year, Above ` 10 Lacs : `300/- per inspection or actual ,whichever is higher
- Documentation Charges: `100/- per Lac or part thereof with minimum of `1000/- and maximum `25000/- applicable only to Canara Rent, Canara Mortgage, Canara Site, Canara Jeevan and other Retal Loans where mortgage is involved other than Housing Loan

The time norms stipulated for Retail Loan Applications are:

Nature of Credit facilities	Time Norms*		
	Sanctions at Branch/ RAH	Sanction s at Circle	Sanctions at HO
Housing Loans upto Rs. 25 lacs	21 days	30 days	6 to 8 weeks
Housing loans above Rs. 25 lacs	30 days	45 days	8 to 9 weeks
Canara Rent	NA	45 days	8 to 9 weeks
Canara Mortgage/ other Mortgage based loans	NA	45 days	8 to 9 weeks
Canara Jeevan	NA	30 days	NA
Canara Vehicle	7 days	15 days	2 to 3 weeks
Canara Budget	7 days	15 days	2 to 3 weeks
Teachers" Loan	7 days	15 days	2 to 3 weeks
Canara Consumer Loan	7 days	15 days	2 to 3 weeks

- Branches having NPA levels of more than 4% under any Retail lending schemes,(other than Canara Budget and Canara Vehicle) and 3% under Canara Budget Scheme have no powers to sanction the loans under these schemes.. Proposals if any under these schemes are to be submitted to RO and RO Head CAC is permitted to sanction such loans. Branches with more than 2% NPA under Canara Vehicle loan scheme shall have no powers to sanction the loans under that specific scheme and if any proposals are to be considered, the same has to be referred to NHA at RAH/RO/CO
- NB 179 – Separate Credit cum application inward register for retail lending schemes. Now it is web based.

- The spouse of our employee is eligible for RL schemes of our bank with the co-obligation or guarantee of our employee. It should be sanctioned by NHA. If Canara Vehicle is sanctioned to proprietary concern or firm or company enjoying credit facility, such loans need not be referred to higher authorities. The respective SA himself can sanction the loan if it is within his overall delegated powers. Balancing – Calendar quarterly last Friday
- In case of Branches not attached to RAHs, these loans are to be sanctioned at Branches up to their delegated powers.
- Upper limit in the mandate should be at least 20% more than EMI to cover the changes in rate of interest.
- Branches/RAHs will obtain ECS debit mandate in triplicate duly noting our Bank's utility code viz., **5609145**.Update the ECS mandates in the ACH Application > Mandate Management sponsor bank debit in SAS package. The physical mandates will be scanned through CTS scanners at Accounts sections/Scanning centers/Branches having CTS scanners and then uploaded to Clearing Section Mumbai. Clearing Section Mumbai will download the files and upload the same to NPCI under NACH.
- Bank's Board has permitted the Bank to engage the services of External Agency, agency should have been empanelled by any one of the following institutions: of Baroda, PNB, Bank of India, Union Bank of India, HDFC Bank, ICICI Bank LIC Housing Finance Company. proposed agency should be in line of business for a minimum period of 2 years. Financials of the agency should be satisfactory and copies of the financials for 2 years shall be submitted and found satisfactory. The agency should not enter into sub-contract with other agencies for extending requisite service. Report from Credit Information Company (i.e. CIBIL or any) shall be obtained and Should not be a defaulter to any Financial Agency. OPL should be obtained regarding their performance from 2-3 financial institutions.

Sr..	Fields of Verification		Fee Structure
1	Address – Residence	Within the city including NCR Region upto 40 Kms radius with reference to passport /voter ID / ration Card /PAN/ Telephone Bill Water Bill/Tax paid receipts	Rs. 100 /- per address
2	Address – Business		Rs. 100 /- per address
3	Employment Details (Office of the applicant and co- applicant, Salary Slip authenticity)		Rs. 75 /- for one per party
4	Income Tax Return/Form 16/ITAO for 3 years in case of same ward. Different ward f 50/- per ward.		Rs. 75 /- per year per party
5	6 months Banks statements – in case of need		Rs. 75 /- per year per party

If the location of address is more than 40 KMs distance from the office of the Bank, conveyance of ZRs.3/- per KM may be paid for the distance beyond 40 KMs. Monthly bills will be raised for the services/work done in the previous month as per the schedule.

Policy on Takeover of Retails Loans (Personal Loan)

Eligibility : All individual Loans extended for non-business purposes by other banks/FIs with The account should have satisfactory conduct with the transferring bank for a minimum period of 1 year. The credit history of last one year should indicate satisfactory Repayment of the loan promptly on due dates for a minimum period of 6 months, or, alternatively, the credit score of the borrower should be equal to or greater than 650. For the purpose of determining the risk grade of the borrower, only CIBIL Transunion Version 2 scores shall be considered. However, the Borrower˝s risk grades as per other CIR not are under "High Risk "Category. Loans where projects are not completed and not fully disbursed shall not be taken over. Applicants whose credit score, as per CIR from Transunion CIBIL Ltd., is 650 & above, i..e., the Risk Grade as per CIR is Low Risk, Fair Risk and Normal Risk, shall be eligible for takeover. Applicants with credit score, as per CIR from Transunion CIBIL Ltd., is 590 & above, i.e., the Risk Grade as per CIR is upto Moderate Risk, may also be accepted in the following cases : Existing Customers of our Bank with satisfactory operations, who have availed the loan from other Banks/FIs. Borrowers who had good relationship with us earlier and left the Bank (Loan accounts taken over by other Banks from us) for better rate of interest. Eligible accounts from Co-operative Banks may also be permitted for takeover by Circle Head CAC subject to eligibility in terms of Credit history and Credit scores.
Loan Quantum: Need based additional loan may be permitted based on proper due diligence and assessment and perfection of security creation. The same is to be released only after taking over the liability. The end use of the loan is to be ensured.
Repayment: Repayment period as per scheme guidelines. However it should not be more than the tenor prescribed under respective schemes including the period run with transferor bank.
Security: The securities offered to the previous lender shall be invariably passed on to the Bank for the exposure to be taken over. However, minimum margin, security coverage and LTV ratios as per extant guidelines of our Bank are to be ensured in all cases without fail, as a pre-sanction exercise itself. In case of additional exposure, Bank may insist for additional collateral security depending upon the merits of the case. Bank may insist for additional collateral security and guarantees, depending upon the merits of the case. Minimum margin, security coverage and LTV Ratio to be ensured for the liability to be taken over, including additional exposure, if any Before disbursing the loans, Branch/RAH head along with another Official has to first inspect the property concerned and make proper enquiries to verify the identity of its owner/s. The inspection reports thus prepared should be submitted to the Sanctioning authority separately by the officials who have conducted such visit.
A valid EMT should be created by the financing branch within 30 days of clearance of the liability with other bank.
Fresh valuation need not be insisted upon if the transferor bank makes available the valuation report which is not older than 1 year, already on record at their end, to us. In the case of takeover of liability from other institutions, fully discharged documents should be obtained along with a No Due Certificate after the disbursement of the loan.
Other Guidelines: OPL from the transferor Bank/FI may be waived by the sanctioning Authority duly verifying the relevant documents, viz., Pass Sheet of loan account, and establishing that the account with the transferring bank is regular and standard**.** This condition is to be recorded specifically in the Sanction memorandum.

Housing Loan - Make your dream house a reality: Purchase a house/flat, construction of house/flat, purchase a site and construct a house thereon. Repair/Addition/Renovation of house/flat (Max.Z15.00 lacs). Applicant should be less than 60 years of age. Higher age considered selectively. Need based loan amount. Loans upto 4 years gross salary for salaried individuals and 4 years gross annual income for business/self-employed persons. Higher quantum beyond 4 years of gross salary/income considered selectively. Margin of 10 to 25%. Repayment Upto 30 years Et upto Max. age of 70 years. No prepayment penalty for Housing Loans carrying floating rate of interest. Availability of in-principle sanction for Housing Loans. 60% of sanctioned loan amount permitted for purchase of plot under Composite Housing Loan (applicable to all HL variants).

Yuva Awas Rin-Housing Loan for Salaried Youth: Salaried youth between 21-45 years with 2 years of confirmed service. Loan amount 5 times annual gross salary. Margin, Repayment and Rate of interest as applicable to General Housing Loan. In case of loan for construction, Pre-EMI interest may be capitalized for 36 months of repayment holiday subject to 40% margin.

Housing Loan CLSS- Pradhan Mantri Awas Yojana (PMAY): Pradhan Mantri Awas Yojana (PMAY) was introduced for beneficiaries of EWS and LIG as per directives of Ministry of Housing and Urban Poverty Alleviation (MoHUPA). Beneficiary is defined, as a family comprising of Husband, wife and unmarried children and they should not own a pucca house in his/her name or in the name of any member of the family in any part of India. Beneficiary should not have any pucca house either in their name or family member's name in any part of the country. Economically Weaker Section (EWS): Annual family income shall be up to 23.00 Lacs.

Low Income Group (LIG) : Annual family income shall be above 23.00 Lacs and up to 26.00 Lacs. The carpet area of House should be up to 30 Sq.Mtr. in case of EWS and 60 Sq. Mtrs in case of LIG.Loan amount 4 times annual gross salary. Margin, Repayment and Rate of interest as applicable to General Housing Loan.

Pradhan Mantri Awas Yojana (PMAY) extended to Middle Income Group Beneficiaries as CLSS for MIG I and MIG 11 w.e.f.01.01.2017. Beneficiary family will comprise of husband, wife, unmarried sons and/or daughters. An adult earning member (irrespective of marital status) can be treated as a separate household. MIG-I : Households having an Annual Income between Rs.6,00,001 (Rupees six lakh one) upto Rs.12,00,000 (twelve lakh). MIG-11 :Households having an Annual Income between Rs.12,00,001 (Rupees twelve lakh one) upto Rs.18,00,000 (Rupees eighteen lakh). MIG-I : Carpet area of the house should not exceed 120 Sq. Mtr. MIG-II : Carpet area of the house should not exceed 150 Sq. Mtr. Other guidelines as applicable to EWS/LIG.

Housing cum Solar Loan: Loans to individuals for installation of Grid connected Roof Top Solar Photovoltaic (PV) Systems as an integral part of Housing Loan.

1.Housing Loan: As applicable to our Housing Finance Scheme. However, where loans are for purchase/construction of flats, Solar Loan shall not be permitted under this scheme.

2- Solar Loan: For the purchase and installation of Roof Top Solar Photovoltaic (PV) System on the roof top of house. The Solar Loan Can be sanctioned along with fresh Housing Loan on the same eligibility conditions or can be sanctioned to applicants who are having subsisting Housing loans OR can be granted independently against the mortgage of residential/house property which is having free rooftop to install Solar Equipment. The maximum Housing Loan quantum that may be considered under this scheme is within the quantum norms stipulated under each Housing Loan variants. However, loans for Solar Component shall be 110.00 Lacs OR 20% of total Housing Loan eligible quantum OR 80% of the system cost as per proforma invoice/quotation (rate including the cost of accessories) whichever is lower. MARGIN: Housing Loan: As applicable to our Housing Finance Scheme (all variants).

Solar Loan: 20%of the Project Cost of Solar Loan component including accessories as per Proforma Invoice.

REPAYMENT PERIOD: Housing Loan: As applicable to Housing Loan. Solar Loan: In EMIs within a maximum period of 20 years OR the repayment period stipulated under Housing Loan, whichever is earlier. Other guidelines as per Housing Loan.

Home Improvement Loan - Make the house your home: Decorate your house with furniture, air conditioners, wardrobes, kitchen cabinets or any other house hold items. Loan upto Z5 lakh, can be availed along with housing loan or independently. Higher quantum considered selectively. Repayment in 60 EMIs. (upto 7 years selectively). Margin 20%.

CANARA HOME LOAN PLUS: Loan to our existing Housing Loan borrowers aged between 18 and 65 years with 1 year satisfactory repayment track record. Salaried Class - 10 months gross salary, Non-salaried Class - 75% of 3 years average gross income. Max. 125 lacs. Repayment - upto repayment period of Housing Loan with a maximum of 10 years.

Canara Jeevan (Reverse Mortgage): To meet the financial needs of senior citizens owning self occupied residential property. Owner of the property should be above 60 years of age. Commercial Property not eligible.

Canara Vehicle Loan - Equip yourself with wheels: Salaried persons, professionals and business people, with qualifying income and required repayment capacity. Reputed firms and corporates are also eligible. Loan for new cars - upto 80% /85% / 90% of the on road cost of the vehicle and upto 75% of the value with a maximum of Rs.15 Lacs for used cars. Margin for Four Wheeler - 10% upto Rs.10 Lacs, 15% for loan above Rs.10 lakhs upto Rs.25 Eau, 20% above. Rs.25 lacs and for Two Wheelers 20% to 25%. Repayment period for Four Wheeler and Two Wheeler is 84 months and 60 months respectively.

Canara Budget Personal Loan - Hassle free loan to meet your financial needs: A simple Personal Loan Scheme exclusively for the benefit of employees of Corporates, PSUs, Government Departments, Institutions, etc., Loans upto 6 months gross salary maximum of Z4 Lacs. Higher loan amount can be considered selectively. Repayment in 60 months (selectively 72 months). Interest concession of 1% where salary tie up is available.

Canara Consumer Loan - why wait till tomorrow when you can have it today: Loan Scheme for individuals (professionals and salaried class) for purchase of durable utility articles, home appliances including furniture, computers/Laptops, electronic gadgets. Eligibility: Salaried individuals shall have minimum 40% net take home salary or Z6000 whichever is higher. Income criterion for Non-salaried shall be 21.50 lakhs per annum. Loan Quantum for salaried individuals: 75% of invoice value or 15 months net salary or 2100000 whichever is least. Loan quantum for non-salaried individuals: 75% of invoice value or 50% of annual net income in the immediate previous year or 2100000 whichever is least.

Canara Rent: Loans to meet business and/or personal needs against rentals on property leased out/rented to PSUs, Central/State Government undertakings, reputed corporates, banks, Hs and MNCs upto 75% of the rent receivables for the unexpired period of lease. Repayment in 60 to 84 months subject to the unexpired lease period. (selectively 120 months)

Canara Site: A loan scheme to individuals for purchase of housing sites direct from the Govt. or any other authorized body constituted by the Government for distribution of sites. Permitted takeover of accounts from other Banks also. Loan for individuals aged upto 60 years. For salaried class, confirmed in services. For businessmen or professionals with three years standing and net annual income of 71 lakh or more. Quantum of loan being 4 years gross salary/annual income OR 75% of the cost of the Site/guideline value. Repayable in 10 years or maximum period permitted by the allotment authority for construction of house or upto 65 years of the borrower at the time of closure of loan whichever is earlier.

Canara Mortgage: A Loan Scheme for individuals for non-business purpose, meeting genuine personal needs, upto 50% of the value of the property mortgaged. Repayment period 84 months (selectively 120 months).

Teachers Loan: A Loan Scheme to meet the genuine personal needs of Teaching/Non teaching staff of Schools/Colleges. Loans upto 6 months gross salary, maximum of 72 lakh. Higher Quantum upto 73 lakh considered selectively. Repayment in 48 months (Selectively 60 months).

Canara Pension: A Loan Scheme to pensioners, drawingPension thrugh our Bankunder: branches for meeting medical expenses and other genuine personal needs. Loans upto 20P/15 months pension as
In respect of Retired Employees of our Bank/Family Pensioners of Retired Employees of our Bank, 20 months pension amount or Rs.5,00,000/- whichever is less, subject to NTH of 40% after deducting the proposed EMI. Out of Rs.5,00,000/- maximum of Rs.20000/ is permitted to remit the yearly premium of IBA Group Mediclaim Insurance Policy. In respect of pensioners/family pensioners (other than Retired employees of our Bank/Family pensioners of Retired employees of our Bank),15 months pension amount or 15,00,000 whichever is less, subject to NTH of 40% after deducting the proposed EMI. Maximum loan amount: 15,00,000 repayable in 60 to 72 equated monthly instalments.

Canara Cash: Loans/advances for individuals to meet the investments/domestic/personal needs (not to be utilized for speculative purposes) upto 110 iakhs, Z20 lahs wherever DEMA accouts are maintained at ouragainst approved shares/debentures/bonds/approved units of mutual fundsT. Marginn: 30% to 50% of MV/ NAV. Repayment - 60 months.

Swarna Loan: Loans to individuals against Gold Jewellery to meet the medical expenses and other unforeseen contingencies/commitments etc. 85% of rate of advance advised by HO (Priority Credit Wing) from time to time, per gram sovereign touch gold (22 carat gold) or 65% of the appraised value whichever is less. Minimum Rs.10000 and maximum Rs.10 Lakhs. Repayment options: The entire loan is to be repaid within 12 months from the date of sanction as a bullet payment along with interest.

Education Loan: Financial assistance to needy and meritorious students for Inland a abroad Studies for pursuing higher education. Repayment upto 15 years, excluding repayment holiday during the course of study.

Parameter	Margin
Upto Rs.4 Lacs	Nil
Above Rs.4 Lacs	
Studies in India	5%
Studies Abroad	15%

Vidya Turant Scheme: Education loans to students pursuing education in all IIMs, selected IlTs, NITs, ISB Hyderabad, etc., i.e. 83 Institutes identified. No security upto Rs.25 laks in case of IlMs, Rs.36 lakh in case of ISB Hyderabad & Mohali & Rs.20 lakh for other identified institutes and loan at MCLR + 0.20%

Vidya Sahay- Bridge loan scheme under Education Loan

Purpose: To assist the needy and meritorious students who are in need of the down payment to be made to the CET/Counseling Authorities at the time of Selection/counseling, **Nature of Facility:** Education Loan – DPN.**Classification**- Priority

Eligibility: Students who appeared in CET conducted by respective State Governments, CBSE, IIT and such other All India Examinations and selected for counseling and otherwise eligible for Education Loans under our Scheme.

Quantum Of Loan: Eligible amount would be initial payment as proposed by the CET Authorities or Rs.1 Lakh whichever is less.

Terms : Margin & Repayment:- NIL to the extent of bridge loan amount sanctioned as per extant guidelines under EL Scheme. Bridge Loan is to be cleared after sanction of regular education loan. **Rate Of Interest:** Rate of Interest as applicable to Education Loans DRI rate to those who qualify DRI norms.

Credit Guarantee fund scheme for Education Loan (CGFSEL) :

All Education Loan other than management quota (Both inland and for foreign study)for limit upto ` 7.5 Lacs under IBA model EL scheme without collateral and Third party Guarantee For loan sanctioned on or after 16.09.2015. Loan sanction with interest rate at One Year MCLR +2 % would be eligible No margin till ` 4 Lacs. Loan above ` 4 Lacs: 5 % margin for study in India, 15 % for study abroad. Lock-in-period of 12 months from date of commencement of guarantee cover or end period of moratorium ,whichever is later.

AGF is 0.50%+GST payable to M/s NCGTC for coverage of all eligible loans will be absorbed by Banks 75 % of claim settlement within 30 days , balance 25 % on conclusion of recovery proceedings As education loans will be covered under CGFSEL, the risk weight will be NIL and capital provisioning will not be needed.

Central Sector Scheme of Interest Subsidy For Education Loans
Purpose: Els taken by students from Economically Weaker Sections (EWS) from scheduled banks under the EL Scheme of the IBA to pursue Technical/Professional Education studies in India.
Eligibility: Applicable to all scheduled Banks from 1st April 2009 onwards. Available to the eligible students only once, either for the first undergraduate degree course or the post graduate degrees/diplomas in India. Gross parental/family income upper limit of `4.50 Lacs per year (from all sources). Income proof can be submitted by the students issued by authorities authorized by the State Governments for certification of income status for this Scheme. Income proof certificate to be submitted only once for the first time and need not submit the same for each and every year. Limit/ liability up to `10.00 lacs is eligible for subsidy under the CSIS scheme. if the loan limit is more than ` 10.00 lacs, interest subsidy would be available only upto ` 10 lakhs. **Period:** The period of moratorium i.e., Course Period plus one year or six months after getting job, whichever is earlier, shall be borne by the Government of India and after that , interest on the outstanding amount shall be paid by the student. Those students once they discontinue the course midstream, or who are expelled from the Institutions on disciplinary or academic grounds, However, the interest subsidy will be available only if the discontinuation was due to medical grounds . Canara Bank is Nodal Bank of Ministry of HRD for this purpose.

Padho Pardesh Scheme : To provide Interest Subsidy on Education Loans for overseas studies pursued by students belonging to Minority Communities. Students belonging to notified Minority Communities are eligible, i.e., Muslim/ Christian/Sikh/Parsi (Zoroastrians) /Buddhist/Jain. Total income from all sources of the employed candidate or his /her Parents/ guardians in case of unemployed candidate shall not exceed ` 6 lacs per annum. Full interest subsidy upto the period of moratorium (i.e., Course Period + One year or 6 months after getting job whichever is earlier). Canara Bank is the Nodal Bank to administer the Subsidy Scheme in the country.

Special Package in Retail Lending Schemes to the Officers/ Employees Of Central Government/ Defence Personnel & Personnel From Paramilitary Forces – Permitted various Concessions other than the regular norms in retail lending products:
Housing Loan: Minimum one year confirmed service. **Quamtum**: 5 years gross annual income as reflected in ITR of the concluded financial year/ Form 16 For Repairs and Renovation: Rs.15 lacs. NTH: Minimum NTH of 25%.
Repayment: Maximum of 300 months (including repayment holiday if any) or the borrower attaining the age of 75 years whichever is earlier. Interest Concession is available of 5 bps (.05%) from the card rate in respective category in Housing finance.
Home Improvement Loan: Purpose: For furnishing the house or purchase of house hold items Minimum one year confirmed service. **Quantum**: Upto 1 year annual income subject to a maximum of Rs.10 lacs. The loans with mortgage of House / flat
Repayment : 5 Years, Interest Concession is available of 5 bps (.05%) from the card rate for home improvement loan.
Canara Vehicle Loan: (Four wheeler)
Minimum one year confirmed service. **Quantum**: 90% on road price for new vehicles and 75% for old vehicles. **Net Take Home:** Minimum NTH after proposed instalment should not be less than 25% or Rs.12, 000/- whichever is higher.
Repayment: 84 months for new vehicle and for old vehicle 60 months or residual life of vehicle (whichever is lower). Interest Concession is available of 10 bps (.10%) from the card rate in respective category in vehicle loan.
Canara Budget Loan:
Minimum one year confirmed service. **Quantum**: Higher quantum of loan up to 15 months gross salary. 1) Class I officers max of Rs. 10 lacs. 2) Class II officers Max of Rs. 8 lacs. 3) Class III employees max of Rs. 5 lacs. 4)Class IV employees max of Rs. 2 lac)
Net Take Home: 25% or Rs.7500/- whichever is higher after meeting the proposed installment. **Repayment:** 72 months or date of retirement whichever is earlier. Interest Concession is available of 130 bps (1.30%) from the Canara budget loan.

10. FINANCIAL STATEMENT / BALANCE SHEET ANALYSIS

Terms used inFinancial statement analysis

1	Net Sales	Gross Sales minus returns, discounts, excise duty.
2	Raw Materials consumed	Opening Stock of raw materials plus purchases of raw materials less Closing stock of raw material .
3	Cost of Production	Raw materials consumed, stores and spares consumed, power and fuel, direct labour, repairs and maintenance, other manufacturing expenses and depredation plus opening stock of stock in process minus dosing stock of stock in process.
4	Cost of Sales	Cost of production (3) plus opening stock of finished goods minus dosing stock of finished goods.
5	Gross Profit	Net Sales - Cost of Sales (Item 1 minus Item 4)
6	Operating Profit	Gross Profit (5) minus interest, selling general and administrative expenses.
7	Net Profit before tax	Operating profit plus other incomes minus other expenses
8	Net Profit after tax	Profit before taxation minus provision for taxes.
9	Retained Profit	Net profit minus dividend paid / dedared
10	Cash Profit	Profit before charging Depreciation (Net Profit + Depredation)
11	Cash-Loss	Loss before charging Depredation (Net Loss — Depredation)
_12	Assets	Things owned by a business Not converted into cash in normal course of business, These are acquired to use them in the production of other goods and services.
13	Fixed Assets	
14	Current Assets	Assets which are meant to be converted into cash or consumed in normal course of business say within 1 year. These are also called as gross working capital.
15	Intangible Assets	Expenditure on invisible assets, likely to yield benefit to the company in future e.g. goodwill, patent, trade marks, designs.
16	Fictitious Assets	Which have notional value only e.g. losses, preliminary expenses.
17	Miscellaneous Assets or Non current assets	Which can't be classified as current, fixed or intangible e.g. inter Corporate investment
18	Tangible Assets	Total asset side of balance sheet minus intangible assets.
19	Quick Assets	Assets which can be converted to cash quickly. Cash, bank balances, marketable investments, bills receivables and sundry debtors considered goal. (Current Assets minus-Inventories & Prepaid Expenses)
20	Liabilities	Things owed by the business.
21	Owners Equity (Net Worth)	Paid up share capital, reserves and surplus, preference shares with more than 12 years maturity.
22	Long term liabilities or Debt	Outsiders funds, payable in more than 12 months. Term loan (exduding instalment payable within 12 months) plus debentures maturing within more than one year, preference shares redeemable within 12years, deposits payable beyond one year.
23	Current Liabilities	Liabilities which are payable in less than one year e.g. sundry creditors, unsecured loans, advances from customers, interest accrued but not due, dividends payable, statutory liabilities, provisions, Bank borrowings for working capital etc
24	Total Outside Liabilities	Total of the liability side of balance sheet minus net worth
25	Tangible Net Worth	Total tangible assets minus total outside liabilities. Owner's funds minus Intangible & Fictitious assets ; Paid up capital plus reserves minus intangible assets
26	Gross Working Capital	Total of Current Assets
27	Net Working Capital	Current assets minus total current liabilities. Long Term Sources minus long term uses
28	Working Capital gap	Current Assets minus current liabilities other than Bank Borrowings.
29	Long term sources	Paid up capital, reserves and surplus (excluding specific reserves) i.e. Net Worth and long term liabilities.
30	Short Term Sources	Current Liabilities
31	Long Term Uses	Fixed Assets, Miscellaneous or Non. current assets, Intangible and Fictitious Assets (assets other than current assets)
32	Short Term Uses	Current Assets

33	Contingent Liabilities	Likely liability which may or may not arise on the happening or non happening of an event

As per RBI guidelines, installments of term loans due within 12 months are not to be treated as current liability for calculation of Net Working Capital and Working Capital Gap. (ii) Overdue instalments and Interest on term loan is treated as current liability. (iii) Sundry Debtors/ Book debts older than 6 months are treated as Non current assets. (iv) Loans from friends and relations are normally treated as Long term liability but if these are secured by Demand Promissory Note i.e. payable on demand then the same should be treated as Current Liability. (v)Reserves except which are in the nature of provisions like Depreciation Reserve are part of net worth.

Contingent Liabilities: which may or may not arise. For example: aairns against the company not acknowledged as debts; Arrears of fixed cumulative dividends; Bills discounted but not matured and shown in the Balance Sheet; Letter of Credit; Guarantees given by the company on behalf of its subsidiary company, employees etc.

Liabilities	**Assets**
Net worth/Equity : Funds brought in by the promoters as their investment in business or generated by and retained in business, Share capital/partner's capital/ Paid up equity share capital,/owners funds Reserves & Surplus e.g. General Reserve, CapitalReserve, Revaluation Reserve and Other Reserves),Retained Earnings, Undistributed Profits,Preference share capital (not redeemable within 12 years)	**Fixed Assets** : Assets which are purchased for long term and not meant to be sold but used for production. Land & Building,Plant & Machinery Vehicles,Furniture & Fixture Office equipment,Capital Work in Progress These are represented as under: Original value (Gross Bock) Less depreciation Net Block or book value or written down Value Method
Long term liabilities: Liabilities which are not due for payment within 12 months from the date of the Balance Sheet) Term loans from financial institutions; Term loan from banks; Debentures/Bonds; Deferred payment liability;Preference Shares redeemable within 12 years; Fixed Deposits maturing after one year; Provision for gratuity; Unsecured Loans	**Non Current Assets:** Assets which cannot be classified as current or fixed or intangible assets Book Debts or Sundry Debtors more than 6 months old/ Disputed Debts, Investment of long term nature in shares, govt. securities, associates or sister firms or companies. Long term security deposits. Unquoted investments; Investments in subsidiaries or sister concerns; Loans & Advances to directors, officers; Accounts receivables in respect of sale of plant & machinery; Advances to concerns in which directors are interested; Deposits with customs port trust etc Intangible & fictitious Assets Which do not have physical existence. For example: Goodwill, Patents, Trade Mark, Copy Right, Preliminary or pre operative expenses, other formation expenses, debit balance of P & L account, accumulated losses, bad debts, Capital issue expenses e.g. discount on issue of share & debentures, commission on underwriting of shares & debentures; Deferred revenue expenditure e.g. Advertisement
Short term or CurrentyLiabilities : Liabilities which are due for payment within 12 months from the date of the balance sheet and are to be repaid out of proceeds of current assets,Short term borrowings from banks (C/C, 0/D or B/P, B/D limits) for working capital.,Sundry/trade creditors/creditors/ Account payable,Bills Payable / trade acceptances Fixed Deposits from public payable within one year,Short duration loans or deposits Provision for taxation, Proposed Dividends, Provision for bonus, unclaimed dividend. Deposits from dealers, selling agents etc. Advance payments from customers, outstanding expenses and Accruals e.g. wages & salaries, rent; expenses payable	**Current Assets :** Cash in hand, Bank balance including fixed ,deposits with banks. Stocks/inventory (such as raw material, stock in process, finished goods, consumable stores and spares),Book debts/Sundry debtors/Bills Receivable/ Accounts receivable/ debtors, Government and other trustee securities (other than for long term purposes e.g. sinking funds, gratuity funds etc.),Readily Marketable/quoted govt. or other securities meant for sale,Interest accrued and receivables,Advance payment of taxes, pre-paid expenses,Advance payments for merchandise; unexpired insurance
TOTAL	**TOTAL**

Components of Profit and loss account

Particulars	**Description**
1.Gross sales and net sales	Total price of goods / services including excise duty is called gross sale and excluding excise duty is called net sales
2.Cost of goods sold	It includes cost incurred on manufacturing of goods such as raw material, wages, factory overheads etc. Cost of production is different from cost of sales in that the cost of production is the cost of goods produced.
3.Gross profit (1-2)	This is calculated as net sales minus cost of sales
4.Operating expenses	These expenses include administrative, selling, distribution expenses, depreciation.
5.Operating profits (3-4)	It reflects operating performance of the firm

6.Non- operating	This is the income or expenditure not connected with the normal operations of the firm
7.Profit before interest and	This is also called Earning Before Interest and Tax (EBIT)
8.Interest	These are the financial expenses including interest paid on bank borrowing, debentures, public deposits etc.
9.Net Profit before tax (7-8)	This provides the information earning capacity of the firm
10.Tax	This represents the tax, which the firm is to pay on its profits
11.Net Profit after tax(9- 10)	This is the amount which is at the disposal of the firm

How ratios are expressed : Ratios can be expressed in the following different ways: In %age terms such as net profit to sale ratio (being 23%),In proportion such as current ratio (being 2:1),In no. of times such as stock turn over ratio (being no of times)

IMPORTANT RATIOS & FORMULAE

IMPORTANT RATIOS & FORMULAE LIQUIDITY RATIOS

Current Ratio : Current assets / Current liabilities
Acid Test or Quick Ratio Quick assets / Current liabilities
Net working capital : Long term sources - long term uses OR current assets - current liabilities.

SOLVENCY or LEVERAGE RATIOS

Debt-Equity Ratio = Long term outside liabilities/Tangible net worth
Debtor service coverage ratio (DSCR) = (Net profit + depreciation + amount of interest on th long term liabilities) / (amount of interest on the lob term liabilities + amount of instalment of long tern liabilities).

ACTIVITY RATIOS

Stock OR Inventory turnover= Sales / Stocks
Debtor turnover = Sales / sundry debtors (i.e. book debts, receivables)
Debtors' velocity or debt collection period Book-debts / sales x 12 PROFITABILITY
Return on equity = Profit / tangible net worth x 100
Return on investment or capital employed Profit / Investment (or capital employed) x 100
Net Profit Ratio -=Net profit / Sales x 100

BREAK-EVEN RATIOs

Costs of a business cart be classified into fixed and variable. Fixed costs are those costs which do not change with production like rent, salaries and variable costs are those which change with production like raw material, wages, power, repair etc.
Profit = Sale minus fixed cost minus variable cost
Contribution = Sale price per unit minus variable cost per unit or Sale-variable cost
Break Even Point in units = Fixed Cost/(Sale Price per unit — Variable Cost per unit)or
Fixed cost/contribution per unit, Break Even Point in Rupees = Fixed cost x sale/(Sale- Variable Cost)
PV Ratio = contribution/sales x 100 , Break Even Point = Fixed cost/PV Ratio
Break Even Point in terms of capacity utilization=Break even units/Installed capacityx 100
Margin of Safety =(Actual Sale — Break Even Sale)/ Actual Sale*100

Earning Per Share (EPS) : The ratio denotes per share profit of a company. It can be used to compare 2 different companies" profitability. To calculate the ration only the no. of equity share is taken (and not of preference shares). It can be calculated as under: Net profit after tax and preference dividend/ no. of equity shares. It help in understanding market pricing of the equity share.

Price Earning Ratio (PER) : The ratio indicates the current market price vis-a-vis the earning per share. It can be calculated as under: Market price of the equity share / earning per share

Different users of ratios

Long term creditors	**Short term lenders (Banks)**	**Shareholders**
Fixed charges cover = Income before interest and tax / Interest charges	Quick ratio --- Quick assets / current liabilities	Earning per share = Profit available for equity holders / no. of equity shares
Debt service coverage ratio = Cash profit for debt service / annual interest and principal	Current ratio = Current assets / current liabilities	Dividend Yield ratio = Dividend per share / market price per share

Cash Flow Statement :Cash flow statements are useful in planning short term operation of the business. Usually cash flow statement is prepared by cash receipt & payment.

Fund Flow Statement : Fund flow statement is a statement of sources and uses of funds for a period. Fund means net working capital. Fund flow statement indicates the changes in net working capital position and the reasons for the same.
For preparing this statement, balance sheet of two consecutive years and profit and loss account for the intervening period is required.
Long term sources of funds include issue of capital, raising term loans, debentures, funds from operations and long term uses include purchase of fixed assets, payment of dividend, payment of taxes, repayment of term loans.
If long term sources are more than long term uses, it will result in increase in net working capital and vice versa
Various types of long term source, short term sources and uses are given below:

t Profit after Tax	S	x Payments	U
vidend Payments	U	crease in Term Loans	S
crease in Other CL	S	crease in Stock	U
crease in TL	U	epreciation	ither S nor U
crease in short term bank borrowing	S	crease in Fixed Assets	U
t Loss	U	crease in Receivables	U
duction in fixed assets	S	awings by partners	U

ecrease in Receivables	S	crease in Capital	S

WHAT THE CHANGE IN RATIOS MEAN

If a firm realises book debts in cash — No change in current assets, quick ratio, current ratio or net working capital.
If a firm realises old assets or non current assets in cash or sell fixed assets in cash: current assets, quick ratio, current ratio or net working capital will all improve
If a firm issues bonus shares — There is no change in any ratios
If a firm issues rights shares — Current ratio, quick ratio, net working capital, debt equity ratio, net worth will improve
If a firm revalues its fixed assets and creates revaluation reserve: Net worth and tangible networth increase. Debt equity ratio declines / improves. There is no effect on current assets or quick assets or current ratio and quick ratio.
If increase in long term sources is more (say 125%) than increase in long term uses during a year liquid asset would increase, liquidity would improve.
If increase in long term is uses more (say 125%) than increase in long term sources during a year — liquid asset would decrease, liquidity would decline.
Lower and higher break even point : A firm with lower break even point has better chances for earning profits. A firm with higher break even earns lower profits.
If break-even point of a firm goes up — It is an indication of dedine in profits
If break-even point of a firm goes down — It is an indication of increase in profits
If debtor-turnover ratio increase — It shows efficiency in recovery
If debtor-velocity ratio decrease — It shows firm is allowing credit to buyer of its products for a lesser period
If stock-turnover ratio increase — It is better use of stocks
If current ratio increases and quick ratio remain constant — It shows higher %age of stocks in or lower %age of receivables in total current assets.
If current ratio is constant and quick ratio increases — It shows lower %age of stocks or higher %age in receivables in total current assets.

SUMMARY - WORKING CAPITAL TERMS

Particulars	Classification
Working capital	Current assets such as cash, stocks, book-debts, other current assets
Net capital working	Current assets — current liabilities OR Long term sources — long term uses
Working gap capital	Current assets — current liabilities (other than bank borrowing — i.e. OCL)
Working limits capital	Bank facilities needed to purchase current assets. These facilities are cash credit, overdraft, bills purchase/discounting, pre-shipment or post-shipment loans etc.

Factors which determine the working capital The following factors determine the overall working capital levels of the industrial units: Policies for production, Manufacturing process, Credit Policy of the unit, Pace of turnover , Seasonality

Process for assessment of working capital requirements Generally there are three methods followed by banks for assessing working capital of a firm i.e. (i) traditional method suggested under Tandon Committee, (ii) turnover method suggested by Nayak Committee and (iii) cash budget method followed in case of seasonal industries.

Methods of Assessing Bank Finance

Holding Norms based Method of Assessment of Bank Finance Various steps used in the process include following
Deciding on the level of turnover: : in case of existing units, past performance can help in ascertaining projected turnover. In case of new enterprise, it is based on production capacity, proposed market share, availability of raw materials, industry norms etc.
Assessment of Gross working capital: This is sum total of various components of working capital
inventory: For assessment of stock levels of raw material, work in process and finished goods, information like lead time, minimum order quantity, location and number of suppliers, percentage of imported material, manufacturing process etc are considered. Industry norms may be helpful in this regard.
Receivables/bills: it can be assessed easily. It is governed by market practice relating to a particular business.
Other Current assets: A reasonable estimate of other current assets like cash level, advance to suppliers, advance tax payment etc is calculated. Sources of Meeting Working Capital Requirement
Own sources: This represents available net working capital. Further, as the estimate of limits is based on the projected balance sheet at the end of the current accounting year, some internal accruals are also taken into account. Bank may stipulate additional NWC if available NWC and anticipated internal accruals are not enough to maintain desired current ratio.
Suppliers's credit based on market practice
Other current liabilities like salary payable, advance from customers etc.

Bank Finance

Cash Budget Method : In any economic activity there will be outflows to meet the expenses of production and inflows from the sale of output. Any firm requires working capital from the bank to meet the gap between these inflows and outflows. Therefore, under this method, cash flows are projected on monthly or quarterly basis to ascertain the deficit. Bank finance will be equal to cash deficit. This method is used while financing seasonal industries like tea, sugar, service oriented industries like software, Non banking finance companies, construction contracts.

Turnover Method: This method was suggested by Nayak Committee. This method is to be applied in the case of working capital limits up to Rs 5 crore in the case of Small Manufacturing enterprises and up to Rs 2 crore in other cases. This method is simple in nature. According to this method, working capital requirement is equal to 25% of the accepted projected annual sales; bank finance is 20% of the projected annual sales or 80% of the working capital requirements and margin is 5% of the projected annual sales or 20% of the working capital requirements. For example, if the current sales are Rs 400 lac, projected growth is 25%, then projected annual sale will be Rs 500 lac. Accordingly, working capital requirement will be Rs 125 lac, bank finance Rs 100 lac and borrower's margin Rs 25 lac. However, actual drawing power will be allowed as per security available. if net working capital available with the borrower (i.e. borrower's margin) is more than 5% of the projected annual sale, the limits can be adjusted accordingly.

The requirement as per this method is minimum assuming working capital cycle of the unit at 3 months. If working capital cycle is more, Bank may consider higher requirement depending on the business of the borrower.

Turnover Method (Nayak Committee) It is used where the aggregate fund-based working capital credit limits are upto Rs. 500 lac from the banking system. Working capital : Minimum 25% of the projected turnover (or 3 months's sale).
Working capital limits : Minimum of 20% of projected annual turnover after satisfying about reasonableness of the projected annual turnover. Borrowers' margin : 5% of projected turnover. If it is higher than 5%, the bank limits can be fixed at a lower level than 20%. The margin proportionately increases with increase in period of operating cycle (ratio of margin to bank finance should be 1:4.

Calculation of working capital

Estimated sale turnover (projected sale)	Rs.80 lac
Minimum Working Capital @ 25% estimated sales (which represents 03 months' sales)	Rs.20 lac
Contribution of borrower @ 5%	Rs.4 lac
Minimum Bank credit for working capital @ 20% of projected sales	Rs.16 lac

Traditional method
As per traditional method (Tandon Committee), the level of working capital is determined both by the length of the operating cycle and the size of the sales. The method is applicable to working capital limits above Rs.5 lac. In a circular dated 04.11.97, RBI withdrew the mandatory application of this method and allowed banks to use their own method.
The total of anticipated level of current assets calculated on the basis of estimated sales and by applying the norms for inventory and receivables, is the level of working capital. The amount of bank limit, can be determined as under :
a: Assess the level of net working capital. (surplus of long term sources over long term uses) available, which normally should not be less than 25% of total current assets. Work out bank finance to be sanctioned being gap of total current assets less NWC and other current liabilities.

Calculation of limit

Method of lending	1st Method	2"d method
1.Total current assets	2000	2000
2.Less other current liabilities	200	200
capital gap (1-3)	1800	1800
Minimum stipulated NWC	450+	500++
Maximum Permissible Bank Finance	1350	1300

+ Under 1st method it is 25% of working capital gap. ++ Under 2nd method it is 25% of total current assets

Loan Delivery System
This method was suggested by Jilani Committee. Applicable to units with working capital requirements of Rs 10 crore and above from the banking system. Accordingly to this method, 80% of the working capital requirements were to be sanctioned by way of a demand loan and balance 20% as fluctuating cash credit limit. Now, RBI allowed banks to fix the percentage of demand loan as per their discretion. The method is not applicable in respect of (a) Bill Finance (b) Export credit (c) Seasonal industries .(d) sick units

Debt Service Coverage Ratio (DSCR) : The relationship between the repaying capacity and the repayment commitment is expressed in the form of Debt Service Coverage Ratio (DSCR) which indicates the coverage of liability of the concern. The following formula for working out DSCR, is followed: " (Net profit + interest on TL + depreciation) **/** (Interest on term loan + instalment of term loan)"
Term loan and Deferred Payment Guarantee (DPG)

Term Loan	**DPG**
It Is fund based.	It is non-fund based
Funds outlay instant	Funds outlay contingent
It is shown as part of balance sheet	It is shown as footnotes of the balance sheet
This loan is allowed by bank or financial Institution	Long term credit is allowed by seller against guarantee
Common features : Purpose is purchase of capital assets. Detailed appraisal required. Repayment is from future profits	

Financial Appraisal Techniques for Project:
DISCOUNTED CASH FLOW (DCF) METHODS
DCF takes into account the actual timing of cash outgo and cash inflow. It is based on total cash flow over the life of the project. There are two principal measures of DCF, i.e. NPV & IRR.
Net present value (NPV) : NPV is the difference between cash outflows at base period and present value of future cash inflows. It helps the bank to ascertain, whether a oroject should be taken up for financing or not

Project A Year Discount rate (DCF) 10%	Cash inflow	NPV	**Project B** Cash inflow	NPV
0	(-)5000	-**5000**	(-) 5000	
5000				
1 0.91	1100	1000	1125	1024
2 0.83	1210	1000	1235	2025
3 0.75	1330	999	1355	1016
4 0.68	1460	997	1485	1010

5 0.62	1500	931	1525	945
Total	6600	4927	6725	5020
Net present value	4927 - 5000	= (-) 73	5020-5000	= 20

This is initial investment in the project is an outflow.
In project A while the cash outflow is 5000 (original investment), the future cash inflow is 6600 and its net present value at 10% discount rate is 4927. Hence the NPV is less than Zero (i.e. — 73). On the other hand, for project B, against cash outflow of 5000, the net present value of the inflow of 6725 is 5020 which is more than Zero.
Hence, the project B can be taken up for financing.
Internal rate of return (IRR) : IRR is the rate of discount at which the net present value is ZERO. In the following example it is 34.62%. At this discount rate the discounted value of the net cash flow from a project is equal to the amount which has been invested to obtain that net cash flow (in the following case, the investment is 1500. At 30% discount, the NPV of cash inflow is 1633 and at 35% it is — 11, but at 34.62%, it will be 1500, making the net value as Zero).
Illustration: The exact IRR would be 34.62% which can be worked out as under, at which the net present value of the cash Inflow would be Zero which is (-) 11 at 35% and 133 at 30% discount rate. (Lower discount rate + difference between two discount rates) X Net present value of the cash flow at lower discount rate / absolute difference between the NPV of cash flow stream at two discount rates. = 30 + 5 (133/144) i.e. = 30 + 5 (.924) = 34.62%
Year Cash flow DCF-30% Discounted DCF-35% Discounted

0			Cash flow (-)1500	cash flow (-)1500
1	500	0.769	384	0.741 370
2	750	0.592	444	0.549 412
3	1000	0.455	455	0.406 406
4	1000	0.350	350	0.301 301
5	3250		1633	1489

Net position 1633-1500 = 133 1489-1500=(-)11 This is initial investment. Hence an outflow.

11. NPA & RECOVERY MANAGEMENT

The prudent guidelines were first issued by RBI in the year 1991 implemented wef 01.04.1992 on recommendations of Narasimham committee covering, income recognition, asset classification and provisioning. Prudential norms prescribed by RBI include norms relating to Accounting, Exposure, and Capital Adequacy. Prudential accounting norms are income recognition, asset classification and provisioning.

CLASSIFICATION FOR TREATING LOAN ACCOUNT AS NPA

Term Loan	If Interest and/ or instalment of principal remain overdue for aperiod of more than 90 days
CC/Credit/overdraft	if the account remains 'out of order or the limit is not renewed/reviewed within180 days from the due date of renewal. Out of order means an account where (i) the balance is continuously more than the sanctioned limit or drawing power OR (ii) where as on the date of Balance Sheet, there is no credit in the account continuously for 90 days or credit is less than interest debited OR (iii) where stock statement not received for 3 months or more.
Bills	If the bill remains overdue for a period of more than 90 days from due date.
Agricultural accounts	(I) if loan has been granted for short duration crop: interest and/or instalment of principal remains overdue for two crop seasons beyond the due date. (ii) if loan has been granted for long duration crop: interest and/or instalment of principal remains overdue for one crop season beyond due date. (iii)Decision about crop duration to be taken by SLBC. This is also applicable to agricultural term loans also. But where the recovery is not based on crop, in those cases, the 90 days irregularity norm is applicable. Crop classification is done by SLBC in each State.
Loan against FD, NSC, KVP, LIP	Need not be treated as NPAs, provided adequate margin is available in the accounts. Advances against gold ornaments, government securities and all other securities are not covered by this exemption. Interest on such advances may be taken to income account on due date provided adequate margin is available in the account.
Loan guaranteed by Government	State govt. guaranteed accounts to be treated like other accounts. But in case of Central Govt. guaranteed accounts, classification not to be changed and provision not be made. Income to be taken into profit only if interest is recovered. But if govt. repudiates its guarantee, it is to be treated like other accounts.
Consortium advances	Asset classification of accounts under consortium should be based on the record of recovery of the individual member banks and other aspects having a bearing on the recovery. Hence classification can be different for different banks.
Credit card	NPA if min amount due is not paid fully within 90 days from payment due date mentioned in monthly credit card statement. Gap between 2 statements not more than one month.
Interest	Account to be classified as IVA if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter.
Restructured NPA account	Account can be upgraded to standard category after a period of one year from the commencement of the first payment of interest or principal, whichever is later, on the credit facility with longest period of moratorium, under the terms of restructuring package.
Red Flagged Account (RFA)	A/c where suspicion of fraud is thrown by warning signals. Cut off amount =Rs.50 cr and above. Monthly report to CMD. Staff accountability decision max 6 months. Report to CRILC within one month.

DISTRESSED ASSETS: Identify incipient stress by creating a sub-category viz., Special mention accounts (SMA) before a loan Account turns into an NPA.Early formation of lender's committee with timeline to agree a plan of resolution.Incentives for lenders to agree collectively and quickly to plan.Improvement in current restructuring process.More expensive future borrowing for borrowers who do not co-operate with lenders. More liberal regulatory treatment of asset sales. **SPECIAL MENTION ACCOUNTS:**

SMA SUB CATEGORY	BASIS FOR CLASSIFICATION
SMA 0	Principal or interest payment not overdue for more than 30 days but account showing signs of incipient stress.
SMA 1	Principal or interest payment overdue between 31 – 60 days.
SMA 2	Principal or interest payment overdue between 61 – 90 days.

Report of SMA-2 accounts to CRILC (Central Repository of Information on Large Credit) — to be sent where the amount is Rs.5 cr and above.

Signs of stress to be classified as Special Mention Account : Delay of 90 days or more in stock statement / other financial statements, renewal of loan limits. Actual sales /operating profits, falling short by 40% or more compared with projected sales OR reduction of DP by 20% due to stock audit OR drop in credit rating by 2 or more notches. Return of 3 or more cheques for insufficiency of funds or returns of 3 or more cheques sent for collection. Non-payment of devolved LC or DPG payment for 30 days or more. 3rd request or extension of time for compliance of conditions.

When an account is classified as Doubtful or Loss without waiting for 12 months: If the realizable value of tangible security in an account which was secured in the beginning falls below 10% of the outstanding, it should be classified loss asset without waiting for 12 months and if the realizable value of security is 10% or above but below 50% of the outstanding, it should be classified as doubtful irrespective of the period for which it has remained NPA.

Asset Classification : Assets can be categorized into four categories namely (i) Standard (ii) Sub Standard (iii) Doubtful (iv)Loss The last three categories are classified as NPAs based on the period for which the asset has remained nonperforming and the realisability of the dues.

Standard Assets: The loan accounts which are regular and do not carry more than normal risk. Within Standard assets, there could be accounts which though have not become NPA but are irregular. Such accounts are called as Special Mention accounts.
Sub-standard Assets: With effect from 31.3.2005, a sub-standard asset is one, which is classified as NPA for a period not exceeding 12 Months.
Doubtful Assets: With effect from 31 March 2005, an asset is to be classified as doubtful, if it has remained NPA or sub standard for a period exceeding 12 months.
Doubtful accounts are further classified in three categories namely Doubtful 1 (D1), .Doubtful 2 (D2) and Doubtful 3 (D3).
Doubtful 1 or D1: It is that account which is doubtful up to one year.
Doubtful 2 or D2: It is that account which is doubtful for more than one year but up to 3 year.
Doubtful 3 or D3: It is that account which is doubtful for more than 3 year.
Thus an account remains D1 for 12 months and D2 for 24 months.
(iv)Loss Assets: A loss asset is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

Period of Classification of Loan A/Cs

Classification	Period
Standard — Regular	Any period
Standard — Irregular or overdue or out of order	90 days
Sub-Standard	12 months
Doubtful- up to one year	12 months
Doubtful — above one year but up to 3 years	24 months
Doubtful — above three years	Uncertain
Loss	Uncertain

PROVISIONING NORMS: Provisioning is made on all types of assets i.e. Standard, Sub standard, Doubtful and loss assets.
ADVANCES UNDER CONSORTIUM : Assets classification of accounts under consortium should be based on the record of recovery of the individual member banks and other aspects having a bearing on the recoverability of the advances. Where the remittances by the borrower under consortium lending arrangements are pooled with one bank and/or where the bank receiving remittances does not part with the share of other member banks, the account will be treated as not serviced in the books of the other banks and therefore be treated as NPA.
Provision for NPAs:
Sub Standard Assets - 15% OR 25% of liability .However the 'unsecured exposures' which are identified as 'Sub Standard ' would attract additional provision of 10%, i.e., total of 25% on the outstanding balance.
Doubtful Assets - up to one Year - 100% of Deficit* portion /Unsecured portion + 25% of Secured Portion
Doubtful Assets – More than one year & upto 3 Years - 100% of Deficit* portion /Unsecured portion +40% of Secured Portion
Doubtful Assets - More than 3 years and Loss Assets -100%
*Deficit portion means to the extent of the advance which is not covered by the realizable value of the security/ECGC/CGTMSE/CRGFTLILH cover etc., to which the bank has a valid recourse and the realizable value is estimated on a realistic basis.
Advances covered by ECGC &other guarantees :In the case of advances classified as doubtful and guaranteed by ECGC/CGTMSE/CRGFTLH, provision should be made only for the balance in excess of the amount guaranteed by the Corporation. Further, while arriving at the provision required to be made for doubtful assets, realizable value of the securities should first be deducted from the outstanding balance in respect of the amount guaranteed by the Corporation and then provision made.
PROVISION NORMS FOR FRAUD ACCOUNTS: All fraud cases reported under Loans and advances should be classified as Doubtful or Loss assets depending on the availability and enforceability of securities without fail. All fraud marked accounts are to be provided fully irrespective of Asset Classificationcategory: 5% for first two years.
Suspense Interest: While making provisions on NPAs, amount lying in Suspense interest account and derecognized interest should be deducted from gross advance and provisions be made on the balance amount.
Overall provisions: Total provisioning coverage ratio, should be minimum 70%. Banks should achieve this norm not later than end-September 2010. Provisioning coverage ratio is the ratio of provisioning to gross NPAs.
Floating Provisions: Banks can deduct floating provisions from gross NPAs or *reckon it as part of Tier II capital subject to the overall ceiling of 1.25% of total Risk Weighted Assets.

SUMMARY OF PROVISIONS (In %age)

Direct Agriculture, MSE and Home Loan that fulfill RBI criteria of LTV ratio	0,25%
Commercial real estate — Residential housing	0.75%
Commercial Real Estate	1.00%
Teaser Home Loans (provision will be 0,4% after one year of increase in interest rate)	2.00%
All other Standard loans	0.40%
Restructured accounts w.e.f. 1.6.13	5.00%
Sub-standard Secured	15%
Sub-standard Unsecured	25%
Sub-standard unsecured (infrastructure accounts)	20%
Provisioning rates for non-reporting to CRILC	
Secured sub-std up to 6 m : 15% and above 6m-12m : 25%	
Unsecured SS up to 6 m : 25% and above 6m to 12 m 40%	
Doubtful — up to 12 months	25%
Doubtful — more than 12 months but up to 3 years	40%
Doubtful —more than 3 years (secured/unsecured):	100%
Provisioning rates for non-reporting to CRILC	

Secured DF -1 : 40% and DF — 2 : 100%	
Loss account	100%
Provisioning coverage ratio to be calculated w.r.t gross NPAs as on Sept 2010 (ratio of provisions/ gross NPAs).	70%
Excess amount (over and above account-wise provision) to be kept in Cyclical Provision. Buffer Account (RBI allowed banks on 31.03.15, to use provisions in this account to be utilised up to 50% (earlier 33%) of o/s as on 31.03.14 to make specific provisions against NPAs	
Provision for Frauds : 100% over 4 quarters, beginning from quarter in which fraud occurred. If no report to RBI — provisioning immediately.	100%

Important issues relating to provisions:
Provision on Standard account to be kept as part of Other Liabilities in Schedule-5 of bank's balance sheet (it will be part of Tier 2 capital fund for CAR purpose). Provision on Standard accounts to be done on Global balance and for NPA accounts on Gross Balance.For Doubtful accounts, provision to be done separately for secured portion and unsecured portion of total balance in the account. For sub-standard accounts, provision to be done by treating the account secured sub-standard or unsecured sub-standard without bifurcating the balance into secured or unsecured. Sub-standard unsecured account means an account where at the time of sanction no security obtained or security value was 10% or less.

NPA Classification & Provision Norms for Projects over Run
As per record of recovery (90 days overdue) during any time before commencement of commercial operation)
Infrastructure Projects: Account is classified as NPA if it fails to commence commercial operations, after 2 years from the date of original envisaged date of completion or deemed date of completion as decided by group formed for the purpose.(cir 119/2010)
Infrastructure Projects delayed for other reasons beyond the control of promoters: Up to another 1 year (beyond the existing extended period of 2 years i.e. total extension of 3 years), in other than court cases.In court cases or arbitration proceeding upto another 2 yaers . (i.e. total extension of 4 years)
other than Infrastructure Project: A loan for a non-infrastructure project will be classified as NPA if it fails to commence commercial operations within one year from the original date of commencement of commercial operations (DCCO), even if it is regular as per record of recovery.
Restructured Infrastructure Projects (on account of delay) : The provisions on such accounts as long as these are classified as standard assets is as under: (a) Until two years from the original Date of commencement of Commercial Operations – DCCO 0.40% (b) During the third and the fourth years after the original if project loans restructured with effect from June 1 , 2013 DCCO.5.00%.
Restructured Non Infrastructure Projects (on account of delay) : The provisions on such accounts as long as these are classified as standard assets is as under: (A) Until the one year from the original DCCO 0.40% (B) During the next one year 5.00%, if project loan restructured with effective from June 1, 2013.

GROSS AND NET NPA
GROSS NPAs: It is the Principal dues of NPAs plus Funded Interest Term Loan where the corresponding contra credit is parked in sundries Account (Interest Capitalization - Restructured Accounts), in respect of NPA Accounts.

NET NPAs: Net NPAs is the amount of Gross NPAs minus
1.Provisions held in the case of NPA Accounts as per asset classification (including additional Provisions for NPAs at higher than prescribed rates). 2. DICGC / ECGC claims received and held pending adjustment. 3. Part payment received and kept in Suspense A/c or any other similar a/c. 4. Balance in Sundries Account (Interest Capitalization - Restructured Accounts), in respect of NPA Accounts, 5. Floating Provisions. 6. Provisions in lieu of diminution in the fair value of restructured accounts classified as NPAs 7.Provisions in lieu of diminution in the fair value of restructured accounts classified as standard assets

Gross and Net Advances.and Gross and Net NPA:
Gross Advance = Standard Assets + Gross NPA. (For the purpose of computing Gross Advances, interest recorded in the Memorandum account should not be taken into account. Net NPA = Gross NPA minus provisioning for NPAs. Net advances = Gross advances minus provisioning for NPAs, Net NPA ratio = Net NPA/Net advances*100

LOK ADALAT : Created under Legal Services Authority Act 1987. Decisions are consent decrees. There is no appeal against such decree. Civil Procedure Code is applicable. These Adalats are similar to civil courts. Banks can call Lok Adalt with application to High Court. Amount — General Lok Adalt : Up to Rs.20 lac (wef Aug03, 2004). Above Rs.20 lac - DRT Lok Adalat. Eligible accounts — NPA (Loss and doubtful account). Decree for principal and interest should be sought. After full payment discharge should be given. Repayment : Preferably down-payment. Max in 1-3 years.

Central Registry of Securitisation Assets Reconstruction and Security Interest of India (CERAI)
Central Registry of Securitisation Asset Reconstruction and Security Interest Act of India (CERSAI) established as a Sec 25 Company to perform functions of Central Registry, w.e.f. 31.03.2011. Objective —To Prevent loan frauds relating to multiple mortgage of same property .Transactions to be registered: Equitable and other mortgages, hypothecation, assignments etc. (charge on movables and intangible assets) 4- transactions of securitisation and reconstruction of financial assets under SARFAESI Act.
Time period for registration is 30 days, which can be increased by 30 days by Central Registrar. **Form I** for registration and Form II for satisfaction of charge. Fee: Rs.50 up to Rs.5 lac and Rs.100 above Rs.5 lac for registration or modification. Fee for delay condonation is 2 times of schedule fee for $31^{5(}$- 40^{th} day, 5 times for $41^{5'}$ to 50^{th} day and 10 times for $51^{51}$to 60^{th} day. No fee for registration for satisfaction of charge.

SARFAESI ACT 2002 (SECURITISATION AND RECONSTRUCTION OF FINANCIAL ASSETS & ENFORCEMENT OFSECURITY INTEREST ACT 2002)
Applicable wef Aug 23, 2002 in entire India, including J&K. Amendment — Act amended during 2004 on Supreme Court intervention in Mardia Chemicals vs Union of India and others (provisions of deposit of 75% amount by borrower before approaching DRT were withdrawn). Banks can take possession of the charged securities (only if charge is registered with CERSAI), take management of

securities, can sell the charged securities, without court intervention. Where DM help is taken for possession, DM to complete the process within 30 days. Management take over only when loan is converted in to equity being at least 51% of paid up capital. Designated officer to initiate action under the Act — Scale IV and above in banks OR officers approved by BoD of the bank. Consortium/BIFR cases : In case of joint/consortium financing consent of 60% (by value). creditors required for action. BIFR cases can be recalled back with consent of 60% of creditors. Possession — 60 days notice before possession.
Remedy to borrower — If borrower objects, bank to justify the possession within 15 days. If borrower not satisfied could approach DRT within 45 days (without depositing any amount). DRT's decision is appealable (within 30 days) to DRAT after deposit of 50% of amount that could be reduced to 25% by DRAT. After possession or deemed possession of immovable property, public notice to be given. Sale — Before sale 30 days notice. Sale below reserve price (to be fixed by bank) only with consent of the borrower. Sale can be by tenders or through public auction. For sale through auction, public notice in 2 news papers (one regional). Sale is confirmed on receipt of 25% amount immdly and balance is payable in 15 days. DRT pending case: Banks can make use of SARFAESI Act for sale of security for such cases (Supreme Court - Transcore vs Union of India & others).
Loans not eligible under SARFAESI Act :1 Outstanding up to Rs.1 lac. 2 Agriculture land, ship, airplane cannot be sold; 3 Amount due is less than 20% of the principal and interest (i.e. 80% or more already recovered). 4 Loans secured by pledge, lien & by security of bank deposits. 5 Where limitation has expired 6 Where security is not charged to bank

Summary of Time Limits in SARFAESI Act

Notice before possession	60 days
Reply to objection by borrower	15 days
Borrower can approach DRT against possession notice without deposit of any amount	45 days
Appeal to DRAT against decision of DRT by deposit of 50% amount which can be reduced to 25% by DRAT	30 days
Notice before sale	30 days
Period of balance payment 75% by the buyer of assets	15 days

Important Section in SARFAESI Act

60 days notice before possession	Sec 13 (2)
Assistance by Chief Metropolitan Magistrate or Distt. Magistrate in taking possession	Sec 14
Application to DRT against possession notice issued by the bank	Sec 17
Appeal against DRT to DRAT by depositing 50% amount	Sec 18

Debt Recovery Tribunal : Created under Recovery of Debt Due to Banks & FIs Act 1993 (except X). These are like other civil courts for a special purpose of helping in quicker NPA recovery in large account. Amendments made to the Act, which became effective w.e.f. 01.09.16. DRT headed by President (President assisted by Registrar and Recovery Officer) and DRAT by Chairperson (max age of President 65 years and of Chairperson 67 years). Eligible account Loans of banks and FIs with recoverable dues of Rs.10 lac or more. Jurisdiction : No other court has jurisdiction over such cases. Time limit - On receipt of application, show cause notice to borrower to submit his defence by borrower within 30 days (period can be extended by 15 days). For non-compliance borrower can be detained for 3 months. Disposal is expected in 2 hearings (earlier 180 days). Disposal of appeal by DRAT also maximum 180 days. Appeal — Order by DRT appealable to DRAT within 30 days from date of receipt after deposit of 50% of due amount. DRAT may reduce the amount to 25%.
Order- After claim is upheld, Recovery certificate is issued. Recovery officer has powers such as attachment etc. under Income Tax Act. Appeal to President of DRT against order of Recovery Officer within 30 days and appeal against Registrar within 15 days.
Fee — Rs.12000. For each additional Rs.1 lac Rs.1000. Max 1.50 lac. *For appeal* Rs.12000 for debt less than Rs.10 lac, 20000 (10 lac to less than Rs.30 lac) and Rs.30000 (Rs.30 lac & above).

Asset Reconstruction Companies : Objective - For taking over distressed assets from banks/FIs at discount and reconstruct or re-pack for sale. Recovery period maximum of 5 years (8 years with Board Approval). To be set up as a joint stock company. RBI registration must before commencement for business as ARC.Business to be commenced within 6 months of registration with RBI. RBI can extend it by another **1** year in aggregate. Net owned funds not less Rs.100 cr or 15% of acquired assets, whichever lower. Capital adequacy ratio min 15% of Risk Weighted Assets. ARC to invest at least 15% in security receipts (SR) created out of each securitization. Max FDI/FII in SR 74%. FDI/FII — Total 74%. By sponsor — 50%.

Sale and Purchase of NPAs by banks

The sale and purchase of NPAs can be made by banks, financial institutions and NBFCs. A bank can sell NPA provided it is held in its books as NPA for any period.The sale will be on cash basis and without recourse basis. Purchasing bank can not resell the same to the selling bank. The asset will be classified as Standard Asset in the books of the purchasing bank for 90 days **and** thereafter on the basis of its record of recovery.Purchasing bank can resell the same other than to the original bank after keeping the same in its books for 12 months.The purchasing bank should realize the assets within 3 years. Minimum 10% should be recovered in the **first** year and **5% in** the each following half year. In the books of the purchasing bank, this asset will carry a risk weight of 100% for capital adequacy purpose. Asset Reconstruction Companies .ARCs have been set up for taking over NPAs from banks/Fls and reconstruct or re pack these for sale.First ARC is Asset Reconstruction Company of India Ltd (ARCIL). ARC will be set up as a joint stock company. Registration with RBI is must before commencement of business as ARC. ARC should start business within 6 months of registration with RBI. RBI can extend it by another six months. Net owned funds of ARC should be 15% of the acquired assets or Rs 100 crore whichever is less. Capital Adequacy Ratio at all times should be at least 15%
ARC should invest at least 15% in security receipts created out of each securitization.

Reporting to Credit Information Company:

Both in respect of suit filed and non suit filed accounts, banks/Fis should furnish the data in respect of wilful defaulters of Rs. 25 lakhs and above for the quarter ending December 31, 2014 and the data on defaulters (other than willful) of Rs. 1 crore and above for the half year ending December 31, 2014 to Credit Information Company and not to RI31. Thereafter, banks/Fls may continue to furnish data in respect of defaulters/wilful defaulters to CICs on a monthly or a more frequent basis.

Corporate Debt Restructuring (CDR) System : CDR is a mechanism outside BIFR or DRT, as per RBI guidelines. It is not a judicial system but based on mutual agreement between parties. Before a reference to CDR, 2 agreements required i.e. debtor-

creditor agreement (validity 90 days) and inter-creditor agreement (validity 3 years).3-tier Structure of CDR : (1) CDR Forum (at top — policy making having Chairman of banks as members), (2) CDR Empowered Group (sanctioning authority having EDs of banks as members) and (3) CDR Cell (operating wing). Eligible account — All corporate accounts having multi-lending loan a/c, with fund and non-fund exposure of Rs.10 cr or more.
Reference for Category **I** accounts (Standard & Substandard accounts++) by a creditor with 20% share (by value).
++ up to 10% of total exposure, doubtful account is included in category 1.
Category **II** accounts (Doubtful account) reference jointly by creditors with 75% shares by value & 60% by number.
Suit filed a/c eligible with consent of 75% creditors by value & 60% by number. Fraud & willful default cases not also eligible. Large value 13IFR cases, can be taken up on specific recommendation of CDR core group. Stand still clause — Debtor & creditors to sign Debtor-Creditor agreement, for no legal action for 90 days (extendable to 180 days). Creditors to enter into Inter-creditor Agreement, valid for 3 years. Time schedule: Preliminary restructure case to be prepared by lead institution within one month for submission to CDR Cell. CDR cell to prepare restructure package within 30 days. Decision by CDR Empowered Group within 90 days (180 days in special circumstances). Benchmarks — Unit to become viable in *5* years (infrastructure 8 years) and restructured debt should be paid within 10 years. ROCE at least equivalent to 5 year Govt. security yield plus 2%.
DSCR greater than 1.25 within 5 years period. On year-to-year basis, above **1.** Normal DSCR for 10 years repayment, should be around 1.33. Gap between IRR and cost of capital, should be at least 1%. Loan life ratio (LLR) should be 1.4 (to give a cushion of 40% to the amount of loan to be serviced). LLR = Present value of total available cash flow during the loan life period (including interest and principal) / Maximum amount of loan. Promoter contribution : At least 20% of sacrifice of lenders or 2% of the restructured debt, whichever is higher, to be brought upfront. Implementation on approval : Decision binding on all creditors where 75% of creditors by value and 60% by number, agree.
Asset classification : If approved package implemented within 90 days, asset classification at the time of reference, to be restored (incentive not available after 01.04.15). Fresh loans to remain standard for one year w.r.t. to due date. Restructured loans can be upgraded to standard category after a period of one year from the commencement of the first' payment of interest or principal, whichever is later, on the credit facility with longest period of moratorium. Conversion of loans in to preference shares : It is allowed up to 10% of restructured debt, in case of listed companies. Personal guarantee of promoters : It is mandatory.

Debt Restructuring Mechanism for SMEs : The guidelines are applicable to entities which are viable or potentially viable as follows : (i) All non-corporate SMEs irrespective of the level of dues to banks. (ii) All corporate SMEs which are enjoying banking facilities from a single bank, irrespective of the level of dues to the bank. (iii) All corporate SMEs which have funded and non-funded outstanding up to Rs.10 crore under multiple/ consortium banking arrangement. Accounts involving wilful default, fraud and malfeasance would not be eligible for restructuring. Accounts classified by banks as Standard, Sub Standad and Doubtful only are covered. 'Loss assets' would not be eligible for restructuring. Viability: Banks should decide on the acceptable viability benchmark. it should be ensured that the unit becomes viable in 7 years and the repayment period for restructured debt does not exceed 10 years. Time period for restructuring: Restructuring package should be implemented within a maximum period of 60 days from the date of receipt of request.
Strategic Debt Restructuring (SDR) Scheme : RB1 authorised banks (08.06.15) to undertake an SDR i.e. converting loan dues to equity shares (acquire min 51% shareholding subject to compliance with Secl9(2) of Banking Regulation Act, 1949).
Decision to be taken within 30 days and approved by JLF members (min 75% by value and 50% by number); Conversion package to be approved within 90 days from date of deciding to undertake SDR; Conversion to be completed within 90 days from the date of approval. SDR is not restructuring; On conversion, existing asset classification, as on reference date, will continue for 18 months. viii. On divestment in favour of a 'new promoter', account will upgraded to `Standard'. The new promoters should acquired at least 51% of the paid up equity capital (ab initio at least 26%). Conversion price : It should be calculated at fair value decided by ILE on a reference date & not to exceed lowest of:
Market value i.e. average closing prices during 10 trading days preceding the 'reference date;Break-up value (book value) per share calculated from latest audited balance sheet (without considering 'revaluation reserves') not more than a year old. In absence of latest balance sheet the break-up value shall be Re.1. Risk Weight : Equity shares under SDR to be assigned a 150% risk weight for 18 months from the `reference date'.
Revival and Rehabilitation of MSME (RBI –Mar2016)
Eligible amount : Max Rs.25 cr. Above Rs.25 cr *multi-lender* cases under CDR. Action : Action can be rectification, restructuring or recovery. Identification to be done on the basis of Early Warning Signals (EWS). On identification up to Rs.10 lac : Action at branch level. On identification above Rs.10 lac : Reference within 5 working days, to Standing Committee of MSME at Regional / Zonal I Distt. Level, created by the bank. Borrower can also approach if there is Net worth (previous FY) erosion is 50% or more. If reference is received, Standing Committee to hold meeting within 5 banking days for suitable action. Consortium / Multi-Banking Arrangement : Consent of Majority (75% by amount, 50% by no.). On receipt of reference from a bank with SMA-2 status or borrower, the leader bank or bank having largest exposure will make reference to its committee. information to borrower within 5 banking days. Committee shall also obtain information from statutory creditors giving them 15 days time to provide details, for assessment overall liability. Within 30 days of first meeting of committee, decision about action to be taken For restructuring : Techno Economic Viability is mandatory. Terms of restructuring to be completed : within 20 days for amount up to 10 cr and 30 days for amount above 10 cr (and notify the borrower within 5 banking days after this). Implementation : 30 days in case of rectification. 90 days in case of restructuring.

FRAMEWORK FOR REVITILISING NPA : Formation of Joint Lenders' Forum (JLF) : Mandatory if a/c reported as SMA-2 to CRILC by any lender & total exposure is Rs.100 cr or above. In SMA-0 or SMA-1 accounts and SMA-2 below Rs.100 cr, optional. Corrective Action Plan (CAP) by JLF can be (1) rectification (2) Restructuring of SMA or sub-std account or (3) Recovery. (Recovery action only with consent of majority of lenders — 60% by amount 50% by no.). Time limits with ..113 : 1) to decide on option : 45 days. 2) Sign off detailed Corrective Action Plan (CAP) — 30 days. 3) Techno Economic Viability study to be completed within 30 days 4) Restructure package to be finalized after— 30 days. 5) Package to be conveyed by all to borrower 15 days. Asset classification on restructuring : W.e.f. April 01, 2015, a standard account to be immediately classified as sub-standard on restructuring. NPA account upon restructuring, to continue to have the same asset classification as prior to restructuring and slip into further lower asset classification categories as per the extant asset classification norms with reference to the pre-restructuring repayment schedule.

Policy on Sale Stressed Assets (RBI-01.09.16) : Sale can be ARCs, Banks, NBFCs, Fls etc. Once in a year (beginning), banks to prepare an internal list of NPAs to be sold. At least doubtful loans (above a threshold) to be reviewed by Board I Committee on a periodic basis. Prospective buyer to be allowed 2 weeks period for due diligence. Valuation from 2 independent valuers mandatory where value of IP is > 50 cr. Assets sold under securitization — bank investment in security receipts max 10% wef 1.4.18
Bank should adopt Swiss Challenge method for sale of NPAs. Conditions for Seller Bank. Seller bank can sell (a) on cash basis (b) on without recourse basis and (c) cannot re-purchase the sold account.
Conditions for Buyer Bank Time for realisation of purchased NPAs — 3 years . Not less than 10% should be recovered in first year and 5% in each following HY. Minimum period the purchasing bank is to keep the account with it, if it wants to sell to another bank: 12 month from date of purchase. Asset classification of NPA by purchaser bank — For first 90 days, it will be treated standard. If recovery is not as planned, the treatment to be given as sub-standard. For CAR purposes, for purchased NPA risk weightage = 100%.

Willful Defaulters : A borrower is treated as willful defaulter, (i) if he fails to pay the loan as per terms of sanction and (ii) he has capacity to pay OR he did not utilized the loan for the sanctioned purpose (diversion) OR he siphoned off funds out of business OR he sold the loan securities unauthorizedly without depositing the amount in the loan account. Willful defaulter is declared by a committee headed by Executive Director in a bank after giving opportunity to the borrower. Decision of this committee can be reviewed by CMD. Where the amount of willful default is Rs.25 lac or more it is required to be reported to all credit information companies, on monthly basis. Other banks are not to sanction further loans to willful defaulters, Further, no loan is to be sanctioned to new projects for 5 years.

Non-Cooperative Borrowers : A non-cooperative borrower is a borrower who fails to pay the loan as per terms of sanction but has capacity to pay OR thwarts bank's effort of recovery by not providing information OR by denying access to the loan security. The cut-off amount for this purpose is Rs.5 cr or above. A borrower is declared non-cooperative by a committee headed by Executive Director after giving opportunity to the borrower. Decision of this committee can be reviewed by a committee headed by CMD. Board is to review status of such borrower on HY basis. Report is to be submitted on quarterly basis to CLIRC within 21 days.

Red Flagged Accounts : A/c where suspicion of fraud is thrown by early warning signals (EWS). *Cut off amount =* Rs.50 cr and above. Monthly report to CMD. *Multi-Banking arrangement account:*After red flagging of account, within 15 days, concerned bank to seek meeting of JLF. JLF meeting to be convened within 15 days. Account can be red flagged by all if majority of banks agree (60% by amount). Forensic audit to be completed within 3 months and meeting to be convened within 15 days after receipt of report to decide the status (i.e. change from RFA to Fraud account). Report to RBI and CRILC within 7 days and to CBI within 15 days. *Staff accountability* decision max 6 months. Provisioning Coverage Ratio & CCPB in terms of Circular dated Dec 01, 2009, a Provisioning Coverage Ratio (PCR) of 70% of gross NPAs was prescribed by RBI, as a macro-prudential measure, to augmenting provisioning buffer in a counter-cyclical manner when the banks were making good profits. Banks have been advised (Apr 21, 2011) by RBI that :the PCR of 70% may be with reference to the gross NPA position in banks as on September 30, 2010;
the surplus of the provision under PCR vis-a-vis as required, should be segregated into an account styled as countercyclical provisioning buffer (CCPB). This buffer will be allowed to be used by banks for making specific provisions for NPAs during periods of system wide downturn, with the prior approval of RBI. (On March 31, 2015, RBI allowed banks to use 50% of CCPB as on Dec 31, 2014). Further, PCR is to be disdosed in Notes to Accounts to the Balance Sheet.

RBI has set up a Central Repository of Information on Large Credits (CRILC) to collect, store and disseminate credit data to lenders. The credit information on all the borrowers having aggregate fund based and nonfund based exposure of Z 5 Crore and above and the details of all Current Accounts of the customers with outstanding balance (debit or credit) of Z 1 Crore and above are also to be furnished to CRILC. As soon as an account is reported to CRILC as SMA-2, a Joint Lenders Forum (JLF) shall be formed mandatorily, if the aggregate fund based and non-fund based exposure of lenders to the account is 100 crore and above. However, it is possible that a borrower may request the lenders, with substantiated grounds, for formation of a JLF on account of imminent stress. When such a request is received by a lender, the account shall be reported to CRILC as SMA-0. Further, the lenders shall also form the JLF immediately if the Aggregating exposure is 100 crore and above.
JLF finalize the Corrective Action Plan (CAP) and place it before empowered group of lenders ,which will be tasked to approve the rectification/restructuring under CAP. Generally restructuring cases taken up by JLF only in respect of standard, SMA or sub standard by one or more lenders of the JLF. If account is assessed viable in TEV study and JLF-EG concurs with the assessment ,JLF may decide on restructuring of an account classified as doubtful in the books of one or more lenders similar to SMA-2 and substandard assets. Dissenting lender who do not want to participate in restructuring of accounts as CAP (with or without finance), have option to exit by selling its exposure to existing lender(s). Such dissenting lender cannot continue with existing exposure and simultaneously not agreeing for restructuring as CAP. The new lender may not be required to commit additional finance. In such cases additional finance pertaining to additional Banker will be met by existing lenders on a pro rata basis.
If Escrow maintaining Bank, does not appropriate proceeds of repayment among the lenders ,in such case escrow maintaining bank will attract asset classification which is lowest among lending member bank and corresponding (accelerated) provisioning requirement. Such accelerated provisioning will be for a period of one year from effective date of provisioning or till rectification of the error whichever is later.
Reporting to CRILC is are under
1.CRILC Main (Quarterly submission,within 21 days from the close of relevant quarter). Exposure to large borrower (Global operation). Reporting of technically prudentially written off accounts (Global operation).Reporting of balance in current account(Global operation).Reporting of non cooperative borrower 2.CRILC-SMS 2 and JLF formation

Insolvency and Bankruptcy Code 2016 : The Bankruptcy Law Reform Committee headed by T. K. Viswanathan as its Chairman recommended for introduction of this Code. It has become **operational from December 2016.**
The Code is a legislation on insolvency applicable for companies, firms/partnerships/other non-corporate entities and individuals but **does not apply to financial organizations like banks.**
Under this code no insolvency proceeding can be instituted against Financial Service Providers like Banks, Financial Institutions and

Insurance companies. Mutual funds. The provisions relating to the insolvency and liquidation of corporate debtors shall be applicable only when the amount of the default is **Rs 1 lakh or more.**
IBBI stands for Insolvency and Bankruptcy Board of India (IBBI) , formed as per I&BC, HQ in New Delhi.
The Board **should have 10 members** appointed by the GoI which will include the (i) Chairperson, (ii) at least 3 whole-time members, (iii) 3 ex officio members from Central Govt., iv) 1 ex officio member from RBI, (v) 2 other members.
The **National Company Law Tribunals (NCLT]** headed by **its president** acts as the Adjudicating Authority for insolvency proceedings relating to incorporated entities i.e. companies and Limited Liability Partnerships etc.
An appeal to NCLAT can be made within 30 days of the date of order by the NCLT.
The Debt Recovery Tribunals (DRT) acts as the Adjudicating authority for insolvency proceedings relating to individuals and non-corporate entities like partnership firms, etc.

Corporate Insolvency Resolution Process [CIRP] means the steps taken to bring the company back to health or to liquidate the same to use its assets to pay the creditors.
Application to start the CIRP can be made to NCLT by (a) Financial Creditor/s i.e. lenders including ARCs, (b) Operational Creditor/s i.e. suppliers of goods/services, (c) Corporate Debtor /Borrower.
After admission of the application, the NLCT declares a moratorium. Once the moratorium is declared the (a) **lenders and other creditors are debarred** from filing suits, or continue the pending suits, or go for execution of any decree or order in any Court /Tribunal/Arbitration panel /Other authority; (b) Lenders cannot proceed under the SARFAESI Act 2002 to enforce security interest. The Insolvency Resolution Process is to be completed within 180days from date of admission of application by the NCLT. If approved by 75% of committee of creditors, insolvency professional may request for extension of timelines and the AA may grant further period of maximum 90 days. Thus the maximum time period available for CIRP is 270 days.
Where the Resolution Plan is not submitted within the time limit, the AA can order for the liquidation of the company. Where the NCTL finds the Plan is not acceptable it can order for liquidation of the company.
[NB: In case any reader is interested to have a comprehensive and concise write up and expected questions on this subject, he can get the same by remitting a token amount of Rs 50 to our account.]

National Company Law Tribunal [NCLT]
The formation of NCLT was recommended by Justice Eradi Committee Section 408 of the Companies Act, 2013 provides for the formation of the National Company Law Tribunal [NCLT] and Section 410 provides for the formation of the National Company Law Appellate Tribunal [NCLAT]. On June 01, 2016, the Ministry of Corporate Affairs [MCA], notified the formation of the National Company Law Tribunal [NCLT] and National Company Law Appellate Tribunal [NCLAT] and they came into existence from that date. GoI has appointed M.M. Kumar, as president of the NCLT and Justice S.J. Mukhopadhya, as the Chairperson of the NCLAT. It constituted 11 (eleven) Benches of the NCLT, two in New Delhi, and one each at Ahmedabad, Allahabad, Bengaluru, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata and Mumbai. The NCLT has taken over the functions of the (a) erstwhile Company Law Board [CLB] which stands dissolved, and (b) erstwhile Board for Industrial and Financial Reconstruction [BIFR] which has been closed. NCLT performs the following functions:
Exercises powers of the High Court for ordering of the winding up, restructuring and other provisions of the Companies Act. [Note: The matters like compromise, amalgamation and capital reduction will continue to be with the High Courts.]
Deal with matters relating to the investigation of a company's accounts, freezing of assets, **class action suits**, conversion of a public company to a private company. Take up the Bankruptcy proceeding against companies as per the Insolvency and Bankruptcy Code 2016. 18. Insolvency and Bankruptcy Code 2016 [IABC]

NPA AND RECOVERY MANAGEMENT

Performing Asset : Which does not disclose any problems and which does not carry more than normal risk attached to the business . Income is recognized on accrual basis
Control Mechanism: **Special Watch:**
Part A: Limit upto and including Rs 1 Lacs Part B: Limit above Rs 1 Lacs and upto Rs 5 Lacs Part C: Limit above Rs 5 Lacs and upto Rs 25 Lacs Part D: Limit above Rs 25 Lacs and upto Rs 100 Lacs Part E: Limit above Rs 100 Lacs

Special Mention Account:
SMA 0: Principal or interest payment not overdue for more than 30 days but account showing signs of incipient stress.
SMA 1: Principal or interest payment overdue between 31 – 60 days.
SMA 2: Principal or interest payment overdue between 61 – 90 days.
RBI has setup CRILC to collect, store and disseminate credit data to lenders. The credit information on all borrowers having aggregate FB+NFB based exposure of Rs 5 Cr is to be furnished .The details of CA of the customers with o/s balance of Rs 1 Cr and above are also to be furnished

Non-Performing Asset
Term Loan: Interest and/or installment of principal remain overdue for more than 90 days OD/OCC: The account remains out of order for a period of more than 90 Days. Bills Purchased / Discounted: Overdue for a period of more than 90 Agricultural advances: interest and/or installment of principal remains overdue for two crop seasons (short duration crops) and for one crop season (long duration crops). Infrastructure project: If commercial operation does not start within 2 years from date of commencement of commercial operation. Non Infrastructure Project: If commercial operation does not start within 1 year from the date of commencement of commercial operation
2.1 Sub Standards (SS) Asset:
Such account remains in NPA for maximum 12 months. Provision for secured sub standard asset: 15 %, for unsecured sub standard asset: 25 % and for substandard unsecured infrastructure: 20 %, Provision on non reporting to CRILC: Secured SS upto 6 months 15 %, above 6 months: 25 %, Unsecured SS upto 6 months: 25 %, above 6 months: 40 %
2.2Doubtful asset (DA):
Account classified as DA if account remain in substandard for one year or erosion in value of security is more than 50 % and

available security is more than 10 % of outstanding balance .Provision on unsecured portion is 100 % DA- 1: account remains in DA-1 upto 1 year. Provision is 25 % on secured portion .40 % provision is required on non reporting to CRILC
Account remains in DA-2 above one year and upto 3 Year. Provision is 40 % on secured portion
Account remains in DA-3 above three year. 100 % provision

2.3 Loss asset

Accounts classified as Loss asset, if value of security is more than 10% of outstanding exposures at the time of grant but has subsequently eroded to 10% or less should be straight away classified as Loss Asset.

Recovery Agents

Circle Head can empanel /de-panel the RA, GM headed circle can entrust to RA the recovery in DA ,Loss and written off accounts upto Rs 50 Lacs and DGM headed circle up to Rs 25 Lacs, 15 days Recall notice to be issued to borrower before seizure of security. RA Can directly seize the vehicle/ tractors, etc. (other than SARFAESI Act) and approach borrower for recovery on the basis of authorization given by the CO.
Seizure Charges :Two Wheeler = Rs.1000/- , Auto Rickshaw = Rs.1500/- ,Cars/Jeeps/ Light Goods carriers/Tractors & Trailers =Rs.5000/- , Buses/ Lorry/Heavy Vehicles Rs.7000/-
Incentive to RA: DA = 3% of the recovered amount or liability whichever is less,(max Rs 25,000/- per a/c.)
Loss Asset or W/o = 5% of the Recovered amount or liability whichever is less, with max of Rs 50 000 per account
In case of OTS on the sole efforts of RA50% of the amount mentioned above

Securitization And Reconstruction of Financial Assets & Enforcement of Security Interest (SARFAESI)Act

Ineligible accounts: Loans with outstanding upto Rs 1.00 lac, Agriculture land The amount due is less than 20% of principal and interest (i.e. 80% or more already recovered), Loans secured by pledge, lien & security of bank deposit, Limitation has expired
Where security is not charged to the Bank.
Stipulated time under the act: Notice before possession (Demand Notice) : 60 days, Reply to objection by borrower : 15 days
Borrower can approach DRT against possession Notice : 45 days, Appeal to DRAT against decision of DRT : 30 days
Notice before sale : 30 days, Period of Balance payment 75% by bidder/buyer : 15 days

Debt Recovery Tribunal (DRT) (except J & K)

DRTs are set-up under the provisions of Recovery of debts Due to Banks and Financial Institutions Act, 1993. The act is applicable throughout India except J & K, Cases of Rs10 lacs and above. Constituted under recommendation of Narasimhan Committee in 1991 Cases can be filed by only Banks and Financial Institutions, Disposal of case by DRT: Within 180 days, By DRAT also disposal in 180 days. DRT headed by President, Assisted by Registrar and Recovery Officer. Appeal to DRAT within 45 days from date of receipt by depositing 75% amount. DRAT may reduce or waive it . Appeal to President of DRT against orders of Recovery Officer within 30 days and appeal against Registrar within 15 days.

DRT Fee :

Rs 12,000/-. For each addlRs 1 lakh: Rs 1000/-, max Rs 1.50 lac. For appeal :Rs 12,000/- for <Rs 10 lacs. , Rs 20,000/- for 10 lacs to < 30 lacs , Rs 30,000/- for 30 lacs and above

DRT Advocate fee

1 % of claim amount with Min Rs 12500 .Max Rs 30000, In Delhi ,Mumbai ,Kolkata , Chennai &B'lore- Rs 50000
Clerkage – min Rs 1000 Max –Rs 5000, Interim relief petition- Rs 1000 Max Rs 5000, Misc exp – Rs 3000
Advocate must have 2years experience. Fee for obtention of recovery certificate : 1/4th of the fee payable for conducting DRT cases (Max Rs 10000/-)

Lok Adalat

Lok Adalat is similar to a civil court which can be organized by the state authority, the Distt. Authority, the Suprem Court Legal Service committee or High Court Legal Services Committee. Amount :Upto Rs 20 lac. Above Rs 20 lac, DRT Lok Adalat. Created under Legal Service Authority Act 1987. No appeal against decision as the decree is consent decree. Banks can call Lok Adalat with application to High Court. Repayment: Preferably down payment. Maximum permissible: 1 to 3 years

10.NPA & RECOVERY & LEGAL ASPECT

8/17	Initiating APPROPRIATE RECOVERY STEP IN ALL NPA accounts- Campaign from 05/01/17 to 20/01/2017.
81/17	ONE TIME SETTLEMENT SCHEME (OTS) FOR RESTRUCTURED STANDARD ACCOUNTS UNDER AGRICULTURE ON ACCOUNT OF NATURAL CALAMITIES. To capture the details of accounts settled under the subject scheme , DIT has now provided a new field name as under: BAM54 screen In Compromise Scheme tab - new scheme name "OTS SCHEME CIR701/16"is enabled in drop down box. In this regard, Branches/Offices are requested to choose only "OTS SCHEME CIR 701/16" from the drop down box in BAM 54 screen, while entering the compromise details of accounts settled under the subject Scheme. Further Branches/Offices are also requested to update BAM 54, in respect of all those accounts which are already settled under the subject One time settlement Scheme, under the new field enabled for the purpose.
82/17	Special Scheme for One Time Settlement of Educational Loans with Limits above Rs.4.00 lacs upto limit of Rs 7.50 lacs — Delegation of Powers to Branches. It is now decided to delegate powers to Branch Heads for settlement of Education Loans covered by HO Circular 703/2016 as a special case till 31.03.2017. The competent authority has delegated power to all Branch –in Charges to settle the accounts eligible under HO Circular 703/2016 dated 9.12.2016 provided the OTS conform to all the guidelines, terms and conditions prescribed under the scheme. In case of any deviations, powers shall vest with the next higher authority. Educational Loans with limits above Rs.4.00 lacs and limit upto Rs.7.50 lacs.
88/17	"SOFT SKILLS TRAINING PROGRAM" TO ENHANCE THE NEGOTIATION AND RECOVERY SKILLS OF OFFICIALS AT BRANCHES, ARM BRANCHES, PCBs, ROs & CIRCLES. ▫ "Soft Skills Training Program" for officials of Branches, ARM Branches and PCBs for excelling in NPA reduction and Cash Recovery. ▫ "Soft Skills Training Program" for officials of Circles and ROs for their high level of performance in NPA Management. ▫ Branches other than ARMBs & PCBs and ROs are categorized under 4 groups and Circles are categorized under 2 groups based on NPA level as at 30.09.2016. ▫ The Top Performers in each group will become members of Gold, Silver and Bronze club based on their ranking in each group. ▫ The selection for the above program will be based on the

<table>
<tr><td></td><td>performance recorded as on 31.03.2017.
▫ The top performers under each group shall be eligible for “Soft Skills Training Program”.
TYPE OF MEMBERSHIP CERTIFICATE SIGNED BY
GOLD CLUB MANAGING DIRECTOR & CEO
SILVER CLUB EXECUTIVE DIRECTOR
BRONZE CLUB GENERAL MANAGER
GOLD CLUB – Soft skill training at abroad. SILVER CLUB – Soft skill training at any exotic location in India.
BRONZE CLUB – Soft skill training anywhere in India.</td></tr>
<tr><td>92/17</td><td>BRANCHES TO OBSERVE “RECOVERY FORTNIGHT” FROM 06.03.2017 TO 18.03.2017</td></tr>
<tr><td>124/17</td><td>REGISTRATION OF CHARGE UNDER CERSAI AND IMPLICATIONS OF NON-REGISTERATION UNDER SARFAESI-AMENDMENTS TO SARFAESI ACT 2002 AND SECURITY INTEREST (ENFORCEMENT) RULES 2002.
In order to proceed under SARFAESI Act, it is now mandatory to register charge under CERSAI. Banks will not be able to initiate any step under Chapter III of SARFAESI Act like issuance of demand notices, taking possession or arranging for sale of the secured assets unless the secured assets are registered with the Central Registry.</td></tr>
<tr><td>245/17</td><td>Special scheme for one time settlement of small value NPAS upto Rs. 10.00 Lacs. The “special scheme for settlement of small value NPAs” issued under HO circular 226/2016 dated 20.04.2016 is extended upto 30.06.2017 The following schemes as per HO circular 226/2016 are extended till 30.06.2017. Eligibility for the NPA accounts for settlement under the scheme extended by one year. 1.Special Scheme for settlement of Small Value NPAs of ` 10 Lakhs and below. 2.OTS for Education Loans upto limit of ` 4 Lakhs : EL which are NPA as on 31.12.2016 and EL disbursed before 31.12.2009 can be considered .If EL is for short duration crop EL disbursed before 31.12.2012 can be considered. 3. Special OTS scheme for Tractor Loans and Other Farm Mechanization Loans: NPA under Tractor & Other Farm mechanization loan outstanding as on 31.12.2016. Loan should have been disbursed prior to 31.03.2012</td></tr>
<tr><td>246/17</td><td>Special scheme for settlement of NPAs in MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) SECTOR WITH TOTAL DUES (Contractual) of Rs. 100 lacs and below. The existing “special scheme for one time settlement of substandard, doubtful and loss assets in Micro, small and medium enterprises (MSME) with total dues of Rs. 100 lacs and below” (Cir 368/2016 dtd 28.06.2016) is extended upto 30.06.2017. The scheme will cover NPAs classified as doubtful & loss assets in MSME sector, as on 30.09.2016, with total dues (contractual) of 100 lacs and below as on the date of settlement. The scheme will also cover NPAs classified as sub-standard under Micro and small enterprises (MSE) Sector as on 30.09.2016 with total dues (contractual) of Rs. 100 lacs and below as on the date of settlement, categorized as “sick/Non-viable for restructuring or rehabilitation.</td></tr>
<tr><td>247/17</td><td>SPECIAL SCHEME FOR SETTLEMENT OF NPA ACCOUNTS BACKED BY SECURITIES & NETWORTH OF THE PARTIES WITH ADDITIONAL INTEREST CONCESSION. SPECIAL SCHEME FOR SETTLEMENT OF NPA ACCOUNTS BACKED BY SECURITIES & NETWORTH OF THE PARTIES WITH ADDITIONAL INTEREST CONCESSION.
<table>
<tr><td>Where the realizable value of the security is sufficient to cover the contractual / decretal dues</td><td>Attempt should be made to recover the full amount.
Where the parties are paying less than the contractual dues / decrial dues, steps should be taken to recover the outstanding Book Liability as on the cutoff date plus simple interest at not less than 1% below the Base Rate as on the date of proposal.</td></tr>
<tr><td>Where the realizable value of the security + Net Worth (put together) of the borrower / guarantor / co obligant is sufficient to cover the contractual/decretal dues</td><td>Attempt should be made to recover not less than the outstanding Book Liability as on the cutoff date plus simple interest at not less than 3% below the Base Rate as on the date of proposal.</td></tr>
<tr><td>Where the realizable value of the security + Net Worth (put together) of the borrower / guarantor/ co obligant is not sufficient or negligible to cover the contractual/decretal dues ,</td><td>Attempt should be made to recover maximum amount possible, keeping in view the realizable value of securities/ assets of the borrower/ guarantor / co-obligant and the time taken for realization of the same.
(no change)</td></tr>
</table></td></tr>
<tr><td>248/17</td><td>Special Scheme as per cir No 679/2016 for settlement of NPA accounts with book liability up to Rs100 lakhs under Doubtful (D4) and Loss Assets category which are continuing as NPA for 5 years or more is extended till 30.06.2017. The Scheme permitted vide our HO Circular No 679/2016 dated 02.12.2016 is extended upto 30.06.2017.</td></tr>
<tr><td>309/17</td><td>RECOVERY IN CREDIT CARD DUES. ▫ Ensure recovery of dues in all Credit Cards. ▫ Ensure providing explicit communication to card holder on adverse impact on their credit score while settling dues.</td></tr>
<tr><td>329/17</td><td>Special Scheme as per cir No 679/2016 for settlement of NPA accounts with book liability up to Rs 100 lakhs under Doubtful (D4) and Loss Assets category which are continuing as NPA for 5 years are more is extended till 31.12.2017. The Scheme permitted vide our HO Circular No 679/2016 dated 02.12.2016 is further extended upto 31.12.2017. The extended scheme covers all NPA Accounts under D4 and Loss Assets category with Book Liability up to Rs 100 Lakhs (customer wise).</td></tr>
<tr><td>330/17</td><td>SPECIAL SCHEME FOR ONE TIME SETTLEMENT OF SMALL VALUE NPAS UPTO RS.10.00 LACS.</td></tr>
<tr><td>331/17</td><td>SPECIAL SCHEME FOR SETTLEMENT OF NPAs IN MICRO, SMALL AND MEDIUM ENTERPRISES (MSME) SECTOR WITH TOTAL DUES (CONTRACTUAL) OF RS. 100.00 LACS AND BELOW –EXTENDED UPTO 31.03.2018.</td></tr>
<tr><td>332/17</td><td>Special Scheme as per cir No 678/2016 for settlement of NPA accounts backed by security & net worth of the parties with additional interest concession is extended till 31.12.2017.</td></tr>
</table>

350/17	Amendments to the Banking Ombudsman Scheme, 2006 w.e.f 1st July, 2017. We reiterate the following guidelines for compliance at branches/ offices; ▫ In the Comprehensive Notice Board (CNB), display the information regarding availability of the amended Banking Ombudsman Scheme 2006 with the Branch-in-Charge. ▫ Branches/Offices are required to take the print out of the amended Banking Ombudsman Scheme 2006 and keep in a folder for viewing by our customers/ general public/ inspecting officials from RBI / BCSBI etc. on demand. ▫ Organize monthly customer meet as per extant guidelines. Invite cross section of customers and discuss regarding the amended Banking Ombudsman Scheme 2006. ▫ In the quarterly Standing Committee meeting on Customer Service at circles/ regional offices, the amended Banking Ombudsman Scheme 2006 is to be discussed for the benefit of our customers. ▫ The Nodal officers at circles/ regional offices attending banking ombudsman complaints are required to have good liaison with Banking Ombudsman offices on an ongoing basis under each jurisdiction. ▫ Circles/ Regional Offices have to arrange cluster wise meetings in each jurisdiction and discuss regarding the amended Banking Ombudsman Scheme 2006. ▫ In the monthly staff meeting at branches/offices, discuss about the amended Banking Ombudsman Scheme 2006 effective from July 1st 2017 for creating awareness among staff members.
353/17 292/17	BRANCHES TO OBSERVE "RECOVERY FORTNIGHT" FROM 17.07.2017 TO 31.07.2017 -- MINIMUM SLIPPAGE AND MAXIMUM RECOVERY. The following are the main goals/focus area during the Recovery Fortnight. ▫ Avoiding / minimizing slippages through intensive monitoring of accounts appearing in SWL/SMA list. ▫ Upgrade NPA accounts by recovering overdues. ▫ Maximizing NPA reduction and achieving cash recovery Targets for the September 2017. ▫ Focus on recovery in OTS permitted accounts at Branch/RO/CO/HO level. ▫ Achieving the Target for Recovery in Doubtful, Loss and Written off accounts. ▫ Reduction and elimination of small value accounts through recovery / up gradation / OTS and achieving set targets under reduction in small value accounts as well as "Operation Nano". ▫ Recovery in / Elimination of specific category of long outstanding small value NPA accounts under MSME/AGRI and RETAIL as communicated earlier. ▫ 100% participation by all branches in initiating recovery action in all NPA accounts. ▫ Settlements of accounts under OTS schemes extended vide HO Circulars 329,330,331 and 332/2017. ▫ Conducting Cluster Adalats at Region Level and Mega Adalats at Circle Level.
359/17	THE SPECIAL OTS SCHEME FOR REPEATEDLY RESTRUCTURED STANDARD AGRICULTURE ACCOUNTS ON ACCOUNT OF NATURAL CALAMITIES – PROCEDURE FOR WRITING OFF THE SETTLED ACCOUNTS. Procedure for write off of accounts settled under Special OTS scheme for Repeatedly Restructured Standard Agriculture Accounts is given below: a) Branch contacts party and settle the account as per OTS policy. OTS amount is recovered and adjusted to loan account, and submit LOT 28 based on the BO Report 280321. b) IBA is received from Balance Sheet Section, HO. c) Manual movement of Asset classification enabled through CIM15 on receiving intimation vide e-mail. Authorization of CIM15 will be done by PC&FI Wing, HO. The details of account as per Annexure I should be submitted to HO for authorizing the CIM15 option. d) Account is modified as 'Sub Standard'. e) Any other charges debited to the account such as Insurance, Notice charges etc., after OTS shall be reversed manually by the branch by the branch through AC002 option. Any unrecovered interest will be reversed by system. f) Branch to ensure the following before opting AC004: • Balance outstanding in the account is equal to the write off IBA amount received. • OTS details are entered in BAM 54 screen. g) Branch shall opt CBS option AC004 for writing off account as under: • In AC004 Branch to select fields "Full write off" and "OTS allowed" to proceed further. • Any accrued interest at the time of adjusting the write off IBA will be reversed by the system. Branches to ensure that the entire process of adjusting IBA, classification of account as NPA under AC002 option and writing off the account under AC004 Further, BO report 280321 is enabled, which will provide the details such as unrecovered interest, amount to be written off and accrued interest for filling up the LOT 28 form correctly.

373/17 * - LOAN RECOVERY POLICY 2017-18. - The Committee at RO and CO has to review individually the accounts with liability above 2.2.00 and ? 10 lacs respectively slipped to NPA subsequent to last review and committee at CO has to review. The periodicity of meeting of review committee at RO and CO is once in a month. Follow up of Newly Slipped NPA accounts: Transfer Loan Card/CR file to Recovery section as per cut off limit for follow up, review, monitoring and enforcement for securities under SARFAESI Act. Branches should arrange to issue SARFAESI Notice within 7 days from date of permission. Simultaneously credit section/monitoring cell decide future course of action including decision on viability, revival/rehabilitation, staff lapses, up gradation of account within 60 days from date of NPA. All the above steps are to be completed within 90 days from date of NPA. In case of failure of revival prospects, Credit Sections/Wings shall take decision to transfer the CR files of NPA accounts within 30 days of receipt of orders of the competent authority. Branches should submit Loan Card/NF 606/ NF 607 recommending to classifying the account as "Marked for Recovery"/transfer of CR files to Recovery Section, within 90 days of account becoming NPA. Respective delegated authorities shall permit transfer of files to Recovery Section, filing of suit, waiver of legal action, and other recovery action within 30 days of LOAN CARD/NF 606/607 submitted by the branches.

For deferring any action like Revival/restructuring/rehabilitation under internal restructuring/CDR mechanism/BIFR, SARFAESI action including legal action beyond the stipulated period of 30/60/90 days , the specific permission should be obtained from the NHA by the credit section, Monitoring Section. For this purpose NHA will be, as per delegation of powers for Suit filing, waiver of legal action and transfer of NPA files Marked for Recovery etc. and permission should be obtained from ED/MD & CEO through the concerned Sanctioning/Monitoring Section at HO for accounts with liability of `.1.00 crore and above.

Wherever branches/RO/Circles consider for continuation of NPA Accounts for nursing on account of prospects of likely revival/ recovery, they may take decision for allowing operations in the accounts by permitting Holding on Operations, as per guidelines provided in the Credit Policy. All such accounts under nursing shall continue to be followed up by respective credit sections till permitted to be transferred to respective Recovery Sections for Recovery Action. Though Crown Debts do not have priority over the dues of secured creditors, to avoid interference Branches should ensure upto date payment of statutory dues.

SARFAESI Act
When the account is under consortium lending, the Lead Bank or any other consortium member Bank may initiate the action, provided Banks/FIs representing **sixty percent** in value of amount outstanding agree for such measures. Demand Notice : 60 days (After which Authorised officer shall take possession). Sale Notice : 30 days (Published in 2 leading newspaper ,one should be in vernacular language) Possession notice should be published in 2 leading newspapers within 7 days of taking possession The right of the mortgagor to claim back his property is available only till the date of publication of sale notice. In case of immovable property, fix reserve price. If assessed value/ reserve price upto ` 100.00 Lacs, at least one attempt and if value is above ` 100 Lacs ,two attempt should be made to sell the property through public auction/auction by inviting tenders, before opting for sale by private treaty. All public auctions are to be conducted online. If liability is less than `.5.00 lacs, circle may opt for offline auctions also. In the advertisement of E-Auction, the complete Address of property/ies with pin code of the city or area should be mentioned. Advertisement should contain a column mentioning the outstanding dues of Local Self Government (Property Tax, Water Sewerage, Electricity Bills etc) on a particular date against each property. The authority who is empowered to permit transfer of account to Marked for recovery / filing suit is empowered to permit initiating action under SARFAESI Act. However, Circle heads are empowered to accord permission for issuance of demand notice under SARFAESI Act in respect of HO power accounts.
DOP for fixation of reserve price(` In lacs ) : DM RO CAC : 50 ,AGM RO CAC :100 ,DGM RO CAC :400 , AGM CO CAC :200, DGM CO CAC :500 GM CO CAC : 1500 ,CGM/GM HO CAC : Full. However, if the total value of securities are below ` 100.00 Lacs, though the powers for transferring the account to Marked for recovery/filing suit falls under delegated powers of Head Office, GM–CO–CAC/ DGM-CO-CAC (Circle Head CACs), is empowered to fix reserve price. In case of reserve price fixed by Head Office, if the sale price obtained by the Authorised Officer is above the reserve price fixed by HO, sale confirmation can be done by AGM-RO-CAC (Headed of RO)/DGMRO-CAC (Headed of RO)**/**GM CO(CAC) / DGM, CO(CAC) [for DGM headed Circles].
Reserve price is fixed as per DOP for the first time at Realisable value of security (RVS). If first time auction failed ,Reserve Price can be refixed with a reduction upto 10% of RVS and permitted by the CGM/GM/DGM(Circle Head)-CO-CAC .Further reduction CGM/GM-HO-CAC. 2 valuation reports from panel valuer (SARFAESI) to be obtained where value of security is more than `.5 Crores.
RO/CO can permit CM/AGM in VLB/ELB to act as the Authorised Officers for the nearby branches. **Seizure agent under SARFAESI:** Seizure agent can be empanelled by GM (Circle head)-CO-CAC. If Circle is headed by below GM ,such power rest with GM,Revovery wing HO. Circles may utilise the services of seizure agents who are in the panel of other Circles on obtaining satisfactory report from that Circle and after ensuring that the seizure agent is having office within the jurisdiction of the Circle who desires to utilise their services. **Fee payable to seizure agent** ,if realised sale amount or liability is 1.Upto ` 20 lakhs: 3% of realized sale amount or liability whichever is less 2. Above ` 20 Lakhs & upto ` 50 lakhs: `.60, 000/- + 2.5% of realized sale amount or liability whichever is less, exceeding `.20 lakhs. 3.Above ` 50 lakhs: `.1,35,000/-+ 2% of realized sale amount or liability whichever is less, exceeding `.50lakhs
Fee payable for assistance/services - Pre inspection/Pre Seizure Activities (Movable or immovable):Min ` 2500, Max ` 4000 Obtaining orders from Magistrate and assistance for taking possession:0.25 % of value of property/Book Liability (Min ` 2500,Max ` 25000). Any extra ordinary expenses to be to take possession :On case to case basis, in consultation with circle head Assistance in taking possession of movable/ immovable properties and for preparing the inventory and panchanama and other incidental services required for publishing the possession notice: Movable- upto `.10, 000/-+ Expenses incurred for shifting. Symbolic possession - `.5000/- Actual Possession of Immovable Property -Upto `.l0,000/- Fee payable for account in OTS: 1.5% of the OTS amount recovered ( Max ` 5 Lakhs). Reasonable charges may be paid for safeguarding the assets by appointing Security Guards and for safe keeping the assets in the warehouse/godown.
Guidelines for accounts marked for recovery- Cut off limit for Review and monitoring of accounts "MARKED FOR RECOVERY" RO :NPA accounts upto `.10.00 lacs , CO : Above ` 10 lakhs, HO : ` 1 Cr and Above. Permission from follow up authority has to be obtained for debiting accounts classified as "Marked for Recovery", expenses like insurance, safe keeping charges, etc. and to General Charges account in respect of suit expenses. In suit filed accounts, valuation charges are to be absorbed by the Bank. permit filing of suit are also empowered to permit incurring normal suit expenses subject to the Court Fee payable as per law in force and the advocate"s fee as prescribed by the Circle in respect of Court cases other than DRT cases. R & L CO evolve a schedule of fee payable (other than DRT) to advocates for filing suits before various Courts/ Tribunals, keeping in mind the fee schedule prescribed by the High Court with the permission of Circle Head . Power to permit advocate fee ,inclusive of schedule fee, in cases where advocate demand for higher fee than the fee prescribed in schedule, for Circle head CAC is upto the max of revenue power (Presently ` 1.5 Lacs ) ,CGM HO CAC : Beyond ` 1.5 – ` 5 Lac , ED CAC : Reyond ` 5-10 Lacs , CAC Board : above ` 10 Lacs. Prefer an appeal or not against the decree should be decided by the respective authority who has permitted filing of suit. For Circle Head CAC power accounts, if the Decree is not as prayed for by the bank, if accepted, shall be placed to HO for Review.
Compromise Policy : Cut off date : date of classification of NPA, Settlement Formula for Non wilful Defaulter :
1.RVS is sufficient to cover the dues : BL as on cutoff date + (BR + 1) % simple as on date of proposal Permission by NHA till proposals below RO head -RO-CAC (AGM/DGM headed ROs)/ CO head-COCAC (DGM/GM headed CAC) and above authorities. In respect of HO monitored accounts (BL of `.1.00 crore & above), any OTS proposal though falling within the delegated powers of, **RO/CO-CAC** shall be placed before GM/CGM-HO-CAC for sanction. 2.RVS + NW sufficient to cover dues : BL as on cutoff date + (BR -1) % simple as on date of proposal Permission by NHA till proposals below RO head -RO-CAC (AGM/DGM headed ROs)/ CO head-COCAC (DGM/GM headed CAC) and above authorities 3.RVS + NW insufficient to cover the dues : as maximum as possible ,keeping in mind value of securities Settlement formula for wilful defaulter : proposal entertained by MC/CAC of board 1.RVS is sufficient to cover the dues : BL as on cutoff date + (BR + 2) % simple as on date of proposal 2.RVS+ NW sufficient to cover dues : BL as on cutoff date + (BR + 1) % simple as on date of proposal 3.RVS + NW insufficient to cover the dues : as maximum as possible ,keeping in mind value of securities Release of guarantor /co-obligant with or without release of securities created by them : treated as OTS DOP for transfer of account to LPD/filing suit is applicable. No power below RO/CO head CAC 1.RVS is sufficient to cover the dues : BL as on cutoff date + (BR +1) % simple as on date of proposal 2.RVS + NW sufficient to cover dues : BL as on cutoff date + (BR -1) % simple as on date of proposal 3.RVS + NW insufficient to cover the dues : as maximum as possible ,keeping in mind value of securities Any deviation as to 1,2,& 3 to be referred to NHA .HO monitored account referred to CGM/GM HO CAC. Release of security alone without release of personal liability: Not less than RVS/Total dues

whichever is lower. DOP for classifying the account as "Marked for Recovery"/filing suit is applicable. In respect of CO monitored accounts No power below RO/CO head CAC .If any deviation , refer to NHA .HO monitored account referred to CGM/GM HO CAC Direct / Indirect dues of ex-employees. As applicable to customer, if loan granted after their services in Bank as per T & C applicable to customer. If loan granted, during the services, CAC board would be sanctioning authority.

F.Agricultural loan with liability below ` 10 Lacs

1.RVS is sufficient to cover the dues : BL as on cutoff date +5 % simple on reducing balance

2.RVS + NW sufficient to cover dues : BL as on cutoff date + 4 % simple on reducing balance

3.RVS + NW insufficient to cover the dues : as maximum as possible ,keeping in mind value of securities

In respect of farmers whose accounts have earlier been rescheduled /converted on account of natural calamities, as declared by RBI guidelines, the cut-off date can also be reckoned from the date of reschedulement wherever applicable.

Bank may permit time upto 6 months from the date of orders, without charging interest on OTS amount.

Calculation of Unapplied Interest for Interest Purpose

All NPA except decreed account : 1.SSA : (BR + 0.75) % or contractual rate including penal rate whichever is lower (simple)

2.DA : (BR - 2) % or contractual rate including penal rate whichever is lower (simple)

3.LA : (BR - 4) % or contractual rate including penal rate whichever is lower (simple)

From the date of stoppage of interest till the end of the quarter immediately prior to the date of proposal. In decreed accounts, above rate is applied upto the date of filing of suit thereafter the rates awarded by the Court from the date of suit or above rates (as per the classification of account as on date of proposal) on simple basis whichever is less.

Time Limit for payment of compromise amount: ordinarily 12-18 months. Compromise amount shall carry interest @ (BR + 1) % from date of communicating order till date of payment. Base Rate would be date of communicating order. Bank may permit 3 months" time without charging interest .GM /DGM (Circle Head) CO CAC may permit 6 months without charging ROI .

Except Proprietorship, partnership, Joint Hindu Family, Co-operative society group approach is not applied for considering compromise proposal. Compromise proposal should be sent to sanctioning authority in NF 724 if sacrifice exceeds ? 50000 or in simplified format for below sacrifice amount upto ? 50000 as per cir 115/03. OTS amount should not be less than the NPV (arrived at Base Rate) of the estimated cash flows associated with the RSV net of the cost of realisation. 15 days intimation notice to CBI/Police authorities before communication of OTS approval to party There should be specific mention to the effect that upon payment of the entire OTS amount as per the terms of sanction, the accounts will appear in the records of the CICs, for a minimum period of seven years with remarks "settled" as per the CIC (Regulation) Act, 2005.

Region/Circle Heads are empowered to permit issuance of legal notice in respect of all accounts falling under their delegated powers for classifying the account as "Marked for Recovery".Circle heads are empowered to permit issue of legal notice in respect of CGM/GM HO CAC,ED CAC,CAC Board ,CAC MC

Non-payment / part payment and or cases withdrawn and a period of 12 months have elapsed from the due date; revival request may be treated as fresh proposal. MC of Board can condone delay upto 24 months. Advisory Committee: Retired high court judge, two former Banker not below the rank of ED from nationalised bank or Dy.MD of SBI, handle all compromise proposal of ? 1 Cr & above & fix reserve price .The views are recommendatory in nature. In respect of group accounts settled under compromise / OTS, unless the borrower repays amount under each account in terms of OTS, "No due Certificate" should not be issued.

Interest income in bad and doubtful debts, is taxable in the previous year in which it is credited to the Bank's P & L account or received, whichever is earlier. However amount set aside for making provision for NPAs as above are not eligible for tax deductions. Therefore, the Bank either makes full provision or write-off such advances and claims such tax benefits.

Fresh finance to OTS parties: need based maximum ? 50000/- , no wilful defaulter, undertaking agriculture/allied activities, weaker section, repaid at least 10 % amount of previous loan and only after 3 months from clearing OTS dues. Submit "No Dues Certificate" from Service Area Bank .Fresh loan jointly with spouse (or eldest member of family) . Permitted by CGM/GM HO CAC and above

Sale of Stressed Financial Assets (FA) to ARC/ SC

Bank may sell NPA , Standard assets (under consortium /MBA ,where 75 % asset value is NPA with other banks and 75 % (by value) of Banks/FI agree to sale the asset to ARC) , FA reported as SMA-2 to CRILC , Sale of assets to ARCs ,either on cash or Security Receipts (SRs) basis or both or Securities (bonds and debentures). A minimum of 15% of the bid amount should be in the form of cash only. Bank give minimum 2 weeks' time to conduct meaningful due diligence of the accounts for verifying the underlying assets for ARCs. FA sold to an SC/ARC "without recourse' basis, i.e., credit risk with FA is transferred to SC/ARC. No EMD to be called for at the time of submission of bids. Recovery Committee of the Bank shall fix the Minimum Offer Price/Reserve Price with the due recommendations of Settlement Advisory Committee. The Reserve Price shall be disclosed at the time of inviting bids/expression of interest from the SCs/RCs.

Purchase/Sale of NPAs to banks/FIs/NBFCs : Purchasing of further assets from Banks/FIs is not contemplated as of now. Sale is cash basis only. The entire sale consideration should be received upfront. Bank may purchase / sell nonperforming financial assets from/to other banks only on 'without recourse' basis. The estimated cash flows are normally expected to be realized within a period of three years and at least 10% of the estimated cash flows should be realized in the first year and at least 5% in each half year thereafter, subject to full recovery within three years. A nonperforming asset in the books of a bank shall be eligible for sale to other banks without any initial holding period in the books of the selling bank. A nonperforming financial asset should be held by the purchasing bank in its books at least for a period of 12 months before it is sold to other banks/FIs/NBFCs. Bank/FIs/NBFCs should not sell such assets back to the bank, which had sold the NPFA. Banks are also permitted to sell / buy homogeneous pool within retail nonperforming financial assets; on a portfolio basis provided each of the nonperforming financial assets of the pool has remained as nonperforming financial asset for at least 2 years in the books of the selling bank. The pool of assets would be treated as a single asset in the books of the purchasing bank. The nonperforming financial asset purchased, may be classified as 'standard' in the books of the purchasing bank for a period of 90 days from the date of purchase.

Counter Offer: It is given to non-wilful defaulters who have given offer for OTS in writing which is not acceptable to the bank or where there is direction from the Court/Tribunal and can be given by authority designated for approving OTS to the extent of delegated powers for sacrifice .

Committee for Identification & Grievance Redressal of Wilful Defaulters:

ED, GM Recovery, GM CC wing. Borrower is given 15 days time to submit their view point upon classification as wilful defaulter.
Committee for identification of wilful defaulter: Headed by ED and consisting two GMs/DGMs
Committee for review (Identification of wilful defaulter) : MD& CEO , 2 Independent director of bank Cut off limit for classification of wilful defaulter: ? 25 lacs. Penal Measure: No additional facilities should be granted by the bank/FI to the listed wilful defaulters. Debar from floating new ventures for a period of 5 years from the date of removal of their name from the list of published/disseminated by RBI/CICs. After permission from the Grievance Redressal Committee, circle shall initiate criminal proceedings by lodging complaints with police /CBI : 1.Liability ` 25 Lacs & above upto ` 3 Cr : State CID / State economic offences wing. 2.Liability ` 3 Cr & above upto ` 25 Cr : CBI (economic offences wing). 3.Liability more than ` 25 Cr : CBI Banking Security and Fraud Cell unit. Before lodging complaint to CBI ,Complaint should be vetted by vigilance section HO .Prior to lodging complaint to state CID /State economic offence wing ,complaint should be vetted by R & L section Circle
Non co-operative borrower (NCB): Aggregate (FB+NFB) facilities of ` 5 Cr (50 billion). NCB in case of a company will include besides the company, its promoters & directors (but not nominated by Govt& independent director). Committee for Identification & Classification of NCB : ED,GM Recovery ,GM CC wing. Committee for review (Identification of NCB) : Chairman /MD& CEO , 2 independent director of Bank Borrower is given 15 days time is to submit their viewpoint upon their classification as NCB
Fresh exposure to NCB require higher provisioning as applicable to Sub Standard assets. However for the purpose of asset classification and income recognition, the new loans will be treated as standard assets. Publication of Photograph in one local daily: Only in exceptional cases of wilful defaulters having liability of ` 10 Lacs & above. Permission by DGM circle .Registered AD notice to be sent, indicating Bank's indication of publishing photograph & reasonable 30 days' time from date of receipt of notice is given to settle the dues. Publication shall not be made in the case of suit filed accounts/ decreed accounts.
Recovery Agents (RA) : 1.Retired Government employees/ PSU including for recovery through persuasive method;
Retired PSB employees including Canara Bank : Exempted 100 hours training Other retired employees of PSU /Government : Require 100 hours training in IIBF or their affiliated institute including STC Bangalore. Fee Payable :
Doubtful Assets : 5 % of recovered amount or liability , whichever is less (Max ` 40000 per a/c), Loss /written off accounts:7 % of recovered amount or liability ,whichever is less(max ` 70000 per a/c), If settlement by by compromise: 50 % of normal fee.
2.Seizure agent (other than retired employees) : Require 100 hours training in IIBF or their affiliated institute including STC Bangalore. RA has to execute an agreement (for Two years)with circle within 6 months from the date of permission of empanelment and other than retired employees has to give BG /EMD/deposit /approved security of ` 1 Lacs and retired employee it is ` 50000/- including our bank retired employees. The period of agreement executed by Recovery Agent, shall be for Two years and after completion of said Two years, Name of empanelled RA has to be published on Bank's website. The Region/ Circle Heads can entrust any number of accounts, to RA irrespective of liability, clubbing accounts of more than one branch.
DGM/GM Circle Head can entrust Recovery Agent NPA accounts under doubtful, loss and written off category with BL up to `. 50.00 Lacs per account. AGM/DGM Region Head can entrust Recovery Agent NPA accounts under doubtful, loss and written off category with BL up to `. 10.00 Lacs per account. Fee Payable : (only after seizure of vehicle)
Two wheeler : ` 2000 , Auto Rickshaw: ` 3000 ,Cars/Jeeps/ Light Goods carriers/ Tractors & Trailers: `8000 , Buses/ Lorry/Heavy Vehicles: ` 10000/- Circle Head is having power to incur additional expenditure maximum up to `. 4000/- over and above the stipulated fee. No cash collection by Recovery agents is permitted. Circle Head can permit expenses of seized vehicle warehousing up to the maximum extent of their delegated powers as applicable to Revenue expenditure.
Bank may pay RA Agents up to 1 % of net sale price or liability whichever is less if RA assists in sale of asset by identifying the buyer. RO/Circle shall issue 15 days' notice before taking possession of the security/property .In respect of movable property; Bank shall take possession by preparing inventory in the presence of two witnesses. Before sale also circle will give 15 days' notice.
DOP: for DM RO CAC/AGM RO CAC/DGM RO CAC/AGM CO CAC/DGM CO CAC/ GM,CGM CO CAC
1. Classifying the account as "Marked for Recovery" & suit filing : 50 /100/400 /200/500/1500 Lacs 2.Waiver of legal action : 10/20/30/25/35/50 Lacs 3.Write off /waiver of UAI (put together) : 10/20/30/25/35/50 Lacs
Resolution Agent: Resolution Agents will provide various legally permissible activities resulting into recovery. An Individual can not be engaged as Resolution agent. Doubtful and Loss Accounts with BL exceeding `.50.00 lacs shall qualify for entrustment to Resolution Agents for Recovery. The panel of Resolution Agents shall remain valid for a period of three years. Circle heads are authorized to empanel and de-panel Resolution Agent.
Security deposit to be obtained from Resolution Agent: ` 5 Lakhs
Resolution Agent must have an experience of 5 years of conducting auction on behalf of Government Department or PSUs.
Nature of activities to be performed by Resolution Agent:
Security Enforcement services in compliance with the provisions of SARFAESI Act 2002 and act as an agent to the Authorized Officer in taking possession of movable and immovable properties. Resolution agent has to assist in preparation of Panchnama / inventory of the properties and arrange for storage / maintenance / preservation and locking up arrangements security, insurance and / or any other action, as appropriate of the movable / fixed / immovable assets so taken over
up arrangements as appropriate of the movable / fixed / immovable assets so taken over
Follow up with the Borrower(s) / Guarantor(s) for recovery of Bank's dues.
Arrange for sending notice to the debtors of the borrowers, follow up for recovery of dues, valuation of properties, sale of the properties through auction and arrange buyers for assets / properties hypothecated / mortgaged to the bank.
Assist the Authorized Officer for receipt of sale proceeds, issue of sale certificates and all other necessary formalities, Arrange buyers for assets / properties hypothecated / mortgaged to the bank. Obtaining the assistance of DM / CMM for taking physical possession of securities. Assisting the bank for sale of assets acquired through auction or otherwise.
Detective / Investigating Agencies: Partnership firms/Companies. Corporates, etc with sufficient means, resources, field experience will only be considered for empanelment. Proprietorship concerns / Individuals are excluded. Experience:3 years in the activity and maintained proven track records with banks / FIs. Empanelment: By a committee headed by circle head, Executives overseeing CM section and R& L Section CO as member. Services would be utilized for NPA accounts where BL is more than ` 50 Lakhs. Circle head may decide utilization of services for NPA account where BL is below ` 50 Lakhs. The

empanelled Detective / Investigating agencies shall be for a contractual work for a specified period and for a specified assigned task. They are not entitled to claim any regular employment and benefits from the Bank. The Agencies will be in the approved panel of the Bank for three years subject to satisfactory performance. A maximum time limit of 60 days shall be provided to the Detective / Investigating agencies, to submit their report and in deserving cases the Circle head may extend further period as deem fit.

Insolvency and Bankruptcy Code 2016: It is a tool aimed at Insolvency resolution of Corporates and Bankruptcy Resolution of Individuals and Partnership Firms rather than a tool aimed at Recovery. In case of Corporate Debtors , there may be two situations wherein jurisdiction of National Company Law Tribunal (NCLT) may be invoked: Where the insolvency resolution process is initiated by the corporate debtor itself: Irrespective of inclination, Bank is require to participate. Banks stand depends on revival. If bank decides to endorse the resolution plan as per code , Bank is bound to implement the plan. If 75 % of creditors is in favour of liquidation, approval of NCLT can be obtained to this effect. Where the insolvency resolution process is initiated by bank: In case of genuine distress, viable resolution plan can be formulated. a clear choice is required to be made as to why an Insolvency Resolution Plan under the provisions of Insolvency and Bankruptcy Code will be more preferable to other conveniently available remedial measures like additional finance and credit facilities, CDR. In other cases where chances of recovery are very remote, Bank may resort to invoking the jurisdiction of NCLT under the provisions of Insolvency and Bankruptcy Code. Wilful defaulter and fraud cases: Invoking the jurisdiction of NCLT for liquidation proceeding may become a necessity. An application is to be filed before NCLT through an advocate wherein the name of interim resolution professional is to be necessarily mentioned. an insolvency professional must not be a related party of corporate debtor and he must be a person who is eligible to be appointed as an independent director on the board of Corporate Debtor. Furthermore, insolvency Professional must not be an employee/proprietor/partner of legal consulting firm having transactions with corporate debtor for last 3 years amounting to 10% or more of gross turnover of such firm. Delegated powers for permitting filing of insolvency resolution application shall be same as applicable to filing of suit in accounts classified as "Marked for Recovery".

Purchase of non banking assets under Section 13 (5) A of SARFAESI Act -Actual physical possession of the Property which is proposed to be purchased is to be taken. Auction of the property brought under SARFAESI by issuing sale notice under SARFAESI Act and failed at least once for want of bidders. The property is brought for auction again with the same reserve price. Wherever the reserve price has been scaled down the bank can bid for the second auction fixed at the same scaled down reserve price provided no other bidders have participated. After getting permission from the competent authority for purchasing non-banking asset, if there is a bidder to purchase the said property, bank shall not venture for purchasing the said property.

Recovery through Lokadalat: Lok Adalat is a legal authority constituted under Legal Services Authorities Act .Similar to Lok Adalats, the Permanent Lok Adalats are also empowered to entertain the matters of civil and criminal in nature, provided, the value of such civil matter falls within ? 1crore and the criminal dispute is compoundable in nature. However, unlike the Lokadalats, the Permanent Lok Adalats are allowed to pass Awards in civil disputes even if the parties in dispute fail to arrive at an agreement. The Award passed by the Permanent Lok Adalat shall be deemed to be a decree of a Civil Court or an order of any other Court for such purpose. The Award passed by lokadalat and permanent lokadalat shall be final and binding on all the parties to the dispute and no appeal shall lie to any Court against such Award. If there is a default in complying with the orders of Lok Adalat, then the orders can be executed through ordinary Civil Court or any other appropriate forum having jurisdiction.

437/17* - SPECIAL SCHEME FOR ONE TIME SETTLEMENT OF SMALL VALUE NPAS UPTO RS.10.00 LACS.
SPECIAL OTS SCHEME FOR SETTLEMENT OF SMALL VALUE NPAs Rs.10 LAKHS & BELOW.

1.Small Value NPA (Doubtful & Loss)of ` 10 Lacs & Below (as on date of NPA)

Scheme is valid upto 31.03.2018. Total sanction should not exceed ` 10 Lacs .Scheme does not cover GL, HL, Canara Mortgage & Canara Rent. DOP for Loss Assets: BL up to `.50000/- as on date of NPA with sacrifice up to `.50, 000/- for Small and Medium branches, up to `.75, 000/- for Large branches and up to `.1.00 lac for VLBs and ELBs subject to original sanction not more than ` 2 Lacs, Min 30 % of BL to be recovered and Branch in charge can max permit 50 cases in a FY. Circle head can enhance the limit of 50 accounts. 1.1 Doubtful Assets with Book Liability (BL) upto ` 5 Lacs
If Realizable value of security (RVS) is above 100 % of BL : 75 % of BL to be recovered
If RVS is below 100 % of BL : Higher of 75 % of RVS or 55% of BL to be recovered, whichever is higher 1.2 Doubtful Assets with BL above ` 5 Lacs & upto ` 10 lacs
If RVS is above 100 % of BL : BL + (BR -5) % simple interest
If RVS is below 100 % of BL : Higher of 75 % of RVS or 55% of BL to be recovered 1.3 Loss Assets
BL upto ` 25000 as on date of NPA :Maximum possible ,no stipulation of minimum amount
BL above ` 25000 & upto ` 2 Lacs as on date of NPA : 20 % of BL as on date of settlement
BL above ` 2 Lacs & upto ` 5 Lacs : 45 % of BL as on date of settlement
BL above ` 5 Lacs & upto ` 10 Lacs : 55 % of BL as on date of settlement

***2.Education loan with sanctioned limit upto ` 4 Lac -***EL which are NPA on 31.12.16. Disbursed before 31.12.09 .for Short duration course (upto 2 years).disbursed till 31.12.2012 can be considered. Student borrower having income more than ` 25000 p.m. not eligible.
If combined net worth of all parties is above ` 25 Lacs : Base Amount + (BR -2) % simple
If combined net worth is above ` 10 Lacs & upto 25 Lacs : Base Amount + (BR -4) % simple
If combined net worth is above ` 5 Lacs & upto 10 Lacs : Base Amount + (BR -6) % simple
If combines net worth is below ` 5 Lacs : Base Amount
If borrower (student) is dead : 60 % of base amount Branch head can settle the claim having sacrifice upto `. 50,000/- for Small and Medium branches, up to
`.75, 000/- for Large branches and up to `.2.00 lac for VLBs and ELBs.

3.NPA under tractor and farm mechanization loan (Original loan amount upto ` 10 Lacs)

NPA outstanding on 31.12.2016 & Disbursement date should be prior to 31.03.2012. Land holding should not exceed 10 acres. If loan disbursed prior to 31.3.09 : Base amount
Disbursed from 1.4..09 to 31.3.10 : Base amount + (BR-6) % simple
Disbursed from 1.4.10 to 31.3.11 : Base amount + (BR-4) % simple
Disbursed from 1.4.11 to 31.3.12 : Base amount+(BR -2) % simple
Branch head can settle the claim having sacrifice upto `.1.00 Lac for Small and Medium branches, up to

`.1.50 Lacs for Large branches and up to `.2.50 Lacs for VLBs and ELBs. 10 to 15% of the OTS amount may be insisted at the time settlement and balance OTS amount to be recovered within 3 months from the date of communication of settlement.	
591/17	OTS scheme for repeated restructured standard agriculture accounts valid till 31.03.2018.
605/17	OTS for NPAs under D4 and Loss Category -Scheme for settlement of D4 and Loss accounts of more than 5 years and with a liability upto ` 100 lakhs is extended from 01.01.2018 to 31.03.2018.
606/17	OTS for settlement of NPAs backed by securities & net worth of the parties with additional interest concession. Scheme extended from 01.01.2018 to 31.03.2018
610/17	Reporting system by the circles and PCBs regarding recovery action in Rs 1 Crore & above NPA accounts All branches are to review all newly slipped NPA accounts with liability of Rs.1 Crore and above and submit a report to the RO"s/Circles furnishing the reason for not initiating action in those accounts. ROs/Circle Offices to submit a consolidated report, in case of accounts with a liability of Rs.1 Crore and above.
CIRCULARS -2018	
22	Project DREAMS II (Daily Recovery Enabling Assets Monitoring System) from 16.01.2018 to 16.03.2018 - 60 days campaign for resolution/recovery of NPAs/ written off accounts through personal contacts. The project DREAMS -50 days Campaign from 10.11.2017 to 30.12.2017, the 100% coverage of NPA /Written off parties by the CO/RO/Branches could not achieved, to ensure 100% coverage where they could not achieved during last campaign period, DREAMS II (60days) from 16.01.2018 to 16.03.2018 is launched, Branches/ROs/COs shall utilize the campaign for 100% visits/contacts of all the borrowers including those already met during the earlier campaign period.

12. FOREIGN EXCHANGE AND INTERNATIONAL TRADE

FOREIGN EXCHANGE : As per FEMA, the foreign exchange means foreign-currency and includes -(a) deposits, credits and balances payable in any foreign currency, (b) drafts, travellers' cheques, fetters of credit or bills of exchange, expressed or drawn in Indian currency but payable in any foreign currency, (c) drafts, travellers cheques, letters of credit or bills of exchange drawn by banks, institutions or persons outside India, but payable in Indian currency;

FOREX REMITTANCE FACILITIES FOR RESIDENTS

AD banks can release foreign exchange to residents in India as per Rules framed u/s Sec 5 of FEMA. Forex cannot be released for Schedule I transactions. For Schedule II transactions, Govt. permission is required. For Schedule III transactions RBI has delegated authority to APs to release foreign exchange up to specified limit. Beyond that approval of RBI is required.

Nepal & Bhutan - No release of forex for travel to or for any transaction with persons resident in Nepal and Bhutan. In these countries any amount of Indian currency can be used. But highest denomination is Rs.100 note when amount is above Rs.25000.

Requirements for obtaining /Spending foreign exchange in other countries

Source to purchase: AD and full-fledged money changers. (60 days in advance). Form of foreign currency: Currency notes/coins only up to US$ 3000. Balance as traveller's cheque or banker's draft. For Iraq and Libya currency notes and coins not exceeding US$ 5000 or its equivalent. For Iran, Russian Federation, and other Republics of Commonwealth of Independent Countries, no ceiling, on currency notes. Time for purchase: Forex to be used within 60 days of purchase. To be surrendered if not to be used.

Mode of purchase: In cash up to Rs.50,000/-. Above this, payment by way of a crossed cheque/banker's cheque/pay order/demand draft /Debit card / Credit card only. Time limit for surrender of foreign exchange: Currency notes and travellers' cheques within 180 days of return. Retention of forex : Max US$2,000 or its equivalent. Coins no limit.

Use of International Credit Card (ICC): Use of the ICCs / ATMs/ Debit Cards can be made for making personal payments and for travel abroad in connection with various purposes only to the extent of the specified limits.

Indian currency (import/export) by residents & non-residents : Up to Rs. 25000 (Rs.10000 for Pakistan & Bangladesh) each to or from a country other than Nepal or Bhutan (Any amount in denomination not exceeding Rs.I 00 for Nepal or Bhutan. Up to Rs.25000 it UM be any denomination).

Forex from abroad: Without any limit. Where currency notes or travellers cheques exceed US$ 10,000 (or its equivalent) and/or the value of foreign currency notes exceeds US$ 5,000 , it should be declared to the Customs Authorities through Currency Declaration Form (CDF), on arrival in India. Form A-2 : For remittances above $ 25000 only. To be preserved for 1 year. Remittance Release by ADs without RBI reference, for Individual. RBI introduced LRS on Feb 04, 2004. Major changes were made by RBI in LRS w.e.f. 01.06.2015 (based on Govt. notification 15.05.15).

Purpose for which Forex required	USD
Liberalised Remittance Scheme — Per person for: (1) gift, (2) donation, (3) investment, (4) property purchase (5) private visit (6) business trip (7) maintenance expenses of relative. Permitted capital account transactions under LRS: (1) opening of FC account abroad, (2) purchase of property abroad (3) investment abroad, (4) setting up WOS-JV (5) Loans to NRI in FC or Indian currency. No loan for capital a/c transaction and bank account one year old.	250000/FY (1.6.15)
Over and above IRS limit : Medical Treatment on self declaration basis up to USD 1 lac (Beyond $ 1 lac on the basis of estimates of doctor/hospital)	Need based
Studies abroad (per academic session) on self declaration basis up to USD 1 lac (Beyond $ 1 lac on the basis of estimates of university)	--do--
Immigration, as per requirement of country, if above $100000	--do--

(FFMC can release for private visit and business trip only)

Remittance Release by ADs without RBI reference, for non-Individuals under IRS

Donation — Max 1% of forex earning in previous 3 years or	50 000,000
Commission to agent per transaction sale of property (5% of inward remittance)	25000
Consultancy service for infrastructure Consultancy service for others	10,000,000 1,000,000
Reimbursement of pre-incorporation expense on investment brought in India (5% of investment)	100000

Current Account & Capital Account

Current account transactions — That are not capital account transactions (i.e. export/import of goods/ services, payment /receipt of interest etc.

Capital account — A transaction which alters the assets or liabilities (including contingent liabilities), outside India of persons resident in India or assets or liabilities in India, of persons resident outside India. These include investments by RBI in US govt. securities, obtaining loan from institutions abroad by Indian firms and companies, repayment of such loans etc.

Exchange Rates

Buying and Selling Rates

Buying Rate from Bank's view point	Selling Rate from Bank's view point
It is used in case of inflow of FC. It happens when bank receives FC from customer. Examples: Purchase of export bill or encashment of FC travellers' cheques or receipt of remittance from abroad On such transaction, buying rate is used.	It is used in case of outflow of FC. It happens when bank delivers FC to customer or on his behalf. Examples: Payment of import bill or issue of foreign Currency travellers' cheques or sending of remittance Abroad On such transaction, selling rate is used.

Direct and Indirect Rates

Direct Quotation or Direct Rates	Indirect Quotation or Indirect Rates
Foreign currency unit is fixed (say $) and home currency is variable (1 $ = Rs.43.90 and change to Rs.44). In India Direct rates are quoted wef 2.8.93. If FC depreciates, it is beneficial to the importer and when FC appreciates, it benefits the exporter. Rule : By low sell high	When foreign currency unit is variable and home currency is kept as fixed unit (Rs.100 = 2.20 $ or 2.30 $) Rule : Buy high sell low

Spot Rates and Forward Rates

Spot Rates	Forward Rates
Spot rates are used on Spot transactions (i.e. the Transactions where settlement/delivery) is completed within next 2 banking days (T + 2 days). The rates used are: Same day settlement — Cash rate or ready rate Next Day settlement (T+1 day) : Tom Rate 3rd day settlement (T+2 days) : TT rate **or** spot rate.	Forward rates are used for forward transactions (i.e. a transaction which is not a spot transaction is a forward transaction). The FC rate may be at a premium (when future rate is higher than the spot rate) or at a discount (when future rate is lower than the spot rate).

Summary of Foreign Currency Rates

Rate	Description
Fixed Rate	Fixed rate refers to maintenance of external value of a currency at a pre-determined level. Whenever rate differs, it is corrected through official intervention of Central Banking authority i.e. RBI in India.
Flexible	It is a system where the exchange rate is fixed but is frequently adjusted in line with the market conditions. Under this system there is better confidence and liquidity and gains from free trade.
Floating	It is a s stem where the exchange rates are determined b the conditions of demand for and supply of the foreign exchange in the market. The rates fluctuate Freely in the line with the demand and supply without any restrictions on buying and selling. Under this rate no par value is declared.
Inter-bank rates and bid and offer rates	In the inter-bank market, the rates are quoted both for the buying and selling the currency like (43.20/40). The quoting bank indicates that it is ready to buy dollar at Rs.43.20 and sell at Rs.43.40. The buying rate (43.20) is also called bid rate and the selling rate (43.40) is called offer rate. The thumb rule for the bank to gain out of sale purchase is "by low and sell high". This indicates the said bank would pay lesser amount of rupees when dollars are purchased and take more rupees, while selling
Card Rate	Card rates are calculated at the beginning of each day, based on the current rates in the inter-bank market and cross rates in the international market. The rates are quoted by the authorized dealers to the clients for various currencies for buying and selling of cheques, drafts etc. From spot rates and forward margins in various currencies, the banks able to calculate the rates which are conveyed to branches.
Spot	It is cash / value today or immediately. TOM = T+1 i.e. rate today and deal completion by next day. TT = T+2 (i.e. 48 hours).
Forward	Deal today and delivery later on say 1,2,3,4,6,12 months afterwards. It can be at a premium or at a discount. If foreign currency will be available at a higher price (i.e. for more rupees), it carries premium. If available at a lower price (say for lesser rupees), it is at a discount.

Transaction-wise Exchange Rate Annlication

Rate	Transaction

TT-Selling rate	When handling of documents by bank is not involved, TT selling rate to be applied. It is calculated on the basis of inter bank selling rate by adding exchange margin. It is used for: All clean outward remittances such as DD, TC etc., Cancellation of bills purchased (i.e. crystallization — transfer to collection). Cancellation of clean inward remittances, Cancellation of forward purchase contracts Outward remittances against import documents received directly by the importers.
Bill-selling rate	When transactions involve handling of documents, such as payment for import documents, bills selling rate is applied, which is calculated by adding exchange margin to the Tr selling rate. It is applied for: Retirement of import bills even if proceeds of these bills are by way DD or TT. Crystallisation of import docy. Bills
TCs/ currency note — selling rate	At the discretion of the AD
TT-Buying Rate	When no delay is involved in realisation of the foreign exchange by the bank or Nostro account is already credited, TT Buying rate is applied which is calculated after deducting the exchange margin from the inter-bank buying rate, determined by the bank. It is used for: Cancellation of outward TT, MT etc. clean inward remittances (TT,DD, MT) where cover already received abroad Conversion of proceeds of instruments that are sent for collection Cancellation of forward sale contract
Bills-Buying rate	When some delay in realisation of foreign exchange by the bank is involved, say in rase of purchase of hill drawn on a customer in London, when NOSTRO account would be credited after collection of the bill by the correspondent bank in London, bill buying rate is applied. Such rates are calculated by adding the forward premium for transit and usance period, rounded off to lower month (or reducing the forward discount rounded off to the higher month) and reducing the exchange margin from the spot buying rate. It is used for:
TCs/ currency note Buying Rate	Banks quote lower rates as it takes longer period for credit to NOSTRO account involve higher fluctuation risk.

Rules relating to application of exchange rates

Forward rate Calculation	Premium is added to spot rate (1 USD = 66.1000) to calculate the forward rate for calculation purchase or sale.If forward points are given in ascending order (1 M = 0.2000 / 0.2500), it indicates premium. If forward points are given in descending order (1, M = 0.3000 / 0.2500), it indicates discount.
Decimal points	Exchange rate is quoted and rounded up to 4 decimal points in multiple of Rs.0.0025. Rsi 63.12358 = 63.1225.
TT and bills rate	TT buying is quoted, if there is no delay in realization of FC —no handling of documents (say NOSTRO already credited). Bills buying is quoted when there is gap in realization —handling of documents is involved (say purchase or discount of a bill).
Exchange margin	EM is deducted in case of purchase transaction. It is added in case of sale transaction.
Forward points	If FC is at premium, to calculate, bills buying rate, bank will use the lower month If FC is at discount, the higher month is to be taken.

Correspondent Bank Accounts

Account	Description
NOSTRO	Account of a domestic bank outside the country. Say, a/c of SBI with Citibank in New York in $. h,50 called our account with you.
VOSTRO	Account of a foreign bank in domestic area. Say Citibank a/c with SBI in New Delhi in Indian Rupee. Also called your account with us.
LORO	NOSTRO & VOSTRO account of other banks are LORO account for a bank. Also called their account with them. SBI a/c or Citibank a/c in above example are LORO account for PNB.

Categorisation of branches for forex business

Category	Description
A	Branch that maintains NOSTRO & VOSTRO accounts
B	Branch that does not maintain NOSTRO & VOSTRO accounts but could operate such accounts maintained by A category branch
C	Branch that conducts its business through A or B class branches

Gain or loss to parties in exchange rate movem n

Party	FC rate appreciation	FC rate depreciation
Exporter (who has forex)	Gains	Loses
Importer (who need forex)	Loses	Gains
Bank with overbought position	Gains	Loses
Bank with oversold position	Loses	Gain

Positions in Foreign Curren

Where no balance is receivable or payable (sale = purchase)	Closed position
Balance is either receivable or payable (i.e. sale > purchase or purchase > sale)	Open position
Where sale > purchase (oversold)	Short position
Where purchase > sale (over bought)	Long position

Oversold (Short) position is squared by	Purchase of foreign currency
If rates are appreciating	Bank incurs loss
If rates are declining	Bank gains
Overbought or Iong Position is squared by	
If rates are increasing	Bank gains
If rates are declining	Bank incurs loss
Balance in hand during day time (it is more than balance at close of a day)	Day light position
Balance in hand at close of the day	Overnight position

Important — Position limits are fixed by Board of Directors and reported to RBI. Daylight Position limit is 5 times of overnight limit (RBI 10.5.12). Aggregate gap limit can be max 6 times of capital fund of the bank. Net overnight open position limit (NOOPL) fixed by Board can be max 25% of capital fund.

INCOTERMS: INCOTERMS or international commerce terms are a series of international sales terms, published by International Chamber of Commerce (ICC). These terms have 4 groups i.e. Departure (E-Group), Main carriage unpaid (F-Group), Main Carriage paid (C-Group) and Arrival (D-Group). Wef Jan 1, 2011 the 81h edition has been introduced. As per this revision, there are 11 terms instead of earlier 13 terms.

Existing (wef 2000)	**Revised (1.1.2011)**
EXW, FCA, FAS, FOB, CFR or CNF, CIF,CPT,CIP, DAF, DES, DEQ, DDU, DDP	EXW, FCA, FAS, FOB, CFR or CNF, CIF,CPT,CIP, DAT, DAP, DDP

Contract	**Seller, in addition to cost of goods, bears**	**Buyer bears**
Ex-Works (EXW)	Goods available at factory	All cost of insurance and freight subsequent to seller's factory.
Free alongside the ship (FAS)	Cost relating to place the goods	All cost relating to loading, insurance and freight after these are placed along the ship
Free on Board (FOB)	Cost up to loading the goods on the ship	All cost relatir-1 to insurance and freight once these are on board of the ship
Cost & Freight (C&F)	After shipment, cost of freIght also	Insurance"
Cost, insurance & freight (CIF)	Subsequent to shipment insurance and freight cost	His cost starts after the goods reach the port of destination.
Delivered at Frontier (DAF)	All cost till be goods reach the customs boarder — normally by rail or road	His liability starts after the goods reach the frontier.

FC Deposit accounts for Non-Residents

Foreign Currency Non-Resident (Bank) Account (FCNR —(B) A/c) — (wef 15.5.1993)

Account holder : NRI or PIO (RBI approval for Bangladesh/Pakistan citizens). Joint account : Can be in the names of two or more NRIs. With close resident relatives, joint account (Former or Survivor) can be opened. Relatives can operate a/c as power of attorney holder for local withdrawals or remittance abroad in name of account holder. Currencies : Any convertible currency. Type of account: FDR only (a) 1 year and above less than 2 years (b) 2 years and above less than 3 years (c) 3 years and above less than 4 years (d) 4 years and above less than 5 years (e) 5 years only. RD, SB or CA is not allowed. Repatriation : Principal and interest permitted. Source of funds: Foreign Inward remittance (FIR) or transfer from NRE-RA account (at TT selling rate) Interest rate *and interest* payment : Ceiling rate fixed by RBI (presently LIBOR + 2% (1 year to less than 3 years) and LIBOR + 3% (for 3 years to 5 years w.e.f. 01.03.14). No interest payment if cancellation before one year. For one year deposit, no compounding of interest. For above one year, compounding on 180 days basis. Interest payment on 360 days in year basis. On floating ROI, half-yearly reset is allowed. Fund or non-fund Rupee loan against **FDR :** lip to value of FDR with proper margin (Oct 12, 2012) to depositor or 3rd party. Margin / interest rate bank discretion. Loans proceeds to be credited to NRO account. Loans can be repaid from Fresh Inward Remittance, FCNR, NRE or NRO account balances. Banks should not mark any type of lien, direct or indirect, against these deposits. Premature payment not allowed if loan is granted. FC loan can be given in India or abroad. Nomination facility is available. Income Tax : Interest is not taxable. TDS not applicable. Additional ROI not available to Staff w.e.f. Jul 18, 2012. At the request of the depositor, banks can permit remittance of the maturity proceeds to third parties outside India, provided bank is satisfied about the bonafides of the transaction.

Non-Resident External (Rupee Account) : Account holder : NRIs or PIOs (RBI approval for Bangladesh/Pakistan citizens). Joint account : Can be in the names of two or more NRIs. With dose resident relatives, joint account (Former or Survivor) can be opened. Relatives can operate a/c as power of attorney holder for local withdrawals or remittance abroad in name of account holder. Currencies : Indian rupee by converting foreign currency. Type of account: Current, saving or FDR/RD. FDR period at discretion of banks. Repatriation : Principal and interest permitted. Source of funds: Foreign Inward remittance (FIR) or transfer from FCNR-B account (at TT buying rate) or transfer of repatriable funds (current income like rent, dividend, pension, interest) from NRO account. Interest rate and interest payment : Bank discretion but not more than domestic deposit (deregulated w.e.f. Dec 16, 2011). Rupee loan : Same provisions as in case of FCNR-B account. Nomination facility is available. Income Tax : Interest is not taxable. TDS not applicable. Additional ROI not available to Staff w.e.f. Jul 18, 2012. Important Notes (a) PoA holders cannot credit foreign currency notes and foreign travellers cheques in NRE accounts. (b) Banks may credit the proceeds of account payee cheques/ demand drafts / bankers' cheques, issued against encashment of foreign currency to the NRE account of the NRI account holder where the instruments issued to the NRE account holder are supported by encashment certificate issued by AD Category-I/Category-II.

Non-Resident Ordinary Account (NRO)

Account holder : NRIs or Person of Indian Origin (individuals & not entities from Bangladesh, can be allowed without RBI permission w.e.f 11.2.13 — Pakistan citizen not to be allowed). Foreign students can also open NRO accounts (RBI 20.09.13). Joint a/c : Allowed with resident individuals. Currencies : Indian rupee. Account: Current, saving, RD or FDR. FDR 7 days tol 0 years. Repatriation : Interest and current income is permitted. Remittance, including of sale proceeds of immovable property also

allowed @ USD 1 million per financial year for bonafide purposes. Source of funds: New account can be opened with Foreign Inward remittance. Existing account of an NRI opened when he was resident, will be designated as NRO by the bank.
Interest rate: Bank discretion. Not more than domestic deposit interest rates. Nomination facility is available. Income Tax : Interest is taxable and TDS provisions are applicable both for all interest payments (FD/SB account). Transfer of repatriable amount from NRO to NRE permitted (May 8, 2012) within USD 1 million /FY subject to payment of tax, as applicable. Additional ROI not available to Staff w.e.f. Jul 18, 2012. Rupee loan : Up to value of FDR with proper margin to depositor or 3rd party. FC loan or loan abroad, not permitted. Power of attorney : The facility of operation of accounts by PA holder is permitted for local withdrawals or remittance abroad in name of account holder.
Special Non-Resident Rupee (SNRR) account : Persons resident outside India but doing business in India can open max for 7 years. Non-interesting bearing account. Debit or credit incidental to business.

Accounts of Foreign Students in India NRO account can be opened on the basis of passport, photo and admission letter, for KYC purpose. Local address proof to be provided within 30 days. During this period monthly withdrawal will be up to Rs.50000 and foreign inward remittance up to USD 1000. On receiving local address proof; normal operations can be allowed.

NRO Accounts of Foreign Nationals of Non-Indian Origin on a visit to India

NRO (current/savings) a/c allowed - max period of 6 months. Source and use of funds: Funds remitted from outside India through banking channel or by sale of forex brought into India. All payments to residents exceeding INR 50,000 by means of cheques / pay orders / demand drafts. Remittance : The balance may be converted by AD bank into foreign currency for payment to the account holder at the time of his departure from India provided the account has been maintained for a period not exceeding 6 months and the account has not been credited with any local funds, other than interest accrued thereon. If account maintained for more than 6 months, account holder to seek permission on plain paper from Regional Office of RBI.

Accounts of Foreign nationals resident in India

Foreign nationals resident in India can open and maintain a resident Rupee account in India in terms of Notification No.5/2000-RB dated May 3, 2000 viz., Foreign Exchange Management (Deposit). Regulations, 2000, as amended from time to time.

Accounts for Nepal & Bhutan

When a person resident in India leaves India for Nepal and Bhutan for taking up employment or for carrying on business or vocation or for any other purpose indicating his intention to stay in Nepal and Bhutan for an uncertain period, his existing account will continue as a resident account. Such account should not be designated as Non-resident (Ordinary) Rupee Account.
ADs may open and maintain NRE / FCNR (B) Accounts of persons resident in Nepal and Bhutan who are citizens of India or of Indian origin, provided the funds for opening these accounts are remitted in free foreign exchange. Interest earned in NRE I FCNR (B) accounts can be remitted only in Indian rupees to NRIs and PIO resident in Nepal and Bhutan.
ADs may open and maintain Rupee accounts for a person resident in Nepal and Bhutan.

FC Accounts of residents

Resident Foreign Currency Account (RFC) : Account holder: A resident in India who was earlier an NRI (at least one year stay abroad) and became resident again on or after 18.04.92 Source of funds: (a) Foreign exchange received as pension/ superannuation /other benefits from employer abroad (b) Realisation of assets held abroad (c) Foreign exchange acquired as gift or inheritance from person who was NRI (d) Existing FCNR account or NRE-FD to be converted to RFC FD at discretion of account holder before or after maturity. Joint account : It can be single account. With close resident relatives, joint account can be opened as FORMER or SURVIVOR account. Type of account : Savings, Current, Fixed Deposit (min 7 days and max 10 years) Repatriation is permitted. Interest rates : The banks are free to determine interest rates. Use of funds: No restrictions

Resident Foreign Currency (Domestic) Account RFC(D) : Account holder: Resident Individuals, Source of funds: Foreign exchange acquired, (a) while on a visit abroad (b) from any person on visit to India or honorarium or gift or for services or settlement of any lawftil obligation (c) by way of honorarium or gift while on a visit abroad (d) representing unspent foreign exchange acquired during travel abroad. Amount to be converted in rupees, latest by last day of next month. Type of account : Only current account Interest : No interest payable on this deposit. FC amount credited to the account during a month, to be converted into Rupees by last day of next month. Use of funds : For all permitted transactions.

Exchange Earner's Foreign Currency Account(EEFC Account) : Account holder : Exporters of goods and services, resident in India. Source of funds : Up to 100% of forex earnings can be kept in the account. But amount credited in a particular month, to be converted in rupees, latest by last day of next month.Use of funds : Balance can be transferred to NRE/FCNR account on change of status from resident to non-resident. Funds can be used for adjustment of pre-shipment loans. Loan: No loan can be allowed against the balances in such account.Type of account : Only current account. It can be a joint account (FORMER or SURVIVOR) with close resident relatives. FC amount credited to the account during a month, to be converted into Rupees by last day of next month. Interest : No interest is payable

Diamond Dollar Accounts : Account holder : Importer/exporters of diamonds / jewellery with a track record of 2 years
Average annual turnover : 3 cr and above for previous 3 licensing years .No. of account — max 5

INFORMATION ABOUT FOREIGN CAPITAL

Overseas investment limit for Indian companies' investment in joint venture / wholly owned subsidiary abroad : 400% of net worth (earlier 100% till 3.7.14). If amount is USD 1 billion or above, RBI permission is required. Portfolio investment abroad in listed overseas companies by listed Indian companies : 50% of net worth (Sep 07). Aggregate ceiling on overseas investment by mutual funds: 7 billion USD. Remittances on account of donations by corporates for specified purposes, subject to a limit of 1 per cent of their foreign exchange earnings during the previous three financial years or US $ 5 million, whichever is lower. Indian companies can remit up to US $ 10 million for consultancy services for executing infrastructure projects. Remittance of foreign exchange towards reimbursement of pre-incorporation expenses incurred in India where the remittance does not exceed 5% of the investment brought into India or US $ 100,000 whichever is higher, on the basis of certification from statutory auditors.
AD Cat-1 banks can borrow from overseas max up to 100% of Tier I unimpaired capital or USD 10 million, whichever is higher. Beyond 50% level, only for min maturity 3 years and CAR of 12% (10.09.13). Limits to book forward contracts : All individuals, firms, companies USD 1000000 (earlier 250000 up to Oct15) without documentation. NRI or foreigners having assets in India can

remit up to 1 million USD in a FY.

DOCUMENTARY CREDIT /LETTER OF CREDIT

Letter of Credit is a definite undertaking issued by a bank, on behalf of the buyers (importer), to the seller (exporter), to pay for goods and/or services, provided that the seller presents documents which comply fully with the terms and conditions of the documentary credit. There are three formal contractual relationships in the use of documentary credits as means of payment and these are: - The contractual relationship between the buyer and seller as evidenced by the terms of the sale contract.
The contractual relationship between the buyer and the buyer's bank, which agrees to issue the documentary credit on behalf of the buyer. The contractual relationship between the buyer's bank and the beneficiary of the documentary credit who is the seller/exporter of the goods.

Parties to a documentary credit /Obligations of parties in LC

Applicant: On whose request the LC is opened (normally buyer / importer of goods). He is Liable to pay documents as per LC, delivered to him. Cannot refuse the payment on the pretext of defective goods / services.

Opening bank — Issues LC and sends to advising bank. Liable to make payment against documents stated in LC, irrespective of recovery from applicant or not (Gets 5 banking days for checking of documents).

Beneficiary: In whose favour LC is issued (seller). Can get payment from nominated bank only on delivery of documents mentioned in LC. (Gets 21. days from shipment date to present the document).

Advising bank: Receives LC from issuing bank to verify authenticity and advise LC to beneficiary. If unable to verify, to seek instructions from opening bank or deliver LC to beneficiary without any liability. Amendment if any, to be advised, through same advising bank.

Confirming bank — It guarantees payment to be made by issuing bank. Liability is like the issuing bank. Such LC is called Confirmed LC.

Nominated bank or negotiating bank Bank that makes payment to beneficiary against documents and claims payment from issuing bank (gets 5 banking days to check the documents).

Reimbursing bank: that releases the payment on behalf of issuing bank and claims payment from opening bank

UCPDC-600

Uniform Customs and Practices for Documentary Credits - 600 (referred to as UCP-600), prepared by ICC, Paris has been implemented wef July 01, 2007. It is dth revision of Rules since first edition in 1933.
Some important provisions are: UCPDC-600, shall be applicable to LCs (inland or foreign) that expressly indicate that these are subject to UCPDC-600. If provisions of LC and UCPDC are contradictory, LC will prevail. Branches of a bank in different countries, are treated as different banks. A credit is irrevocable even if there is no indication to that effect. On or about — Means an event is to occur during 5 calendar days before or 5 calendar days after the specified date, both start and end dates included.
The terms 'first half and 'second half' of a month means 1st to the 15th and the 16th to the last day of the month, all dates inclusive. 'Beginning', 'middle' and 'end' of a month means the 1st to 10th, the 11th to the 20th and the 21st to the last day of the month, all dates inclusive. Branches of a bank in different countries are considered separate banks. If there is no indication in the credit about insurance coverage, amount of insurance coverage must be at least 110% of CIF or CIP value of the goods. Unless otherwise stipulated, insurance policy in the currency of LC only. Nominated bank and issuing bank shall each have a max of 5 banking days following the day of presentation to determine if the documents are in order. Confirming bank's liability is similar to the issuing bank. Advising bank's obligation is to check apparent authenticity of the LC. Amendment if any, to be conveyed through same advising bank. If dispatches are in instalments, the LC will cease to operate if there is default. Beneficiary should present the documents within expiry period of LC but not later than 21 calendar days after the date of shipment. A bill of lading, must indicate that the goods have been shipped on board a named vessel, at the port of loading stated in the credit. Variation in Amount, quantity & unit price — If LC mentions any of these as about or appx, variation can be 10% (+) or (-). Variation in quantity — where LC does not state quantity in terms of a stipulated no. of packing units or individual items and the total amount of the drawings does not exceed the amount of LC. the quantity variation can be 5% (+) or (-). Variation in days — if date is stated as 'on and about', variation of 5 calendar days, before or after. If insurance policy is dated earlier to date of shipment it can be accepted provided cover is effective from date of shipment. Documents dated prior to LC can be accepted during validity period for negotiation. Partial drawings or shipments are allowed. A transferable LC may be made available in whole or in part to 2nd beneficiary at the request of the first beneficiary. It cannot be transferred at the request of a second beneficiary.

TYPES OF LETTERS OF CREDITS

DA (Usance) or DP LCs: DA LCs are those, where the payment is to be made on the maturity date in terms of the credit. The documents of title to goods are delivered to applicant merely on acceptance of documents for payment. DP LCs are those where the payment is made against documents on presentation.
Irrevocable & Revocable LCs: In irrevocable LC, the issuing bank can amend or cancel the LC if the beneficiary and confirming bank give consent. A revocable credit is one that can be cancelled or amended at any time without the prior knowledge of the beneficiary. If the negotiating bank makes payment to the seller prior to receiving notice of cancellation or amendment, the issuing bank must honour the liability.
With or without recourse LCs: Where the beneficiary holds himself liable to the holder of the bill if dishonoured, is considered to be with- recourse. Where he does not hold himself liable, the credit is said to be, without-recourse. As per RBI directive dated Jan 23, 2003, banks should not open LCs and purchase / discount / negotiate bills bearing the 'without recourse' clause.
A restricted LC is one wherein a specific bank is designated to pay, accept or negotiate.
Confirmed LCs: A credit to which a bank at the request of the issuing bank, adds its confirmation that payment will be made. The liability of confirming bank is similar to issuing bank. It negotiates documents if tendered by the beneficiary.
Transferable LCs: It is the LC where the beneficiary makes available in whole or part, the LC to one or more other parties (called 2nd beneficiary). For partial transfer to one or more second beneficiary/ies the credit must provide for partial shipment. It is transferable only once. 2nd beneficiary cannot transfer it further. It can transfer hark the unused part to 1st beneficiary.
A back to back credit is the 2nd LC opened by the 1st beneficiary in favour of his supplier on the strength of the original LC. The terms of such LC would be identical, except that the price may be lower and validity earlier.

A red clause credit also referred to a packing or anticipatory credit has a clause permitting the correspondent bank in the exporter's country to grant advance to beneficiary at issuing bank's responsibility. These advances are adjusted from proceeds of the bills negotiated.
A green clause LC permits the advance for storage of goods in a warehouse in addition to pre-shipment advance.
Stand by credits is similar to performance bond or guarantee, but issued in the form of LC. The beneficiary can submit his claim by means of a draft accompanied by the requisite documentary evidence of non-performance, as stipulated in the credit.
Revolving Credits: These provide that the amount of drawings made thereunder would be reinstated and made available to the beneficiary again and again for further drawings during the currency of credit. It is used like CC account.
Instalment Credit: It is a letter of credit for the full value of goods but requires shipments of specific quantities of goods within nominated period and allows for part-shipment. In case any instalment of shipment Is missed, credit will not he available for that and also for subsequent inntnIrnnnt, unless of LC permits the same.
Types of Bill of Lading (BL) Claused Bill of lading —Defect in packing of goods mentioned on BL by the shipping company. (defective document) Clean Bill of lading —No defect in packing of goods mentioned on BL by the shipping company. (defect free document) Stale Bill of lading — Last date for negotiation has expired which can be maximum 21 days. (Defective document) .0n-board Bill of lading —means where the goods have been put on board of the ship

Exports from India

Export trade is regulated by DGFT under Govt. of India. AD-I banks conduct export transactions in conformity with the Foreign Trade Policy, the Rules framed by the Govt. of India and the directions issued by RBI.

Realisation and Repatriation of export proceeds: Units in SEZs: maximum 9 months; Exported to a warehouse established outside India : Max 15 months from the date of shipment of goods; and Other cases: 9 months.

Diamond Dollar Account (DDA) : Firms and companies dealing in purchase / sale of rough or cut and polished diamonds etc. with a track record of at least 2 years in import I export of diamonds, gold jewellery etc. and having an average annual turnover of Rs. 3 crores or above during the preceding 3 licensing years (April to March) can transact their business through DDA. They can open maximum 5 Diamond Dollar Accounts with their banks.

Offices and Immovable Property for Overseas Offices: For setting up of the office, AD-I banks may allow remittances towards initial expenses up to 15% of the average annual sales/income or turnover during the last 2 financial years or up to 25% of the net worth, whichever is higher. For recurring expenses, remittances up to 10% of the average annual sales/income or turnover during the last 2 financial years may be sent.

Advance Payments against Exports: Exporter shall ensure that i. the shipment of goods is made within one year; the rate of interest payable on the advance payment does not exceed London Inter-Bank Offered Rate (LIBOR) + 100 basis points.

Long term supply contracts- advance payments for exports : Banks can allow up to 10 years. ROI max LIBOR + 2%. If amount is USD 100 million or above, RBI to be informed immediately. Banks can issue BG/Standby LC up to 2 years which can be rolled over 2 years.

Part Drawings/Undrawn Balances: Where it is the practice to leave a small part of the invoice value undrawn for payment after adjustment due to differences in weight, quality, etc. to be ascertained after arrival AD-I banks may negotiate the bills, subject to a maximum of 10% of the full export value.

Opening / Hiring of Ware houses abroad: Banks may grant permission for opening I hiring warehouses abroad if export outstanding does not exceed 5% of exports made during the previous financial year and applicant has a minimum export turnover of USD 100,000/- during the last financial year.

PRE-SHIPMENT EXPORT CREDIT: Pre-shipment / Packing Credit' means any loan or advance granted or any other credit provided by a bank to an exporter for financing the purchase, processing, manufacturing or packing of goods prior to shipment / working capital expenses towards rendering of services on the basis of irrevocable letter of credit opened in his favour by an overseas buyer or a confirmed order for the export of goods / services or any other evidence of an order for export having been placed on the exporter.

Period of Advance: The period for which a packing credit advance may be given by a bank will be operating cycle or maximum period of 360 days and depending upon the circumstances of the individual case, such as the time required for procuring, manufacturing or processing (where necessary) and shipping the relative goods / rendering of services.

However, the benefit of concessional rate of interest on Pre-Shipment Export Finance will be granted for the maximum period of 270 days only. It is primarily for the banks to decide the period for which a packing credit advance may be given, having regard to the various relevant factors so that the period is sufficient to enable the exporter to ship the goods / render the services.

If pre-shipment advances are not adjusted by submission of export documents within 360 days from the date of advance, the advances will cease to qualify for concessive rate of interest to the exporter ab initio.

Disbursement of Packing Credit should be made on FOB value of LC/Export Order. Liquidation of Pre-shipment Credit:

Pre-shipment credit is to be liquidated by the purchase / discount of export bills received from Exporter in respect of Goods / Services exported. Further, subject to mutual agreement between the exporter and the banker, it can also be repaid out of balances in Exchange Earners Foreign Currency Account (EEFC A/C) representing Export proceeds, as also from proceeds of any other unfinanced Export (collection) bills or lastly from Rupee resources if no export takes place.

Pre-Shipment Credit

Exporter has importer-exporter code no. (IEC No.) allocated by DGFT, he is not on caution list of RBI, on restricted list of ECGC. It is allowed on the basis of confirmed order, letter of credit or other evidence for export of goods from India. Can be allowed for exhibition and sale abroad. Period is to be decided by the bank on the basis of shipment dates. ROI min base rate of the bank. On ad hoc limit, no additional ROI. Amount is linked to FOB value or domestic cost of goods. Where domestic cost is higher than FOB value advance can be more than FOB value. In such cases, for advance beyond the FOB value, concessional interest not available.

This portion to be adjusted with in 30 days. Liquidation is out of export proceeds or EEFC account. If not adjusted from post-shipment proceeds for 360 days, it will not be allowed concessional rate from the beginning. It can be a demand loan or a running account (to be adjusted on First in First out basis). Running account not for sub-suppliers. Contract or order can be substituted. Pre-shipment credit for deemed exports is available at same concessional rate of interest.

Post-Shipment Credit

POST-SHIPMENT EXPORT CREDIT: 'Post-shipment Credit' means any loan or advance granted or any other credit provided by a bank to an exporter of goods / services from India after shipment of goods / rendering of services.

Types of Post-Shipment Credits: Post-shipment advance can mainly take the form of -

Export bills purchased/discounted/negotiated, Advances against bills for collection, Advances against duty drawback receivable from Government, Advances against Undrawn Balances / Retention Money Liquidation of Post-Shipment Credit:

Post-shipment credit is to be liquidated by the proceeds of export bills received from abroad in respect of goods exported / services rendered. Further, subject to mutual agreement between the exporter and the banker it can also be repaid / prepaid out of balances in Exchange Earners Foreign Currency Account (EEFC A/C) representing Export proceeds, as also from proceeds of any other unfinanced (collection) bills. However, such adjusted export bills should continue to be followed up for realization of the export proceeds and will continue to be reported in the XOS statement.

Normal Transit Period:Export Bills in Foreign Currencies (Demand / Sight Bill)–25 days

Crystallization: Overdue Export Bills, which are purchased/discounted/negotiated by the Bank, will be crystallized on 30t^{h} day after expiry of Normal Transit Period / Notional / Actual Due Date of the Export Bill. For crystallization into Rupee liability, the Authorized Dealer shall apply its TT selling rate of exchange. The amount recoverable, thereafter, shall be the crystallized Rupee amount along with interest and charges, if any. The outstanding Export Bill which is crystallized will be treated on collection basis and will be realized at TT Buying rate when an actual realization proceeds is coming.

Post-Shipment Credit

Delay in submission of shipping documents : If documents are presented after the prescribed period of 2ldays, banks may handle them without prior approval of RBI if satisfied with the reasons for the delay. Export proceeds realisation period: Demand bills - normal transit period. For usance bills max- 9 months (including NTP and grace period) 20.05.13. For SEZ exporters, 100% EOU, Status Holders — 9 months (17.11.14) and for warehouse exports — 15 months. Rate of interest: ROI min base rate of the bank. On ad hoc limit, no additional ROI. For export credit in Foreign Currency, it is at discretion of banks w.e.f.5.5.2012.
Normal transit period means period normally involved from date of negotiation to credit to NOSTRO a/c. It is fixed by FEDAI. Overdue bill in case of demand bill means the payment of which has not been made before expiry of normal transit period. In case of usance bill, where the payment has not been made on due date. Follow-up of Overdue Bills : Where bills remain outstanding, beyond the due date and the exporter fails to arrange proceeds within 12 months or seek extension of time, matter should be reported to RBI. The copies of GR Forms should, be held by banks until the full proceeds are realised. Report to RBI: Banks should furnish a statement in Form XOS, to the RDI (end of June and Dec), giving details of all export bills outstanding beyond 6 months from the date of export, in triplicate, within 15 days from the close of the relative half-year. *Separate report not to be sent from Dec 2015 onwards as information has been integrated in EDPMS.*

Crystallization : It means conversion of foreign currency liability to rupee liability to cover the fluctuation risk when a bill becomes overdue. The period of crystallization as per discretion of the bank concerned (from Aug 2005 onwards). It is done at TI' selling rate. Banks can allow payments for export of goods / software received from 3rd party (party other than the buyer) subject to certain conditions. Extension of time and Self write-off by *the* exporters: An exporter who has not been able to realise the outstanding export for more than one year, may either self write off or approach the AD Category — I banks for write off of the unrealized portion, subject to certain conditions. The limits prescribed for "write-offs" of unrealized export hills are as under:
Self "write-off" by an exporter (Other than Status Holder Exporter) 5% , Self "write-off" by Status Holder Exporters 10%
'Write-off' by Authorized Dealer Bank- 10% of the total export proceeds realized during the previous calendar year and will be cumulatively available in a year.
Within a month from the close of the financial year, exporters should submit a statement of export proceeds due, realised and not realised to the AD-I banks concerned.

Extension of Time: AD- 1 banks can extend the period of realisation of export proceeds beyond 12 months from the date of export, up to a period of 6 months, at a time. For extension beyond one year, the total outstanding of the exporter does not exceed USD one million or 10% of the average export realisations during the preceding 3 financial years, whichever is higher.

Write off by AD Category — I banks: Banks can allow write off if the amount has remained outstanding for one year or more and the aggregate amount of write off allowed during a financial year does not exceed 10% of the total export proceeds realised by the concerned exporter during the previous financial year.
AD-I banks are to send a statement in form EBW to RBI, indicating details of write offs etc., every half year ended 3Ist March and 30th September within 15 days from the date of completion of the relevant half year.

DUTY-DRAWBACK advance available against claims provisionally certified by Customs Deptt, pending final sanction. ROI min base rate of the bank.
Export credit limit can be fixed in FC also to take care of impact of fluctuation of FC rate. Status Holders can export freely exportable items free of cost up to Rs.10 lac or 2% of annual export realization of 3 years *(DGFT 4.6.2016)*

Gold Card Scheme for Exporters Eligibility criteria for issue of gold cards: *All credit worthy exporters (including in the small and medium sector) with good track record are eligible. Loan accounts have been Standard a/c continuously for a period of 3 years to be treated good track record. Exporters black listed by ECGC or on REIrs defaulters/caution list or making fosses f9r past 3 years are not eligible. Credit limit fixation for issue of gold card: On the basis of anticipated export turnover, the banks can determine need-based finance with a liberal approach. **In -principle* limit will be sanctioned for a period of 3 years with a provision for automatic renewal. Gold Card holders would be given preference in the matter of granting of packing credit in foreign currency. Time limit for disposal of applications: Fresh proposals : 25 days, renewals : 15 days and ad hoc limits: 7 days. Stand-by limits: A limit of not less than 20% of the assessed limit may be made available to facilitate urgent credit needs for executing sudden order. Rate of interest :

Concessional rate on post-shipment rupee credit, may be for a max period up to 365 days. For loans against FCNR-B funds, in foreign curren', preference to them.

Deemed Exports:_ Projects aided by bilateral or multilateral agencies/funds (world bank, IBRD, IDA). Under deemed export goods will not cross the boundary of the India but will be supplied to Govt. aided projects and the remittance in the form of foreign exchange will be received into the India. Export Finance to such projects can also be considered by way of pre-shipment/post shipment credit.

Interest Equalisation Scheme on Pre & Post shipment Rupee Export Credit

Eligible Exporters: The scheme will be available to Pre & Post shipment Rupee Export credit of all exporters under 416 tariff lines {at ITC (HS) code of 4 digits} as per Annexure C and exports made by Micro, Small & Medium Enterprises (MSMEs) across all ITC (HS) codes.

Please note that the scheme will not be available to Merchant Exporters.

Validity of the Scheme: Scheme would be applicable w.e.f. 01.04.2015 for 5 years. Government however, reserves the right to modify/amend the scheme at any time.

Quantum of Interest Equalisation: The rate of interest equalization is @ 3 % per annum. The benefit of interest equalization, as applicable, to the eligible exporters is required to be passed on **upfront**.

Export Declaration Forms

Exporters have to declare for all exports before the Customs authority, full export value of the goods (earlier exports were exempted from declaration up to $ 25000) w.e.f.1.10.13. For *export of goods,* the declaration (in duplicate), is before the Commissioner of Customs. Duplicate copy is given to exporter, who submits it to Customs along with cargo. After certifying the quantity for shipment, this duplicate is returned to exporters for submitting to AD at the time of negotiation. In case of *software export,* the declaration is before the Designated Official of Ministry of Information Technology in triplicate. Presently there are 4 types of export declaration forms in use, as under:

Form	Where to use/ where to submit/No. of copies
Export Declaration Form (EDF) (earlier GR)	Exports are made otherwise than by post and Custom Office is not computerized (i.e.where EDI facility is not available). Prepared in duplicate. Submitted to commissioner of Customs.
SDF Form	It has been dispensed with as requirement subsumed in shipping bill (RBI 14.05.15). Earlier it was used when exports were made otherwise than by post and Custom Office has EDI facility.
EDF (earlier PP Form)	When exports are made to any country by post parcel. Prepared in Duplicate. Submitted to AD Bank.
VP/COD form	When exports are made by post parcel. under arrangements to realise proceeds through postal channels on value payable or cash delivery basis.
SOFTEX Form	In case of export of computer software in non-physically form. Preparedin Triplicate. Submitted to Ministry of IT (G01).

EXPORT CREDIT REFINANCE SCHEME : Scheme replaced by system level liquidity facility w.e.f. 7.2.2105.

Interest rate in export credit

Cannot be below Base Rate of the bank. For ad hoc limits, no additional interest to be charged. ROI for Export credit in foreign currency (PCFC) is at discretion of banks. Ceiling ROI on FC line of credit availed by bank LIBOR 250 bps. Interest Equalization Scheme for export credit Policy Period : 01.04.15 to 31.03.20. Eligible exports : 416 tariff lines MSM enterprises (not available to merchant exports) Rate of subvention 3% (for the period of date of disbursement till date of adjustment). Amount to be claimed from RBI on monthly basis within 15 days from close of the month

Imports:

Methods of Payment for Import Settlement : In sales and purchases within the same country, payment is usually made in same currency either by cash, or by cheques, or by a credit card or by such other means of payment acceptable to the buyer as well as the seller. Both the buyer and the seller are subject to the same laws and the same courts. On the other hand, in an international trade, the buyers and the sellers are concerned about the completion of the deal at their end.

The buyer wants to be sure that having contracted with the seller he gets the goods of the quality and quantity demanded. The seller, on the other hand, is eager to see that once the supplies have been made, he gets payment for the goods in time and in the acceptable or desired currency. Letters of Credits are a tested method of settlement of international payment and Advance Payment, Collection, and Open Account system, are other methods.

Advance Payment : When the buyer makes payment <u>before</u> the goods are shipped, such payments are called as Advance Payments.

Bills for Collection : Collections are of two types: Clean (Financial Document alone) and Documentary (Commercial Documents with or without a Financial Document). In a Documentary Collection, the exporter draws a Draft or bill of exchange directly on the importer and presents this Draft with shipping documents attached to the Bank for Collection.

Unlike under advance payment or open account trading where the role of banks is confined more or less to being agents in the payment and receipt of money, in collection there is a greater involvement of banks.

For collections to succeed as an effective method of payment, the seller through his bank initiates the detailed terms and arrangements. The advantage to the seller under this arrangement of collections, over open account trading, is that the seller's bank acts as his agent and the bank in the buyer's country that the sellers bank selects acts as the agent of the seller's bank.

Open Account: Under Open Account method, payment to the seller in one country for goods sent to the buyer in another country is settled at the end of an agreed period as per terms of contract. The goods are consigned directly to the buyer or to his order and the documents etc. covering the goods such as invoices, insurance certificates and bill of lading are also sent to the buyer enabling him to take delivery of the goods. Such a pattern of trading requires a high degree of trust between buyer and seller, and a regular / continuous business relationship between those parties.

Import of Goods into India – Evidence of Import

1. An importer has to submit as evidence of import,
The exchange control copy of the Bill of Entry for home consumption;
The exchange control copy of the Bill of Entry for warehousing, in the case of 100%Export Oriented Units (EOUs); or
Customs Assessment Certificate or Postal Appraisal Form as declared by the importer to the Customs Authorities.
2.With the establishment of Free Trade Warehousing Zones / SEZ Unit warehouses, imported goods can be stored therein, for re-export / re-selling purposes for which Customs Authorities issue Ex-Bond Bill of Entry. Reserve Bank of India vide their circular No A.P. (DIR Series) 29 dated 26.11.2015 has advised AD Banks to consider the Bill of Entry issued by Customs Authorities named as Ex-Bond Bill of Entry or by any other similar nomenclature, as evidence for physical import of goods.
3.Further, RBI vide above circular has advised AD Banks that in cases where goods have been imported through couriers, the Courier Bill of Entry, as declared by the courier companies to the Customs Authorities, may also be considered as evidence of import of goods.

IMPORTS
Proof of import : Exchange Control copy of the Bill of Entry (BEF), Postal Appraisal Form or Customs Assessment Certificate, etc. to be submitted to AD for import payment, if the amount is above USD 100000. *(BEF replaced by Integrated Declaration w.e.f. 1.4.16 being part of IDPMS)*
BEF Statement: For delayed / non-submission of proof of import for 6 months or more, HY report for June & Dec to be submitted by banks, to RBI within 15 days. *(merged in IDPMS in 2016)*
Remittances for usance imports are to be completed within 6 months from date of shipment.
Advance remittance for services up to USD 5 lac without any counter guarantee from International Bank can be made.
Advance remittance for goods up to USD 5 million without any counter guarantee from International Bank can be made.
Advance payment for Merchant Trade Transactions up to USD 200000.
Crystallization : Import bills: If drawn under LC and is not retired within 10 days, account of importer is to be debited on 10^{th} day (as per FEDAI rules).
Application form for import payments : Form A-1 when the amount of payment is above US $ 5000 (raised from USD500). Plain paper up to $5000. Form A-1 has been discontinued in May 15.
Payment of import bills directly received by importers: Normal importers-$300000, Status holders no ceiling, non-status holder of rough diamonds and rough precious and semi-precious stones - $ 300000.
ADs can approve trade credit or open LC or issue BG, LoC, LoU up to USD 20 million for capital goods import period 1-3 year (5 years in infrastructure). Importers can book forward contract for purchase under Past Performance Route up to 100% of eligible limit i.e. 3-yr actual import turnover.
External Commercial Borrowing (ECB) & TRADE CREDITS
Trade Credits It can be in the form of Supplier's Credit or Buyers' Credit.
Importers can arrange trade credit in Rupees from overseas lender. It can be permitted by AD-1 banks up to USD 20 million per import transaction. The period Is max 1 year for non-capital goods/services and 5 years for capital goods/services.
Supplier's Credit : Credit for imports into India, extended by overseas supplier of for period less than 3 years. (3 years or above is part of ECB)
Buyer's Credit: Credit for imports into India, arranged by buyer from a bank abroad for a maturity of less than 3 years. (3 years or above is part of ECB)
AD banks can approve trade credit up to USD 20 billion for maturity up to 1 year (5 years in case of capital goods as classified by DGFT, for all sectors).
External Commercial Borrowing (Nov 30, 2015) : ECBs are borrowings by eligible resident entities from recognised non-resident entities. ECB can be Bank loans, floating rate notes, fixed rate bonds, non-convertible optionally convertible or partially convertible preference shares / debentures, Buyers' credit, Suppliers' credit, FC Convertible Bonds (FCCBs), FC Exchangeable Bonds.
Types or Tracks : The framework comprises 3 tracks: Track 1: Medium term foreign currency denominated ECB with Minimum Average Maturity (MAM) of 3/5 years, (i) 3 years upto USD 50 million and ii) 5 years beyond USD 50 million or its equivalent)
Track II : Long term FC denominated ECB with MAM of 10 years. Track III : Indian Rupee denominated ECB with MAM of 3/5 years (as per Track-1). Individual ECB limits under automatic route for all 3 tracks: Upto USD 750 million or equivalent for the companies in infrastructure and manufacturing sectors;Upto USD 200 million or equivalent for companies in software development sector;Upto USD 100 million or equivalent for entities engaged in micro finance activities; and
Up to USD 3 million for Startups (27.10.16). Upto 500 million or equivalent for remaining entities.
IMPORTANT FOREX RETURNS

Name	Period	Objective
R-Return	Fortnightly on 15^{th} and last day, within 7 days	Transactions in various currencies. Consolidated bank wide return only.
XOS	HY - Jun a Dec within 15 days	Outstanding export bills > 6 months. Submission wef Dec 15 discontinued as information is monitored in EDPMS.
BEF	HY - Jun Et Dec within 15 days	Imports in respect of which documentary proof has not been submitted by the importer.
EBW	HY - Jun ft Dec within 15 days	Export Bills written of
NRD-CSR	Monthly	Non-resident deposits comprehensive single return on NRIFCNR deposits and their transactions in a month (STAT-5 & STAT-8 merged in this and discontinued from Mar15)
BAL	Fortnightly	Foreign currency balances of Authorized Dealers and rupee balances of non-resident banks
ECB-2	Monthly	External Commercial Borrowings

GAB	Daily	Gaps, Positions, and Balances (GPB) : Gaps of foreign currency, net open exchange positions and cash balances

Cancellation and rebooking of Forward Contracts
If Rupee is one of the currency, for exporters, it is allowed up to 50% of contracts booked in FY to cover exports. For importers, it is up to 50% (earlier 25% before 27.05.14) of contracts booked in a FY for imports.
Limit for residents, firms, companies up to USD 1000000 (earlier 250000) on self declaration basis.
Asian Clearing Union
Asian Clearing Union — ACU which started functioning w.e.f. 1.1.1996, has 9 countries (India, Sri Lanka, Pak, Bangla Desh Nepal, Bhutan, Iran, Mynamar, Maldives-1.1.10) as members. The HQ is in Tehran. They settle accounts amongst themselves in ACU $ or ACU Euro which will be = 1 US $ or 1 Euro, respectively for import and export transactions.
Swap: Exchange of forex flows maturing at different time period. Example — Sale of FC forward & simultaneous purchase of FC spot & vice-versa.
Arbitrage: Simultaneous sale of one currency in one market (with higher FC rate) and purchase of same currency in another market having lower FC rate.
STAR EXPORT HOUSE CATEGORIES
As per Foreign Trade Policy 2015-20, the categorization depends on total FOB (FOR - for deemed exports) export performance during current plus previous 3 years (taken together) upon exceeding limit below. Export erformance is necessary in at least 2 out of 3 years:

Category	FOB value in USD ++
One Star Export House	USD 3 million
Two Star Export House	USD 25 million
Three Star Export House	USD 100 million
Four Star Export house	USD 500 million
Five Star Export House '	USD 2500 million

++ For deemed exporters, FOR to be taken as converted in to USD at rate applicable as on Apr 01.
FOREX - Terminologies
AD: An authorized dealer is normally a bank specifically authorized by the Reserve Bank under Section 10(1) of FEMA,1999, to deal in foreign exchange or foreign securities
Arbitrage - Purchase and selling of forex in different centres to take advantages of rate differentials.
Authorised person to deal with sale and purchase of foreign exchange: Authorised Dealers, Money Changers and Offshore Banking Units.
Avalisation means Co-Acceptance of Bills.
Bill of entry has to be submitted to AD by the importer within a period of 15 days from 6 months from the date of remittance in case of non capital goods and within 15 days from 3 years from date of remittance in case of capital goods (both is case of advance payment only).
Delinking of Bill Rediscounting Scheme (BRD): Overdue BRD should be delinked on the ostensible due date ie 15th day from end of NTP/Due date as the case may be, @TT Selling Rate as on the date of delinking. In case of early realization branches are now permitted to refund the proportionate interest including the spread effective from 01.10.2011.(IO/80/2011)
Categories of Branches dealing with foreign exchange: (a) Category A: Maintains and operates NOSTRO a/c (eg.ID) (b) Category B: Operates NOSTRO a/c (eg.FEX cell, Overseas Br & Designated branches (c) Category C: Not permitted to deal independently FC
Crystallization – In case of import sight bills, the liability to be crystallized with 10 days of date of receipt. Export Bills in 15 days from due date.
Deemed Exports means: Supplies made to IBRD, IDA, ADB or EPZ, SEZ or 100% EOUs. Where goods does not leave country.
Delinking of export bill has to be done on 15th day after normal transit period in case of sight bill, 15th day after notional due date /actual due date in case of usance bill or even before that date if special request is there from exporter in writing. On the date of delinking of export bill, the rate applied is TT selling rate. Import sight bills under LC are to be delinked on 10th day after receipt of document at FD/Import Designated Branch
ECNOS rate of interest (Export Credit Not Otherwise Specified) is MCLR + 5.00%
FIRC (Foreign Inward Remittance Certificate)(Cir.ID 27/2009): The validity of FIRCs issued must be restricted to one year from the date of its issuance. Branches should issue FIRCs on security paper (where the rupee equivalent is more than `15000/-) only at the request of the beneficiary and in respect of the following cases: Receipt of export proceeds by our bank, where GR form is handled/ being handled by another bank. // Inward remittances covering FDI/ FII. In all other cases, branches/ offices should issue FIRC in letterhead, at the specific request of the beneficiary. Issue of duplicate FIRC (IO /129/2012, FX/09/2013, FX/20/2013) FIRC should not be issued against remittance for credit to NRE account(STP method). If the proceeds of inward remittances received are remitted in foreign currency itself to the beneficiary's banker, then the FIRC is to be issued by the bank which has received the proceeds in foreign exchange, i.e. the bank which converts the foreign currency in to rupees is required to issue FIRC (IO/92/2010). FIRC should not be issued in case of Advance payment for exports (FX/40/2016)
Form A1- Not required (FX/23/15) Declaration as per Annex-VII of Manual of Instruction on IMPORTS-GENERAL to be taken.
Form A2 other than Import exceeding USD 25000/-
Form A3: Details of transaction in Vostro account.
Form A4 : Debits & Credits to NR accounts exceeding USD 10,000
Free On Board (FOB) : To deliver goods on board named by buyer.
EDF(GR) FORM: Export Declaration by exporter to custom authorities (in duplicate) (for physical exports and floppies/CDs etc).
With effect from July 1, 2012, GR forms are available only online at Reserve Bank's website http://www.rbi.org.in/ at the following link : "Notification-> FEMA -> Forms -> For Printing of EDF/SOFTEX Form"
Common form called "export declaration form" (EDF) is introduced for declaring all types of export of goods from non-EDI ports
A common "softex form" introduced, for declaring single as well as bulk software exports. This SOFTEX form can be filed in excel format also at the STPI/SEZ.
The EDF will replace the existing GR/PP form used for declaration of export of goods(GR- Guaranteed Receipt)

Under the revised procedure, the exporters will have to declare all the Ex-port Transactions, including those less than US$25000, in the form as applicable.(Fx 102/2013)
Fund Clearance: Funds clearance from Treasury & Investments Division, Integrated Treasury Wing, Mumbai by branches for outward remittance of Rs. 50 Crore and above.
Group Company(FEMA): 26% or more of voting rights or appoint more than 50% of members of board (FX/124/2013)
EDF(GR), SDF forms are to be surrendered to Bank by exporters within 21 days
High Sea Sales: Where the goods under import are sold on the way to Indian shores before they actually land at the port. It takes place by way of endorsement on documents. Payment will be made by original importer and goods will be delivered to endorser.
Importer-Exporter Code is allotted by DGFT(Ten Digit)
Lloyds Certificate: A certificate of sea-worthiness and age of the vessel issued by Lloyds Registry of Shipping.
LORO Account: Their Nostro Account with You or third party account
Prime Bank: Top 500 world Banks as per their Assets as classified by Bankers Almanac. All our correspondent banks excluding those situated in listed countries. Branches and subsidiaries abroad of SBI and other Nationalised Banks in India.
Receipt of Foreign Exchange through authorized person : No Limit
Scrutiny Of Export Documents: Upto US$ 1 lakh or equivalent, by one officer and above US$ 1 lakh or equivalent in other currencies by 2 officers, one of whom should be the Scale II or III heading the section or branch.
SDF: Statutory Declaration Form by Exporter where Electronic Data Interchange system is introduced in Customs Office- in place of GR form
SGS certificate: A pre shipment merchandise inspection certificate issued by Society Generale De Surveillance
SOFTEX: Export Declaration form for Software Export (in Triplicate)
Spot: Transaction – Today. Delivery – Second Working day. (T+2)
Supplier‟s Credit: Credit extended by the overseas supplier to the buyer in India for selling his goods is known as ―Supplier‟s Credit‖.
Tom: Transaction – Today / Delivery of forex : Next working day.
Value Date in forex: When quoting the rates, the banks take into account the time factor i.e. how much time is going to be taken to get the purchased currency credited to Nostro account abroad. This date is known as Value date. Date of Credit of Nostro account /or/ Date of Debit of Vostro account / or / Date of settlement is the value date.
WTPCG cover is available automatically for accounts classified under Standard Asset irrespective of loan amount. WTPCG name is changed as Export Credit Insurance for Banks (ECIB – WT-PC). Premium payable in case of WTPCG is 6.00 paise per `100/- on the average daily product.
XOS FORM: Banks should furnish a statement in Form XOS to RBI (at the end of June and December) giving details of all export bills outstanding beyond 6 months from the date of export, in triplicate, within 15 days from the close of the relevant half-year.
Import Bill Denominated In Indian Rupee- RBI Has Prescribed Cap On The Interest Rate At "Repo Rate + 300 Basis Points(Fx/111/2013)
TOBIN Tax: It is a tax for spot conversion of one currency into another. The tax is intended to put a penalty on short-term speculative gain to another currency. Tobin tax was suggested by Nobel Laureate economist James Tobin in 1972 and hence the name. The tax on foreign exchange transactions was devised to cushion exchange rate fluctuations and to find a way to manage exchange-rate volatility. Imposition of a small tax dissuades the speculators and hence helps stabilization of monetary system. In India, Tobin Tax is not introduced.
IMPOSSIBLE TRINITY: The "Impossible Trinity" is referred to the balancing act of (1) inflation (price stability), (2) floating exchange rates (currency appreciation) and (3) capital inflows (capital mobility). Economic theory says, a country can only attain two of the three objectives and it is impossible to balance or control all the three parameters simultaneously, hence it is called as impossible trinity.
Golden Share: It is a type of share that gives its shareholder veto power over changes to the company's charter.
Submission of Export Documents to a Bank other than the Bank Mentioned in GR Form : FEDAI vide their circular No. SPL-21/EXPORTS/2011 dated 6th July 2011, have revised the guidelines for obtention of NOC, in respect of consortium accounts/takeover accounts, which are as under:
As regards consortium accounts, if all member banks of the consortium agree to exchange one-time NOC among themselves, the same may be recorded in the minutes of the consortium meeting convened by the Lead Bank.
In respect of "Takeover" of Accounts, the transferee bank may obtain onetime NOC from the transferring bank (transferor) in respect of transactions earlier put through the transferor bank.

FOR DETAILS OF FOREX PLEASE SEE PADONNATI-2018

NRI DEPOSITS

NRE Accounts (Principal/Interest Repatriable): Types of accounts that can be opened • Savings. Current and Term Deposits in Indian rupees. Term Deposits - minimum 1 year and maximum 10 years. Interest earned in NRE account is not taxable. Joint accounts can be opened in the names of two or more Non Resident Individuals with a maximum of 4 persons. NRI also can open Joint account with a close Relative (as defined in Indian Companies Act) and with Former or Survivor basis only. The Resident close Relative shall be eligible to operate the Account as a Power of Attorney Holder during the life time of the NRI as per extant guidelines. NRE Deposits will be automatically renewed only once, if the depositor has opted for auto renewal.
FCNR (B) (Principal and Interest Repatriable): Term Deposits in 5 foreign currencies (USD. GBP, EURO, CAD & AUD). Minimum period of deposit for FCNR with non cumulative interest (FDR) is 1 year and for FCNR with cumulative interest (KDR) the minimum period is 1 year & 1 day. Maximum period of deposits is 5 years. Interest is paid in the currency of the deposit. Conversion permitted at ruling exchange rate. Interest is not taxable.
NRO Accounts :

1. Types of accounts that can be opened - Savings, Current and Term Deposits in Indian rupees.
2. Savings Accounts are opened primarily for the purpose of crediting income earned/accruing in the name of NRI in India which are not eligible for credit to NRE SB accounts.
3. NRI, if so desires, can also remit funds from abroad for credit to NRO SB account instead of NRE SB accounts, or invest under NRO Term Deposit Scheme.
4. Term Deposits - minimum 7 days and maximum 10 years.

5. In respect of Tax payable on interest earned on NRO funds, NRI can avail the benefit under DIM (Double Tax Avoidance Agreement) entered into between Govt. of India and countries concerned, duly producing Tax residency Certificate and copy of PAN card.
6. Transfer of funds from NRO accounts to NRE accounts within the overall ceiling of USD one million per financial year subject to payment of tax, as applicable (i.e. as applicable if funds were remitted abroad)

CANARA SB POWER PLUS FOR NRE/NRO CUSTOMERS

For Premier Segment NRI Customers who maintain Quarterly Average Balance of 1 Lac *a* above. Accounts with Zero Balance can be opened. Platinum Debit Card with Photo a no charges irrespective of the usage. ATM Cash Withdrawal Limit per day 50000/- in our Bank ATM. Credit Card 1' year free of charge. Personal Accident Insurance (Death Only) available (conditions apply). Name Printed Cheque Book upto 300 leaves per annum. DD Charges fully waived. 25% concession in locker rent irrespective of size in the first year. Statement of Account through e-mail free once in 15 days. Net Banking, NEFT/RTGS, Standing instruction, inter Bank Mobile Payment System Available free of charge. SMS alerts available. All extant guidelines applicable to NRE/NRO Customers regarding opening, operations etc.

OTHER SERVICES :REMITTANCE FACILITIES

- Rupee drawing arrangements with 36 Exchange Companies in Middle-east and 25 Banks across globe for remitting funds by NRIs from abroad.
- REMIT MONEY - a web based remittance product for NRIs available in UAE, QATAR, BAHRAIN, OMAN, KUWAIT and SAUDI ARABIA. This facility is also available in our branches abroad located in UK, CHINA & HONG-KONG to remit money in a fast, safe and secure mode to our branches in India.
- FLASH remit NRIS in UAE can remit to beneficiary's account maintained at Canara Bank in real time through UAE exchange centre outlets in UAE and this instant account credit facility is available for 24x7x365 days.
- Instant Remit money - an instant account credit facility introduced by our Bank for NRIs in Gulf region to Provide hassle free Remittances on a real time basis, 24x7x365 days to the BeneficiARes account maintained at Canara Bank in India.
- We are the Sub agents for Western Union Money Transfer Services, wherein NRI can remit funds from any Part of the world to his relatives/friends subject to a cap of USD 2500 per remittance and maximum of 30 remittances in a calendar year.
- Lockbox service is available for NRIs based in USA.
- Arrangements have been made with M/s Deutsche Bank AG for utilizing their product 'FX4Cash Multi-Currency Payments Solution' through which our Branches/Offices can execute payments in more than 116 non-position currencies through the existing USD account maintained with Deutsche Bank AG and credit to beneficiary's local currency account as per the instructions of the customers / remitters.

OTHER FACILITIES TO NRIs

- All types of loans under Retail Lending Schemes of the Bank. All types of Retail Loans including Housing loan availed by NRIs can be repaid by their close relative in India from their account.
- Loans against NRE/NRO term and FCNR deposits for personal needs subject to usual margin requirements.
- Credit Card facility.
- Safe custody services and safe deposit lockers facility.
- Portfolio Investment Scheme available in 18 select branches.

57	Rate of Interest on Rupee Loans & Advances - Pre Shipment & Post Shipment Credit to exporters under Trade Finance and entities under taking Project Exports.
	Export Credit- project exports: pre shipment credit /supplier credit: No running account facility Upto sanctioned period (including extensions) but not exceeding 270 Days from date of advance: MCLR+0.75% Beyond sanctioned period (including extensions) and upto 365 days from date of advance: MCLR+1.50% Beyond 365 days from the date of advance: Based upon external/internal rating (Min MCLR+1.50%) (Subject to Approval from RBI in case of pre shipment credit) Export Credit- Trade Finance(Including gold card exporter) Upto sanctioned period (including extensions) but not exceeding 270 Days from date of advance: MCLR+0.75% Beyond sanctioned period (including extensions) and upto 360 days from date of advance:MCLR+1.50% Beyond 360 days from the date of advance: Based upon external/internal rating (Min MCLR+1.50%) (iv)If export fails to take place and advance recovered from domestic resources: As per external / internal rating of borrower plus 1% from date of advance. (v) Against incentive receivables from Government (ECGC Covered): MCLR +0.75 % for upto 90 days. Beyond 90 days, based upon risk rating of the borrower, subject to minimum MCLR+1.50% Export Credit- Post Shipment Credit: a)On Demand Bills for Normal Transit Period (NTP):MCLR+0.75% Beyond NTP - upto 180 days from the date of advance : MCLR+2.00 % - from 181st day till date of realization / crystallization:MCLR+3.25% Beyond date of crystallization till date of recovery: Based upon external/internal risk rating subject to minimum MCLR+4.25% b) Against Usance Bills
251	BILLS UNDER LCs (BULC) SCHEME – Extension in validity period for permitting concessional interest till 30.09.2017. The Competent Authority has permitted continuation of concessional rate of interest under the BULC scheme from 01.04.2017 till 30.09.2017. The above concession shall be permitted by the delegated authorities, upto 145 bps, subject to minimum of MCLR, based on the tenor of the bill. The concession stated above is valid for new bills discounted under the scheme and can be extended by Regional Head CAC/ Circle Head CAC on case to case basis.

490	Additional Interest on account of Unhedged Foreign Currency Exposure (UFCE) – Revised. ▫ Interest Rate on account of UFCE linked to risk rating of the borrower and ratio of 'likely loss to Earnings Before Interest and Depreciation (EBID)'. ▫ No charges for existing borrower entities (having 3 years audited financials) with 'likely loss to EBID' ratio upto 15%.
565	Modification in the Delegation of Power on waiver of Lloyds and SGS Certificates while opening FLC Lloyds certificate is required to FLC exceeding the value of ` 15 lakhs and SGS certificate is required to FLC exceeding the value c 1.Delegation of Power in respect of waiver of Lloyds and SGS certificate:

New Borrower rated as BBB/LR/NR/MRand	existing borrower (irrespective of external rating)
New Borrower : BB and below rated or rating suspended/earlier rated now unrated, High Risk rated existing borrower	Proposals falling under CGM/GMHO-CAC and above authorities: CGM/GM-H the accounts falling upto their power. Proposals falling under authority upto CGM/GM-CO-CAC: CGM/GM-HOCAC Note: The above delegation is only for the purpose of permitting waiver of and take up the matter of waiver of these 2 certificates separately with CG

MC Power account:Permission for the waiver is not obtained at the time of sanction of credit facilities; CAC of the Board is authorized
2.Waiver of Lloyd Certificates By Branch Head : At the discretion if import made by Public Sector Undertakings / Companies.
LR I/II/III importers or externally rated as A importers. Parties other than (1) & (2) if:- they are financed by a consortium of Banks
Where the value of the LC is less than ?.50 lacs, or the value of each Part-shipment is less than ?.50 lacs even if the value of LC ex
Where the LCs are established on CIF or C&I terms and the insurance clause stipulating the requirement to mention the name of th vessel.
3. Waiver of SGS Certificate by Branch Head: At the discretion of branches if import made by Public Sector Undertakings / Compan
Importer internally rated as LR I/II/III or externally rated as A. Parties other than (1) and (2) if – they are financed by a consortiu
the value of LC is less than ?. 1.00 crore, or the value of each part shipment is less than ?. 1.00 crore even if the value of the LC ex
4. Waiver of Lloyds and SGS certificate by Circle Head CAC: At the discretion under following cases
Lloyds Certificate may be waived where the value of LCs or the value of each part-shipment is less than ?.1.00 crore, subject to ob stipulation of additional margin of 5%.
SGS Certificate may be waived where the value of LC or the value of each part-shipment is less than ?. 2.00 crore, subject to obtai an additional margin of 5%.

CIRCULARS -2018

9-2018 : EXPORT CREDIT INSURANCE FOR BANKS – a. - WHOLE TURNOVER PACKING CREDIT ECIB (WT PC) COVER & b. - WHOLE TURNOVER POST SHIPMENT CREDIT ECIB (WT PS) COVER :

ECGC issues these guarantee covers to the Banks valid for a period of one year. Thereafter their renewal will be subject to compliance under certain parameters. The ECIB(WT PC) and ECIB(WT PS) guarantee covers have been renewed till 30.06.2018. Branches to note that decision regarding renewal or otherwise of these guarantee covers on their expiry will be taken at Head Office level and hence, unless otherwise instructed by Head Office, Branches/ Offices shall continue to pay the premium to ECGC as per extant guidelines presuming that these guarantee covers are existing in our Bank.
ECGC has enhanced the premium on both ECIB(WT-PC) and ECIB(WT-PS) guarantee covers w.e.f 01.07.2017.
Accordingly, premium in respect of Pre Shipment advances is payable on monthly basis at the rate of 6.50 paise per Rs 100/- per month on the average daily product. and premium in respect of Post Shipment advances payable on monthly basis at the rate of 5.00 paise per Rs 100/- per month on the average daily product.
As usual, premium shall be remitted by the branches to the nearest office of ECGC on or before the last working day of the subsequent month. The premium in respect of EC IB (WT PC) is to be borne by the customer.
Branches to calculate the differential premium in respect of eligible advances under both Pre-shipment and Post shipment advances from 01.07.2017 and remit the same to ECGC at the earliest.
While in respect of ECIB (WT PC) cover, the premium is being collected from the exporter, in respect of ECIB (WT PS) cover, the entire premium is being borne by the Bank.
There is also change in the Percentage of cover by the ECGC in respect of ECIB (WT PC) and also in respect of ECIB(WT PS) which is as under:

i) PERCENTAGE OF COVER AVAILABLE UNDER ECIB (WT PC):

The percentage of loss payable by the corporation is as under w.e.f **01.07.2017**:

Sl.No	Packing Credit Limit per exporter	Percentage of cover applicable
01	For losses upto Rs.3862.93 Lakhs*	75%
02	For losses beyond Rs. 3862.93 Lakhs*	65%
03	Small Scale Exporters (Annual Export turnover not exceeding Rs. 50	90%
04	Accounts under Multiple Banking /Limits combined ~~with~~ CC/Standby Limits/adhoc limits/limit under gold card scheme	50%
05	No personal guarantee of promoters/directors/ partners/others is available/Collateral security in the form of 2nd charge on Fixed assets	50%
06	Limit approved in respect of an exporter/Group for all the banks is more than 600 Cr	**50%**

***Non restructtured accounts**

ii) PERCENTAGE OF COVER AVAILABLE UNDER ECIB (WT PS):

The percentage of loss payable by the corporation is as under w.e.f **01.07.2017**:

Particulars		% of cover
Non Policy holder	Cover for bills drawn on non Associates	
	Below set limit of Rs. 1770.07 lacs*	75%
	Beyond set limit of Rs.1770.07 Lacs*	65%
	iii)Cover for bills drawn on Associates *	50%
Policy holder	Cover for bills drawn on non Associates*	95%
	Cover for bills drawn on Associates*	60%
Accounts under Multiple Banking /Limits combined with CC/Standby Limits/adhoc limits/limit under gold card scheme		50%
No personal guarantee of promoters/directors/partners/others is available/Collateral security in the form of 2nd charge on Fixed assets		50%
Limit approved in respect of an exporter/Group for all the banks is more than 600 Cr		50%

***Non Restructured accounts**

All other existing guidelines/terms and conditions in respect of ECIB (WT PC) and ECIB(WT PS) cover would continue to apply. The main purpose in switching over from Individual guarantee cover to Whole Turnover guarantee Cover in respect of Post Shipment Credit by absorbing the entire premium is to augment Export credit of the Bank. Branches/ Offices to aggressively market this aspect and impress upon the exporters to take the best advantage of the benefits of this initiative and rope in more export business for the Bank. With regard to claims settlement by ECGC, to ensure that the claims preferred by our Bank are properly and promptly settled, ECGC has laid down certain norms and procedures to be followed before preferring the claim.

13. BASEL & RISK MANAGEMENT

COMPOSITE Risk Management approaches:

BASEL Guidelines: The Basel Committee on Banking Supervision (BCBS) is a committee of banking supervisory authorities that was established by the central bank governors of the Group of Ten countries in 1974. It provides a forum for regular cooperation on banking supervisory matters. Its objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide. The Committee also frames guidelines and standards in different areas.

A.Basel I guidelines

In 1988, BCBS came out with its recommendations for a set of minimum capital requirements for banks which came to known as Basel I Accord. The accord focused primarily on Credit Risk. The assets of a bank were classified into different risk groups which carried different credit risk weights from 0 to 150.

Generally investments in Govt. Securities carried 0% risk weight, claims on banks attracted 20% risk weight and loans to others were assigned risk weights depending on the asset category they belong to. In principle banks were advised to hold capital equal to 8% of the risk weighted value of the assets. In India Reserve Bank of India mandated for banks to maintain minimum capital @ 9% of the risk weighted assets (RWA).

Market Risk was introduced in 1996. But Operational Risk was not addressed under Basel I accord.

Capital adequacy ratio which denotes the strength and stability of a bank to absorb losses, if any, arising out of assets financed by the bank is calculated as below.

Capital Adequacy Ratio (Basel I) = Eligible Total Capital/RWA (Credit Risk) + RWA (Market Risk)

B.Basel II guidelines:

During the period 1988-1998, markets for credit derivatives and securitizations grew rapidly. It was an open secret that banks were employing these to take advantage of shortcomings in the 1988 Accord's crude system of risk weights. This practice is called regulatory arbitrage.

This lack of risk sensitivity under the Basel I accord collapsed the economic decision making. It was felt over time that the Basel I was one-size-fit-all approach for capital regulation. It prescribed single credit risk factor across a class of obligors thus ignoring the default probability or risk rating of different borrowers/ obligors. All the corporate lending was carrying the risk weight of 100%.

This result in assigning same amount of capital for exposures to "AAA" rated and "BB" rated corporate.
In response to the banking crises in 1990 and in view of the above drawbacks BCBS decided in 1999 to propose a new, more comprehensive capital adequacy accord. This accord is known as "A Revised Framework on International Convergence of Capital measurement and Capital Standards". It came out with the final version of the Basel II Accord which was published on June 26, 2004. The new framework was set to be made applicable from 2006 end. Under the new guidelines banks were advised to maintain minimum capital of 8% of the total Risk Weighted Assets (RWA).
In India RBI set a deadline of 31st March, 2008 for foreign banks operating in India and Indian banks operating overseas, to move to Basel II norms. For other banks the time line was set as 31st March, 2009. Banks are required to maintain a minimum capital 9% of the total RWA. Our Bank has implemented Basel II norms or New Capital Adequacy Framework (NCAF) from 31st March, 2008.
Operational Risk, such as system breaking down or people doing wrong things, which was hitherto not covered under Basel- I got introduced under Basel II.

Basel II aims at

Ensuring that capital allocation is more risk sensitive
Enhance disclosure requirements which will allow market participants to assess the capital adequacy of an institution
Ensuring that credit risk, operational risk and market risk are quantified based on data and formal techniques The Basel II Norms primarily stress on 3 factors, viz. Capital Adequacy, Supervisory Review and Market discipline. The Basel Committee calls these factors as the Three Pillars to manage risks.

Minimum total capital requirement under Basel III:

	Regulatory Capital	**As % Of RWA (Risk Weighted Asset)**
i	Minimum common equity Tier I Ratio	5.50
ii	Capital conservation Buffer (comprised of common equity)	2.50
iii	Minimum common equity Tier 1 Ratio plus capital conservation buffer (i+ii)	8.00
iv	Additional Tier I capital	1.50
v	Minimum Tier I capital(i+iv)	7.00
vi	Tier 2 capital	2.00
vii	Minimum total capital ratio (MTC){(v)+(vi)}	9.00
viii	Minimum total capital ratio plus capital conservation buffer[(vii)+(ii)]	11.50

Capital Adequacy under New Capital Adequacy Framework (Basel II) and Basel III (BCC: BR: 107:477 dated 28 09-2015):
Our Bank has implemented the New Capital Adequacy framework (NCAF), popularly known as Basel-II guidelines, w.e.f. 31st March, 2008. It this reference, RBI has directed the banks in India to implement Basel III guidelines on capital Regulation from 01st April 2013 and disclose the Basel III capital ratio from quarter ended 30th June 2013 onwards.
There has not been much change in Calculation of RWA under Basel II and Basel III, other than that for claims on Bank Assets Class, where Risk Weight of Indian Banks and banks operating in India would be calculated on Minimum common Equity Capital and Capital Conservation Buffer ratio prescribed by RBI, rather than on Total CRAR under Basel II guidelines.

Approaches for computation of risk

Credit Risk	Standard Approach, Foundation ,Internal rating Based approach, Advance Internal rating Based approach.
Market Risk	Standard Approach (comprising maturity method & duration method), Intemal risk based approach
Operational Risk	Basic Indicator Approach, Standard Approach, Advance Measurement Approach

Approaches already implemented w.e.f. 31.03.08 : Standard approach for credit risk, standard approach-duration method for market risk and Basic Indicator approach for operational risk.

Capital for Credit Risk

The risk weight % under the Standardized approach has been fixed by RBI as under for on-balance sheet assets (i.e. fund based assets).

Use of Credit Rating

RBI allows use of ratings by credit rating agencies for assigning risk weights for credit risk. Where the counterparty is rated by an eligible credit rating agency, the risk weight will be based on such rating. RBI has approved the following domestic and international agencies for the purpose:

Domestic credit rating agencies	**International agencies**
Brickwork Ratings India Pvt. Limited (Brickwork); b.Credit Analysis and Research Limited; c. CRISIL Limited; ICRA Limited; India Ratings and Research Pvt. Limited (India Ratings); and f. SME Ratings Ltd. (SMERA)	a.Fitch; b.Moody's; and c.Standard & Poor's

Rating Symbols and risk weight percentage

Long term Loans	**Short term loans**

Rating Symbol	Risk Weight%	Rating Symbol	Risk Weight%/0
AAA	20%	A1+	20%
AA	30%	A1	30%
A	50%	A2	50% •
BBB	100%	A3	100%
BB, C & D	150%	A4 & D	150%
Unrated	100%	Unrated	100%

Internal Capital Adequacy Assessment Process (ICAAP): This is intended to ensure that the capital held by the Bank is commensurate with the Bank's overall risk profile. The ICAAP takes into account effectiveness of Bank's risk management system in identifying, assessing, measuring, monitoring and managing various risks. ICAAP comprises all of the Bank's procedures and measures designed to ensure appropriate definition and measurement of risks and appropriate level of internal capital in relation to Bank's risk profile.

Basel III reforms are the response of Basel Committee on Banking Supervision (BCBS) to improve the banking sector�much s ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spill over from the financial sector to the real economy. It has its origins in the financial market turmoil after failure of Bretton Woods system of managed exchange rates in 1973.It had resulted into large foreign currency losses to many banks worldover. In response to this During Pittsburgh summit in September 2009, the G20 leaders committed to strengthen the regulatory system for banks and other financial firms and also act together to raise capital standards, to implement strong international compensation standards aimed at ending practices that lead to excessive risk-taking, to improve the over-the-counter derivatives market and to create more powerful tools to hold large global firms to account for the risks they take. For all these reforms, the leaders set for themselves strict and precise timetables. Consequently, the Basel Committee on Banking Supervision (BCBS) released comprehensive reform package entitled ―Basel III: A global regulatory framework for more resilient banks and banking systems‖ (known as Basel III capital regulations) in December 2010.
Basel III reforms strengthen the bank-level i.e. micro prudential regulation, with the intention to raise the resilience of individual banking institutions in periods of stress. Besides, the reforms have a macro prudential focus also, addressing system wide risks, which can build up across the banking sector, as well as the procyclical amplification of these risks over time. These new global regulatory and supervisory standards mainly seek to raise the quality and level of capital to ensure banks are better able to absorb losses on both a going concern and a gone concern basis, increase the risk coverage of the capital framework, introduce leverage ratio to serve as a backstop to the risk-based capital measure, raise the standards for the supervisory review process (Pillar 2) and public disclosures (Pillar 3) etc. The macro prudential aspects of Basel III are largely enshrined in the capital buffers. Both the buffers i.e. the capital conservation buffer and the countercyclical buffer are intended to protect the banking sector from periods of excess credit growth.
Reserve Bank issued Guidelines based on the Basel III reforms on capital regulation on May 2, 2012, to the extent applicable to banks operating in India. The Basel III capital regulation has been implemented from April 1, 2013 in India in phases and it will be fully implemented as on March 31, 2019. Further, on a review, the parallel run and prudential floor for implementation of Basel II vis-D-vis Basel I have been discontinued.
Keeping in view the Reserve Bank‟s goal to have consistency and harmony with international standards, it was decided in 2007 that all commercial banks in India (excluding Local Area Banks and Regional Rural Banks) should adopt Standardised Approach for credit risk, Basic Indicator Approach for operational risk by March 2009 and banks should continue to apply the Standardised Duration Approach (SDA) for computing capital requirement for market risks.
BCBS has so far recommended the capital measures three times ,which are called:
BASEL-I:1988(implemented in India in 1993)
BASEL-II:2006 (implemented in India in 2008)
BASEL-III : 2010(implemented in India in 2013)
The Basel III capital regulations continue to be based on three-mutually reinforcing Pillars, viz. minimum capital requirements, supervisory review of capital adequacy, and market discipline of the Basel II capital adequacy framework.
<u>Three Pillars of Basel</u>
Minimum Capital Requirement
Supervisory Review
Market Discipline
1. Pillar - 1
Minimum Capital Requirement
It involves calculation of the total minimum capital requirements for credit, market and operational risk. The minimum capital requirements are composed of three fundamental elements: a definition of regulatory capital, risk weighted assets and the minimum ratio of capital to risk weighted assets.
The formula for calculation of CRAR is Eligible Total Capital
RWA (Credit Risk) + RWA (Market Risk) + RWA (Operational Risk)
Computation of Basel III Capital Ratios Banks are to compute ratio as under:
Common equity Tier I capital ratio = Common Equity Tier I Capital / RWA for (Credit risk + Market risk + Operational risk)
Tier I capital ratio = Tier I Capital / RWA for (Credit risk + Market risk + Operational risk)
Total capital ratio (CRAR) = Eligible Total Capital **/ RWA** for (Credit risk + Market risk + Operational risk)
Approaches for computation of risk:

Under Pillar 1, the Basel III framework will continue to offer the three distinct options for computing capital requirement for credit risk and three other options for computing capital requirement for operational risk, albeit with certain modifications / enhancements. These options for credit and operational risks are based on increasing risk sensitivity and allow banks to select an approach that is most appropriate to the stage of development of bank's operations. The options available for computing capital for credit risk are Standardised Approach, Foundation Internal Rating Based Approach and Advanced Internal Rating Based Approach. The options available for computing capital for operational risk are Basic Indicator Approach (BIA), The Standardised Approach (TSA) and Advanced Measurement Approach (AMA).

Credit Risk	StandardApproach,Foundation Internal rating Based approach,Advance Internal rating based approach.
Market Risk	Standard Approach(comprising maturity method & duration method),Internal risk based approach
Operational Risk	Basic IndicatorApproach,Standard Approach,Advance Measurement Approach

Capital for Credit Risk:
The risk weight % under the Standardized approach has been fixed by RBI as under for on balance sheet assets(i.e.fund based assets).
Use of credit rating: RBI allows use of ratings by credit rating agencies for assigning risk weights for credit risk.Where the counterparty is rated by an eligible credit rating agency ,the risk weight will be based on such rating.RBI has approved the following domestic and international agencies for the purpose:

Domestic credit rating agencies	International agencies
(a)Brickwork Ratings India Pvt.Limited (Brickwork); (b)Credit Analysis and Research Limited; (c)CRISIL Limited; (d)ICRA limited; (e)India Ratings and Research Pvt. Limited (India Ratings);and (f)SME Ratings Ltd.(SMERA)	a.Fitch; b.Moody�much's;and c.Standard & Poor‛s

Standardised Approach to Credit Risk:
Under the Standardized Approach, bank‛s credit portfolio have been grouped into various class types like Domestic and Foreign Sovereign, Banks, Corporate, Public Sector entities, Regulatory Retail portfolio etc.
The bank will allocate risk weight to fund and non-fund based assets, depending on the quality of assets as reflected in the risk rating secured by the borrower from External Credit rating institutions.
Credit Conversion Factor (CCF):
For example: AAA‛ rated account will have risk weight of 20%, while the A‛ rated accounts will have risk weight of 50%, BBB rated account will have risk weight of 100% and so on. Off Balance Sheet items will be converted to credit risk exposure by multiplying with Credit Conversion Factor‛ from 0% to 100%. Risk weight of 100% may entail a capital charge of 9%, risk weight of 50% may entail a capital charge of 4.5% and a risk weight of 20% may entail a capital charge of 1.8% etc.
Credit Risk Mitigation (CRM) Techniques:
Collateralised Transactions - Certain securities are eligible to be considered for Basel-II purpose. The securities may be either prime securities or collateral securities like cash margin, Bank‛s own deposit, NSC, Indira Vikas Patras & Kisan Vikas Patra, LIC policies, Gold, etc i.e. cash or near cash securities are considered as security for Basel-II purpose. In respect of Standard Assets Basel-II does not recognize land and building, Plant and Machinery as Collateral for risk mitigation purposes.
On Balance Sheet netting - It is confined to loans / advances and deposits, where banks have legally enforceable netting arrangement, involving specific lien with proof documentation. Loans and advances are treated as exposure and deposits as collateral. Exposure may be offset against eligible collateral credit.
Guarantees - The eligible guarantors are Sovereign, sovereign entities, ECGC, PSEs, Banks, Primary Dealers with a lower risk weight than the counter party (borrower), other entities rated AA or better External CreditRating Agencies approved by RBI. Domestic - CARE, CRISIL, ICRA, FITCH & BRIPL (Brickwork Rating India Pvt. Ltd.) Foreign – Standard & Poor, Moody‛s & FITCH
Basic Indicator Approach (BIA): Under this approach, banks must hold capital for operational risk equal to the average over the previous three years of a fixed percentage (denoted alpha, in the formula below) of positive annual gross income. If annual gross income is negative or zero, it should be excluded while calculating the average. It can be expressed as below;
K= å (GI 1.3*a)/3
Where K = Capital Charge under Basic Indicator Approach
GI- Gross Income (annual), where positive, over the previous three years. a - 15% as per Basel-II accord.
Internal Capital Adequacy Assessment Process (ICAAP): ICAAP comprises of all bank‛s procedures and measures to ensure the appropriate identification and measurement of risks, appropriate level of Internal Capital in relation to bank‛s risk profile and applications and further development of suitable risk management systems, comprehensive strategies and procedures for continuous evaluation and regular review, composition and distribution of internal capital which is considered adequate to cover current risk and any future risk in both quantitative and qualitative terms.

Risks to be captured in Pillar II: Credit Concentration Risk – Concentration Risk may be used in a broader sense to include concentration by sector, Concentration by Industry, geographical location and concentration of risk mitigant measures.
Country Risk: The exposure to various countries are in terms of rating categories as specified by the ECGC guidelines on Country Risk Management in terms of percentage to Tier 1 and Tier 2 Capital.
Interest Rate Risk in the Banking Book: Interest Rate Risk is taken to be the current or prospective risk to both the earning and capital of the bank arising from adverse movements in interest rates. In the context of Pillar 2, this is to be estimated for only, given that the interest rate risk in the trading book is already covered under Pillar 1 market risk regulation.
Liquidity Risk:
Liquidity Risk occurs when an institution is unable to fulfil its commitment in time when commitment falls due. The liquidity risk for the bank will be monitored and measured as per the ALM Policy. It is not mandatory to maintain capital for liquidity risk.
Reputation Risk: Reputation risk is the current or prospective indirect risk to earnings and capital from adverse perception of the image of the bank on the part of customers, shareholders and regulator. Reputation risk may originate in lack of compliance with industry service standards and regulatory standards, failure to deliver on commitments, lack of customer friendly service and fair market practices, a service style that does not harmonize with customer expectation.
Business and Strategic risk: Business risk means current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions.
Basel III Capital Accord: Reserve Bank of India has issued guidelines based on Basel II reforms on capital regulation applicable to banks operating in India. The Basel III capital regulation has been implemented from 1st April 2013 in India phases and it will be fully implemented as on 31.03.2019.
Overall Capital (% to Risk Weighted assets) for banks in India:

	Regulatory Capital	As% of RWA
i	Minimum Common Equity Tier 1 ratio	5.5
ii	Capital conservation buffer (comprised of Common Equity)	2.5
iii	Minimum Common Equity Tier 1 ratio plus capital conservation buffer [(i)+(ii)]	8.0
iv	Additional Tier 1 Capital	1.5
v	Minimum Tier 1 capital ratio [(i) +(iv)]	7.0
vi	Tier 2 capital	2.0
vii	Minimum Total Capital Ratio (MTC) [(v)+(vi)]	9.0
viii	Minimum Total Capital Ratio plus capital conservation buffer [(vii)+(ii)]	11.5

ELEMENTS OF COMMON EQUITY TIER I CAPITAL
Common shares (paid up equity) issued by the bank which meet the criteria for classification as common shares for regulatory purpose.
Stock surplus (share premium) resulting from the issue of common shares
Statutory reserves
Capital reserves representing surplus arising out of sale proceeds of assets.
Other disclosed free reserves,if any
Balance in P & L account at the end of the previous fin year.
Current year profits can be reckoned on quarterly basis provided incremental NPA provision at end of any of 4 quarters of previous Fin year have not deviated more than 25% from avg of 4 qtrs.
Revaluation reserves arising out of change in the carrying amount of a bank's property consequent upon its revaluation may, at the discretion of banks, be reckoned as CET1 capital at a discount of 55%, instead of as Tier 2 capital under extant regulations, subject to certain conditions.
Deduction: Regulatory adjustment /deductions to be made from total of 1 to 7.
ELEMENTS OF ADDITIONAL TIER I CAPITAL
Perpetual Non-Cumulative Preference Shares(PNCPS),which comply with the regulatory requirements.
Stock Surplus (share Premium) resulting from the issue of instruments included in Additional Tier I capital.
Debt Capital instruments eligible for inclusion in Additional Tier I capital ,which comply with the regulatory requirements.
Any other type of instruments generally notified by RBI from time to time for inclusion in Additional Tier 1.
Deduction : Regulatory adjustments/deductions to be made from total of 1 to 4.
ELEMENTS OF TIER 2 CAPITAL
General Provisions and Loss Reserves :General provisions on standard assets ,floating Provisions , Provisions held for Country Exposures,Investment Reserve account,excess provisions which arise on account of sale of NPAs and ‗ Counter cyclical provioning buffer' upto max of 1.25% of total credit RWA under Standardised approach .Under IRB(Internal Rating Based) approach where the total expected loss is less than total eligible provision than the difference may be recognise the difference as Tier II upto a max of 0.6% of credit RWAs calculated under IRB approach.
Debt Capital Instruments issued by Bank.
Preference share capital instruments(PCPS/RNCPS/RCPS)issued by banks;
Stock surplus (share Premium) resulting from the issue of instruments in Tier 2 capital.
Any other type of instrument notified by RBI.
Important Risk Weighted Assets

Assets/Claim	Risk Weight

Fund/non-fund based loan/claim of (i) Central Govt.or(ii)State Govt. or (iii) loans guaranteed by Central Govt.	0%
(i)Loans guaranteed by State Govt. (ii)Claims on ECGC	20%
Claim on (i)RBI,(ii) DICGC,(iii)Credit Guarantee Fund Trust for MSE and (iv)CRGFTLIH.	0%
Claims on Foreign Sovereigns / Foreign Central Banks with AAA to AA rating from S&P/India Rating /Moody's (it is 20% for A,50% for BBB,100% for BB and B ,150% for below B and 100% for unrated	0%
Claims on foreign public sector enterprises AAA to AA rating from S&P/Fitch /Moody's (it is 50% for A,100% for BBB to BB ,150% for below BB and 100% for unrated	20%
Claims on Bank for International Settlement,International Monetary Fund and Multi-lateral development banks like BIS,IMF,MDB etc)	20%
Regulatory Retail Loans including education loans (excluding housing loans).Retail loan means (i)max amount ` 5 cr(ii) max loan to single party 0.2% of overall retail loans portfolio or (iii) annual turnover for small business less than ` 50 cr)	75%
(a)Individual House loans: (i)Upto ` 30 lac with Loan to Value(LTV)ratio of less than or equal to 80% (ii) Upto ` 30 lac with Loan to Value(LTV)ratio of more than 80% but less than or equal to 90% (iii)Above ` 30 lac and upto ` 75 lac with Loan to Value(LTV)ratio of less than or equal to 75% Above ` 30 lac and upto ` 75 lac with Loan to Value(LTV) ratio of more than 75% but less than or equal to 80% Above ` 75 lac with Loan to Value(LTV)ratio of less than or equal to 75% (vi)Commercial Real estate – Residential Housing (vii)Commercial Real Estate	35% 50% 35% 50% 75% 75%
Capital Market exposure including loan to individuals against shares, credit cards, personal loans, consumer loans	125%
Unsecured portion of NPA where provision is less than 20% (It is 100% if provision is atleast 20% and 50% if provision is atleast 50%)	150%
Claims on Venture capital funds	150%
Staff loans secured by mortgages or charge on superannuation benefits	20%
Other staff loans (being part of regulatory retail)	75%
Consumer credit including personal loan but excluding educational loan	125%
Claim on NBFC-ND-Sis (Non Deposit taking Systemically Important NBFCs)	100%

Claims on All scheduled Banks		
Level of CRAR (%) of Investee Bank	Investments within 10% limit referred for computing capital funds	other claims
9 and above	Higher of 100% or the risk weight as per the rating of the instrument or counter party	20%
6 to< 9	150	50
3 to 6	250	100
0 to 3	350	150
Negative	625	625

Capital Charge for Operational Risk

It is the chance of loss due to inadequate or failed processes, people and systems or external events.
It is an unavoidable or pure risk and could result only in losses for the bank. The relationship between risk and return is less clear. It is difficult to measure. It is difficult to price or hedge. For operational risk , there are three different approaches – basic indicator approach or BIA, Standardised approach or STA, and Advanced measurement approach or AMA.
Under BIA ,Banks must hold capital equal to the average of the previous 3 years of affixed %age i.e 15% set by BCBS of positive annual gross income. If annual gross income is –ve or zero for any year,it should be excluded.
Bank intends to move towards Advanced Measurement Approach (AMA) for computation of Capital for operational risk ,as per guidelines of RBI.Under AMA, the process of measuring Operational Risk Management Framework (ORMF) and Risk Management System (ORMS) and ensure its continuous appropriateness.
Tracking /capturing of internal loss event data is an essential pre-requisite for developing and functioning of Operational Risk framework and management system.In this regard ,bank has procured SAS-EGRC (Statistical Analysis System-Enterprise

Governance Risk and Compliance).
SAS-EGRC facilitates methodical data collection using the Incident Management Module which will ultimately help the bank to align Operational Risk Management Framework with multiple risk modeling parameters under Advanced Measurement Approaches and also enable the Bank to take informed decisions.

PILLAR –II : Supervisory Review Process

The objective is to ensure that banks have adequate capital to support the risks in their business. In terms of RBI guidelines on New Capital Adequacy Framework (NCAF),banks are required to have a Board approved document on ICAAP(Internal Capital Adequacy Assessment Process). The ICAAP is a process for assessing the overall capital adequacy of the Bank in relation to their risk profile and a strategy for maintaining the capital levels.Pillar II of BASEL II& BASEL III framework covers Supervisory Review & Evaluation process(SREP) which envisages the establishment of suitable risk management systems in banks and their review by Supervisory Authority i.e. RBI.The objective of the SREP by RBI is to ensure that 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. This requires a wel-defined internal assessment process within Banks through which Banks haes to assure the RBI that adequate capital is held towards the various risks to which Banks are exposed.

PILLAR III- : Market Discipline

The purpose of market discipline is to complement Pillar 1 and Pillar 2. It encourages market discipline by developing a set of disclosure requirements, which will allow market participants to assess key pieces of information on the scope of application, capital risk exposures risk assessment processes and hence ,the capital adequacy of the institution.

Capital Conservation Buffer

The capital conservation buffer (CCB) is designed to ensure that banks build up capital buffers during normal times (i.e. outside periods of stress) which can be drawn down as losses are incurred during a stressed period. The requirement is based on simple capital conservation rules designed to avoid breaches of minimum capital requirements.

Countercyclical Capital Buffer

The aim of the Countercyclical Capital Buffer (CCCB) regime is twofold. Firstly, it requires banks to build up a buffer of capital in good times which may be used to maintain flow of credit to the real sector in difficult times. Secondly, it achieves the broader macro-prudential goal of restricting the banking sector from indiscriminate lending in the periods of excess credit growth that have often been associated with the building up of systemwide risk.

Liquidity Coverage ratio (LCR)

BASEL Committee designed —Liquidity Coverage Ratio(LCR) to strengthen the global liquidity regulations with the goal of promoting a more resilient banking sector.
LCR = STOCK OF HIGH QUALITY LIQUID ASSETS (HQLA) / TOTAL NET CASH OUTFLOWS OVER THE NEXT 30 CALENDAR DAYS
The LCR requirement would be binding on banks from January 1, 2015; with a view to provide a transition time for banks, the requirement would be minimum 60% for the calendar year 2015 i.e. with effect from January 1, 2015, and rise in equal steps to reach the minimum required level of 100% on January 1, 2019.
The assets allowed as the Level 1 High Quality Liquid Assets (HQLAs) for the purpose of computing the LCR of banks, inter alia, include Government securities in excess of the minimum SLR requirement, and within the mandatory SLR requirement, Government securities to the extent allowed by RBI, under Marginal Standing Facility (MSF) [presently 2 per cent of the bank's NDTL] and under Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) [presently 5 per cent of the bank's NDTL.In addition to the above-mentioned assets as per the new guidelines, banks will be permitted to reckon government securities held by them up to another 3 per cent of their NDTL under FALLCR within the mandatory SLR requirement as level 1 HQLA for the purpose of computing their LCR. Hence the total carve-out from SLR available to banks would be 10 per cent of their NDTL. For this purpose, banks should continue to value such reckoned government securities within the mandatory SLR requirement at an amount no greater than their current market value (irrespective of the category of holding the security, i.e., HTM, AFS or HFT).

14. LATEST RBI POLICY CHANGES (01.01.2017 TO 31.03.2018)

MONETARY POLICY STATEMENT 2017-18 (SIXTH BI-MONTHLY)

•The Reserve Bank of India in its sixth bi-monthly monetary policy on 7th February, 2017 maintained a status quo on the policy rate but warned of spike in prices, fiscal profligacy and volatile financial global markets. The six-member monetary policy committee (MPC) voted 5:1 in favour of a not changing the policy repo rate, citing various reasons such as the upside pressures from food and fuel prices on evolving cost of living conditions and inflation expectations. Only one member voted for increase in policy rate by 25bps.

TARGETS:

- **Growth:** Advance Central Statistics Office (CSO) estimates show Gross Value Added (GVA) decelerating to 6.1 per cent in 2017-18 from 6.6 per cent in 2016-17 due mainly to slowdown in agriculture, mining, manufacturing, public administration and defence (PADO) services.
- **Inflation Projection:** The December bi-monthly resolution projected inflation in the range of 4.3-4.7 per cent in the second half of 2017-18. In terms of actual outcomes, headline inflation averaged 4.6 per cent in Q3. Domestic pump prices of petrol and diesel rose sharply in January, reflecting lagged pass-through of the past increases in international crude oil prices. Considering these factors, inflation is now estimated at 5.1 per cent in Q4, including the HRA impact.

MONETARY AND LIQUIDITY MEASURES:

On the basis of an assessment of the current and evolving macroeconomic situation, RBI has announced the following**:**

- **REPO RATE:** The policy Repo rate under the Liquidity Adjustment Facility unchanged at 6.0 per cent. The policy rate corridor continues to be +/- 25 bps.
- **REVERSE REPO RATE:** The Reverse repo rate determined with a spread of 25 bps below the repo rate unchanged at 5.75 per cent.
- **MARGINAL STANDING FACILITY (MSF):** The MSF rate (an emergency funding window) unchanged at 6.25%.
- **BANK RATE:** The Bank Rate unchanged at 6.25 per cent. The MSF rate and the Bank Rate are calibrated to 25 basis above the repo rate.
- **CASH RESERVE RATIO (CRR):** CRR of scheduled banks unchanged at 4% of their NDTL. Effective from the fortnight beginning April 16, 2016, the minimum daily maintenance of the CRR of 90% remains unchanged.

***STATUTORY LIQUIDITY RATIO (SLR):** The SLR of scheduled commercial banks remains unchanged at 19.5%.

***TERM REPOS:** To continue to provide liquidity under overnight repos at 0.25% of bank-wise NDTL and liquidity under 7-day and 14-day term repos of up to 0.75% of NDTL of the banking system through auctions.

ASSESSMENT

GLOBAL GROWTH:

Since the MPC's last meeting in December 2017, global economic activity has gained further pace with growth impulses becoming more synchronised across regions.

ADVANCED ECONOMIES:

- Among Advanced Economies (AEs), the Euro area expanded at a robust pace, supported by consumption and investment.
- Economic optimism alongside falling unemployment and low interest rates are supporting the recovery.
- The US economy lost some momentum with growth slowing down even as manufacturing activity touched a multi-month high in December.
- The Japanese economy continued to grow as manufacturing activity gathered pace in January on strong external demand, providing fillip to the already bullish business confidence.

EMERGING MARKET ECONOMIES:

- Economic activity accelerated in Emerging Market Economies (EMEs) in the final quarter of 2017.
- The Chinese economy grew above the official target, driven by strong domestic consumption and robust exports. However, some downside risks to growth remain, especially from easing fixed asset investment and surging debt levels.
- In Russia, strong private consumption, rising oil prices and high exports are supporting economic activity, although weak investment and economic sanctions are weighing on its growth prospects.
- In Brazil, data on household spending and unemployment were positive. However, recovery remains vulnerable to political uncertainty, which has dampened consumer confidence.
- South Africa continues to face challenges on both domestic and external fronts, including high unemployment and declining factory activity.

MACRO FACTORS- GLOBAL:

- Global trade continued to expand, underpinned by strong investment and robust manufacturing activity.
- Crude oil prices touched a three-year high as production cuts by the OPEC coupled with falling inventories weighed on the global demand-supply balance.
- Bullion prices touched a multi-month high on a weak US dollar.
- Inflation remained contained in most AEs, barring the UK, on subdued wage pressures and was divergent in key EMEs due to country-specific factors.
- Financial markets have become volatile in recent days due to uncertainty over the pace of normalisation of the US Fed monetary policy in view of January payrolls data showing rapidly accelerating wage growth and better than expected employment. The volatility index (VIX) has climbed to its highest level since Brexit.
- Equity markets have witnessed a sharp correction, both in AEs and EMEs. Bond yields in the US have hardened sharply, adding to the upward pressures seen during January, with associated rise in bond yields in other AEs and EMEs.

REAL GVA GROWTH:

On the domestic front, the real gross value added (GVA) growth as per the first advance estimates released by the Central Statistics Office (CSO) is estimated to decelerate to 6.1 per cent in 2017-18 from 7.1 per cent in 2016-17 mainly due to slowdown in agriculture and allied activities, mining and quarrying, manufacturing, and public administration and defence services.

SECTORAL GROWTH

INDUSTRIAL OUTLOOK:

- Information available after the release of FAE by the CSO has, however, been generally positive. Manufacturing output boosted the growth of index of industrial production (IIP) in November.
- After a period of prolonged weakness, cement production registered robust growth in Nov.- December, which along with continuing healthy growth in steel production led to acceleration of infrastructure goods production in November. The manufacturing Purchasing Managers' Index (PMI) expanded for the sixth consecutive month in January led by new orders. Assessment of overall business sentiment in the Indian manufacturing sector has improved as reflected in the Reserve Bank's Industrial Outlook Survey (IOS). However, core sector growth decelerated in December due to contraction/deceleration in production of coal, crude oil, steel and electricity.

***EXPORT GROWTH RATE DIPS TO 9.07%, TRADE DEFICIT WIDENS: India's growth in exports reduced in January** 2018 to 9.07% from 12.03% in December 2017. With exports of $24.38 billion, the growth rate in January dipped to a single digit for the first time in three months. The rate in December more than halved to 12.4 per cent, from November's 30.5 per cent. More than 6 per cent of the growth of January has been contributed by petroleum products. Garments, carpets, handicrafts, and man-made textiles have exhibited negative growth, primarily due to blockage of funds under the GST regime.
The pace of imports has continued to quicken for the third straight month, leading to inbound shipments in January rising by 26.10 per cent, higher than the 21.1 per cent rise in the previous month. Cumulative import bill for the first 10 months of the current financial year ($379 billion) is indicating that the imports during 2017-18 will overshoot the imports figure for 2016-17 ($380.36 billion).

Relief for MSME Borrowers under GST Presently, banks and NBFCs in India, generally classify a loan account as Non-Performing Asset (NPA) based on 90 day and 120 day delinquency norms, respectively. As a measure of support to MSMEs in their transition to a formalised business environment due to implementation of GST, RBI decided (Feb 07, 2018) that the exposure of banks and NBFCs to a borrower classified as MSME under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, shall continue to be classified as a standard asset in the books of banks and NBFCs subject to the following conditions:

1. Borrower is registered under GST regime as on Jan 31, 2018.
2. The aggregate exposure, including non-fund based facilities, of banks and NBFCs, to the borrower does not exceed Rs.250 million as on January 31, 2018.
3. The borrower's account was standard as on August 31, 2017.
4. The amount from the borrower overdue as on Sept 1, 2017 and payments from the borrower due between Sept 1, 2017 and January 31, 2018 are paid not later than 180 days from their respective original due dates.
5. A provision of 5% shall be made against the exposures not classified as NPA in terms of this circular. The provision in respect of the account may be reversed as and when no amount is overdue beyond the 90/120 day norm, as the case may be.
6. The additional time is being provided for the *purpose of asset classification only* and not for income recognition, i.e., if the interest from the borrower is overdue for more than 90/120 days, the same shall not be recognised on accrual basis.

Removal of Credit Caps on MSME (Services) under Priority Sector Lending

In the light of feedback received from various stakeholders and in line with the increasing importance of services sector in our economy, RBI decided (07.02.18) to remove the currently applicable loan limits of Rs.50 million and Rs.100 million per borrower to Micro & Small Enterprises and Medium Enterprises (Services) respectively, for classification under priority sector.
Accordingly, all bank loans to MSMEs, engaged in providing or rendering of services as defined in terms of investment in equipment under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, shall qualify under priority sector without any credit caps.

Applicability of sub-targets of Small & Marginal Farmers and Micro Enterprises for foreign banks with 20 branches and above

RBI had stipulated in April, 2015 that post 2018 (i.e., after 3 years from the issuance of guidelines), the sub-targets for lending to small and marginal farmers and micro enterprises shall be made applicable for foreign banks with 20 branches and above. RBI decided (07.02.18) that the sub-target of 8 percent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of Off-Balance Sheet Exposure (CEOBE), whichever is higher, will be made applicable for lending to the small and marginal farmers for foreign banks with 20 branches and above, *from FY 2018-19*. Further, the sub-target for bank lending to the Micro Enterprises in the country of 7.50 percent of ANBC or CEOBE, whichever is higher, will also be made applicable for foreign banks with 20 branches and above *from FY 2018-19*.

Harmonizing Benchmark Lending Rate Methodology

Reserve Bank introduced the Marginal Cost of Funds based Lending Rates (MCLR) system with effect from April 1, 2016 on account of the limitations of the Base Rate regime. With the introduction of the MCLR system, it was expected that the existing Base Rate linked credit exposures shall also migrate to MCLR system. It is observed by RBI that a large proportion of bank loans continue to be linked to the Base Rate despite RBI highlighting this concern in earlier monetary policy statements. Since MCLR is more sensitive to policy rate signals, RBI decided (07.02.18) to harmonize the methodology of determining benchmark rates by linking the Base Rate to the MCLR with effect from April 1, 2018.

Ombudsman Scheme for Non-Banking Financial Companies, 2018

RBI brought into operation on Feb 23, 2018 the Ombudsman Scheme for Non-Banking Financial Companies, 2018 (by issuing directions u/s 45L of RBI Act, 1934)

The NBFCs covered by the Scheme shall appoint Nodal Officers (NOs) at their Head/ Registered/Regional/Zonal Offices and inform all the Offices of the Ombudsman about the same, for following types of NBFCs:

(a) are authorised to accept deposits; or

(b) have customer interface, with assets size of *one billion rupees or above*, as on the date of the audited balance sheet of the previous financial year.

2. The Non-banking Financial Company Infrastructure Finance Company (NBFC-IFC), Core Investment Company (CIC), Infrastructure Debt Fund - Non-banking Financial Company (IDF-NBFC) and an NBFC under liquidation, **are excluded** from the abit of the scheme. The Nodal Officer shall be responsible, inter alia, for representing the NBFC before the Ombudsman and the Appellate Authority under the Scheme.

Participation in Exchange Traded Currency Derivatives Market Currently, persons resident in India and FPIs are allowed to take a long (bought) or short (sold) position in USD-INR upto USD 15 million per exchange without having to establish existence of underlying exposure. In addition, residents & FPIs are allowed to take long or short positions in EUR-INR, GBP-INR and JPY-INR pairs, all put together, upto USD 5 million equivalent per exchange without having to establish existence of any underlying exposure.

RBI decided (Feb 26, 2018) to permit persons resident in India and FPIs to take positions (long or short), without having to establish existence of underlying exposure, upto a single limit of USD 100 million equivalent across all currency pairs involving INR, put together, and combined across all exchanges.

The onus of complying with the provisions of this circular rests with the participant in the ETCD market and in case of any contravention the participant shall be liable to any action that may be warranted as per the provisions of FEMA, 1999 and the regulations, directions, etc. issued thereunder. These limits shall also be monitored by the exchanges, and breaches, if any, may be reported to RBI.

Acceptance of coins

RBI advised banks (15.02.18) to immediately direct their branches to accept coins of all denominations tendered at their counters either for exchange or deposit in accounts, as per provisions of Master Circular dated 03.07.17. RBI further advised that it will be preferable to accept coins, particularly, in the denominations of Re.1 and Rs.2, by weighment. However, accepting coins packed in polythene sachets of 100 each would perhaps be more convenient for the cashiers as well as the customers. Such polythene sachets may be kept at the counters and made available to the customers. A notice to this effect may be displayed suitably inside as also outside the branch premises for information of the public.

Penal Interest – Delayed Reporting of Currency Chest Operations Presently, penal interest is levied for all cases where the bank has enjoyed "ineligible" credit in its current account with the RBI on account of wrong / delayed / non-reporting of transactions i.e. the currency chest had reported a net deposit. However, instances of delayed reporting where the currency chest had "net deposit" i.e. the currency chest did not enjoy RBI funds, are being dealt with differently by Issue offices due to absence of clear instructions on the subject.

On a review, RBI decided (09.02.18) that, penal interest at the prevailing rate for delayed reporting of the instances where the currency chest had reported "net deposit" may not be charged. However, in order to ensure proper discipline in reporting currency chest transactions, a flat penalty of Rs. 50,000 may be levied on the currency chests for delayed reporting as in the case of wrong reporting of soiled note remittances to RBI / diversions shown as withdrwal.

National Automated Clearing House (NACH)

National Payments Corporation of India (NPCI) offers to banks, financial institutions, Corporates and Government/s NACH. It has 2 components i.e. NACH (Debit) &
NACH (Credit). It aims at facilitating interbank high volume, low value debit/ credit transactions, of repetitive nature, electronically using the NPCI service. **Benefits of NACH** :

- Standardization and digitization of mandates allowing complete audit trail of the Mandate lifecycle.
- Simplification of the mandate acceptance and recording process.
- Will result in reduced operational cost for the banks and its clients.
- Will result in higher revenues for the banks and its clients as the scope of services expand pan India - beyond the 90 clearing centers.
- Unique identifier number allocated to each mandate (UMRN – Unique Mandate Reference Number).
- Secure web access for file upload/ download, dissuading the concept of regional NCC/Clearing House submissions.
- Mandates can be processed for any branch across country by member .
- Allows corporate clients to directly upload files for approval (DCA).
- Functions on International Messaging Standard - ISO 20022.
- Minimal time taken to activate the Mandate – same day processing possible.
- Corporates get to have direct access to the NACH systems, making it
easier for them to get access to status of transaction/mandate without delay.
- Reduction of the uploading work to the sponsor banks, since the file upload will be done by the corporates themselves

ECONOMIC SURVEY 2017-18

Economic Survey - an official report of the state of the economy comprising an account of the economy's prospects and policy decisions is tabled every year before the Union Budget is presented in the Parliament. Economic Survey also provides an opportunity for the government to spell out its economic agenda.

- The Economic Survey 2018 authored by a team led by Chief Economic Adviser Arvind Subramanian was presented in Parliament by Finance Minister on January 29, 2018.
- As per Economic Survey, Indian economy is poised to rebound to grow at 7 to 7.5% in 2018-19 on structural policy fixes even as it batted for less aggressive fiscal consolidation.
- It credits this recovery to structural policy fixes, including the decision to put in place a bankruptcy code to deal with the bad debt problem—which it believes had become a binding constraint on economic growth.
- The government has used a pink cover for the Economic Survey 2018 as a symbol of support for the growing global movement to end violence against women and stressing on its commitment to women empowerment and gender equality.
- Setting the reform agenda for the next financial year, the Survey makes a case for shrinking unviable public sector banks, privatizing Air India, facilitating easier GST compliance, decisively resolving bankruptcy cases and solving Twin Balance Sheet problem.
- The Economic Survey, however, voices concern over the rising oil prices.

HIGHLIGHTS OF THE ECONOMIC SURVEY 2017-18:

- The key focus areas in the medium term are employment, education and agriculture.
- Agriculture, industry and services sectors are expected to grow at the rate of 2.1%, 4.4%, and 8.3% respectively in 2017-18.
- India's GDP growth is the highest among the major economies of the world having an average of 7.3% for the period from 2014-15 to 2017-18.
- India's average growth during last three years is around 4% higher than global growth and nearly 3% higher than that of Emerging Market and Developing Economies.
- 5 states namely Maharashtra, Gujarat, Karnataka, Tamil Nadu and Telangana account for 70% of India's exports.
- India's internal trade in goods and services is 60% of GDP.
- IBC mechanism is being used actively to resolve NPA problem.
- The year 2017-18 averaged the lowest inflation in the last six years.
- Rs.20,339 crore has been approved for interest subvention in 2017-18.
- The ratio of domestic savings to GDP reached 29.2% in 2013 to a peak of 38.3% in 2007, before falling back to 29% in 2016.

AN OVERVIEW OF INDIA'S ECONOMIC PERFORMANCE IN 2017-18:

After registering GDP growth of over 7 per cent for the third year in succession in 2016-17, the Indian economy is headed for somewhat slower growth, estimated to be 6.5 per cent in 2017-18, as per first Advance Estimates released by CSO. This is slightly lower than the range of 6.5 per cent to 6.75 per cent being currently projected based on recent developments.
Even with this lower growth for 2017-18, GDP growth has averaged 7.3 per cent for the period from 2014-15 to 2017-18, which is the highest among the major economies of the world. This growth has been achieved in a milieu of lower inflation, improved current account balance and notable reduction in the fiscal deficit to GDP ratio. That makes it all the more creditable.

- In addition to the introduction of GST, the year also witnessed significant steps being undertaken towards resolution of problems associated with nonperforming assets of the banks, further liberalization of FDI etc., thus strengthening the momentum of reforms.
- After remaining in negative territory for a couple of years, growth of exports rebounded into positive one during 2016-17 & strengthened further in 2017-18.
- There was an augmentation in the spot levels of foreign exchange reserves to close to US$ 414 billion, as on 12th January 2018.
- Additionally, average crude oil (Indian basket) prices have risen by around 14 per cent so far in 2017-18 (mid January 2018) vis- à-vis 2016-17. Going by the recent trends, the average crude oil prices could be in the vicinity of US$ 56-57 per barrel in the current financial year and could rise further by another 10 - 15 per cent in 2018-19.
- Data from the GST suggest that there has been a large increase in the number of indirect taxpayers; many have voluntarily chosen to be part of the GST, especially small enterprises that buy from large enterprises and want to avail themselves of input tax credits;
- Out of the total estimated 71 million non-agriculture enterprises, it is estimated that around 13 percent are registered in the GST.
- Further, about 1.6 million taxpayers (17 percent of the total) are registered under the composition scheme, the current threshold for which is fixed at annual turnover of Rs.1.5 crore.

TEN NEW FACTS ABOUT THE INDIAN ECONOMY

1) There has been a large increase in registered indirect and direct taxpayers – a 50 percent increase in indirect taxpayers under the GST compared with the pre- GST system. Similarly, there has been an addition (over and above trend growth) of about 1.8 million in individual income tax filers since November 2016.
2) Formal non-agricultural payroll is much greater than believed – more than 30 percent when formality is defined in terms of social security (EPFO/ESIC) provision; more than 50 percent when defined in terms of being in the GST net.
3) States' prosperity is correlated with their international and inter-state trade. States that export more internationally and trade more with other states, tend to be richer. But the correlation is stronger between prosperity and international trade.
4) India's firm export structure is substantially more egalitarian than in other large countries. Top 1 percent of Indian firms account for 38 percent of exports; in all other countries, they account for a substantially greater share (72, 68, 67, and 55 percent of exports in Brazil, Germany, Mexico, and USA respectively).
5) The clothing incentive package boosted exports of readymade garments. The relief from embedded state taxes (ROSL) announced in 2016 boosted exports of ready-made garments (but not others) by about 16 percent.
6) Indian society exhibits strong son 'Meta' preference. Parents continue to have children until they get the desired number of sons. This kind of fertility-stopping rule leads to skewed sex ratios.
7) There is substantial avoidable litigation in the tax arena which government action could reduce. Only 0.2 percent of cases accounted for 56 percent of the value at stake; whereas about 66 percent of pending cases (each less than Rs. 10 lakhs) accounted for only 1.8 percent of the value at stake.

8) To re-ignite growth, raising investment is more important than raising saving.
9) Own direct tax collections by Indian states and local governments are significantly lower than those of their counterparts in other federal countries. This share is low relative to the direct taxation powers they actually have.
10) The footprint of climate change is evident and extreme weather adversely impacts agricultural yields. This impact is twice as large in unirrigated areas as in irrigated ones.

HIGHLIGHTS OF UNION BUDGET 2018-19

Finance Minister presented this government's fifth and last full Budget amid subdued economic growth, challenging fiscal situation and farm distress. The Finance Minister's Budget speech revolved around optimism for the Indian economy. The Economic growth is projected above 8% in the Union Budget with focus on strengthening agriculture and rural economy, provision of good health care to economically less privileged, taking care of senior citizens, infrastructure creation and working with the States to provide more resources for improving the quality of education in the country. Ease of Doing Business as well as Ease of Living are in focus in this budget. The government proposes to spend Rs.24,42,213 crore in 2018-19, which is 10.1% above the revised estimate of 2017-18.Here are the major highlights of the budget:

ECONOMIC AND FISCAL SITUATION:

- India's GDP is expected to grow at 7.2% to 7.5% in the second half of 2017-18.
- International Monetary Fund (IMF**)**, in its latest update, has forecasted that India will grow at **7.4%** next year.
- Total expenditure during 2018-19 is estimated to be over Rs.24.42 lakh crore.
- The Fiscal Deficit pegged at 3.5 % of GDP at Rs 5.95 lakh crore for 2017-18 is projected at 3.3 % for 2018-19.

AGRICULTURAL SECTOR:

- Agri-Market Infrastructure Fund to be set up with a corpus of Rs.2000 crore for developing and upgrading rural agriculture market infrastructure.
- The Amount of Rs 500 crore allocated to "Operation Greens" to address price fluctuations in potato, tomato and onion.
- Restructured National Bamboo Mission to be launched at a cost of Rs.1,290 crore to promote bamboo.
- Fishery and Aquaculture Infrastructure Development Fund (FAIDF) and Animal Husbandry Infrastructure Development Fund (AHIDF) to be set up with total corpus of Rs.10,000 crore.

RURAL DEVELOPMENT:

- The Government will spend Rs.14.34 lac cr. in 2018-19 for creation of livelihood & infrastructure in rural areas.
- The government Proposed Rs 8 crore free LPG gas connections to women under UJJWALA Scheme and 4 crore. free electricity connections to the poor under Saubhagya Yojana. Rs 16000 crore allocated for the scheme.
- The Allocation under National Rural Livelihood Mission increased to Rs 5750 crore in 2018-19.

HEALTH AND EDUCATION:

- Government's estimated schematic budgetary expenditure on health, education and social protection for 2018 19 is Rs 1.38 lakh crore.
- Ayushman Bharat programme allocated Rs.1,200 crore under which 1.5 lakh centres will be set up to provide health facilities closer to home.
- Additional Rs.600 crore allocated to provide nutritional support to all TB patients at the rate of Rs.500 per month for the duration of their treatment.
- Eklavya schools to be started for Scheduled Tribe population. Every block with more than 50% ST population and at least 20,000 tribal people to have Ekalvya schools at par with Navodaya Vidyalayas by 2022.
- The Government also launched new Initiative named "Revitalising Infrastructure and Systems in Education (RISE) by 2022"to be launched with a total investment of Rs.1,00,000 crore in next 4 years.

MSME SECTOR:

- Rs.3794 crore allocation made for MSME Sector.
- Target of Rs.3 lakh crore for lending under Scheme MUDRA for 2018-19.
- The Government to contribute 12% of the wages of new employees in EPF for all the sectors for next 3 years.

INFRASTRUCTURE:

- The Estimated budgetary and extra budgetary expenditure on infrastructure for 2018-19 increased to Rs 5.97 lakh crore from estimated expenditure of Rs 4.94 lakh crore in 2017-18.
- Under Prime Minister Awas Scheme (Rural), 51 lakhs houses in year 2017-18 and 51 lakh houses during 2018-19 will be constructed exclusively in rural areas.
- Around 2 crore more toilets to be constructed under Swachh Bharat Mission.

RAILWAYS BUDGET:

- Capital Expenditure for Railway Sector for the year 2018-19 has been provided at Rs.1,48,528 crore.
- All stations with more than 25000 footfalls will have escalators.

DIGITAL ECONOMY:

- NITI Aayog to initiate a national program in the area of Artificial Intelligence (AI) Centres of excellence to be set up on robotics, AI, Internet etc.
- Rs.10,000 crore allocated to set up 5 lakh wi-fi hotspots to provide broadband access to 5 crore rural citizens.

TAXATION:

- No changes in the structure of income tax slabs proposed.
- Standard deduction of Rs.40,000 introduced for salary employees and pensioners.
- The deduction of interest income on senior citizen's bank and post office deposits has been raised from Rs.10,000 to Rs.50,000.
- Deduction limit for health insurance premium/medical expenditure raised from Rs. 30,000 to Rs. 50,000 under section 80D.

REFINANCING OF EXTERNAL COMMERCIAL BORROWINGS

In order to provide a level playing field, the RBI in consultation with the Government of India has permitted the overseas branches / subsidiaries of Indian banks to refinance External Commercial Borrowings (ECBs) of highly rated (AAA) corporates as well as Navratna and Maharatna Public Sector Undertakings (PSUs), provided the outstanding maturity of the original borrowing is not reduced and all-in-cost of fresh ECB is lower than the existing ECB. Partial refinance of existing ECBs will also be permitted subject to the stipulated conditions.

ANNUAL REPORT OF THE BO SCHEME 2006

The Banking Ombudsman Scheme, 1995 was notified by the Reserve Bank of India on June 14, 1995 under section 35A of the Banking Regulation Act, 1949. The aim and objective of the Scheme is to provide a quick and cost free resolution mechanism for complaints relating to deficiency of banking services of common bank customers, who otherwise find it difficult or cost prohibitive to approach any other redressal forum such as courts.

The Scheme is applicable to scheduled commercial banks, scheduled primary urban co-operative banks and the regional rural banks. Presently there are 20 Banking Ombudsman with specific State-wise jurisdiction covering all the states and union territories.

The RBI has released the Annual Report of the Banking Ombudsman Scheme for the year 2016-2017.

HIGHLIGHTS:

- 1,30,987 complaints were received by 20 Offices of the Banking Ombudsman.
- Complaints increased by 27 per cent compared to the previous year.
- Offices of Banking Ombudsman maintained a disposal rate of 92 per cent.
- 31 Awards were issued by the Banking Ombudsman.
- 15 appeals were received by the Appellate Authority against the awards/ decisions of Banking Ombudsman.
- Complaints pertaining to failure to meet commitments, nonobservance of fair practices code, Banking Codes and Standards Board of India (BCSBI) Codes taken together constituted the largest category of complaints with 34 per cent of complaints received.
- ATM/Debit card complaints comprised 12.5 per cent of complaints received.
- Credit card complaints comprised 6.4 per cent of complaints received.
- Complaints in the category of pension (6.5 per cent), levy of charges without prior notice (5.6 per cent), deposit accounts (5.5 per cent), loans and advances (4.2 per cent), remittances (2.5 per cent) were other areas of complaints.
- 185 complaints were received by the Offices of Banking Ombudsman through the Government of India (CPGRAMS) portal.
- 616 applications were received under the Right to Information Act.
- Average cost of handling one complaint was Rs.3,780.

Offices of Banking Ombudsman organised awareness campaigns / outreach activities, town hall events, advertisement campaigns to spread awareness about the Scheme primarily covering the rural and semi-urban areas of their respective jurisdictions.

UIDAI INTRODUCES 2-TIER SECURITY TO AADHAAR TO ADDRESS PRIVACY CONCERNS

- The Unique Identification Authority of India (UIDAI) has introduced two-tier security feature viz. Virtual ID and Limited KYC to address privacy concerns.
- The move aims to strengthen security and privacy of Aadhaar data and reduce the collection of Aadhaar numbers by various agencies.

The Virtual ID will be random 16-digit number that can be generated from UIDAI's website and given for various purposes, wherever Aadhaar number is necessary to provide. It will be linked with biometrics of user that will give any authorised agency limited access of details like name, address and photograph.

LEGAL TENDER STATUS OF Rs.10 COINS OF DIFFERENT DESIGNS

The Reserve Bank has observed that it has come to their notice that in certain places there is reluctance on part of traders and members of public to accept Rs.10 coins due to suspicion about their genuineness. The RBI has clarified that the coins minted by mints, which are under the Government of India are put into circulation by the Reserve Bank. These coins have distinctive features to reflect various themes of economic, social and cultural values and are introduced from time to time.

As coins have longer life, coins of different designs and shapes circulate in the market at the same time. So far the Reserve Bank has issued Rs.10 coins in 14 designs. All these coins are legal tender and can be accepted for transactions.

The Reserve Bank has in the past issued a press release requesting members of the public to continue to accept coins of Rs.10 denomination as legal tender in all their transactions without any hesitation. The Reserve Bank has also advised banks to accept coins for transactions and exchange at all their branches.

- **GOVERNMENT ANNOUNCES DETAILS OF ELECTORAL BONDS FOR POLITICAL FUNDING:**

The Union Government has announced details of electoral bonds for political funding that can be routed by donors to political parties as per the electoral bonds scheme announced in Union Budget 2017 with an aim for increasing transparency in political funding. The details are as follows:

- **Nature:** Electoral bonds will be bearer instrument in nature of promissory note and an interest-free banking instrument and can be redeemed only through the registered accounts of a political party in a prescribed time frame.
- **Denominations:** Electoral bonds can be purchased for any value in multiples of Rs.1,000, Rs.10,000, Rs.10 lakh, and Rs.1 crore from any of the specified branches of State Bank of India (SBI).
- **Purchasers:** A citizen of India or a body incorporated in India will be eligible to purchase the bond only on due fulfilment of all extant KYC norms and by making payment from a bank account. It will not carry the name of the payee.
- **Validity:** It will have a validity of 15 days during which they can be used to make donations to registered political parties and can be encashed by an eligible political party only through a designated bank account with the authorised bank.
- **Availability:** The electoral bonds will be available for purchase for a period of 10 days each in months of January, April, July and October with additional 30 days to be specified by Central government in year of general election so that this does not become a parallel currency.
- **Eligibility:** Political parties that have secured not less than 1% of votes polled in last general election to Lok Sabha or Assembly can avail funding through these bonds.

- **GOVERNMENT APPROVES AMENDMENTS TO FDI POLICY:**

The government has approved number of amendments to Foreign Direct Investment (FDI) Policy to simplify and liberalise FDI policy in India to provide ease of doing business in country. Key amendments include:

- 100% FDI under automatic route for Single Brand Retail Trading (SBRT) and in Construction Development.
- Foreign airlines allowed investing up to 49% in Air India under government approval route.
- FIIs / FPIs allowed investing in Power Exchanges through primary market.
- Definition of 'medical devices' amended in FDI Policy.

- **PARLIAMENT PASSES NABARD (AMENDMENT) BILL, 2017:** Parliament has passed the National Bank for Agriculture and Rural Development (Amendment) Bill, 2017 with the approval of Rajya Sabha. The Bill seeks to amend National Bank for Agriculture and Rural Development (NABARD) Act, 1981. The Act establishes NABARD for providing and regulating facilities like credit for agricultural and industrial development in the rural areas.

- The Bill allows Union Government to increase capital of NABARD from Rs.5,000 crore to Rs. 30,000 crore. Further, it allows Union Government to increase the capital more than Rs 30,000 crore in consultation with the Reserve Bank of India (RBI), if necessary.
- The Bill provides that Union Government alone must hold at least 51% capital share of NABARD. Further, it transfers share capital held by RBI valued at Rs.20 crore to Union Government. Currently RBI holds 0.4% of paid-up capital of NABARD and remaining 99.6% is held by Union government and this causes conflict in RBI's role as banking regulator and shareholder in NABARD.
- The Bill replaces terms 'small-scale industry' and 'industry in tiny and decentralised sector' with terms 'micro enterprise', 'small enterprise' and 'medium enterprise' as defined in MSME Development Act, 2006. Further, it allows NABARD to provide financial assistance to banks if they provide loans to the MSMEs.

- **PARLIAMENT PASSES INSOLVENCY AND**

BANKRUPTCY CODE AMENDMENT BILL, 2017:

- Parliament has passed Insolvency and Bankruptcy Code (Amendment) Bill, 2017 after it was passed by both the houses. The Bill amends Insolvency and Bankruptcy Code (IBC), 2016, and replaces Ordinance promulgated in November 2017 to pave way for tightening loopholes in existing code and make resolution process more effective.
- The bill redefines resolution applicant mentioned in code as person who submits resolution plan after receiving invite by insolvency professional to do so.
- Further, It amends provision related to eligibility in IBC to state that insolvency professional will only invite those resolution applicants to submit plan, who fulfil certain criteria laid down by him with approval of committee of creditors and other conditions which may be specified by Insolvency and Bankruptcy Board.
- It prohibits certain persons from submitting resolution plan in case of defaults. These include: (i) wilful defaulters, (ii) promoters or management of the company if it has outstanding non-performing debt for over year and (iii) disqualified directors, among others.
- The bill bars the sale of property of a defaulter to such person who is ineligible to be a resolution applicant during liquidation. It inserts provision to specify that person contravening any

Refinance of ECB

In order to provide a level playing filed, RBI decided (Jan 04, 2018), in consultation with the Government of India, to permit the overseas branches/subsidiaries of Indian banks to refinance ECBs of highly rated (AAA) corporates as well as Navratna and Maharatna PSUs, provided the outstanding maturity of the original borrowing is not reduced and all-in-cost of fresh ECB is lower than the existing ECB. Partial refinance of existing ECBs will also be permitted subject to same conditions.

7.75% Savings (Taxable) Bonds, 2018 (RBI Jan 03, 2018) Govt. of India decided to issue 7.75% Savings (Taxable) Bonds, 2018 with effect from January 10, 2018. Eligibility for Investment: The Bonds may be held by –

(i) an individual, not being a Non-Resident Indian - in his or her individual capacity, or in individual capacity on joint basis, or in individual capacity on any one or survivor basis, or on behalf of a minor as father/mother/legal guardian.

(ii) a Hindu Undivided Family.

Limit of Investment: There is no maximum limit for investment. Tax Treatment: Interest on the Bonds will be taxable under Income Tax Act, 1961 as applicable according to the relevant tax status of the Bond holders. The Bonds will be exempt from wealth-tax under the Wealth Tax Act, 1957.

Issue Price: The Bond will be issued at par i.e. at Rs.100.00 with a minimum amount of Rs.1,000 (face value) and in multiples thereof. Accordingly, the issue price will be Rs.1,000 for every Rs.1,000 (Nominal) face value.

Date of Issue : The Bonds will be issued, in demat form and credited to the Bond Ledger Account (BLA) of the investor/s on the date of tender of cash or the date of realization of draft/ cheque. Form : The Bonds will be issued only in the demat form and held at the credit of the holder in an account called Bonds Ledger Account (BLA), opened with the receiving bank. The Bonds issued to the credit of BLA of an investors will be held by any number of branches of the banks and SHCIL, authorised by RBI. Application: Applications (in physical or electronic form), may be made in Form A.

Receiving Offices: Applications for the Bonds will be received at any number of branches of SBI, Nationalised Banks, three private sector banks and SCHIL and Branches of any other bank as specified by the RBI in this behalf from time to time.

ii. Nomination: i. A sole holder or all the joint holders (investors) of a Bond, being individual/s, may nominate in Form B, one or more persons who in the event of death of the sole holder/all joint holders, as the case may be, would be entitled to the Bonds and to the payment due thereon, provided that the person or each of the persons nominated is himself/herself is competent to hold the Bond Where the nomination has been made in favour of two or more nominees and either or any of them dies before such payment becomes due, the title to the Bonds shall vest in the surviving nominee or nominees and the amount being due thereon shall be paid accordingly.

iii. In the event of the nominee or nominees predeceasing the holder, the holder may make a fresh nomination.

iv. The investor(s) can make separate nomination for each investment.

v. No nomination shall be made in respect of the Bonds issued in the name of a minor.
vi. A nomination made by a holder of a Bond can be changed by a fresh nomination in Form B, or as near there to as may be, or may be cancelled by giving notice in writing to the Receiving Office in Form C.
vii. Every nomination and every cancellation or variation shall be registered at the Receiving Office where the Bond is issued and shall be effective from the date of such registration.
viii. If the nominee is a minor, the holder of Bonds may appoint any person to receive the Bonds/ amount due in the event of death during the period the nominee is a minor.

Transferability: The Bonds held to the credit of Bonds Ledger Account of an investor shall not be transferable.

Interest: The Bonds will be issued in 'Cumulative' or 'Non-cumulative' form, at the option of investor and will bear interest at the rate of 7.75% per annum.

i. Interest on non-cumulative Bonds will be payable at half-yearly intervals from the date of issue and interest on cumulative Bonds will be compounded with half-yearly rests and will be payable on maturity along with the principal.
ii. In the latter case, the maturity value of the Bonds shall be Rs. 1,703.00 (being principal and interest) for every Rs.1,000/- (Nominal).
iii. Interest to the holders opting for noncumulative Bonds will be paid from date of issue up to 31st July / 31st January as the case may be, and thereafter half-yearly for period ending 31st July and 31st January on 1st August and 1st February.

Interest on Bonds held to the credit of Bonds Ledger Account of an investor will be paid electronically *by credit to bank account of the holder as per the option exercised by the investor/ holder.*

Tax Deduction at Source: Tax will be deducted at source while making payment of interest on the Non-Cumulative Bonds from time to time and credited to Government Account.

Advances/ Tradability against Bonds: Bonds shall not be tradable in the secondary market and shall not be eligible as collateral for availing loans from banks, financial Institutions and Non-Banking Financial Companies. Repayment: (i) The Bonds shall be repayable on the expiration of 7 years from the date of issue.

(ii) Premature encashment in respect of the Bonds shall be allowed for individual investors in the age group of 60 years and above, subject to submission of document relating to date of birth of the investor in support of age to the satisfaction of the issuing bank, after minimum lock in period from the date of issue as indicated below:

a. Lock in period for investors in the age bracket of 60 to 70 years shall be 6 years from the date of issue.
b. Lock in period for investors in the age bracket of 70 to 80 years shall be 5 years from the date of issue.
c. Lock in period for investors in the age of 80 years and above shall be 4 years from the date of issue.

(iii) In case of joint holders or more than two holders of the Bond, the above lock in period will be applicable even if any one of the holders fulfills the above conditions of eligibility.

(iv) After aforesaid minimum lock in period from the date of issue an eligible investor can surrender the bonds at any time after the 12th, 10th and 8th half year corresponding to the respective lock in period but redemption payment will be made on the following interest payment due date. Thus, the effective date of premature encashment for eligible investors will be 1st August and 1st February every year. However, 50% of interest due and payable for last six months of the holding period will be recovered in such cases, both in respect of Cumulative and Non-cumulative bonds. Brokerage: (i) Brokerage at the rate of Re 1.00 per Rs.100 will be paid to the brokers registered with the Receiving Offices.

XBRL Returns – Harmonization of Banking Statistics

RBI had constituted an inter-departmental Task-force in Dec 2014, to provide "harmonised" definitions of major balance sheet/ profit and loss/ off-balance sheet items covered in the banking/ regulatory returns received across RBI departments. A set of harmonised definitions for 106 data elements reported in multiple returns was released on March 30, 2017. RBI harmonized (Jan 04, 2018) the definitions for another set of 83 data elements which are reported in multiple returns.

Interpretation of a few data elements may be contextual, depending upon the purpose of the return and requirements of the user departments. For granular details, relevant master circulars/ directions/ guidance notes need to be referred. In the event of conflict between the definition of a term provided in this circular vis-à-vis the statutory/accounting/regulatory (provided in the relevant circulars) definition, the latter would prevail.

Implementation of Govt. instructions

RBI observed that certain Agency banks are not adhering to instructions/ notifications issued by Central or State Government promptly by stating that further communications have not been received by them from RBI. On Dec 21, 2017, RBI advised all agency banks to scrupulously follow all the guidelines /instructions contained in various notifications of Government and take necessary actions immediately without waiting for any further instructions from RBI. RBI further advised that for queries related to such guidelines / instructions agency banks may take up the issue directly with concerned Governments and if the queries are related to reporting to RBI, then it may be addressed to DGBA /CAS, Nagpur.

Settlement of Agency transactions in certain cases (for Funds and Agency Commission) directly from RBI

As per the existing arrangements in certain States, in certain cases, some agency banks are routing their agency transactions of State

governments through another agency bank, that acts as an aggregator, that in turn settles these agency transactions with concerned RO of RBI for both receipts and payments. In such scenario, both agency bank acting as aggregator and other agency bank share the eligible agency commission on such transactions. RBI is committed to provide fast, efficient and secure banking facility to the State Governments by implementation of standardised e-receipts and e-payments with its CBS (e-Kuber), enabling RBI to act as single point of contact for settling State government funds (receipts/payment). This will also facilitate better cash management by the State Governments.
RBI has decided (Dec 07, 2017) that all agency banks should settle their agency transactions for both funds and agency commission directly with the concerned Regional Office of RBI instead of routing them through any other agency bank that acts as aggregator in certain cases. It effectively makes all agency banks to report government receipts directly to RBI instead of reporting them through any other agency bank. So also for payments made by all agency banks on behalf of state government/ s get directly settled with the concerned RO of RBI. Agency Transaction details/scrolls may be sent directly by individual agency bank to the concerned State Government/Treasury.

Agency Banks that are already settling their state government transactions with RBI directly, may continue to do so. Agency Banks that are hitherto settling their transactions with other aggregator agency bank, may stop such reporting. Such banks should settle their agency transaction hereafter with RBI directly. The new arrangement for settlement of state government funds on day to day basis directly with RBI will be with effect from January 1, 2018. Thereby, all agency commission claims beginning with the quarter ending March 31, 2018 will be settled directly with the concerned RO of RBI.

Report on Trend and Progress of Banking in India 2016-17
On Dec 21, 2017, RBI released the above statutory Report which presents performance and salient policy measures for banking sector during 2016-17. It also provides an analysis of the co-op banks and NBFCs. The highlights of the Report are set out below:
• The financial performance of banks, especially public sector banks (PSBs), was weighed down by high provisioning for non-performing assets. As a result, PSBs reported net losses for the 2nd year in a row. Private sector banks posted a muted increase in profits during the year.
• RBI fine-tuned its regulatory and supervisory policies to ensure a sound, resilient and inclusive banking system. The provisions of the revised prompt corrective action (PCA) framework were implemented w.e.f. April 1, 2017.
• A watershed development in India in 2016-17 has been the enactment of the Insolvency and Bankruptcy Code (IBC) in May 2016 and amendment to Banking Regulation Act, 1949 which empowered RBI to issue directions to any banking company or banking companies to initiate insolvency resolution in respect of a default under the provisions of the IBC.
• Government announced bank recapitalisation plan in October 2017 to reinvigorate PSBs struggling with high levels of stressed advances.
• Several policy measures were initiated in the payment and settlement systems to ensure robust and customer friendly payment systems.
• The operationalisation of small finance banks and payments banks may provide further impetus to the financial inclusion agenda.
• Co-operative institutions portrayed a sanguine picture. Following on-going consolidation efforts, urban co-operative banks (UCBs) exhibited expansion in balance sheet size and recorded improved profitability in 2016-17. There was a turnaround in the performance of the apex-level long-term rural credit cooperatives, while the short-term rural credit cooperatives comprising state co-operative banks and district central co-operative banks have exhibited improved performance over time. Primary agricultural credit societies, the grass-root level tier of the short-term co-operative credit structure continued to incur losses.

• consolidated balance sheet of non-banking financial companies (NBFCs) expanded during 2016-17 due to healthy growth of loans and advances. However, their profitability declined due to deterioration in asset quality. The consolidated balance sheet of all-India financial institutions (AIFIs) increased in 2016-17 due to loans and advances, and their operating profit ratio improved with a moderation in the growth of interest outgo.
• The Report flags the main challenges that will likely shape the outlook for the financial sector in India, which include resolution of stressed assets; strengthening of bank balance sheets for reinvigorating credit growth; developing robust accounting standards for banks with the aim of closing gaps in accounting practices; promoting differentiated banking and exploring scope for its expansion to wholesale and long-term financing; promoting digitisation and managing technology-enabled financial services; and managing cyber-security risks with the aim of strengthening resilience of the financial system.

Indian Banking Sector at a Glance

	Amount		% change	
Parameter	**Mar 16**	**Mar 17**	**Mar 16**	**Mar 17**
Deposits (Rs. in billion)	100927	111139	9.1	7.8
Advances (Rs. in billion)	78965	81162	6.9	2.8
Total liabilities / assets (	131293	141586	9.1	7.8
Net profits (Rs. in billion)	341	439	-61.7	28.6
Return on asssets (%)	0.40	0.35	-	
Return on equity (%)	3.58	4.16	-	
Net interest margin (%)	2.6	2.5	-	
Capital to risk weighted asset	13.3	13.6	-	-
Tier1 / Total capital (%)	81.2	82.1	-	
CRAR (Tier1) (%)	10.8	11.2	-	
Gross NPAs (Rs. in billion)	6119	7918	89.3	39.4

Net NPAs (Rs. in billion)	3498	4331	98.9	23.8
Gross NPA ratio	7.5	9.3	-	
Net NPA ratio	4.4	5.3	-	
Provision coverage ratio	41.9	43.5	-	
Branches Rural S.U	**Urban**	**Metro**	**Total**	**ATM**
Public Sector Banks 29033	25647	18875	91445	148555
Private Sector Bk 4822	7803	6878	24661	58833

Reporting of Transactions by agency banks to RBI

RBI observed that some agency banks are reporting government transactions after considerable delay and along with the current transactions to RBI, without taking necessary authorisation from the concerned government departments.

As per the extant instructions, State Government transactions (electronic as well as in physical mode) of previous month reported after 8th of the succeeding month and those pertaining to earlier months should be reported to RBI through a separate statement for accounting, after being confirmed by the competent authorities of concerned state government.

RBI decided (Nov 30, 2017) that, for Central Government transactions (electronic as well as in physical mode), if the transactions or any adjustments thereof are reported after a gap of 90 days from the date of transaction, agency banks have to obtain prior approval from concerned ministry/department and submit the same to RBI separately at the time of reporting such transactions for settlement.

Rationalization of Merchant Discount Rates (MDR) for Debit Card Transactions

RBI had specified the maximum MDR applicable to debit card transactions on 28.06.12 and 16.12.2016.

Based on consultations with stakeholders on the "Draft Circular - Rationalisation of Merchant Discount Rate (MDR) for Debit Card Transactions", as also taking into account the twin objectives of promoting debit card acceptance by a wider set of merchants, especially small merchants, and ensuring sustainability of the business for the entities involved, RBI decided (06.12.2017) to rationalise the MDR for debit cards based on the following criteria:

1. Categorisation of merchants on the basis of turnover.
2. Adoption of a differentiated MDR for QR-code based transactions.
3. Specifying a ceiling on the maximum permissible MDR for both 'card present' and 'card not present' transactions.
4. Accordingly, with effect from Jan 01, 2018, the maximum MDR (as % of transaction value) for debit card transactions shall be:

a) Small merchants (turnover upto Rs.20 lakh during the previous financial year)

Physical POS infrastructure including online card transactions : maximum 0.40%

(MDR cap of Rs.200 per transaction)

QR code-based card acceptance infrastructure: Not exceeding 0.30%

(MDR cap of Rs.200 per transaction)

b) Other merchants (turnover above 20 lakh during the previous financial year)

Physical POS infrastructure including online card transactions : maximum 0.90%

(MDR cap of Rs. 1000 per transaction)

QR code-based card acceptance infrastructure: Not exceeding 0.80%

(MDR cap of Rs. 1000 per transaction)

Banks have been advised to ensure that merchants on-boarded by them do not pass on MDR charges to customers while accepting payments through debit cards.

Submission of Financial Information to Information Utilities

According to Section 215 of Insolvency and Bankruptcy Code (IBC), 2016, a financial creditor shall submit financial information and information relating to assets in relation to which any security interest has been created, to an information utility (IU) in such form and manner as may be specified by regulations. Chapter V of the Insolvency and Bankruptcy Board of India (Information Utilities) Regulations, 2017, which has come into force with effect from April 1, 2017, has specified the form and manner in which financial creditors are to submit this information to IUs. Further, as per Section 238 of the IBC, 2016 the provisions of the Code shall have effect, notwithstanding anything inconsistent therewith contained in any other law for the time being in force or any instrument having effect by virtue of any such law.

The Insolvency and Bankruptcy Board of India (IBBI) has registered National E-Governance Services Limited (NeSL) as the first IU under the IBBI (IUs) Regulations, 2017 on September 25, 2017.

RBI advised (Dec 19, 2017) all financial creditors regulated by RBI to adhere to the relevant provisions of IBC, 2016 and IBBI (IUs) Regulations, 2017 and immediately put in place appropriate systems and procedures to ensure compliance to the provisions of the Code and Regulations.

- **HIGHER EXPORT RELIEF UNDER FTP 2015-20:** Mid-term review of the Foreign Trade Policy (FTP) 2015-20 has brought in additional relief worth Rs.8450 Crore annually for the labour intensive and micro, small and medium enterprises (MSME) sectors. Merchandise Export from India Scheme incentives increased by 2% for labour-intensive/MSME sectors. Services Export Incentive Scheme incentives also increased by 2% for select sectors. Validity of scrips under the incentive schemes increased from 18 months to 24 months. GST rates on transfer/sale of scrips reduced to zero. Further self-declaration has also been allowed for duty-free inputs for export production.

- **CANARA HSBC LIFE BEGINS VIDEO SERVICE FOR RTCE:** In a first for the life insurance industry, Canara HSBC Oriental Bank of Commerce Life Insurance Co. Ltd. has come up with a video service that seeks for Real-Time Customer Engagement (RTCE).Under the video service, a customer can go to the website of the company and click on the video service icon to directly engage with the company for various service requests. This will be like Facetime and WhatsApp video. A lot of customers prefer looking at the face of a company representative than interact only via voice. This will be real-time video engagement.
- **GOVT. PANEL FOR RELIEF TO STRESSED ASSET BUYERS:** A Government-appointed Panel is planning to recommend amendments to the Insolvency and Bankruptcy Code (IBC) by which the buyers of stressed assets may get exemption from paying the minimum alternate tax (MAT) and the need for getting approval from the Competition Commission of India. Doing away with the approval process completely might lead to one player exploiting its dominant position in the market, at the same time delay because of the approval process can be avoided.
- **RBI LAUNCHES HELPLINE AGAINST PRIZE FRAUDS:** Taking the fight to the arena used by fraudsters promising prize money from RBI, now the Banking Regulator itself has launched an SMS Campaign and a "Missed Call" Helpline to warn people against such scams. Typically, such fraudsters make calls or send SMSs and emails to gullible people promising lotteries and prize money from RBI-at times from the RBI Governor himself-to trap them into sharing their banking account details or paying some "fees or charges" to get the money.
- **GOVT. PROPOSALON REPLENISHING CASH IN ATMs:** Concerned over attacks on cash carrying vans, the government has proposed that ATMs should not be replenished with cash after 9PM in cities and private cash-transportation agencies must collect money from banks in the first half of the day. The deadline for putting money in ATMs in rural areas would be 6PM and 4PM in Naxal-affected districts. Also, specially designed cash vans, fitted with CCTVs and GPS must not carry more than Rs.5 Crore per trip. Nearly 8000 private vans ferry around Rs.15, 000 Crore daily between banks, currency chests and ATMs across the country.
- **GOVT. INITIATES SURVEY ON JOBS UNDER MUDRA:** Under attack from opposition on the lack of growth in employment opportunities, the Government has tasked the Labour Bureau to ascertain the number of jobs created under MUDRA Scheme. This is a rare instance when the government has commissioned a survey on its own scheme. Present surveys which have shown a declining trend in job creation recently, were not able to access the employment generated through Government schemes.
- **UNION CABINET APPROVES TO AMEND NEGOTIABLE INSTRUMENTS ACT:** The Union Cabinet has approved to amend the Negotiable Instruments Act. The amendment will allow a court to order interim compensation to the payee of a cheque, a part of the amount at the trial stage itself. If the drawer is acquitted, the court may direct the payee to repay the amount paid as interim compensation with interest. Similarly, appellate courts will be enabled to order the appellant to deposit a part of the compensation awarded by the trial court at the time of filing appeal.
- **GOVT. TO REIMBURSE MDR TO PROMOTE DIGITAL TRANSACTIONS:** The Union Cabinet has cleared the way for the Government to bear the transaction cost of a merchant for payments made to it on all debit cards, BHIM UPI and Aadharenabled Payment System (AePS) transactions, provided the transactions are up to Rs.2000. For two years starting January1, the Government will reimburse Merchant Discount Rate (MDR)- to banks. The Centre estimates that it will reimburse MDR of about Rs.1050 Crore in 2018-19 and Rs.1462 Crore in 2019-20.
- **PARLIAMENTARY JOINT COMMITTEE ON FRDI BILL:** The Financial Resolution and Deposit Insurance (FRDI) Bill was introduced in Parliament on the last day of the previous session. This bill is now before the Joint Committee of Parliament. With the FRDI Bill indicating that depositors' monies could be used for "bail-in" of failing banks, the bill has created widespread fear, apprehension and panic amongst depositors. The apprehension is that deposits in banks would not be returned because of the "bail-in" clause in the Bill. Now the Joint Committee has sought extension of the deadline for submission of its report to the last date of the 2018 Budget Session which has been acceded to by the Lok Sabha Speaker.
- **GRATUITYAMENDMENTBILLINTRODUCED IN LOK SABHA:** The Government has introduced a Bill in the Lok Sabha that will empower it to notify a higher period of maternity leave and raise gratuity limit for employees. The gratuity limit for private sector is expected to be raised to Rs.20 Lakh from existing Rs.10 lakh in line with that in the government sector. Further, maternity leave period for female employees is to be extended from existing 12 weeks to 26 weeks.
- **GOVT. OFFERS ONE-TIME SETTLEMENT TO COMPANIES OF DEBARRED DIRECTORS:** The Ministry of Corporate Affairs has announced a One-time Settlement Scheme for companies in which over three lakh directors were debarred/disqualified from their boards. The directors had been penalized after it was found that their companies had not filed annual returns and financial statements with the ROC for three consecutive years. The Scheme called "Condonation of Delay Scheme 2018" will open on January 1, 2018 for a period of three months. The Scheme intends to give an opportunity for non-compliant, defaulting companies to rectify the default. The scheme will allow defaulting companies to submit all documents that were due for filing till June 30, 2017. A fee of Rs.30000 will be charged for condoning the delayed filing of the documents.
- **RBI PLACED BANK OF INDIA UNDER PCA FRAMEWORK:** RBI has placed Bank of India under the "Prompt Corrective Action" (PCA) Framework following an on-site inspection under the Risk Based Supervision Model carried out for the year ended March 2017. This action is in view of high net NPA, insufficient CET-1 capital and negative ROA for two consecutive years. As of March-end, Bank of India had net NPA (NNPA) of 6.90%, Common Equity Tier-1 (CET-1) capital of 7.17%, and Return on Average Assets (ROAA) of -0.24% (in FY17) and -0.94% (in FY 16). According to the revised Framework of RBI, banks with weak balance sheets may be subject to among other things, resolution processes such as amalgamation, reconstruction, winding up or mandatory actions such as restriction on management compensation and director's fees.

- **PSBs NOT MEETING PERFORMANCE STANDARDS NOT RECEIVED GOVT. CAPITAL INSFUSION:** The Centre did not release around Rs.6500 Crore to 13 Public Sector Banks (PSBs) in 2016-17 under the Indradhanush Plan as none of the banks met performance standards. The Government had allocated a sum of Rs.22, 915 Crore in 13 PSBs during the financial year 2016-17 under the first tranche of capital infusion out of which a sum of Rs.16, 414 Crore (75%) was infused upfront. The remaining amount of Rs.6500 Crore was supposed to be infused based on meeting the performance standards. According to the Indradhanush Plan, the performance standards included efficiency of capital use, growth of both credit and deposits and reduction in operation cost.

RISK MANAGEMENT SYSTEMS – ROLE OF THE CHIEF RISK OFFICER (CRO): The Reserve Bank on April 27, 2017, advised all scheduled commercial banks that as part of effective risk management, banks are required, to have a system of separation of credit risk management function from the credit sanction process. In order to bring uniformity in approach followed by banks, as also, to align the risk management system with the best practices, banks are advised as under:

a) They shall lay down a Board-approved policy clearly defining the role and responsibilities of the Chief Risk Officer (CRO).

b) Appointment of the CRO shall be for a fixed tenure with the approval of the Board of Directors of the banks. The CRO may be transferred / removed from his post before completion of the tenure only with the approval of the Board and such premature transfer / removal shall be reported to the Deptt. of Banking Supervision, RBI. In case of listed banks, any change in incumbency of CRO shall be reported to the stock exchanges also.

c) CRO shall be a senior official in the banks' hierarchy and shall have the necessary and adequate professional qualification / experience in the areas of risk management.

d) The CRO shall have direct reporting lines to the MD & CEO / Risk Management Committee (RMC) of the Board. In case the CRO reports to the MD & CEO, the RMC shall meet the CRO on one-to-one basis, without the presence of the MD & CEO, at least on a quarterly basis.

e) The CRO shall not have any reporting relationship with the business verticals of the bank and shall not be given any business targets.

f) In case the CRO is associated with the credit sanction process, it shall be clearly enunciated whether the CRO's role would be that of an adviser or a decision maker. The policy shall include the necessary safeguards to ensure the independence of the CRO.

g) In banks that follow committee approach in credit sanction process for high value proposals, if the CRO is one of the decision makers in the credit sanction process, he shall have voting power and all members who are part of the credit sanction process, shall individually and severally be liable for all the aspects, including risk perspective related to the credit proposal. If the CRO is not a part of the credit sanction process, his role will be limited to that of an adviser.

h) In banks which do not follow committee approach for sanction of high value credits, the CRO can only be an adviser in the sanction process and shall not have any sanctioning power.

i) The CRO in his role as an adviser shall be an invitee to the credit sanction / approval committee without any voting rights in the proceedings of the committee.

j) There shall not be any 'dual hatting' i.e. the CRO shall not be given the responsibility of Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief of the internal audit function or any other function.

- **'BANKING OUTLETS':** The Reserve Bank on May 18, 2017 issued final guidelines on 'Banking Outlets'.

a) A **'Banking Outlet'** for a Domestic Scheduled Commercial Bank (DSCB), a Small Finance Bank (SFB) and a Payment Bank (PB) is a fixed point service delivery unit, manned by either bank's staff or its Business Correspondent where services of acceptance of deposits, encashment of cheques / cash withdrawal or lending of money are provided for a minimum of 4 hours per day for at least five days a week.

b) The bank should have a regular off-site and on-site monitoring of the 'Banking Outlet' to ensure proper supervision, 'uninterrupted service' except temporary interruptions due to telecom connectivity, etc. and timely addressing of customer grievances.

- A banking outlet which does not provide delivery of service for a minimum of 4 hours per day and for at least 5 days a week will be considered a **'Part-time Banking Outlet'.**

- **TRI-PARTY REPOS:** To promote the development of the financial system of the country, the Reserve Bank, on August 10, 2017, issued the Tri-Party Repo (Reserve Bank) Directions, 2017. Tri-party repo is a type of repo contract where a third entity (apart from the borrower and lender), called a Tri-Party Agent, acts as an intermediary between the two parties to the repo to facilitate services like collateral selection, payment & settlement, custody & management during the life of the transaction.

- **STRESSED ASSETS:** The Reserve Bank upon the promulgation of the Banking Regulation (Amendment) Ordinance, 2017 issued a directive on stressed assets as under:

a)It was clarified that a corrective action plan could include flexible restructuring, Strategic Debt Restructuring (SDR) and Scheme for Sustainable Structuring of Stressed Assets (S4A).

b)Consent required for approval of a proposal was changed to 60 per cent of creditors by value instead of 75 per cent earlier, while keeping the value of creditors by number at 50 per cent. Banks who were in the minority on the proposal approved by the JLF are required to either exit by complying with the substitution rules within the stipulated time or adhere to the decision of the JLF.

c)Participating banks have been mandated to implement the decision of JLF without any additional conditionality.

d)The Boards of banks were advised to empower their executives to implement JLF decisions without further reference to them.

- **UNIVERSAL BANKS:** The Reserve Bank on June 30, 2017, released the names of applicants under the Guidelines for 'on tap' in the Private Sector.

Some of the key aspects of the guidelines include:

(i) Resident individuals and professionals having 10 years of experience in banking and finance at a senior level are also eligible to promote universal banks;

(ii) Large industrial houses are excluded as eligible entities but are permitted to invest in the banks up to 10 per cent;

(iii) Non-Operative Financial Holding Company (NOFHC) has been made non-mandatory in case of promoters being individuals or standalone promoting/converting entities who/which do not have other group entities;

(iv) Not less than 51 per cent of the total paid-up equity capital of the NOFHC shall be owned by the promoter/promoter group, instead being wholly owned by the promoter group;

(v) Existing specialised activities have been permitted to be continued from a separate entity proposed to be held under the NOFHC subject to prior approval from the Reserve Bank and subject to it being ensured that similar activities are not conducted through the bank as well.

(I) Eligible Promoters:

i) Individuals/professionals who are 'residents' and have 10 years of experience in banking and finance at a senior level.

ii) Entities/groups in the private sector that are 'owned and controlled by residents' and have a successful track record for at least 10 years, provided that if such entity/group has total assets of Rs. 50 billion or more, the non-financial business of the group does not account for 40 per cent or more in terms of total assets / in terms of gross income.

iii) Existing non-banking financial companies (NBFCs) that are 'controlled by residents' and have a successful track record for at least 10 years. Any NBFC which is a part of the group that has total assets of Rs. 50 billion or more and that the non-financial business of the group accounts for 40 per cent or more in terms of total assets/in terms of gross income, is not eligible.

(II) 'Fit and Proper' criteria: Promoter / promoting entity/promoter group should have a past record of sound financials, credentials, integrity and have a minimum 10 years of successful track record.

(III) Minimum Capital Requirement: The initial minimum paid-up voting equity capital for a bank shall be Rs. five billion. Thereafter, the bank shall have a minimum net worth of Rs. five billion at all times. The promoter/s and the promoter group / NOFHC, as the case may be, shall hold a minimum of 40 per cent of the paid-up voting equity capital of the bank which shall be locked-in for a period of five years from the date of commencement of business of the bank. The promoter group shareholding shall be brought down to 15% within a period of 15 years from the date of commencement of business of the bank.

(IV) Foreign shareholding in the bank: The foreign shareholding in the bank would be as per the existing foreign direct investment (FDI) policy. At present, the aggregate foreign investment limit is 74 per cent.

- **WHOLESALE AND LONG TERM FINANCE BANKS:**

➢ The basic objectives of setting up Wholesale and Long-Term Finance (WLTF) banks will be to focus primarily on lending to infrastructure sector and small, medium & corporate businesses. They will also mobilize liquidity for banks and financial institutions directly originating priority sector assets, through securitization of such assets and actively dealing in them as market makers.

➢ They may also act as market-makers in securities such as corporate bonds, credit derivatives, warehouse receipts, and take-out financing etc. These banks will provide refinance to lending institutions and shall be present in capital markets in the form of aggregators.

➢ Wholesale and Long Term Finance (WLTF) banks may also offer services related to equity / debt investments, and forex / trade finance to their clients. These services, although similar in nature to the services offered by financial institutions traditionally known as 'Investment Banks', would be ancillary to the primary activities of WLTF banks, which is deposits / loan products for wholesale clients and financing of infrastructure sector and core industries. Primary sources of funds for WLTF banks could be a combination of term deposits, debt / equity capital raised from primary market issues or private placement and term borrowings from banks and other financial institutions.

➢ Primary role of the Wholesale Banks is lending and not the provision of retail deposit services, they may be permitted to accept deposits only above a large threshold amount. Therefore, they may have negligible retail segment exposure on their balance sheet.

- **Minimum Capital Requirement:**

WLTF banks are expected to take on large exposure to industrial, commercial and infrastructure sector. Their risk perception may be thought of as higher than that of universal banks. Therefore, they have to heavily invest in information technology and skill building to mitigate the risks. Accordingly, a higher level of initial minimum paid-up equity capital of Rs.1,000 crore or more can be considered for these banks.

- **Eligible Promoters:**

➢ The eligible promoter(s) for setting up universal banks are already specified in the Guidelines for 'on-tap' Licensing of Universal Banks. The same may be considered applicable in case of WLTF banks.

➢ The bank would be on-tap and the eligible promoters could be anyone who satisfies the fit-and-proper guidelines on floating a regular commercial bank, which means industrial groups and corporate houses will not be eligible to float these banks and cannot take more than 10 per cent stake in these banks.

Individuals with 10 years of experience in banking and finance at a senior level with a successful track record can also apply for the licence along with business groups which have total assets of at least Rs.5,000 crore and which do not own more than 40% of their total income from non-financial sources.

- **BASEL III FRAMEWORK ON LIQUIDITY STANDARDS:** The RBI on August 2, 2017, amended certain provisions of Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards guidelines.

Level 1 assets of banks would now comprise of the following and these assets can be included in the stock of liquid assets without any limit as also without applying any haircut:

a) Cash including cash reserves in excess of required CRR.

b) Government securities in excess of the minimum SLR requirement.

c) Within the mandatory SLR requirement, Government securities to the extent allowed by the RBI, under Marginal Standing Facility (MSF).

d) Marketable securities issued or guaranteed by foreign sovereigns satisfying select conditions.

- **LINKAGE OF AADHAAR:** The RBI on October 21, 2017 clarified that, in applicable cases, linkage of Aadhaar number to bank account is mandatory under the Prevention of Money-laundering (Maintenance of Records).
- **INFOMERICS FOR CREDIT RATING:** The Reserve Bank, on June 13, 2017, advised all scheduled commercial banks that they may also use the ratings of the INFOMERICS (Integrated Financial Omnibus Metrics Research of International Corporate Systems) Valuation and Rating Pvt Ltd., for the purpose of risk weighting their claims for capital adequacy purposes in addition to the existing

six domestic credit rating agencies (CARE, CRISIL, FITCH India, ICRA, Brickwork Ratings and SMERA). The rating-risk weight mapping for the long term and short term ratings assigned by INFOMERICS will be the same as in case of other rating agencies.

- **PUBLIC CREDIT REGISTRY (PCR) FOR INDIA:**

The RBI has set up a High-level Task Force on a Public Credit Registry (PCR) for India under the Chairmanship of Sh. Y. M. Deosthalee, to suggest a roadmap for developing a transparent, comprehensive and near-real-time PCR for India. The task force will submit its report by April 2018.

a)The RBI has made a strong case for setting up a Public Credit Registry (PCR) in India to address the twin balance sheet problem of the banking sector and the corporate sector.

b)After setting up the Central Repository of Information on Large Credits (CRILC), RBI now plans to create a Public Credit Registry (PCR) which will capture the entire database of credit information that is accessible to all stakeholders.

c)While CRILC maintains database of loans of over Rs.5 crore, PCR is expected to be more broad-based in its scope and capture credit data on all kinds of loans. A PCR will complement the private credit bureaus by certifying details of collateral.

- **THE LEGAL ENTITY IDENTIFIER (LEI):** LEI code is conceived as a key measure to improve the quality and accuracy of financial data systems for better risk management post the Global Financial Crisis.

LEI is a 20-digit unique code to identify parties to financial transactions worldwide. The LEI is a global standard, designed to be non-proprietary data that is freely accessible to all. The **Legal Entity Identifier** (**LEI**) is the International ISO standard 17442. RBI has decided that the banks shall advise their existing large corporate borrowers having total exposures of Rs.50 crore and above to obtain LEI.

- **GUIDELINES FOR SENIOR CITIZENS AND DIFFERENTLY ABLED PERSONS:**

The Reserve Bank on November 9, 2017 advised banks to put in place appropriate mechanism with specific provisions for meeting the needs of senior citizens & differently abled persons.

HIGHLIGHTS:

a)Dedicated Counters/Preference to Senior Citizens, Differently Abled Persons;

b)Ease of submitting Life Certificate;

c)Cheque Book Facility: Provide minimum 25 cheque leaves every year, if requested, in SB account, free of charge;

d) Automatic Conversion of Status of Accounts into a 'Senior Citizen Account' based on the date of birth available in bank's records.

e)Additional Facilities to Visually Impaired Customers: Banks advised that the facilities provided to sick / old / incapacitated persons regarding operations of accounts through identification of thumb/toe impression / mark by two independent witnesses and authorising a person who would withdraw the amount on behalf of such customers shall also be extended to the visually impaired customers.

f) Ease of Filing Form 15G/H: To provide senior citizens and differently abled persons Form 15G/H once in a year (preferably in April).

g)Door Step Banking for senior citizens of more than 70 years of age and differently abled or infirm persons (having medically certified chronic illness or disability) including those who are visually impaired.

- **REVISED FRAMEWORK FOR PCA FOR BANKS:**

The Reserve Bank on April 13, 2017 revised the framework for Prompt Corrective Action (PCA) for banks.

PCA norms allow the regulator to place certain restrictions such as halting branch expansion and stopping dividend payment. It can even cap a bank's lending limit to one entity or sector. Other corrective actions that can be imposed on banks include special audit, restructuring operations and activation of recovery plan. Banks' promoters can be asked to bring in new management, too. The RBI can also supersede the bank's board, under PCA. The provisions of the revised PCA framework will be effective April 1, 2017 based on the financials of the banks for the year ended March 31, 2017. The framework will be reviewed after three years.

- **The salient features of the revised PCA framework are: a)**Capital, asset quality and profitability continue to be the key areas for monitoring in the revised framework;

b)Indicators to be tracked for capital, asset quality and profitability would be Capital to Risk (Weighted) Assets Ratio (CRAR) / Common Equity Tier- I ratio, Net NPA ratio and Return on Assets, respectively; Leverage to be monitored additionally as part of the PCA framework;

c)Breach of any risk threshold would result in invocation of PCA;

d)The PCA framework would apply without exception to all banks operating in India including small and foreign banks operating through branches or subsidiaries based on breach of risk thresholds of identified indicators; and

e)A bank will be placed under PCA framework based on the audited Annual Financial Results and the Supervisory Assessment made by the Reserve Bank. However, the RBI may impose PCA on any bank during the course of a year in case the circumstances so warrant.

NON - BANKING REGULATION ASSET RECONSTRUCTION COMPANY (ARC):

Keeping in view the greater role envisaged for Asset Reconstruction Companies (ARCs) in resolving stressed assets as also the recent regulatory changes governing sale of stressed assets by banks to ARCs, the RBI on April 28, 2017 decided to fix the minimum Net Owned Fund (NOF) requirement for ARCs at Rs.100 crore on an ongoing basis. All the ARCs which are already registered with the RBI as on April 28, 2017 and not having the revised minimum NOF as on date shall achieve a minimum NOF of Rs.100 crore latest by March 31, 2019.

The Reserve Bank on February 13, 2017, advised that specified bank notes (SBNs) deposited in the currency chests, since November 10, 2016, would be considered as part of the chest balance in the soiled note category but such deposits would not be reckoned for calculating chest balance limit/cash holding limit, till further instructions.

˜ The Reserve Bank introduced Rs.200 and Rs.50 denomination bank notes in the Mahatma Gandhi (New) Series, on August 25, 2017 and August 18, 2017, respectively.

˜ The RBI on October 12, 2017 issued the master circular on scheme of penalties for bank branches based on performance in rendering customer service to the members of public.

˜The Reserve Bank on October 12, 2017 advised that the currency chests should invariably report all transactions through ICCOMS on the same day by 9 PM by uploading data through the Secured Website (SWS) to their respective link offices.

CONSUMER EDUCATION AND PROTECTION BANKING OMBUDSMAN SCHEME 2006:

The Reserve Bank of India, on June 23, 2017, widened the scope of its Banking Ombudsman Scheme 2006, to include, deficiencies arising out of sale of insurance/ mutual fund/ other third party investment products by banks w.e.f 1-7-2017.

a)Under the amended Scheme, a customer would also be able to lodge a complaint against the bank for non-adherence to the Reserve Bank instructions with regard to mobile banking/ electronic banking services in India.

b)The pecuniary jurisdiction of the Banking Ombudsman to pass an Award has been increased from existing rupees one million to **rupees two million (Rs. 20 lakhs).** Compensation not exceeding rupees one lac can also now be awarded by the Banking Ombudsman to the complainant for loss of time, expenses incurred, as also, harassment and mental anguish.

c)Appeal has now been allowed for complaints relating to rejection which was not available earlier.

PAYMENT AND SETTLEMENT SYSTEMS

˜ In order to facilitate cash availability for White Label ATM Operators (WLAOs), the Reserve Bank on December 30, 2016, allowed them to source cash from retail outlets.

˜ The Reserve Bank on May 8, 2017, introduced additional settlements in the National Electronic Funds Transfer (NEFT) system at half-hour intervals.

˜ The Reserve Bank on October 11, 2017, issued the Master Directions on Issuance and Operation of Pre-paid Payment Instruments (PPIs) in India.

˜ The RBI on December 5, 2017, clarified that no licence / authorisation was given to any entity / company to operate such schemes or deal with Bitcoin or any Virtual Currencies.

FOREIGN EXCHANGE MANAGEMENT

˜ The RBI on January 25, 2017, prohibited an Indian party from making direct investment in an overseas entity, set up or acquired abroad directly as Joint Venture / Wholly Owned Subsidiary or indirectly as step down subsidiary located in the countries identified by the FATF as 'non co-operative countries and territories'.

˜ In order to provide more choices of investors to Indian entities issuing Rupee denominated bonds abroad, the Reserve Bank on February 16, 2017, permitted multilateral and regional financial institutions (FIs) where India is a member country, to invest in Rupee denominated bonds.

- **MONEY TRANSFER SERVICE SCHEME (MTSS):** The Reserve Bank on February 24, 2017, issued master directions relating to Money Transfer Service Scheme (MTSS).

Money Transfer Service Scheme (MTSS), which is a quick and easy way of transferring personal remittances from abroad to beneficiaries in India. MTSS can be used for inward personal remittances into India, such as, remittances towards family maintenance and remittances favouring foreign tourists visiting India and not for outward remittance from India.

a)The applicant to become an Indian Agent should be an Authorised Dealer Category-I bank or an Authorised Dealer Category-II or a Full Fledged Money Changer (FFMC), or a Scheduled Commercial Bank or the Department of Posts.

b)The applicant should have minimum NOF of Rs. 50 lakh.

- **EDPMS:**

The Reserve Bank on September 15, 2017, directed Authorised Dealer (AD) Category-I banks to update the Export Data Processing and Monitoring System (EDPMS) with data of export proceeds on 'as and when realised basis' and with effect from October 16, 2017, generate Electronic Bank Realisation Certificate (eBRC) only from the data available in EDPMS, to ensure consistency of data in EDPMS and consolidated eBRC.

FINANCIAL INCLUSION AND DEVELOPMENT

- The Reserve Bank on March 2, 2017 revised the policy on conduct of camps by Financial Literacy Centres (FLCs) and rural branches of the banks.
- The Reserve Bank, on June 8, 2017, advised State Level Banker's Committee (SLBCs) convenor banks to review and identify the unbanked rural centres in villages with population above 5000, and ensure that such unbanked rural centres in villages with population above 5000, if any, are banked forthwith by opening of core banking solution enabled banking outlet.
- With the increased thrust on financial inclusion and customer protection and considering the recent surge in customer grievances relating to unauthorised transactions resulting in debits to their accounts / cards, the Reserve Bank on July 6, 2017 issued revised directions and criteria for determining the customer liability in these circumstances.
- The Reserve Bank in consultation with the Financial Inclusion Fund (FIF) Advisory Board, on July 13, 2017, revised the funding support available to banks to the extent of 60 per cent of the expenditure of the financial literacy camp subject to a maximum of Rs. 5,000/- per camp.
- The Reserve Bank has directed all commercial banks to upload the actual data on relief measures extended during April June 2017 immediately and thereafter from July 2017 onwards every month by the 10th of the following month, on the dedicated portal, developed for collection and compilation of data on natural calamities on a real time basis through a centralised system.
- The Reserve Bank on November 10, 2017 launched a public awareness campaign through SMSes to educate the members of the public about various banking regulations and facilities available to them.

GOVERNMENT AND BANK ACCOUNTS MERCHANT DISCOUNT RATE (MDR) FOR DEBIT CARD:

Taking into account the twin objectives of promoting debit card acceptance by a wider set of merchants, especially small merchants, and ensuring sustainability of the business for the entities involved, RBI has decided to rationalise the MDR for debit cards based on the following criteria:

a) Categorisation of merchants on the basis of turnover.

b) Adoption of a differentiated MDR for QR-code based transactions.

c) Specifying a ceiling on the maximum permissible MDR for both 'card present' and 'card not present' transactions.

Accordingly, the maximum MDR for debit card transactions shall be as under:

Sr. No	Merchant Category	Merchant Discount Rate (MDR) for debit card transactions (as a % of transaction value)	
		Physical POS infrastructure including online card transactions	QR code-based card acceptance infrastructure
1 .	Small merchants (with turnover upto Rs.20 lakh during the previous financial year)	Not exceeding 0.40% (MDR cap of Rs. 200 per transaction)	Not exceeding 0.30% (MDR cap of Rs.200 per transaction)
2 .	Other merchants (with turnover above Rs.20 lakh during the previous financial year)	Not exceeding 0.90% (MDR cap of Rs. 1000 per transaction)	Not exceeding 0.80% (MDR cap of Rs. 1000 per transaction)

- **ANNUAL INFORMATION RETURN:**

The Reserve Bank of India has conveyed to all banks that Income Tax Department has brought about the under mentioned changes in the Annual Information Return (AIR):

- Name of the AIR has been changed as Statement of Financial Transaction.
- Limit of amount has been changed from Rs.5 lakh or more to Rs.10 lakh or more in a Financial Year.

Date of filing has been changed from August 31 of the immediately following Financial Year to May 31.
The Reserve Bank on May 30, 2017 has advised Agency banks/Stock Holding Corporation of India Ltd. (SHCIL) that henceforth the Annual Information Returns (AIR, now changed to Statement of Financial Transactions (SFT) is to be furnished only to Public Debt Offices of the respective jurisdiction. They need not submit this information to Income Tax Authorities separately.

REGIONAL RURAL BANKS (RRBs) RRBs CAN GRANT LARGER GOLD LOANS:

The Reserve Bank on February 16, 2017 increased the quantum of loan that could be granted by Regional Rural Banks (RRBs) under the scheme, from Rs.1 lakh to Rs.2 lakh subject to the following conditions:

a)The period of the loan shall not exceed 12 months from the date of sanction;

b)Interest will be charged to the account at monthly rests but will become due for payment along with principal only at the end of 12 months from the date of sanction;

c)Regional Rural Banks (RRBs) should maintain a Loan to Value (LTV) ratio of 75 per cent on the outstanding amount of loan including the interest on an ongoing basis, failing which the loan will be treated as a Non Performing Asset (NPA).

d)The Reserve Bank also clarified that crop loans sanctioned against the collateral security of gold/gold ornaments shall continue to be governed by the extant income recognition, asset classification and provisioning norms for such loans.

e)Earlier, Regional Rural Banks (RRBs) were permitted to grant gold loans up to Rs. 1 lakh with bullet repayment option.

- **GOVERNMENT COMPLETES 1ST PHASE OF BHARATNET PROJECT:**

- The Union Government has announced completion of first phase of BharatNet project after successfully laying optical fibre cables (OFC) in more than 1 lakh gram panchayats.
- The second phase of the project was initiated in November 2017 for connecting the remaining 1.5 lakh gram panchayats.
- BharatNet project forms backbone for Digital India initiative and aims to bring high speed broadband to all 2.5 lakh gram panchayats (GPs) through optical fibre.

- **GOVERNMENT NOTIFIES THE COMPANIES (AMENDMENT) ACT, 2017:** The Ministry of Corporate Affairs has notified the Companies (Amendment) Act, 2017 amending some provisions of Companies Act, 2013 with an aim to help in simplifying procedures, make compliance easy and take stringent actions against defaulting companies.

Key Amendments relate to:

- **ISSUANCE OF SHARES AT A DISCOUNT:** It was prohibited by Section 53 of the Act. The Amendment Act allows companies to issue shares at discount to its creditors when its debt is converted into shares in pursuance of any statutory resolution plan such as resolution plan under IBC or debt restructuring scheme.
- **PAYMENT OF MANAGERIAL REMUNERATION IN EXCESS:** It was required for company in general meeting for payment of managerial remuneration in excess of 11% of net profits as per Section 197 of parent Act. The Amendment Act now requires company which has defaulted in payment of dues, prior approval of bank or public financial institution concerned or non-convertible debenture holders or other secured creditor. Such payment of managerial remuneration shall be obtained by company before obtaining approval in general meeting.
- **PROHIBITION OF REGISTERED VALUER FROM UNDERTAKING VALUATION OF ANY ASSETS:** Section 247 of the Act prohibits "a registered valuer from undertaking valuation of any asset in which he has direct or indirect interest or becomes so interested at any time during three years prior to his appointment as valuer or three years after valuation of assets was conducted by him.

FINANCIAL MARKET REGULATION

The Reserve Bank on August 10, 2017, issued the Reserve Bank Commercial Paper (CP) Directions, 2017.

HIGHLIGHTS:

a)A CP is a money market instrument and shall be issued at a discount to face value in the form of a promissory note.

b)Companies, including NBFCs and All India Financial Institutions are eligible to issue CPs subject to the condition that any fund-based facility availed of from banks / financial institutions is classified as a standard asset by all financing banks at the time of issue.

c)Other entities like co-operative societies/unions, government entities, trusts, limited liability partnerships and any other body corporate having presence in India with a net worth of Rs.100 crore or higher;

d)A CP shall be issued in minimum denomination of Rs.5 lakh and multiples thereof and no issuer shall have issue of a CP underwritten or co-accepted.

e)Options (call/put) are not permitted on a CP.

f) Eligible issuers, whose total CP issuance during a calendar year is Rs.1,000 crore or more, shall obtain credit rating for issuance of CPs from at least two CRAs and should adopt the lower of the two ratings. The minimum credit rating shall be 'A3' as per rating symbol and definition prescribed by SEBI.

CO-OPERATIVE BANK REGULATION

˜ The Reserve Bank on April 28, 2017, decided that all cooperative banks, not intending to act as Point of Sale (POS) acquiring bank are permitted to deploy third party POS terminals without prior approval of the RBI.

˜ The Reserve Bank on May 25, 2017, permitted all licensed cooperative banks having their own ATM network to issue semi-closed PPIs, provided there are no restrictions on acceptance or repayment of deposits.

˜ The Reserve Bank on December 14, 2017, reviewed the directions to banks relating to unauthorised transactions resulting in debits to their accounts/cards and the criteria for determining the customer liability in these circumstances.

CURRENCY MANAGEMENT

˜ The Reserve Bank on January 16, 2017, enhanced the withdrawal limits as under:

i) The limit on withdrawals from ATMs were enhanced from Rs.4,500 to Rs.10,000 per day per card, operative within the then overall weekly limit;

ii) The limit on weekly withdrawal from current accounts were enhanced from Rs. 50,000 to Rs. 1,00,000 including CC and OD accounts.

ACCEPTANCE OF COINS BY WEIGHMENT

.• The Reserve Bank on February 15, 2018 advised all banks to preferably accept coins, particularly in the denominations of Rs.1 and Rs.2, by weighment. However, accepting coins packed in polythene sachets of 100 each would perhaps be more convenient for the cashiers as well as the customers. Such polythene sachets may be kept at the counters and made available to the customers. A notice to this effect may be displayed suitably inside as also outside the branch premises.

• In order to obviate the problems of storage of coins at the branches, coins may be remitted to the currency chests as per the existing procedure. The stock thus built in the currency chest should be utilised for the purpose of recirculation. In case the stocks of these coins reach beyond the holding capacity of the currency chest for lack of demand, the Issue Department of the Circle may be approached for remittance of coins.

15. LATEST CONCEPT IN BANKING

Bharat Net project: This project is allotted Rs 10 crores to provide high-speed broadband in 1.5 lakh Gram Panchayats by the end of 2017-2018.

A Digi Gaon initiative will be launched to provide telemedicine and education through digital technology.

SANKALP: Skill Acquisition and Knowledge Awareness Program; "SANKALP" will provide market training to youth. 100 Indian International Skill Centers will be established. For this Skill Acquisition Fund will be established with corpus of Rs 4000 crore.

Swayam: It is an online education platform that will give students access to over 350 courses, through video lectures and online discussions via Direct-To-Home channels.

Start Ups: The period of profit-linked deductions available to recognised start-ups (those recognised by the Department of Industrial Policy and Promotion [DIPP]) will be increased to seven years from the current level of five years. Further, the startups can carry forward their Minimum Alternative Tax (MAT) to 15 years from the present period level of 10 years.

Mission Antyodaya: Meant to bring 1 crore households and 50,000 Gram Panchayats out of poverty.

Expenditure pattern in Budget: 24% given to states as part of taxes and duties, 21% for central sector and centrally-sponsored schemes, 18% towards interest payments.

New Income Tax Rates: Income up to Rs. 2.5 Lakh – NIL Tax; Income between Rs. 2.51 Lakh – Rs. 5 Lakh - 5% (reduced from 10%) ; Income between Rs. 5 Lakh – Rs. 10 Lakh - 20% (unchanged); Over Rs. 10 Lakh – 30% (unchanged) ; Surcharge in case of Income above Rs. 50 Lakh to Rs. 1 Crore - 10% on the tax amt; Surcharge in case of Income above Rs 1 crore- 15% surcharge on tax to continue

Promotion to Digital Economy

Government proposes to create a *Payments Regulatory Board* in the Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems

PCA measures made more stringent for stressed banks

RBI has made its Prompt Corrective Action (PCA) measures more stringent for banks in stress.

These measures include sacking of management and superseding the Board of Directors if the Tier 1 capital falls below 3.625%, against the stipulated minimum of 6.75%.

▪ Infusion of capital has been made compulsory for promoters and parent companies of foreign banks when banks face negative ROA (Return on Assets) for two consecutive years.

▪ The PCA framework will apply to all banks operating in India, including small finance banks and foreign banks operating through branches or subsidiaries.

▪ A bank will be placed under the PCA framework based on the audited annual financial results and the supervisory assessment made by RBI.

- The provisions of the revised framework are effective from April 1, 2017 based on the financials of the banks for the year ended March 31, 2017. The framework would be reviewed after three years.
- **RBI extends 'rest period' for auditors to 6 years**

According to extant rules, a statutory auditor has to be appointed for a period of four years and then, there should be a rest of two years. Now, the central bank has extended the rest period to at least 6 years. In order to make the banks follow the policy in letter and spirit, the central bank said an auditor, after completion of its four years tenure at a bank 'will not be eligible for appointment as SCA (Statutory Central Auditor) of the same bank for a period of 6 years.

- **RBI relaxes rating requirement on CP issuance**

With effect from October 1, 2017, RBI has mandated commercial paper (CP) issuances to come with two ratings, while relaxing the minimum size of issuance to Rs. 5 lakhs from Rs. 10 lakhs earlier. Eligible issuers, whose total CP issuance during a calendar year is Rs. 1,000 crores or more, shall obtain credit rating from at least two credit rating agencies registered with SEBI and shall adopt the lower of the two ratings

- **RBI Relaxes Norms to IFSC Banking Units (IBUs)**

RBI while issuing guidelines relating to setting up of financial institutions in the International Financial Services Centres (IFSC) restricted the IFSC Banking Units (IBUs) from few activities which have been now reviewed. While the IBUs were not allowed to open any current or savings accounts, now the regulator has decided that the IBUs can open foreign currency current accounts of units operating in IFSCs and of non-resident institutional investors to facilitate their investment transactions.

- **Norms for Financial Literacy Centres (FLCS) Revised**

In view of the considerable progress made in the area of Financial Inclusion and to concentrate the efforts of the FLCs on keeping the already opened accounts active, RBI has issued revised guidelines for FLCs of lead banks and the operational guidelines for the conduct of camps by FLCs and rural branches of banks.

- **RBI to customers: Report fraud in three days to avoid losses**

RBI has issued revised directions on Customer Protection – Limiting Liability of Customers in Un-authorised Electronic Banking Transactions'. Customers have been asked to report unauthorized banking transactions to their banks, within three days of the occurrence. The amount involved will be credited in the accounts concerned within 10 days, thus sparing losses to the customer. In case third-party fraud is reported with a delay of four to seven working days, a customer will face liability of up to Rs. 25,000. However, if the loss happens due to negligence by the account-holder (such as sharing of payment credentials), the customer will bear the entire loss until the unauthorized transaction is reported to the bank.

Any loss occurring after reporting of the unauthorized transaction will be borne by the bank. Furthermore, there will be "zero liability of a customer" in case of third-party breach where the deficiency lies 'neither with the bank nor with the customer but elsewhere in the system'.

- **Zero liability** will also apply to a customer where the unauthorized transaction occurs due to contributory fraud/negligence/deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer). If the fraud is reported after seven days, the customer liability will be determined as per the bank's board-approved policy. The maximum liability of a savings bank account customer will be Rs. 10,000 in such cases.
- **Payments Banks can act as BCs of other lenders**

RBI has allowed payments banks to act as business correspondents (BCs) of other banks. This will not give payments banks the rights to operate or have real-time access to funds available in the customer's account at the other bank. However, they will be allowed to facilitate withdrawals and transfers by the customer from their accounts with banks for whom they are a BC. However, this can be done only with the customer's prior consent and is applicable only in cases where the balance in the payments bank account does not exceed Rs.1 lakh or a lower amount as specified by the customer.

- **RBI to banks: Record PPO numbers**

RBI has advised all agency banks to record the Pension Payment Order (PPO) numbers on the passbook of pensioners'/ family pensioners. The move is aimed at alleviating the difficulties reported by pensioners to get duplicate PPO in case the original goes missing, transfer of pension account, and commencement of family pension to spouse or dependent children after the death of the pensioner, among others.

- **RBI increases scope of Banking Ombudsman**

From July 1 onwards, RBI has widened the scope of its Banking Ombudsman platform by including issues regarding mis-selling of third-party products, and customer grievances related to mobile banking and electronic banking. The deficiencies arising out of sale of insurance, mutual fund and other third-party products will also be looked into. Further, banks would now have to provide after-sales service on third-party products. Banking ombudsmen have been empowered with the RBI expanding their pecuniary jurisdiction to pass an award from the existing Rs.10 lakhs to Rs.20 lakhs. Ombudsmen can direct banks to pay compensation up to Rs.1 lakh to the complainant for loss of time, expenses incurred as also, harassment and mental anguish suffered.

- **ARCs must have minimum net corpus of** Rs. **100 crores by March 2019**

The government and RBI envisage a greater role for Asset Reconstruction Companies (ARCs) in resolving stressed assets, considering they are in the business of buying bad loans from banks to turn them around. In order to resolve this issue better, RBI has stipulated that all the existing ARCs must have a minimum net owned corpus of Rs.100 crore by March 2019.

- **RBI issues norms for opening mini bank branches**

Banks have got a new freedom since RBI has started permitting mini branches with limited working hours and staff for all commercial banks, boosting the prospects for the newly formed small and payment banks. A branch will be considered a mini branch only if it is a fixed-point service delivery unit manned by bank staff or business correspondents, providing acceptance of deposits, encashment of cheques, withdrawal or lending of money. A mini branch will have to be open for at least four hours a day for five days in a week; failing which, it will be considered as a part-time banking outlet with restricted functioning.

- **RBI curbs NBFCs' cash loans against gold**

RBI has sharply brought down the threshold above which NBFCs can disburse loans against gold only by cheque. In line with the regulations of Income Tax Act, such loans amounting to Rs. 20,000 and above can be disbursed only by cheque as against the earlier threshold of Rs.1 lakh and above.

RBI caps banks' exposure to a Corporate at 20%

RBI has capped banks' exposure limit to a single corporate entity to 20%, and to a business group at 25%. Currently, a bank's exposure to a single borrower and a borrower group is restricted to 15% and 40% of capital funds, respectively.

Inter Bank Participation Certificates

Inter Bank Participation Certificates (IBPCs) bought by banks, on a risk sharing basis, are eligible for classification under respective categories of priority sector, provided the underlying assets are eligible to be categorized under the respective categories of priority sector and the banks fulfil the Reserve Bank of India guidelines on IBPCs.

Priority Sector Lending Certificates

The outstanding priority sector lending certificates (after the guidelines are issued in this regard by the Reserve Bank of India) bought by the banks will be eligible for classification under respective categories of priority sector provided the assets are originated by banks, and are eligible to be classified as priority sector advances and fulfil the Reserve Bank of India guidelines on priority sector lending certificates.

S E B I

SEBI to accept e-PAN card for KYC purpose

An electronic PAN card aka e-PAN card issued by CBDT to foreign portfolio investors (FPIs) will now be acceptable to SEBI for KYC purposes. CBDT introduced the e-PAN card facility in April this year. The norms were issued to rationalize various FPI routes and simplify procedures to attract more foreign funds.

SEBI issues new norm for green bonds

To help companies raise funds through green bonds for investment in renewable energy space, the Securities and Exchange Board of India (SEBI) has put out disclosure norms for issuance and listing of such bonds. The move aims to help meet the huge financing requirements worth $2.5 trillion for climate change actions in India by 2030. SEBI has stipulated that a debt security will be considered a green bond if the funds raised through it will be used for renewable and sustainable energy including wind and solar. The issuer of a green bond will have to make disclosure about environmental objectives of the issue of such securities in the offer documents**.**

Green Bonds

A green bond is a debt instrument issued by an entity for raising funds from investors. What differentiates a green bond from other bonds is that the proceeds of a green bond offering are 'ear-marked' for use towards financing green projects.

Alternate Investment Fund (AIF)

Any fund established or incorporated in India which is a privately pooled investment vehicle which collects funds from sophisticated investors, whether Indian or foreign, for investing it in accordance with a defined investment policy for the benefit of its investors.

SEBI eases norms for debt MF investment in HFCs

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

Registered FPIs can run IFSC operations: SEBI

SEBI has now allowed registered Foreign Portfolio Investors (FPIs) to set up operations in international financial services centres (IFSCs) without additional documentation. FPIs desirous of participating in IFSCs will be required to ensure clear segregation of funds and securities. Custodians will have to monitor compliance with this provision for their respective FPI clients. In turn, the FPIs will have to keep their respective custodians informed of their participation in the IFSC.

UPDATES:

e-Kuber : e-Kuber is one of the foremost central bank oriented Core Banking Systems in the world. The provision of a single current account for each bank across the country, decentralized access to this account from anywhere anytime using the portal based services in a safe manner and ease of operations are some of the features of the e-Kuber. The system also has a host of offerings for the Government users as well. Some of the facilities offered include the provision of portal based access which allows Government departments to access on anywhere anytime basis, view their balances – of all types including the Ways and Means Advances, drawings, funds positions and the like – all in a consolidated manner through the e-Kuber so as to help them in better funds management.

GYAN SANGAM:

Gyan Sangam is a forum where the highest officials from public sector banks, the government and the Reserve Bank of India, meet to discuss issues facing by the Banking
Sector. The interaction of ministry officials, RBI Governor and heads of PSBs in an informal setting is a novel idea. As a management tool, a meeting away from the pressures
of day-to-day work is meant to unfreeze the established behaviour patterns and enable the divergent shareholders i.e. the government, owner, regulators and the banks themselves to open a healthy dialogue.

P.J. Nayak committee on banking sector reforms

The Committee to Review Governance of Boards of Banks in India was constituted by the RBI Governor on 20th January, 2014. The terms of reference of the committee included review of the regulatory compliance requirement of the boards of banks, the working of these boards, regulatory guidelines on bank ownership/concentration, and an examination of board compensation guidelines.

Indradhanush – A Mission launched by Govt. of India to revamp PSU banks

As per the brain child of P J Nayak committee, **Ministry of Finance** under the Department of Financial Services has launched Mission Indradhanush that aimed to revamp the functioning of public sector banks so that PSBs can compete with the Private Sector Banks. The mission is regarded as one of the big steps after the nationalization of banks in 1970s. The mission includes the seven key reforms of appointments, which is also known as **A2G** for PS Banks.

Appointments :Bank Board Bureau

Taking the first step towards a holding company structure for public sector banks (PSBs), the government has setup of a Bank's Board Bureau (BBB). It will recommend appointment of directors in PSBs and advice on ways of raising funds and dealing with issues of stressed assets. Former Comptroller & Auditor General of India Mr. Vinod Rai has been named the first chairman.

Capitalization,De-stressing PSBs,Empowerment,Framework of Accountability,Governance Reforms

RBI Guidelines to Banks on Implementation of Ind AS

RBI has released guidelines for banks on complying with the new norms under Companies (Indian Accounting Standards – Ind AS) Rules, 2015. Banks are required to comply with Ind AS for financial statements for accounting periods beginning from April 1, 2018 onwards.

Fraud Reporting and Monitoring - Operationalisation of Central Fraud Registry by RBI

During his Fourth Bi-monthly Monetary Policy Statement, 2014-15, Governor of RBI announced, "Along with early detection mechanisms for frauds, a Central Fraud Registry is also proposed to be created simultaneously as a searchable centralized database for use by banks." Accordingly, RBI has operationalized the Central Fraud Registry – a searchable centralized database for use by banks with effect from 20th January 2016. This is in line with the various initiatives of RBI for early detection and minimization of loan related frauds.

Marginal Cost of Funds Methodology for Interest Rate on Advances (MCLR):

RBI has finalized and released the guidelines under Marginal Cost of Funds Methodology for Interest Rate on Advances. The new internal benchmark rate to which all rupee loans sanctioned and credit limits renewed wef April 01, 2016 will be reference rate and has been christened as Marginal Cost of Funds based Lending rate (MCLR). It will replace 'Base Rate' and will be the internal benchmark for such purposes.

The MCLR shall comprise of: Marginal cost of funds, Negative carry on account of CRR, Operating costs & Tenor premium

Liquidity Coverage Ratio (LCR)

Any amount borrowed under the call money route is automatically calculated under the total net cash outflows over the next 30 days (the denominator in the ratio). As a result, greater the LCR requirement, harder it is for banks to use inter-bank funds to manage LCR requirement on a daily basis. When the LCR was introduced in 2015, banks had to maintain the LCR at 60%. LCR increases by 10% every year till it reaches 100% in 2019. As of now, it stands at 80%.

Tri-party repo contracts

Tri-party repo is a contract where a third entity (apart from the borrower and lender) called a tri-party agent acts as an intermediary between the two parties. They cover activities such as collateral selection, payment and settlement, custody and management during the life of the transaction. As per the new rules, an entity will need to have a minimum equity capital of Rs.25 crore and RBI's approval to work as a tri-party agent.

Aadhaar Payment Bridge System (APBS)

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

Callable bonds

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

Foreign Account Tax Compliance Act:

The provisions commonly known as the Foreign Account Tax Compliance Act (FATCA) became law in March 2010. FATCA targets tax non-compliance by U.S. taxpayers with foreign accounts and focuses on reporting:

By U.S. taxpayers about certain foreign financial accounts and offshore assets

By foreign financial institutions about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest

The objective of FATCA is the reporting of foreign financial assets; withholding is the cost of not reporting.

Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016:

The provisions of these Directions shall apply to every Scheduled Commercial Bank {including Regional Rural Banks(RRBs)} licensed to operate in India by Reserve Bank of India. These directions shall not be applicable to operations of foreign branches of Indian banks.

Bulk Deposit:

Single Rupee term deposits of Rupees one crore and above for Scheduled Commercial Banks other than Regional Rural banks

Single Rupee term deposits of Rupees fifteen lakhs and above for RRBs.

Interest Rate framework

- The rates shall be uniform across all branches and for all customers and there shall be no discrimination in the matter of interest paid on the deposits, between one deposit and another of similar amount, accepted on the same date, at any of its offices.
- The rates shall not be subject to negotiation between the depositors and the bank.
- No interest shall be paid on deposits held in current accounts.
- Differential interest rate shall be offered only on bulk (term) deposit
- The additional interest may be paid on deposits after obtaining a declaration from the
- depositor concerned, that the monies deposited or which may be deposited from time to time into such account belong to the depositor:
- member or a retired member of the bank's staff, either singly or jointly with any member or members of his/her family; or
- the spouse of a deceased member or a deceased retired member of the bank's staff; and
- an Association or a fund, members of which are members of the bank's staff;
- Scheduled Commercial Banks shall, at their discretion, formulate term deposit schemes specifically for resident Indian senior citizens, offering higher and fixed rates of interest as compared to normal deposits of any size.
- Scheduled Commercial Banks shall, at their discretion, give their resident Indian retired staffs, who are senior citizens, the benefit of additional interest rates as admissible to senior citizens over and above the additional interest payable to them by virtue of their being retired members of the banks' staff.
- Scheduled commercial banks shall not pay any remuneration or fees or commission or brokerage or incentives on deposits in any form or manner to any individual, firm, company, association, institution or any other person except commission paid to agents employed to collect door-to-door deposits under a special scheme, commission paid to Direct Selling agents/ Direct Marketing Agents as part of the outsourcing arrangements and remuneration paid to Business facilitators or Business Correspondents.

New Development Bank (NDB): Current financing and investment patterns are inadequate in meeting investment needs of the emerging economies. Private international capital flows are not only volatile they are also insufficient in volume and maturity to fund sustainable development, which typically requires long-term investment. In the above backdrop, BRICS states viz, Brazil, Russaia, India, China and South Africa started New Development Bank (NDB), formerly referred to as the BRICS Development Bank in the year 2012. The initial authorized and subscribed capital of the bank is $100 billion and $50 billion respectively and the same is equally distributed among the founding members. The bank is headquartered in Shanghai, China. The objective of the Bank is to support public or private projects through loans, guarantees, equity participation and other financial instruments. A significant aspect of the Bank is to establish global, regional and local partnership with the new as well as established Multilateral Development Banks (MDBs) and with market participants. It provides technical assistance for projects to be supported by the Bank. The vision of the Bank is not restricted to funding infrastructure requirements but also envisages building a knowledge sharing platform among the developing countries and promote sustainable development. It is a testament of coming of age of these countries in the world of development finance and enables the emerging and developing economies to achieve their aspiration of standing on their own feet. NDB issued its first green financial bond in the year 2016 with issue size of RMB 3 billion (Renminbi, currency of China), tenor of 5 years with interest rate at 3.07% per annum. The proceeds of the bond are used for infrastructure and sustainable development projects in the member countries. Shri K V Kamat from India is the first elected president of the NDB.

International Financial Reporting Standards (IFRS): Convergence to IFRS will require significant alterations to financial accounting and reporting processes and systems. The potential benefits of an integrated global capital market regulated by a single world-wide financial reporting language would be long lasting and it is a big step towards improving the efficiency of international capital markets. Regulators will benefit from greater consistency and quality of information. It also enhances the communication of the Bank's financial results and position together with other performance indicators to analysts, investors, customers as well as other stakeholders. It also benchmarks the entity against its global peer group gaining a broader and deeper understanding of its relative strengths by looking beyond the country and regional bench marks. It is proposed that the Corporates are to be moved to IFRS in a phased manner.

Unique Customer Identification Code (UCIC): The increasing complexity and of financial transactions necessitate that customers do not have multiple identities within a bank as well as across the banking/financial system. RBI has directed all Banks to allot UCIC for each and every customer. The UCIC help the bank to identify the customers, avoid multiple identities, track the facilities availed, monitor financial transactions in a holistic manner and enable to have a better approach to risk profiling of customers. While opening account, all bank branches are advised to verify with Central KYC Registry whether the customer or applicant is already having account with other banks or not. This can be done entering the key fields like name, date of birth, gender, phone number and one of the Identification Proofs viz., Aadhaar or Passport number or PAN or Driving License or Voter ID etc. If the applicant is the existing customer with Branch/Bank, new account can be opened but with existing customer ID only. Branches should ensure that no new customer ID to be created for an existing customer.

Forensic Audit is defined as the application of accounting methods to the tracking and collection of forensic evidence, usually for investigation and prosecution of criminal acts such as embezzlement or fraud. It involves examination of legalities by blending the techniques of propriety, regularity and investigative and financial audits. The objective is to find out whether or not true business value has been reflected in the financial statements and in the course of examination to find whether any fraud has taken place. Forensic Auditors has a unique job because the responsibility involves the integration of accounting, auditing, and investigation skills. It involves thinking beyond the numbers and out of the box. It essentially presumes the existence of fake transactions. It requires a more proactive, skeptical approach in examining the books of accounts.

Whistle Blower Policy: In compliance with listing agreement relating to Corporate Governance, all banks are required to have a Whistle Blower Policy to enable the staff to inform the unethical behavior, actual or suspected fraud or violation of law or improper practice of the staff members of all cadres, direct to the Board of the Bank without informing their superiors. The employee shall make a written disclosure to the Audit Committee of the Bank in a closed/secured envelope along with supportive documents. The identity of the complainant will not be revealed. In case where the complainant is being victimized for filling a complaint, the complainant can approach CMD/ED for redressal. It provides protection to the Whistle Blowers from unfair termination/harassment from the superiors. Audit Committee of the Bank reviews the Whistle Blower mechanism at regular intervals.

Reverse Mortgage: The genesis of Reverse mortgage can be traced to developed countries where Silver Line segment (people above 65 years group) constitutes major chunk of population on account of higher standards of living, better access to health care and higher life expectancy. The ever-rising cost of living and health care has prompted Banks/Financial Institutions to introduce the Reverse Mortgage in the US, UK and Australia. It works like a traditional mortgage loan, but only in reverse direction. Under this borrower does not make regular payments to a lender; instead he receives payments from the lender. It supplements the income of the Senior Citizens, particularly to those whose pension or income is low. Instead of being dependent on their children/relatives for monetary support, this would be an ideal option for elderly people to continue with a graceful lifestyle. The borrower need not repay the loan during their life time and can also continue to live in their house during their life time. Thereafter, the legal heirs have the option to repay the bank loan and redeem the property. Otherwise, the bank will sell the property and liquidate the loan. The scheme is gaining momentum slowly.

- **Corporate Governance:** It is the system by which companies are directed and controlled by the Management with greater transparency in the best interest of all the stakeholders. It encompasses commitment to values / ethical business conduct to maximize shareholder values on a sustainable basis, while ensuring fairness to all stakeholders including customers, employees, investors, vendors, Government and society at large. Good Corporate Governance, Good Government and Good Business go hand in hand. Openness, integrity and accountability are the key elements of Corporate Governance for any corporate entity. The major recommendations of "Ganguly Committee" on Corporate Governance in banks are as under:

- Boards should be more contemporarily professional by inducting technical and specially qualified personnel. There should be a blend of "historical skill" set
- and "new skill" set, i.e. skills such as marketing, technology and systems, risk management, strategic planning, treasury

operations, credit recovery, etc.

- Directors should fulfill certain "fit and proper" norms viz., formal qualification, experience and track record. Certain criteria adopted for public sector banks such as the age of director being between 35 to 65 years and that he/she should not be a Member of Parliament / State Legislatures, etc. may be adopted for private sector banks also.
- Selection of Directors could be done by a nomination committee of the board.
- Need-based training should be imparted to the directors to equip them to govern the banks properly.
- It is suggested formation of five committees of the board viz., Nomination Committee, Audit Committee, Shareholder's Redressal Committee, Supervisory Committee and Risk Management Committee.
- Ethical leadership is need of the hour to conduct the business on sound lines. Every organization needs to note "What is ethical but not legal should not be done and at the same time what is legal but not ethical should not be practiced".

Domestic Systemically Important Banks (D-SIBs): During the recent global financial crisis, it was observed that problems faced by certain large and highly interconnected financial institutions hampered the orderly functioning of the financial system, which in turn, negatively impacted the real economy. Government intervention was considered necessary in many jurisdictions to ensure financial stability. Cost of public sector intervention and consequential increase in moral hazard require that future regulatory policies should aim at reducing the probability of failure of Systemically Important Banks (SIBs) and the impact of the failure of these banks. Further, the Basel Committee on Banking Supervision (BCBS) came out with a framework for identifying the Global Systemically Important Banks (G-SIBs) as well as D-SIBs. The indicators which would be used for assessment are - size, interconnectedness, substitutability and complexity. Based on the sample of banks chosen for computation of their systemic importance, a relative composite systemic importance score of the banks will be computed. In the above backdrop, RBI has initiated steps to assess D-SIBs and the computation of systemic importance scores will be carried out at yearly intervals. The first exercise was done in the month of August 2015 and identified two banks as D-SIBs viz., State Bank of India and ICICI Bank.

Permanent Account Number (PAN): As per section 139 (4A) of Income Tax Act 1961, all individuals whose income exceeds the tax free limit and in case where the person carrying a business, the sales turnover or gross receipts exceeds 75 lakh in a year are required to have PAN and the same is to be quoted in all returns and correspondence with IT authorities. As per the revised guidelines, the purchaser of goods and services shall furnish PAN number where the value of the transaction is beyond 72 lakh irrespective whether paid by cash, card, cheque or online. Similarly, the monetary limits for quoting PAN increased to 710 lakh from 75 lakh for sale or purchase of immovable property. With regard to payment of hotel/restaurant bills, the limit is increased to 750000 from existing 725000/- and for purchase or sale of shares of unlisted company it is raised from 750000/- to 71 lakh. Persons who do not hold PAN are required to fill a form and furnish any one of the specified documents to establish their identity. The above changes in the rules are expected to be useful in widening the tax net by non-intrusive methods and to curb black money.

Dematerialization (Demat) signifies conversion of physical form of securities in to electronic form and the converted securities will be credited to customer account with Depository Participant (CDSL/NSDL). This can be used for shares, bonds and Mutual funds. Now, it is mandatory that the investor should have Demat account to subscribe IPO/FPO. The benefits associated are - Faster settlement cycle, Elimination the risk of bad delivery, No stamp duty, Easy for the banks to lend against shares, Eliminate delays/thefts/interceptions/fake certificates and Online credit of Dividends and Bonus/Rights/Split shares, if any.

Money Mules: An individual with bank account is recruited to receive cheque deposits or wire transfers and then transfer these funds to accounts held on behalf of another person or to other individuals is called Money Mules. The fraudsters adopt variety of methods including spam e-mails, advertisements on genuine recruitment web sites, social networking sites, instant messaging and advertisements in newspapers. Many times the address and contact details of such mules are found to be fake and making difficult for enforcement agencies to locate the account holder. RBI advised the banks to strictly adhere to the guidelines on KYC/AML/CFT to protect our customers from misuse by such fraudsters.

Floating Rate Deposits — Bank Term deposits are the most preferred among the variety of investment options. However, of late the Bank depositors found unattractive as the real rate of return is low and sometimes negative since they get interest at contracted rate only while the interest rates are on the rise. Asset Liability management is the greatest challenge for the Banks as majority of the banks liabilities are of short term while the repayments of assets spread over relatively longer tenure i.e. beyond 36 months. Further, the present term deposit interest rate scenario is acting as disincentive for long term investors since the interest rate on deposits of beyond 2/3 years is low compared to short term deposits. Normally, the retail borrowing happens at floating interest rates whereas their deposits with banks attract fixed rate exposing them to interest rate risk. In the above backdrop, Banks have been examining the feasibility of introduction of floating rate term deposits, wherein the rate of interest keeps changing depending on the market rates. The interest rate is reset with reference to a benchmark/anchor rates which are directly observable and transparent to the customer. Floating rate term deposit looks ideally attractive for the retail investors. On the flip side, since the interest rate is floating, the income from term deposits may be adversely impacted when the rates fall. The floating deposit rate concept helps banks to manage their assets and liabilities better. At present, the Floating Interest Rate Deposits are being offered select banks only and the concept is yet to take momentum in India.

Deregulation of SB Interest Rates: As per RBI guidelines banks are free to determine their savings bank deposit interest rate w.e.f 25.10.2011 subject to the following two conditions viz., First, each bank will have to offer a uniform interest rate on savings bank deposits up to 71 lakh, irrespective of the amount in the account within this limit. Second, for savings bank deposits over 1 lakh, a bank may provide differential rates of interest, if it so chooses. However, there should not be any discrimination from customer to customer on interest rates for similar amount of deposit. Further, banks are free to determine their interest rates on NRE/NRO deposits w.e.f. 16.12.11. However, interest rates offered by banks on the said deposits should not be higher than those offered by them on comparable domestic rupee deposits. Banks are paying interest on SB accounts on Daily Products on quarterly basis. Though, the deregulation of interest is in vogue, at present all most all Public Sector Banks are paying 4% interest where as few Private Sector Banks are extending interest beyond 4% p.a.

Doorstep Banking: Extending Banking services like pick up of cash, instruments and delivery of cash etc., to Corporate

Customers / Government Departments / PSUs / Individual Customers at their place through Employees / Agents is called Doorstep Banking. However, banks are not allowed to extend such services to Individual Customers. Cash collected from the customer should be acknowledged by issuing a receipt on behalf of the bank. Cash collected from the customer should be credited to the customer's account on the same day or next working day, depending on the time of collection. Doorstep services should be offered only to KYC compliant customers and the charges should be prominently indicated on brochures. It is a win-win situation for both customers and banks.

Indian Rupee Symbol: Now Indian rupee joined the select club of currencies such as the US Dollar, Euro, British Pound and Japanese Yen that have a clear distinguishing identity and it is considered as a step towards internationalization of Indian Rupee. Though the symbol is not be printed or embossed on currency notes or coins, it would be included in the Unicode Standard and major scripts of the world to ensure that it is easily displayed and printed in the electronic and print media. The new symbol portrays the nation's strength & stability, both politically and economically and acts as Brand Ambassador.

Mutual Funds Vs Exchange Traded Funds (ETF) - Both the funds provide investors with the opportunity to diversify portfolios without having to pay the prohibitive trading costs that would normally required, which particularly benefits retail investors, who tend to execute smaller trades. By investing in either a mutual fund or ETF, the investor indirectly owns the portfolio of securities in which the fund invests and receives its share of the income generated by the fund based on ownership percentage. Mutual fund is the better choice for the investors who adopt strategy wherein an equal amount of money is invested in the fund each period, regardless of whether the fund's price is up or down. Unlike ETFs, the mutual fund transactions do not attract any commission and one can simply buy or sell the mutual fund units at their Net Asset Value (NAV). However, more sophisticated investors may want to place a bet that the portfolio in which an ETF is invested will decrease in value by selling it short. ETFs tend to be more tax efficient than their mutual funds. When we sell shares of an ETF, you are usually selling them to another investor, so the fund itself is unaffected. In contrast, when we sell shares of a mutual fund, we are selling them back to the fund itself, and the fund may need to sell some of the securities in its portfolio to fulfill its redemption requests. This can trigger capital gain income, which becomes taxable income for the other investors in the fund.

Treasury Management - Concepts

Banks not only lend money to customers but also invest in securities such as Bonds and Debentures of Government as well as Corporates. These instruments are easily tradable in the capital and money market. The tradability of securities makes investments an attractive option for banks for deployment of their funds. Further, banks buy securities not only to trade but also to hold them till maturity to take advantage of the attractive returns with relatively lower risk. Banks are allowed to invest in shares of companies. However, the volumes are low due to associated high risk besides regulatory restrictions. The investment portfolio of the banks broadly divided into three groups viz.,

Trading Book - Securities purchased with the intention of selling them within 90 days are held in the trading book. Trading opportunities arise in the market on account of fluctuation in interest rates and arbitrage opportunities.

Available for Sale (AFS) - Securities which are bought with the intention of selling them but not necessarily within 90 days is considered to be AFS securities. They are also part of the trading portfolio of the bank but only the time frame is different. Both the trading and AFS securities have to be "Marked to Market" every quarter while finalization of quarterly results.

Held to Maturity (HTM) - These securities are meant to be held till their date of maturity and the purpose investing in them is to earn reasonable steady income. These securities are carried in the books at cost or purchase price till maturity. Hence, HTM securities need not be "Marked to Market" as the bank is certain of receiving the maturity value on the specified date. Banks are not allowed to shift securities freely from trading and AFS to the HTM book as this may lead to overstating of profit figures. However, banks can opt for shifting only once in a year to adjust their overall portfolio. Banks are permitted to exceed the limit of 25% of total investments under HTM category provided (a) the excess comprises of only of SLR securities and (b) the total SLR securities held in the HTM category is not more than 23% by March 2014.

Call Money Markets: Call and notice money market refers to the market for short term funds ranging from overnight funds to funds for a maximum tenor of 14 days. Under Call money market, funds are transacted on overnight basis where as in case of notice money market; funds are transacted for the period of 2 days to 14 days.

Coupon Rate: It is a rate at which interest is paid, and is usually represented as a percentage of the par value of a bond. It refers to the periodic interest payments that are made by the borrower (who is also the issuer of the bond) to the lender (the subscriber of the bond) and the coupons are stated upfront either directly specifying the number (e.g.8%) or indirectly tying with a benchmark rate (e.g. MIBOR+0.5%).

Zero Coupon Bond / Deep Discount Bond: The bond is issued at a discount to its face value, at which it will be redeemed. When such a bond is issued for a very long tenor, the issue price is at a steep discount to the redemption value. The effective interest earned by the buyer is the difference between the face value and the discounted price at which the bond is bought. The essential feature of this type of bonds is the absence of intermittent cash flows.

Commercial Paper (CP): It is a short-term instrument to enable non-banking companies to borrow short-term funds through liquid money market instruments. CPs is therefore part of the working capital limits as set by the maximum permissible bank finance (MPBF). CP issues are regulated by RBI Guidelines issued from time to time stipulating term, eligibility, limits and amount and method of issuance. CP can be issued for maturities between a minimum of 7 days and a maximum up to one year from the date of issue. The maturity date of the CP should not go beyond the date up to which the credit rating of the issuer is valid. CP can be issued in denominations of 75 lakh and multiples thereof. It is mandatory that CPs should be rated by credit rating agencies. In a bid to make CPs attractive, the RBI has allowed issuers to buyback these instruments through the secondary market before maturity. It attracts stamp duty.

Certificates of Deposits (CDs): It is a negotiable money market instrument and issued in dematerialized form or as a Usance Promissory Note, for funds, deposited at a bank or other eligible financial institutions to raise short-term resources within the umbrella limit fixed by RBI. CDs may be issued at a discount on face value. CDs differ from term deposit as they involve the creation of paper, and hence have the facility for transfer and multiple ownerships before maturity. Banks use the CDs for borrowing during a credit pickup, to the extent of shortage in incremental deposits. Minimum amount of a CD should be one lakh and in multiples thereof. The maturity period of CDs should be not less than 7 days and not more than one year. However FIs are allowed to issue CDs not exceeding 3 years from the date of issue. Banks have to maintain the appropriate reserve requirements (CRR/SLR) on the issue price of the CDs. It attracts stamp duty. Banks/Fis cannot grant loans against CDs.

Securitization is an effective tool to reduce the mismatches in the maturities of assets and liabilities. It is a financing technique that involves pooling and re-packing of illiquid financial assets in to marketable securities. There are six players viz., Borrowers, Lending Banker (who becomes an originator for the Securitization transaction), Special Purpose Vehicle (SPV), Credit Rating Agency, Investors and Service Providers. The process of securitization involves identification of financial assets, rating of these assets by the rating agency, creation of a SPV for handling the securitization transaction, assignment of future receivables in favour of the SPV, issuance of marketable securities based on these underlying financial assets and selling the same to the investors. The service providers recover the amount periodically and remit to the SPV and who in turn pass the benefit to the investors.

Asset and Liability Management — RBI Guidelines: Of late, it is observed that PSBs have been accepting Bulk Deposits/Certificate of Deposits route to increase balance sheet size at very high interest rates, adversely affecting the profitability besides exposing the banks to ALM Risk. RBI directed banks not to accept Bulk Deposits beyond 10% of the total deposits and the total of Bulk Deposits & Certificates of Deposits should not exceed 15% of total deposits of the bank at any given point of time. An appropriate time-bound strategy for reduction of such existing bulk deposits should be put in place.

External Borrowings & Concepts :

External Commercial Borrowings (ECB): It is the borrowings by the Corporates and Financial Institutions from International markets. ECBs include Commercial Bank loans, Buyer's Credit, Supplier's Credit, Securitized Instruments such as Floating Rate Notes, Fixed Rate Bonds etc. ECBs are usually available at interest rate of 100 to 400 basis points above LIBOR (London Inter Bank Offered Rate).

American Depository Receipt (ADR): It is a negotiable certificate of ownership in the shares of non-American Company that trades in an American Stock Exchange. ADRs make it convenient for Americans to invest in foreign companies as ADRs carry prices and dividends in dollars, and can be traded on the US stock exchanges like the shares of US based companies.

Special Drawing Rights (SDR): It is the International Monetary Fund's own currency. The value of SDRs is set relative to a basket of major currencies. It is used only among governments and IMF for balance of payments settlement.

Global Depository Receipt (GDR): These are the instruments through, which the Indian companies raise their resources from international markets. It is a negotiable certificate issued by a depositary company (normally an investment bank) representing the beneficial interest in shares of another company whose shares are deposited with the depository. It is a Dollar denominated instrument, traded on Stock Exchange in Europe or USA or both and represents publicly traded specified number of local currency equity shares of the issuing Company.

Foreign Direct Investment (FDI): An investment which is made directly on the production facilities (either by buying a company or by establishing new operations of an existing company) of a country by a foreign source, usually a foreign company. These investments are more enduring than foreign investment in shares and bonds.

Masala Bonds: Recently, the RBI has permitted banks to raise capital through "Masala Bonds" in the overseas market in Indian Rupee. RBI's proactive steps acknowledged the potential of the market and issuance of these bonds from banks will help broaden and deepen the market for making the product more sustainable in the long run as a financing option. It definitely paves the way to develop the overseas market for rupee denominated bonds and enable the banks to shore-up their capital requirements (Tier-I & II) for financing infrastructure and affordable housing projects.

Derivatives: A credit derivative derives its value from the credit quality of the underlying loan or bond or any other financial obligation of an underlying company. The underlying asset can be equity, index, foreign exchange (forex), commodity or any other asset. Derivative products initially emerged as hedging devices against fluctuations in commodity prices and commodity-linked derivatives remained the sole form of such products for almost three hundred years. The financial derivatives have become very popular in the recent years. Credit Derivatives are financial instruments designed to transfer credit risk from the person / entity exposed to that risk to a person / entity who is willing to take on that risk.

SWAP refers to exchange of one asset or liability for a comparable asset or liability for the purpose of lengthening or shortening maturities or raising or lowering coupon rates to maximize revenue or minimize financing costs. This may entail selling one securities issue and buying another in foreign currency; it may entail buying a currency on the spot market and simultaneously selling it forward. There are various types of SWAPs such as Equity swap, Currency swap, Credit swaps, Commodity swaps, Interest rate swaps etc. These can be used to create unfunded exposures to an underlying asset since counterparties can earn the profit or loss from actions in price without having to post the notional amount in cash or collateral. Swaps can be used to hedge certain risks such as interest rate risk or to wonder on changes in the expected direction of underlying prices.

Futures & Options: An agreement to buy or sell a fixed quantity of a particular commodity, currency or security for delivery on a fixed date in the future at a fixed price. Unlike an 'option', a 'futures' contract involves a definite purchase or sale and not an option to buy or sell. It may entail potential unlimited loss. However, Futures provide an opportunity to those who must purchase goods regularly to hedge against changes in prices. An arrangement where the rate is fixed in advance for the purchase or sale of foreign currency at a future date is called forward contract. Option is a contract, which gives the holder the right but not the obligation. A call and put option is a right to buy and sell the underlying product respectively.

Factoring and Forfeiting: Factoring is a method where by the factor undertakes to collect the debt assigned by exporter where as international forfeiting is a method whereby the exporter sells the export bills to the forfeiter for cash. Forfeiting is resorted to for export of capital goods on medium terms and long-term credit, whereas the factoring is mainly short-term trade finance. In respect of forfeiting, the guarantee by the importer's banker is normally insisted upon whereas in factoring such guarantee by the importers banker is usually not stipulated. Forfeiting is without recourse to the seller (exporter), while factoring is undertaken both with and without recourse to the seller.

Fed Tapering - "Tapering" is a term that exploded into the financial lexicon when U.S. Federal Reserve Chairman Ben Bernanke stated in testimony before Congress that that Fed may taper or reduce the size of the bond-buying program known as Quantitative Easing (QE). The US central bank (Federal Reserve) has been spending substantial funds to boost the US economy as part of QE. Under the plan, the Fed has been buying assets - a mixture of US government debt and mortgage bonds. This has the effect of driving down US interest rates, including the cost of mortgages, car loans and financing for business. Quantitative easing was never intended to last forever, since each bond purchase expands the Fed's "balance sheet" by increasing the amount of bonds it owns. The program is designed to stimulate the economy. Tapering isn't an immediate, dramatic event instead it is likely to take place in a phased manner so as to create minimal market disruption. Tapering is going to remain dependent on economic conditions - Fed may pull back slightly if the economy continues to strengthen, but it could also increase the program again if the economy slowed or the financial markets were shocked by an unforeseen crisis. Fed tapering is not only necessity for reducing long-term inflationary pressures but it is also important from a macro-economic standpoint as US Fed balance sheet is becoming unsustainably huge. Tapering will definitely reflect confidence on the sustainability of economic growth and will be a longterm positive rather than a negative.

Volcker Rule restricts deposit-taking banks from engaging in proprietary trading, prohibiting them from engaging in more complex activities that are prone to conflicts of interest, in order to safeguard the core of the banking system, i.e. commercial or traditional banking (deposit taking and lending). The rule prohibits any banking entity from engaging as principal in short-term trading in securities, derivatives, or commodity futures, i.e. activities that may not be compatible with the risk profile of the banking entities, but allows exemptions for market-making, hedging, trading in US government securities, and other activities. There is a concern that it would be a challenging task to separate proprietary trades from permissible trades. Under the Volcker Rule the reporting and compliance regime is expected to assume greater significance. The rule applies to all US banks and bank-holding companies and all foreign bank-holding companies with US subsidiaries or branches. The Volcker Rule prescriptions can affect the operations of the US banks operating in India as they are active players as market makers in domestic foreign exchange market, Government securities market and interest rate swap market. This will change the entire depth and breadth of the Indian markets. An important fall-out of this rule could well be the decline in liquidity in these markets and the resultant cost escalation for market participants.

Bitcoins: It is a virtual and digital version of cash emerging as a global payment platform that can be used through smart phones, tablets, and other devices. Bitcoin was introduced in 2009 by pseudonymous developer Satoshi Nakamoto, when the global financial crisis led to distrust of Banks and Government was high. It is a peer-to-peer payment network and digital currency based on an open source protocol, which makes use of a public transaction log. When paying with Bitcoin, there will be no exchange of digital notes or tokens between buyer and seller. Instead, the buyer requests an update to a public transaction log which shows ownership of the coins and is maintained by a decentralized network that verifies and timestamps payments. What makes Bitcoin unique is that there is a record as to who possesses it, and there is a network that records transactions and there is no way to increase the number of Bitcoins in existence. It works on Cryptography proof that allows any two willing parties to transact directly with each other without the need for a trusted third party - whether it is State or Bank or Regulator. Bitcoin is fast evolving in terms of merchant adoption. Many large business houses, including Microsoft, Dell, PayPal, Dish Network, Expedia, NewEgg and TigerDirect have adopted it. Bitcoin helps businesses save on transaction cost and settlement time and mitigates risks related to foreign exchange. Bitcoin may be well suited to facilitating cheap cross-border money transfers. However, these coins lack intrinsic value as their value depends only on the willingness of users to accept them. Further, the big psychological hurdle in its usage is inability to reverse or recall transaction.

At present, the usage of virtual currency is not authorized by any central bank or monetary authorities. Israeli is in forefront in creating tools to facilitate the Bitcoins to be used in many ways such as buying of products, sending remittances and investments in stock market. The United States is currently considered to be Bitcoin friendly compared to other nations. On the flipside, there are concerns with regard to maintenance of its value, KYC compliance, taking undue advantage of the system (unlawful activities) by unscrupulous persons/agencies and lack of consumer protection. Recently, the Central Banks of Europe, China and India expressed their concerns about the usage of the unregulated currency. As on 1st January 2017, it is estimated that 15 million Bitcoins are in circulation across the globe and the value of one Bitcoin reportedly quoted at $1000. Definitely, it is going to be a game-changer in virtual currency arena provided it crosses regulatory hurdles.

Corporate Bond Market

Corporate rely on internal accruals or external sources or combination of both to meet their capital requirements. Normally, funds are raised from external sources either in the form of Equity or Debt or Hybrid instruments that combine the features of both debt and equity. Majority of corporate requirements are being met through borrowings from Banks / Financial institutions in the form of project loans, syndicated loans, working capital, trade finance, etc. Further, corporate sector raises funds through public issues or private placement route (issue of securities by a company to a select group of persons not more than 50).

Of late, corporate are focusing attention on Bond market to meet their financial requirements by issuing debt instruments - Commercial paper (CP) or Corporate Debentures/Bonds (CB). While CP has maturities between one week and a year, corporate bonds have longer maturities.

Corporate Bonds are transferable debt instruments issued by a company to a broad base of investors viz., Public Debt and Private Debt. The former type is an instrument issued by central and state governments, municipal authorities and the later pertains to bonds issued by financial and non-financial corporates. There are three main pillars that make up the corporate bond market ecosystem viz., the Institutions, Participants and the Instruments. The institutions comprise of the securities market regulator (SEBI), the banking regulator (RBI), the credit rating agencies, clearing houses, stock exchanges and the regulations and governance norms prescribed by these institutions.

Development of long-term debt markets is critical for the mobilisation of the huge magnitude of funding required to finance potential businesses as well as infrastructure expansion. Despite a plethora of measures adopted by the authorities over the years for development of Corporate Bond market.

Development of domestic corporate debt market in India is thwarted by a number of factors viz., illiquidity in the secondary market, narrow investor base, high costs of issuance, inaccessibility to small and medium enterprises, dearth of a well-functioning derivatives market, regulatory restrictions, high interest rates etc.

Development of Corporate Bond market is likely to be a gradual process. However, it is important to understand whether the regulators have sufficient willingness to shift from a loan-driven bank-dependent economy to deep developed bond market by corporate in a phased manner. Vibrant, deep and robust corporate bond markets are essential to enhance stability of financial system of a country, mitigate financial crises and support the credit needs of corporate sector, which is vital for the growth of an economy.

Recent Developments: The listed companies are allowed to lend money to banks through repo market mechanism, essentially overnight money, something that can have wide ranging ramifications for call money rates, short-term money market rates as well as the banking system liquidity. The RBI also seeks legal amendments to allow banks to borrow from it by pledging corporate bonds. The proposal to allow foreign portfolio investors direct access to bond trading platforms for government and corporate paper will widen the investor base. The RBI has also proposed that banks push corporate clients to borrow from the bond market. As per RBI guidelines, Foreign Portfolio Investors (FPIs) are allowed to have direct access to NDS-OM to ease the process of investment in debt securities. It has also been agreed with SEBI to provide FPIs facility to trade directly in corporate bonds.

Bankruptcy Code

The Insolvency and Bankruptcy code which aims at speed-up the process of liquidation or revival of companies. However, the fact remains that the recovery rate in India is around 20% of the value of the debt only as the promoters stay in control of the company even after the default and tend to divest assets of the company which is detrimental to the interest of the stakeholders. Further, even to decide whether to save or liquidate an ailing company is taking undue long time under the existing bankruptcy rules.

It is reported that large number of corporate borrowers (1/3rd of the total borrowers) is facing significant balance sheet distress, leading the banking industry to squander good money after bad money, hampering the credit cycle adversely. When banks pull back from lending, it hurts the macro economic situation which has again direct bearing on the asset quality of banks.

Though, RBI initiated many steps in this direction, the desired result is not seen as the key problem for the present issue is the multiplicity of frameworks viz., Debt Recovery Tribunals (DRT), Corporate Debt Restructuring Mechanism (CDR), Joint Lenders' Forum, Strategic Debt Restructuring (SDR) etc. The establishment of earlier CDR or the present SDR mechanism has become another instrument for banks to postpone bad news. The SDR scheme micro manages the process and it attempts to replace subtle business judgment with a fixed bureaucratic scheme, probably not a right prescription. Further, Banks are facing challenges in recovering of debts from the wilful defaulters. Thus, the bankruptcy code needs to be a clean and modern replacement for these multiple procedures. To address the issue and to create a sound framework for all creditors, GOI constituted a committee to review and revisit "Bankruptcy Law Reforms" and entrusted the task to Shri T.K. Vishwanathan to draft a bankruptcy code. This is one of the most important initiatives of the government and the major recommendations of the committee report are:

Formation of an Insolvency Adjudicating Authority which will have the jurisdiction to hear and dispose of cases by or against the debtor. DRTs would hear the cases for individuals and unlimited liability partnership firms where as cases for companies, limited liability entities will be dealt by National Company Law Tribunal.

The creditor and the debtor will engage in negotiations to arrive at an agreeable repayment plan for composition of the debts and affairs of the debtor, supervised by a resolution professional.

The period prescribed for insolvency resolution is 180 days, which may be extended to 270 days by the Adjudicating Authority only that too in exceptional cases.

The insolvency resolution plan is to be approved by a majority of 75% of voting share of the financial creditors.

Fast track insolvency process is made available for certain entities to complete the resolution process within 90 days from the trigger date. The insolvency and Bankruptcy code is a veritable watershed reform which shall create an environment where failure of business enterprises is accepted by the society and a mechanism to resolve such failures is created. This shall help in reducing the burden of the courts by doing away unnecessary litigation which ensures to protect the interest of all stakeholders.

UNIVERSAL BANKING

Universal banking (Khan Committee) means allowing undertaking all kinds of activity of banking or development financing activity, subject to compliance of Statutory and other requirements prescribed by RBI, Govt. and related legal Acts. 'Activities include -low risk activities like. acceptance of deposits, investing in securities, medium risk activities like granting of loans, high risk activities like credit cards, forex and insurance, project financing.

NARROW BANKING

Banking in low risk products such as collecting low cost deposits, lending to low risk loans, investment in govt. securities. (recommended by SS Tarapore CoMmittee)

CROSS SELLING

Cross selling is a marketing tool which means to make effort to sell to customers, more than one product. It leads to per customer (a) reduction in operational cost and (b) increase in business and profits.

SECURITISATION

Securitisation is the process by which the selected pool of loans of a Bank is sold to a trust called Special Purpose Vehicle. (say SBI sells a part of its housing finance loans to the SPV). The SPV•in turn, issues marketable paper securities (called Pass Through Certificates and similar to debentures) against the backing of such assets and sells the same to prospective investors..

SEBI : Securities Exchange Board of India was set up in 1988 to regulate the functions of securities market. It promotes orderly development in the stock market but initially it was not able to exercise complete control over the stock market transactions. It was left as a watchdog to observe the activities but was found ineffective in regulating and controlling them. So in 1992, SEBI was granted legal status.

I .Reason for establishment: With the growth in the dealings of stock markets many malpractices started in stock markets such as price rigging, and delay in delivery of shares, violation of rules and regulations of stock exchange.

ii.Due to these malpractices the customers started losing confidence in the stock exchange. So government of India decided to set up an agency or regulatory body known as Securities Exchange Board of India (SEBI).

Functions: Checks Price Rigging,Prohibits Insider trading, Prohibits fraudulent and Unfair Trade Practices
Registers and regulates the working of stock brokers, sub-brokers,share transfer agents, trustees, merchant bankers and all those who are associated with stock exchange in any manner. Registers and regulates the working of mutual funds etc. Regulates takeover of the companies

Investment Banks

Investment banking is a special segment of banking operation that helps individuals, corporations, and governments such as raising financial capital by underwriting or acting as the client's agent in the issuance of securities.

Retail Banking:

Retail banking or Consumer Banking is refers to the division of a bank that deals directly deals individual consumers, rather than to companies, corporations or other banks. Services offered include savings and transactional accounts, mortgages, personal loans, debit cards, and credit cards.

Wholesale Banking:

This Banks provides banking solutions to corporate and institutional and other financial institutions such as large corporations and other banks, whereas retail banking focuses more on the individual or small business.

Islamic or Sharia banking

Islamic or Sharia banking is a finance system based on the principles of not charging interest, which is prohibited under Islam. Islamic Banks are providing sharia compliant finance. The Reserve Bank of has proposed opening of "Islamic window" in conventional banks for "gradual" introduction of Sharia-compliant or interest-free banking in the country.

FACTORING.

Factoring is an arrangement under which a factoring company purChases and administers the doMestic receivables of short term period of a firm after purchasing the receivables from the seller of goods. The responsibility to recover is that of the factor which recovers discount and collection charges from the seller.

FORFAITING

It is on the pattern of factoring and deals with long term and medium export receivables (deferred payment- exports) while factoring deals with short.term receivables.

WAYS & MEANS ADVANCES (WMA)

It is temporary overdraft that RBI allows to Govt. to cover the mismatch between Govt. receipt and payment. For Central Govt. it is for max. 10 days and for State govt. for 14 days. interest is Repo Rate.
Issue of commercial paper by a company : 4 conditions are to be satisfied (1) Net worth Rs.4 cr, sanctioned working capital, their loan accounts in standard category and credit rating of P2 from CRISIL or equivalent from others.

PROMPT CORRECTIVE ACTION

It relates to taking corrective action promptly, where a bank faces weakness in respect of CAR, net NPA o rofits. The action becomes necessary when the following situation arises (called Trigger Points)

Parameter	Trigger level
Capital Adequacy Ratio	less than 9%
Non-performing assets	Net NPAs over 10%
Return on assets	Below 0.25%

DIVIDEND PAYMENT PARAMETERS

Banks can declare dividend without RBI permission, if they fulfill the undernoted criteria.

	Normal cases	**Special Cases**
Capital adequacy	9% for the year for which dividend to be paid & previous 2 yrs	9% for the year for which dividend to be paid
Net NPAs	Less than 7%	Less than 5% -

There is ceiling on dividend payout in the form of a ratio which can be 40%. It can be paid from current year's profits only. The ratio is worked out as Dividend payout ratio = Amount of dividend / amount of profits after provisions x 100).

INSURANCE BUSINESS

Insurance business can be (a)'Bancassurance (selling policies of other companies for commission as corporals agent — called without risk) (b) underwriting (risk based). Licence from IRDA required for both.

Underwriting business: (with risk insurance business). Business can be. done through a separate subsidiary company as a joint venture. Maximum investment of the bank can be 50% of the capital of the company. Permission to be obtained from RBI, if following Parameters are complied with.

Net worth	500 cr
Profits	3 years
Net NPAs	Reasonable
Capital adequacy ratio	10%
Performance of subsidiaries	Satisfactory

Small Finance Bank	**Payment Bank**
Capital requirement is Rs 100 crore	Paid-up equity capital requirement of Rs 100 crore

The bank shall primarily undertake basic banking activities of accepting deposits and lending to small farmers, small businesses, micro and small industries, and unorganised sector entities. It cannot set up subsidiaries to undertake non-banking financial services activities.	Payment Banks will initially be restricted to holding a maximum balance of 1 lakh rupees per individual customer. It can issue ATM or debit cards but not credit cards.
Professionals with 10 years in financial services or promoter group with 5 year track record. Existing Non-Banking Finance Companies (NBFCs),	Card Issuers, Finance Companies, Business Correspondents, Telecom Companies, Retailers etc
Micro Finance Institutions (MFIs), and Local Area Banks (LABs) that are owned and controlled by residents can also opt for conversion into small finance banks.	
Promoter's initial contribution should be 40% lowered to 26% in 12 years.	Promoters should retain a 40% stake for first five years.
*The maximum loan size and investment limit exposure to single/group borrowers/issuers would be restricted to 15 per cent of capital funds * Loans and advances of up to Rs 25 lakhs, primarily to micro enterprises, should constitute at least 50 per cent of the loan portfolio.	No credit lending is allowed
For the first three years, 25 per cent of branches should be in unbanked rural areas.	No such Rules
The small finance banks will be required to extend 75 percent of its Adjusted Net Bank Credit (ANBC) to the sectors eligible for classification as priority sector lending (PSL) by the Reserve Bank.	-do-
The foreign shareholding in the small finance bank would be as per the Foreign Direct Investment (FDI) policy for private sector banks as amended from time to time.	The foreign shareholding in the should be as per the Foreign Direct Investment (FDI) policy for private sector banks as amended from time to time.
These banks will be subject to all prudential norms and regulations of RBI as applicable to existing commercial banks including requirement of maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR). No forbearance would be provided for complying with the statutory provisions.	These banks also should maintain CRR with the Reserve Bank, it will be required to invest minimum 75 percent of its demand deposit balances in Statutory Liquidity Ratio (SLR) with maturity up to one year and hold maximum 25 per cent in current and time or fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.
These Banks can offer all types of Deposits as like commercial Banks be it savings, Current, Fixed as well as Recurring.	Payments banks can only offer Savings and Current accounts.

ASSET - LIABILITY MANAGEMENT IN BANKS : It has been implemented wef April 01, 1999.

What is ALM : ALM is the management of structure of balance sheet (liabilities and assets) in such a way that the net earning from interest is maximised within the overall risk-preference (present and future) of the institutions.
Maturity buckets are different time intervals (10 for the time being, namely next day, 2-7 days, 8-14 days, 15- 28, 29-90, 91-180, 181-365 days, 1-3 years, 3-5 and above 5 years), in which value of an asset or liability is placed desending upon its residual maturity
Mismatch position : When in a particular maturity bucket, the amount of maturing liabilities or assets does not match, such position is called a mismatch position, which creates liquidity surplus or liquidity crunch position and depending upon the interest rate movement, such situation may turnout to be risky for the bank.
Ceiling on mismatch position : Mismatches for cash flows for next day to 15-28 days' buckets to be kept to minimum (not to exceed 5% for next day, 10% for 2-7 days, 15% for 8-14 days and 20% for 15-28 days, each of cash outflows for those buckets)
Role of ALCO : Asset-Liability Committee is the top most committee to oversee implementation of ALM system, to be headed by CMD or ED. ALCO would consider product pricing for both deposits and advances, the desired maturity profile of the incremental assets and liabilities in addition to monitoring the risk levels of the bank. It will have to articulate current interest rates view of the bank and base its decisions for future business strategy on this view.

Call Money	Money lent for one day
Notice Money	Money lent for a period of 2-14 days
Term Money	Money lend for 15 days or more in Inter-bank market
Held till maturity	Govt. securities which are not meant for sale and shall be kept till maturity by the banks.
Held for trading	Govt. securities acquired by the banks with the intention to trade by taking advantage of the short-term price/ interest rate movements.
Available for sale	Govt. securities which do not fall within the above two categories i.e. HTM or HFT.
Yield to maturity	Expected rate of return on a security during the period, it is held by an investor which may include capital gains and losses also.
Coupon Rate	Specified interest rate on a fixed maturity security, fixed at the time of issue.
Gilt Edged security	Government security.
Dated securities	Govt. security instruments which have tenure over one year.
Prudential limits For call money	Borrowing : On a fortnightly basis, maximum 100% of capital fund of latest audited balance sheet. It can go up to 125% on any particular day. Lending: On a fortnightly basis, maximum 25% of capital fund of latest audited balance sheet. It can go up to 50% on any particular day.
Inter-bank liability ceilings	Max 200% of its net-worth as on 31st March of the previous year. Banks with CRAR is at least 25% more than the minimum CRAR (9%) i.e 11.25% up to 300% of the net worth for IBL.

TERMS RELATING TO MONEY MARKET FINANCIAL PRODUCTS

Derivatives: A derivative is a financial contract that derives its value from another financial product/commodity (say spot rate) called underlying (that may be a stock, stock index, a foreign currency, a commodity). Forward contract in forex, a simple form of a derivative.
Option : It is contract that provides a right but does not impose any obligation to buy or sell a financial instrument, say a share or security. It can be exercised by the owner. Options offer the buyers, profits from favourable movement of prices say of shares or foreign exchange.
Variants of option: There are two variants of options i.e. European (where the holder can exercise his right on the expiry date) and American (where the holder can exercise the right, anytime between purchase date and the expiry date).
Call option : Owner (buyer), has the right to purchase and the seller has the obligation to sell, a specified no. of instruments (say shares) at a specified date during the time prior to expiry date.
Put Option : Owner or the buyer has the right to sell and the seller has the obligation to buy during a particular period
Futures: The futures are the contracts between sellers and buyers under which the sellers (termed 'short') have to deliver, a pre-fixed quantity, at a pre-fixed time in future, at a pre-fixed price, to the buyers (known as long'). The main features of a futures contract are that these are traded in organised exchanges, regulated by institutions such as SEBI, they need only margin payment on a daily basis. Futures contract are made primarily for hedging, speculation, price determination and allocation of resources.
Forwards: The forward on the other hand is a contract that is traded off-the-stock exchange, is self regulatory and has certain flexibility unlike future which are traded at stock exchange only, do not have flexibility of quantity and quality of commodity to be delivered and these are regulated by SEBI, RBI or other agencies.

Credit Rating Agencies in India

A credit rating agency is a company which rates the debtors on the basis of their ability to pay back the debt in timely manner.

There are three big credit rating agencievvs in the world which are

1.Standard & Poor's (S&P) – Headquarter – New York, US. 2.Moody's – Headquarter - New York, US, 3.Fitch Ratings- New York, US

There are mainly 5 credit rating agencies in India which are

CARE (Credit Analysis and Research)	**CRISIL (Credit Rating Information Services of India Limited)**	**ICRA (Investment information and credit rating agency)**	**SMERA(SME Rating Agency of India Ltd)**	**ONICRA**
Founded: 1993	Founded:1987	Founded 1991	Founded:2005	
Mumbai	Mumbai	Gurgaon	Mumbai	Gurgaon, India
It is the second-largest credit rating agency in India.	*CRISIL is the largest credit rating agency in India, with a market share of greater than 60%. *CRISIL's majority shareholder is Standard & Poor's.	*It is a public limited company. * ICRA's majority shareholder is Moody's	*SMERA is a full service credit rating agency exclusively set up for micro, small and medium enterprises (MSME) in India.	*It is a private sector agency set up by Onida Finance

Rating of Banks in India : As per the recommendations of Padmanabhan Committee the banks in India should be rated on a 5 point scale of A to E, based on international CAMELS rating model.

- Upon this guidelines RBI has evolved the model for rating banks based on CAMELS. Each of the 6 components would be weighed on a scale of 1 to 100 and would contain several parameters with individual weightage.

CAMELS Rating for Domestic Banks		Rating parameters for foreign banks		Rating Scale in India	
C	Capital adequacy ratio	C	Capital adequacy ratio	A	Sound in every respect
A	Asset quality	A	Asset quality	B	Fundamentally sound, but with moderate weaknesses
M	Management Effectiveness	L	Liquidity	C	Financial, operational and/or compliance weaknesses that give cause for supervisory concern
E	Earning	C	Compliance	D	Serious or moderate financial, operational and/or managerial weaknesses that could impair future viability
L	Liquidity (asset-liability)	S	System and controls	E	Critical financial weaknesses that render the possibility of failure in the near term
S	System and controls				

RIGHT TO INFORMATION ACT

- Information can be obtained by Indian Citizen only from any public authority without giving any reason.
- Information is available with Public Information Officer, appointed by each organization for that purpose.
- Time for providing information : 30 days; If information pertains to life and liberty, the period is 48 hours
- Fine for delay in providing information: Per day Rs.250 and total Maximum fine Rs.25000
- Record preservation time: 5 to 8 years as fixed by Central Govt.

Important terms and ratios used in

Ratio of wage bill to total expenses = PPE / Total expenses

Ratio of wage bill to total income = PPE / Total income

Ratio of burden to total assets = (Operating expenses - Other income) / Total assets

Ratio of burden to interest income = (Operating expenses - Other income) / Interest Income

Ratio of operating profits to total assets = Operating profit / Total assets

Return on assets for a bank group = weighted average of return on assets of individual banks in the group, weights being the proportion of total assets of the bank as percentage to total assets of all banks in the corresponding bank group

Return on Equity = Net Profit / (Capital + Reserves and Surplus)

Cost of Deposits = IPD / Deposits

Cost of Borrowings 2⁻- IPB / Borrowings

Cost of Funds = (IPD + IPB) / (Deposits + Borrowings)

Return on Advances = IEA / Advances

Return on Investments = IEI / investments

Return on Advances adjusted **to Cost** of Funds = Return on Advances — Cost of Funds

Return on Investment adjusted to Cost of Funds = Return on Investments — Cost of Funds

Net interest margin is defined as the total interest earned less total interest paid

Intermediation cost is defined as total operating expenses

Operating profit is defined as total earnings less total expenses, excluding provisions and contingencies, and **Burden** is defined as the total non-interest expenses less total non-interest income Whenever appropriate, denominators in the ratios use averages of "current year" and "previous year". For instance, ratio of net interest margin to total assets uses denominator as average total assets for the y

Donations by banks Profit making banks max 1% of published net profits of previous year and **loss** making banks max Rs.5 lac.

Casino Banking : A practice of commercial banks engaging in unduly speculative or risky financial activities to record high profits.

Profit Planning Terminology in a Nutshell

"Interest Spread" & "Net Interest Income" are one and the same.

The difference between 'non-interest expenditure' and non-interest income' is defined as "**Burden**".

"Interest Spread' less 'Burden' determines " Operating Profit' "

Profit vs. Profitability: While profit represents an absolute figure, profitability, measured by a ratio, represents the operational efficiency. As opposed to absolute profit volumes, profitability is a more meaningful yardstick of operational efficiency as it is size-neutral.

Return on Assets (RoA) : RoA is the ratio of Net profit to total assets. This is a standard measure of profitability with 1% deemed as the international benchmark.

Net Interest Margin (NIM) : NIM is the ratio of net interest income (Total Interest Income minus Total Interest Expenditure) to average earning assets.

Return on Capital (ROC): ROC is the ratio of net profit to share capital. It indicates the return on paid up capital.

Return on Net worth , also known as Return on Equity (ROE): Ratio of net profit to average net worth (share capital, plus reserves minus intangible assets). It indicates the return on equity capital.

Book Value: Net worth divided by number of shares. Market price of share generally factors Book Value.

Earning Per Share (EPS) & Price earning Ratio (P/E ratio) : EPS is the ratio of Net profit to number of shares.

Price – Earning is the **ratio** of market price of a share to earning per share. EPS and P/E ratios indicate the ability of the bank to access to the capital market and the appetite of the bank's scrip in the market.

Capital to Risk-weight Assets Ratio (CRAR): Total capital, consisting of Tier-I & Tier-II capital, as a ratio of risk-weighted assets. It indicates the soundness and risk bearing ability of a bank.

Yield on Advances: Interest income on advances divided by average advances indicates average yield on advances.

Yield on Investments: Interest & dividend income on investment divided by average investments indicate yield on investments..
Yield on Working Funds: Total interest income divided by average working funds, consisting of interest earning and non-interest earning assets.
Cost of Deposits: Interest paid on deposits divided by the average deposits, consisting of Current, Savings and Term deposits. This is the comparable benchmark for liabilities management.
Cost of Borrowings: Interest paid on borrowings, including borrowing for Tier-II capital, divided by average borrowings.
Cost of Interest Bearing Liabilities: Interest paid on deposits and borrowings divided by average interest bearing liabilities (deposits and borrowings, including Tier-II bonds).
Cost of Working Funds: Total interest expenditure divided by average working funds, consisting of interest bearing and non-interest bearing liabilities (total of liability side of balance sheet).
Spread: Difference between the Yield on Working Funds and Cost of Working Funds represents Spread.
Intermediation Ratio: It measures the ratio of operating expenditure to total assets. As per international criterion, this ratio should be less than 1 per cent.
Cost- Income (Efficiency) Ratio: Non-interest expenditure divided by net total income (total income minus interest expenses). It signifies movement in operating cost relative to income. Global benchmark is 40 per cent.
Burden Ratio: Ratio of non-interest income to non-interest expenditure. As an efficiency criterion, non-interest income should be able to cover the non-interest expenditure.
A recent cost benefit study on ATMs has revealed that a minimum of 150 transactions per day is required on an ATM to make it BREAK-EVEN.

Global Benchmarks in Profitability:

Criterion	Parameter	International Standard
Solvency Ratio	Capital Adequacy	Minimum 8%
Efficiency of Assets Use	Return on Assets	1%
Net NPA Ratio	Net NPA Ratio to Net Advances	Less than 1%
Intermediation Efficiency	Operating Cost to Average Working Funds	Less than 1%
Burden Ratio	Other Income to Operating Expenses	Minimum 100%
Cost- Income Ratio	Operating Cost to Net Income	Less than 40%

INFLATION & RELATED TERMS

1. **Inflation:** A situation of a steady and sustained rise in general prices is usually known as inflation. Inflation is a state in which the value of money is falling i.e. prices are rising.
2. **Cost-push Inflation:** It arises due to an increase in production cost. Such type of inflation is caused by three factors: (i) an increase in wages, (ii) an increase in the profit margin and (iii) imposition of heavy taxation.
3. **Demand- push Inflation**: It arises as a result of strong consumer demand. When many individuals are trying to purchase the same good, the price will inevitably increase. When this happens across the entire economy for all goods, it is known as demand-pull inflation
4. **Deflation:** Deflation is the reverse case of inflation. Deflation is that state of falling prices which occurs at that time when the output of goods and services increases more rapidly than the volume of money in the economy. In the deflation the general price level falls and the value of money rises.
5. **Disinflation:** A fall in the rate of inflation. This means a slower increase in prices but not a fall in prices
6. **Recession**: A period of slow or negative economic growth, usually accompanied by rising unemployment.
7. **Stagnation:** A prolonged recession, but not as severe as a depression.
8. **Disinflation:** A fall in the rate of inflation. This means a slower increase in prices but not a fall in prices.
9. **Depression:** A prolonged recession in economic activity. The textbook definition of a recession is two consecutive quarters of declining outpur. A depression is an even deeper and more prolonged slump.

Terms used in Budget

10. **Ad- Valorem Duties**: duties that are established as a certain percentage of the price of the product.
11. **Custom Duties**: levies that are incurred from the goods exported from or imported to the country.
12. **Excise Duties:** Duty levied on goods manufactured within the country.
13. **Direct Taxes**: taxes that are implied directly on the individuals. Corporate tax and Income tax are direct taxes.
14. **Indirect Taxes**: Tax levied on manufacture, consumption, etc which are collected by the provider of service or manufacturer of goods. Examples are Excise Duty, Custom Duty, VAT, Service Tax.
15. **Progressive Tax**: a tax where the wealthy have to give more income tax as compared to the poor.
16. **Gross Domestic Product (GDP):** It is the money value of all final goods and services produced in the domestic territory of country in a year.
17. **Fiscal Measures:** Measures to correct excess /deficient demand through budget proposals of government are called fiscal measures. These include tax changes, increase /reduction in government expenditure etc.
18. **Real exchange rate**: An exchange rate that has been adjusted to take account of any difference in the rate of inflation in the two countries whose currency is being exchanged.
19. **Fiscal deficit**: is the gap between the government's total spending and the sum of its revenue receipts and non-debt capital receipts. It represents the total amount of borrowed funds required by the government to meet its expenditure.
20. **Primary Deficit**: Fiscal Deficit minus Interest on Borrowings.
21. **Budget Deficit**: difference between the estimated public expenditure and public revenue. The government meets this deficit by way of printing net currency or by borrowing.
22. **Revenue Deficit**: difference between Revenue Expenditure and Revenue Receipts.
23. **Current Account Deficit**: when a country's total imports of goods, services and transfers is greater than the country's total export of goods, services and transfers

16. LATEST TRENDS IN BANKING

1. Issues in Indian Banking Sector in 2018

In its Report on Trend & Progress of Banking, RBI spelt out the emerging issues before banks in India. A summary of these issues, is provided. **Stressed Assets and Strengthening of Banks' Balance Sheets**

The enactment of the Insolvency and Bankruptcy Code (IBC), 2016 is likely to be effective in resolution of stress in balance sheets of banks and corporations in a time-bound and effective manner. RBI's pre-emptive approach to recognition and resolution of incipient financial distress and the revised system of prompt corrective action (PCA) triggered in April 2017 are intended to instill confidence in the system that accumulation of excessive financial imbalances in the future will be prevented.

Consolidation of PSBs and recapitalization : The Government's in-principle approval in August 2017 for the consolidation of PSBs through an 'Alternative Mechanism' and the massive recapitalisation plan for PSBs announced in October 2017 as part of a comprehensive strategy to address banking sector challenges should make them strong and competitive as they gear up, to meet the credit needs of a growing economy.

Public Credit Registry (PCR) : RBI constituted a Highlevel Task Force on PCR (Chairman : Shri Yeshwant M. Deosthalee) to address information asymmetries that create opacity in credit markets, hindering efficient credit decisions, impeding effective riskbased supervision and excluding the financially disadvantaged. It will give recommendations for developing a transparent, comprehensive and near real-time PCR for India.

Implimentation of International Financial Reporting Standards (IFRS) : In India, the need for uniformity in identification of nonperforming assets at system level has imparted urgency to the institution of the IFRS converged Indian accounting standards (Ind AS). Banks are required to make provisions for expected credit loss from the time a loan is originated, rather than waiting for 'trigger events' to signal imminent losses. Recognising and providing for actual and potential loan losses at an early stage in the credit cycle could potentially reduce procyclicality and foster financial stability. As overall provisions are expected to increase significantly on initial application of Ind AS wef April 1, 2018, RBI introduced a transitional arrangement, consistent with the Basel Committee provisions, to give banks time to build their capital.

Promoting Differentiated Banking : With differentiated banks such as small finance banks and payments banks commencing operations in 2016 17, RBI has started exploring the scope of setting up wholesale and longterm finance (WLTF) banks focused primarily on lending to infrastructure sector and small, medium and corporate businesses. The envisioned heterogeneous banking structure will complement and compete with universal banking institutions and enhance financial inclusion while meeting the diverse credit needs of a growing economy.

Strengthening and Harmonising Banking Regulation: RBI has adopted Basel III norms for implementation in a phased manner. Apart from an improved capital framework and liquidity ratios like the liquidity coverage ratio (LCR) and the upcoming net stable funding ratio (NSFR), RBI has also been aligning the regulatory and supervisory frameworks for NBFCs, all India financial institutions (AIFIs) and co-operative banks with that of commercial banks

2. LETTER OF UNDERTAKING (LOU) CONCEPT OF LOU:

A Letter of Undertaking is a bank guarantee issued by a bank on behalf of its client for overseas import payments. A bank issuing the LoU undertakes to repay the principal and interest on the client's loan unconditionally.

LoU, SWIFT, Letter of Credit (LoC)

Nirav Modi's Fraud is all over the news these days as the Punjab National Bank detected fraudulent transactions worth Rs. 11,300 crore at its Brady House branch in Mumbai recently. If you've been catching up with the news you must have come across these Banking Terms- **Letter of Undertaking (LoUs), Letter of Credit (LoC), Society for Worldwide Interbank Financial Telecommunication (SWIFT) system, and Core Banking System (CBS).** It is important for you to understand what these terms mean, not only to get a better insight at the PNB fraud swirling in current affairs of the nation.

What is a 'Letter Of Credit'?

A letter of credit is a letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase.

What is SWIFT?

When an LoU is issued, the message of credit transfer is conveyed to overseas banks through the **Society for Worldwide Interbank Financial Telecommunication (SWIFT)** system. This is a significant information as it gives the bank's consent and guarantee. To issue SWIFT, an official has to log in and fill up confidential information such as the account number and SWIFT code. It generally has three layers of security - a maker, a checker and a verifier within the core banking system before it is issued.

What is Letter of Undertaking (LoU)?

An LoU is an assurance given by one bank to another to meet a liability on behalf of a customer. The LoU is akin to a letter of credit or a guarantee. LoUs are used in international banking transactions. An LoU is issued for overseas import remittances and involves four parties — an issuing bank, a receiving bank, an importer and a beneficiary entity overseas. According to norms, the term of an LoU is 180 days, and can be rolled over once for six months. Since LoUs are a form of lending, they are typically backed by security.

PARTIES IN LOU IN INDIAN CONTEXT:

a) **The LoU Issuing bank in India;**
b) **The Importer based in India on whose behalf the LoU is issued;**
c) **A Receiving bank located abroad;**
d) **A Beneficiary entity located overseas – offshore suppliers.**

MECHANISM:

- LoU is an explicit undertaking offered by a bank to another bank on behalf of its customer, who is importing goods from overseas supplier. Backed by the LoU, the overseas bank gives Buyers Credit to the importer.
- LoU is used by the Importers to avail short-term credit called Buyers Credit in a foreign country in foreign currency from overseas banks for goods being imported. Since the importer has to make the payment in foreign currency, he usually opts for a credit facility from a foreign bank or a foreign branch of Indian bank, as the borrowing cost is much lower.
- The overseas banks usually lend the importer on the basis of an LoU issued. The bank which gives the LoU earns a fee, typically 0.2-0.25% of the amount. The bank which gives the buyer's credit earns interest in terms of London Interbank Offered Rate, plus a spread, depending on the profile of the customer. Thus importer gets a cheap line of foreign credit.

EXAMPLE:

a) The Importer client approaches his bank in India and asks for an LoU. As per RBI guidelines, Banks should issue guarantees on behalf of customers who do enjoy credit facilities with them. Further, the guidelines stipulate that LoU should not be more than 90 days.

b) The bank would undertake the viability study to ensure safety and security of bank's liability. The bank depending upon the risk perception will also obtain following:
- **Collateral security in the shape of property or fixed deposits;**
- **Third party guarantee;**
- **Margin money;**
- **Commission.**

c) The bank there after will pass Contra entries in respect of LoU and will issue LoU. The coded message in respect of LoU will be conveyed through SWIFT to an Indian bank abroad. In case the SWIFT is integrated with Core Banking Solution (CBS) the liability of LoU will automatically get reflected in the bank records.

d) **Society for Worldwide Interbank Financial Telecommunications (SWIFT)** is a messaging network for securely transmitting information and instructions for all financial transactions through a standardized system of codes. For sending message through SWIFT, the coding is done at three stages by three different officials: Maker, Checker and Verifier. Maker keys in the message in the system, Checker checks it and the Verifier transmits it after he is convinced of its genuineness.

As a matter of precaution, the bank which receives the coded message and transfers the money to the overseas Nostro bank account of the exporter or the importer; sends a SWIFT message back confirming the creation of the loan. The person who receives this message is a different person; not any of the three - maker, checker or verifier. The message comes to a secured room and gets printed on a separate printer. Access to secured room is restricted to a few bank officials.

e) On the basis of LoU, the overseas bank does not give the credit directly to the Importer but credits the NOSTRO account of his bank resulting in release of the foreign currency amount.

f) The Importer there after can then make the remittance to the overseas suppliers.

BENEFITS OF LoU:

- The issuing bank earns commission. Further, the margin obtained adds to the deposits of the bank.
- The overseas bank lending to the borrower on the basis of LoU earns interest on the amount lent.
- Interest rates on lending in India are higher compared to international benchmark rates. Hence the effective outgo on interest for the borrower is low, therefore beneficial to him.

PUNJAB NATIONAL BANK - CASE STUDY

- Punjab National Bank detected fraudulent transactions worth Rs 11,300 crore at its Brady House branch in Mumbai. The fraud was carried out by the perpetrators in collusion with the staff.
- Punjab National Bank, Brady House branch in Fort, Mumbai, issued LoU's spread over 7 years on behalf of Nirav Modi who just had a current account with the bank.
- No viability study was undertaken, no collateral, third party guarantee or margin was obtained.
- Gokulnath Shetty, a Deputy Manager of PNB posted at foreign exchange department of the branch, issued LoU and played the roles of four officials - maker, checker, verifier and receiver of the message confirming the creation of a loan.
- In PNB, the SWIFT was not integrated with CBS as such the liability of LoU was not reflected in the banks records.
- On the basis of LoUs, the overseas branches of many Indian banks gave forex credit. The credit is ideally meant for short-term only. In this case, the loan was allowed for long periods far beyond the prescribed norms.
- In January 2018, when a couple of LoUs matured but the banks did not receive their payments, they approached PNB for repayment of the loans. Also, one fraudulent LoU was issued on January 16, 2018, on behalf of Nirav's firm. The bank officials asked the firm to submit 100% cash margin for the LoU, to which the firm stated that they had been availing similar facility in the past. An internal inquiry by PNB revealed that fake LoUs were issued in the past for several years.
- Though a standard banking practice, Nostro reconciliation was not done for each entry (credit and debit) by the treasury back office of the bank with mirror entry in CBS. Nor, was reconciliation done with CBS to cross-check the loan details and book the actual liability for principal and interest.
- Concurrent auditors in bank branches are assigned the job of transaction verification. Similarly, the internal auditors are expected to verify client files, outstanding transactions, approvals and transaction registers. Foreign exchange transactions audit of FOREX dealing branches is additionally conducted. RBI auditors conduct the annual financial review.

The fraud can be summed up as a total system failure – a result of greed, corruption and casual approach by all concerned with operation, supervision, regulation, audit etc.

3. RESOLUTION OF STRESSED ASSETS REVISED FRAMEWORK)

- In view of the enactment of the Insolvency and Bankruptcy Code, 2016 (IBC), RBI has decided to substitute the existing guidelines with a harmonised and simplified generic framework for resolution of stressed assets.

- With the revised guidelines, the extant instructions on resolution of stressed assets such as Framework for Revitalising Distressed Assets, Corporate Debt Restructuring Scheme, Flexible Structuring of Existing Long Term Project Loans, Strategic Debt Restructuring Scheme (SDR), Change in Ownership outside SDR, and Scheme for Sustainable Structuring of Stressed Assets (S4A) stand withdrawn. Accordingly, the Joint Lenders' Forum (JLF) as an institutional mechanism for resolution of stressed accounts also stands discontinued. All accounts, including such accounts where any of the schemes have been invoked but not yet implemented, shall be governed by the revised framework.

REVISED FRAMEWORK

A) EARLY IDENTIFICATION AND REPORTING OF STRESS:

- Lenders shall identify incipient stress in loan accounts, immediately on default, by classifying stressed assets as special mention accounts (SMA) as per the following categories:

SMA Sub-categories	Basis for classification–Principal or interest payment or any other amount wholly or partly overdue between
SMA-0	1-30 days
SMA-1	31-60 days
SMA-2	61-90 days

- Lenders shall report credit information, including classification of an account as SMA to Central Repository of Information on Large Credits (CRILC) on all borrower entities having aggregate exposure of Rs.50 million and above with them. The CRILC - Main Report will be required to be submitted on a monthly basis effective April 1, 2018.
- In addition, the lenders shall report all borrower entities in default (with aggregate exposure of Rs.50 million and above), to CRILC, on a weekly basis, at the close of business on every Friday, or the preceding working day if Friday happens to be a holiday, with effect from the week ending February 23, 2018.

B) IMPLEMENTATION OF RESOLUTION PLAN (RP):

- All lenders must put in place board-approved policies for resolution of stressed assets under this framework, including the timelines for resolution. As soon as there is a default in the borrower entity's account with any lender, all lenders – singly or jointly, shall initiate steps to cure the default.
- The resolution plan (RP) may involve any actions / plans / reorganisation including, but not limited to, regularisation of the account by payment of all over dues by the borrower entity, sale of the exposures to other entities / investors, change in ownership, or restructuring. The resolution plan shall be clearly documented by all the lenders (even if there is no change in any terms and conditions).

C) IMPLEMENTATION CONDITIONS FOR RP:

- A resolution plan in respect of borrower entities to whom the lenders continue to have credit exposure, shall be deemed to be 'implemented' only if the following conditions are met:

a) The borrower entity is no longer in default with any of the lenders;

b) If the resolution involves restructuring; then

i) All related documentation, including execution of necessary agreements between lenders and borrower/creation of security charge / perfection of securities are completed by all lenders; and

ii) The new capital structure and/or changes in the terms of conditions of the existing loans get duly reflected in the books of all the lenders and the borrower.

- Additionally, RPs involving restructuring/change in ownership in respect of 'large' accounts (that is, accounts where the aggregate exposure of lenders is Rs.1 billion and above), shall require independent credit evaluation (ICE) of the residual debt by credit rating agencies (CRAs) specifically authorised by the RBI for this purpose. While accounts with aggregate exposure of Rs.5 billion and above shall require two such ICEs, others shall require one ICE. Only such RPs which receive a credit opinion of RP4 or better for the residual debt from one or two CRAs, as the case may be, shall be considered for implementation. Further, ICEs shall be subject to select conditions.

D) TIMELINES FOR LARGE ACCOUNTS TO BE REFERRED UNDER IBC:

- In respect of accounts with aggregate exposure of the lenders at Rs.20 billion and above, on or after March 1, 2018 ('reference date'), including accounts where resolution may have been initiated under any of the existing schemes as well as accounts classified as restructured standard assets which are currently in respective specified periods (as per the previous guidelines), RP shall be implemented as per the following timelines:

i) If in default as on the reference date, then 180 days from the reference date.

ii) If in default after the reference date, then 180 days from the date of first such default.

- If a resolution plan in respect of such large accounts is not implemented as per the timelines specified, lenders shall file insolvency application, singly or jointly, under the Insolvency and Bankruptcy Code (IBC) within 15 days from the expiry of the said timeline.
- For other accounts with aggregate exposure of the lenders below Rs.20 billion and, at or above Rs.1 billion, the Reserve Bank intends to announce, over a two-year period, reference dates for implementing the RP to ensure calibrated, time-bound resolution of all such accounts in default.
- The provisioning in respect of exposure to borrower entities against whom insolvency applications are filed under the IBC shall be as per their asset classification in terms of the Master Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning, as amended from time to time.

E) SUPERVISORY REVIEW:

- Any failure on the part of lenders in meeting the prescribed timelines or any actions by lenders with an intent to conceal the actual status of accounts or evergreen the stressed accounts. Banks shall make appropriate disclosures in their financial statements, under 'Notes on Accounts', relating to resolution plans implemented.

4. Code of Bank's Commitment to Customers-2018

It is a Code of Customer Rights, which sets minimum standards of banking practices, banks are to follow as a member of Banking Codes and Standards Board of India (BCSBI), while dealing with individual customers. The Code provides protection to customers and explains how a member bank is required to deal with customers in its day-to-day operations.

The Code does not replace or supersede regulatory or supervisory instructions of RBI and banks will continue to comply with such instructions / directions issued by RBI from time to time. The Code may have set higher standards than those prescribed in the regulatory instructions and such higher standards will prevail as the Code represents the best practices, voluntarily agreed to by banks, as their commitment to customers.

Objectives of the Code: The Code has been developed to promote good and fair banking practices, increase transparency, foster confidence in the banking system, promote safe and fair customer dealing in case of banking in a digitized environment and increase awareness of customers and to enhance customer protection.

Application of the Code: This Code applies to all deposit accounts, Remittance / Payment services, Government transactions, Demat accounts, Equity, Indian currency notes / coins exchange facility, Collection of cheques, safe custody services, safe deposit locker facility, Loans, overdrafts and guarantees, Foreign exchange services including money changing, 3rd party insurance and investment products marketed through bank branch and / or bank authorised representatives or agents, Card products, Digital Products.

KEY COMMITMENTS: Key commitments cover right to fair treatment, right to transparency, fair and honest dealing, right to suitability, right to privacy and right to grievance redressal and compensation

Salient features of the Code

Changes in terms and conditions : Banks will tell changes in terms and conditions *one month* prior to the revised terms and conditions becoming effective. If change is without notice, banks will notify the change *within 30 days.* If such change is to customer's disadvantage, customer may within 60 days of the notice, close the account or switch to any other eligible account without having to pay revised charge or interest.

PRIVACY AND CONFIDENTIALITY: Banks will not reveal information or data relating to customer accounts, to anyone except information to the Credit Information Companies (CICs) OR required by law OR by the banking regulator OR fulfilling a duty towards the public to reveal the information etc.

Information to Credit Information Companies: Banks will update the credit status immediately but not later than *30 days* on repayment of overdues. Banks will report closure of loan to CICs within *30 days* of the event. If loan account was in default, but regularised, banks will update this information with the CICs in the next report.

Banks will identify and declare the names of willful defaulters of Rs.25 lakh and above and names of such wilful defaulters will be furnished to CICs, as per the guidelines of RBI.

Banks will furnish the names of defaulters of Rs.1.00 crore and above whose accounts have been classified as doubtful or loss assets to CICs as per the guidelines of RBI.

Complaints, Grievances and Feedback : If customer complaint is unresolved at the branch level, banks will ensure to escalate it to the topmost level of grievance redressal authority within the Bank and give a final response or explain why bank needs more time to respond *within 30 days.*

COLLECTION OF DUES for loans: Normally bank representatives will contact borrowers *between 0700 hrs and 1900 hrs*, unless the special circumstances of customer's business or occupation require otherwise. **Change in account:** If customer is not happy about his choice of current / savings account, customer may *within 14 days* of opening the account, approach the bank to switch to any of other account / products offered. Alternatively, customer may ask for closure of the account and no penal charges will be applied in such cases.

Further, if customer want to transfer active and operative account to another branch of same bank it will be affected within *3 (three) working days*. Customer will have to submit documentary proof of new address within a period of *six months.*

Minimum balance: The minimum balance to be maintained in the Savings Bank account will be displayed in bank branch. Bank will inform the customer, *30 days in advance*, of any change in minimum balance to be maintained.

Passbook / statements : Banks will provide a *monthly* statement **/** e-mail statement.

Inoperative / Dormant accounts: Banks will inform the customer *at least 3 months* before account is classified as inoperative / dormant and the consequences thereof at last recorded address and / or e-mail.

Closing of account: Under normal circumstances, bank will not close customer account without giving at least *30 days' notice* indicating the reasons for such closure.

Clearing cycle / collection services: Banks will return a cheque unpaid / dishonoured along with a duly signed return memo indicating the date of return as also the reason for return / refusal of payment *within 24 hours*.

Time limit for settlement of deceased account claims: Banks will settle the claims in respect of deceased depositors and release payments to survivor(s) / nominee within a period *not exceeding 15 days* from the date of receipt of the claim.

Return of security documents on adjustment of loan : Banks will return to borrower, all the securities / documents / title deeds to mortgaged property *within 15 working days* of the repayment of all dues agreed to or contracted and report to Central Registry for Securitisation, Asset Reconstruction and Security Interest (CERSAI) about satisfaction of bank charge.

Banks will compensate the customers for any delay in return of securities / documents / title deeds to mortgaged property beyond 15 working days of the repayment of all dues.

Transfer of loan account : Banks will process a request for transfer of borrowal account and convey their concurrence or otherwise within *two weeks* of receipt of request.

Credit card statements: It will be dispatched on a predetermined date *every month***,** by post / courier to mailing address or by e-mail. In case, a complaint is raised against any bill, bank will provide documentary evidence to customer within a maximum period of *sixty days*.

Collateral Security : Banks will not insist on collateral security for credit limits (i) up to Rs.1 lac for Government sponsored schemes under Priority Sector Lending (ii) up to Rs.10 lac for MSE customers and (iii) upto Rs.4 lakh under Education Loan Scheme.

Senior Citizens and Differently Abled Persons : Banks will endeavour to provide 'Doorstep' banking in special circumstances like ill health, inability to come to the branch, etc. for senior citizens more than 70 years of age and differently abled or infirm persons (having medically certified chronic illness or disability) including those who are visually impaired.

5.Framework for Resolution of Stressed Assets 2018

To align Stressed Assets Resolution Process with Insolvency and Bankruptcy Code, 2016 (IBC), RBI, on Feb 12, 2018, withdrew the extant instructions for (i) Framework for Revitalising Distressed Assets, (ii) CDR, (iii) Flexible Structuring of Existing Long Term Project Loans, (iv) Strategic Debt Restructuring Scheme (SDR), (v) Change in Ownership outside SDR, (vi) Scheme for Sustainable Structuring of Stressed Assets (vii) Joint Lenders' Forum (JLF) as an institutional mechanism. RBI revised the framework by issuing guidelines u/s 35A, 35AA & 35AB of Banking Regulation Act and Sec 45(L) of RBI Act, for accounts other than MSMEs. A summary of revised framework is provided:

What is a Stressed Asset : It is an account which reflects the following signs of financial difficulty:

- Irregularities/overdrawings in cash credit/overdraft accounts;
- Failure to make timely payment of due amount in TLs;
- Delay in meeting obligation under non-fund based facilities like LC/BGs/LOC/LOU.
- Excessive leverage;
- Inability to adhere to financial / loan covenants;
- Failure to pay statutory liabilities, non- payment of bills to operational creditors, etc.;
- Non-submission / delayed submission or submission of incorrect stock statements and delay in publication and adversely qualified, financial statements;
- Steep decline in production figures, downward trends in sales and fall in profits, margin erosion etc.;
- Elongation of working capital cycle, excessive inventory build-up;
- Significant delay in project implementation;
- Downward migration of ratings/rating outlook.

Early identification and reporting of stress

Lenders (i.e. financial institutions & commercial banks *other than* RRBs) are to identify incipient stress in loan accounts, immediately on default, by classifying stressed assets as Special Mention Accounts (SMA) as under: Principle or interest payment or any other amount, wholly or partly overdue between 1-30 days = SMA-0, 31-60 days = SMA-1 and 61-90 days = SMA-2

Report to CRILC: Lenders to send report (including SMA classification) to CRILC for borrower with fund and non-fund based exposure of Rs.50 million and above, on a *monthly* basis effective from April 1, 2018.
In addition, report on borrowers in default (Rs.50 million and above), to be sent on a *weekly* basis (Friday preceding working day if Friday is holiday).

Resolution Plan (RP)

In case of default in borrower's account with any lender, *all lenders* (singly or jointly) to initiate steps to cure the default. RP may involve any actions / plans / reorganization including, but not limited to:

- regularisation of the account by payment of all over dues by the borrower entity,
- sale of the exposures to other entities / investors,
- change in ownership, or
- restructuring

[**Default** means non-payment of due amount of instalment / interest. In CC-OD, it means o/s balance remaining above limit or DP, for more than 30 days]

RP implementation conditions

An RP shall be deemed to be 'implemented' if the borrower is no longer in default, with any lender. **Additional steps for restructuring / change in ownership in large borrowers:** In 'large' a/c (exposure Rs.1 billion & above), lenders shall obtain Independent Credit Evaluation (ICE) of o/s debt from RBI authorized Credit Rating Agencies. [two ICEs for exposure of Rs. 5 billion & above and one ICE in others cases]. **Benchmark ICE :** RPs with a credit opinion of RP-4 or better, shall be considered for implementation.

Timelines for large accounts (Rs.20 billion or above) to make reference under IBC 2016

On or after March 1, 2018 ('reference date'), RP shall be implemented as per under:

- If in default *as on* 01.03.2018: maximum 180 days from 01.03.18
- If in default *after* 01.03.2018: maximum 180 days from the date of first such default.

Non-implementation of RP : If an RP is not implemented as above, lenders shall file insolvency application (singly or jointly), under Insolvency and Bankruptcy Code 2016 (IBC), within 15 days.

Default after implementation : Where RP involving restructuring/change in ownership is implemented within time-line, it should not be in default at any point of time during the 'specified period'. Failing this, lenders shall file insolvency application under IBC within 15 days from date of default. The specified period time is maximum one year from the commencement of the first payment of interest or principal (whichever is later) of a loan, with *longest* period of moratorium.

[Specified period' begins from the date of implementation.

and goes upto the date by which, at least 20% of o/s principal debt as per RP and interest capitalisation sanctioned as part of the restructuring, is repaid] **Default after expiry of specified period :** It shall be reckoned as a fresh default under this framework.

Reference dates for accounts with aggregate exposure of Rs.1 billion to below Rs.20 billion : RBI shall announce reference dates for implementing RP over a two-year period, for such accounts.

Disclosures: Banks are to make disclosures in their financial statements, under 'Notes on Accounts'.

Norms Applicable to Restructuring

What is Restructuring? It is an act in which a lender, for economic or legal reasons relating to the borrower's financial difficulty, grants concessions to the borrowers. Restructuring normally involves (i) modification of terms of the advances / securities, which may include, alteration of repayment period / repayable amount / the amount of instalments / rate of interest; (ii) roll over of credit facilities; (iii) sanction of additional credit facility; (iv) enhancement of existing credit limits; (v) compromise settlements - payment time exceeding 3 months.

Prudential Norms

A. Asset Classification : Standard a/c shall be immediately downgraded as sub-standard. NPA, on restructuring, would continue to be in same classification, as prior to restructuring, based on ageing criteria.

B. Upgrade : Can be upgraded when all o/s loans demonstrate 'satisfactory performance' (i.e., payments not in default at any time) during the 'specified period'. Additionally, large accounts (i.e. aggregate exposure of lenders is Rs.1 billion and above) to qualify for an upgrade, to demonstrate satisfactory performance and the credit facilities shall also be rated as investment grade (BBB- or better) as at the end of 'specified period' by CRAs accredited by RBI for bank loan ratings. [Rs.5 billion and above shall require 2 ratings and below Rs.5 billion shall require one rating].

If satisfactory performance during specified period is not demonstrated, a/c shall, on default, be reclassified as per repayment schedule existing before restructuring. Future upgrade for shall be contingent on implementation of a fresh RP and satisfactory performance.

Provisioning Norms: Provisioning shall be as per asset classification category. The provisions made in respect of accounts restructured before the date of these instructions (12.02.18) shall continue to be held as per the requirements specified therein.

C. Additional Finance

Additional finance approved under RP (including by NCLT under IBC) may be treated as 'standard asset' during the specified period, provided the account performs satisfactorily during the specified period. If the restructured asset fails to perform satisfactorily during such period or does not qualify for upgradation at the end of specified period, additional finance shall be placed in same classification category as restructured debt.

D. Income recognition norms

Interest income in restructured accounts, classified as 'standard' may be recognized on *accrual basis*.

In restructured accounts classified as 'non-performing assets' it shall be recognised on *cash basis*.

For *additional finance* in accounts where pre-restructuring facilities were classified as NPA, income shall be recognised only on *cash basis* except when the restructuring is with change in ownership.

E. Conversion of Principal into Debt / Equity and Unpaid Interest into 'Funded Interest Term Loan' (FITL), Debt or Equity Instruments

Such FITL / debt / equity instruments will be placed in same classification in which restructured advance has been classified. These instruments shall be valued as per usual valuation norms and marked to market. Equity instruments, if not quoted, shall be valued at break-up value (excluding revaluation reserve) as per company's balance sheet as on Mar 31st of preceding FY. If balance sheet is not available, the entire portfolio of equity shares of the company held by the bank shall be valued at Re.1.

F. Change in Ownership of borrowing entity: After implementation of change in ownership, loans may be continued/upgraded as 'standard' subject to the following conditions:

- Banks shall conduct due diligence and clearly establish that the acquirer is not a person disqualified u/s 29A of Insolvency and Bankruptcy Code, 2016.
- New promoter shall be single largest shareholder and have acquired at least 26% of paid up equity.
- New promoter shall be in 'control' of the entity as per definition of 'control' in Companies Act 2013 / regulations issued by SEBI.

For such accounts to continue to be classified as standard, all the o/s loans/credit facilities should demonstrate satisfactory performance during the specified period.

If the account fails to perform satisfactorily, at any point of time during the specified period, loans shall be immediately downgraded as sub-standard.

6.CRILC : Central Repository of Information on Large credits

In a bank or financial institution, performing asset do not get converted to non-performing, overnight. There are some early signs of distress which if ignored, can lead to delinquency. With strong systems in place, warning signs can be recognized well in advance to prevent problems and also alert other players within the system, to curb the negative effects. Hence, monitoring NPA is of immense importance for a Lender and the regulator. To help overcome some of the challenges, RBI, introduced in 2014, u/s 27(2) of BR Act 1949 the "Central Repository of Large Common Exposures-Across Banks" by subsuming the erstwhile quarterly Form A return on Large Borrowers (Rs 100 million and above).

Objective of creation of CRILC: To collect, store and share information with Lenders w.e.f. 01.04.2014.

What do Financial Institutions have to Report under CRILC? Banks and financial institutions have to separately send CRILC-Main and CRILC-SMA2.

I. CRILC-Main, is a monthly submission w.e.f. 1.4.2018 (earlier quarterly) that comprises four sections namely:

a. Section 1: Exposure to large borrowers (Rs.5 cr or above)
b. Section 2: Reporting of technically/prudentially written-off accounts,
c. Section 3: Reporting of balance in current account (Rs.1 cr or more)
d. Section 4: Reporting of non-cooperative borrowers.

II. CRILC-SMA 2 : Apart from above regular monthly submissions, banks are to submit this report on an 'as and when' basis, i.e. whenever a large borrower's account becomes overdue for 61 days (SMA2).

RAF Accounts : In addition banks are to send report on loan accounts markeed Red Flagged or classified as Fraud Account with a threshold exposure of Rs.500 million or more at the level of a bank irrespective of the lending arrangement (whether solo banking, multiple banking or consortium), together with the dates on which the accounts were classified as such.

Filing Dates for CRILC Submissions?

1. The CRILC-Main Report is required to be submitted on a monthly basis effective April 1, 2018.
2. In addition, the lenders shall report to CRILC, all borrower entities in default (with aggregate exposure of Rs. 50 million and above), on a weekly basis, at the close of business on every Friday, or the preceding working day if Friday happens to be a holiday. The first such weekly report shall be submitted for the week ending February 23, 2018.

How Can Banks Benefit with CRILC Data?

i) RBI shares the CRILC data with all lending institutions which help lenders to look at and tackle their NPA.
ii) Lending banks can also search whether their borrower customers are having current account with other banks, with large balances.

Banks opening a current account of a large corporate, can use the data available in the CRILC platform to know whether the customer is availing credit facility from another banks.

7. Financial Benchmarks and Role of FBIL

The Financial Benchmarks India Pvt. Ltd (FBIL) jointly owned by Fixed Income Money Market & Derivatives Association of India (FIMMDA), FEDAI and IBA (shareholding 76%, 14%, 10% respectively), was formed in Dec 2014 as a private limited company under the Companies Act 2013.

The aim of FBIL is to develop and administer benchmarks relating to (i) money market, (ii) government securities and (iii) foreign exchange in India.

It is responsible for all aspects relating to benchmarks such as collection and submission of market data and information including polled data, formulation, adoption and periodic review of benchmark calculation methodologies, publication and administration of benchmarks.

What are financial benchmarks? These are indices, values or reference rates used for the purpose of pricing, settlement and valuation of financial

contracts. Globally huge volumes of financial transactions are referenced to or valued using various such benchmarks. Financial benchmarks play a critical role in promoting efficient and transparent financial markets and ensuring financial stability.

The International Organisation of Securities Commissions (IOSCO), an association of organisations that regulate the world's securities and futures markets has issued Principles on Financial Benchmarks.

FBIL started taking over the administration of the benchmarks from July 22, 2015. It has so far taken over existing benchmarks such as Mumbai

Inter-Bank Outright Rate (MIBOR) and option volatility, and introduced new benchmarks such as Market Repo Overnight Rate (MROR), Certificate of Deposits (CDs) and T-Bills yield curves.

(1) Overnight MIBOR : FBIL announces the benchmark rate for MIBOR on a daily basis on all working days (except Saturdays, Sundays and local

holidays). The benchmark rate is calculated based on the actual call money transactions data obtained from the NDS-call platform of Clearing Corporation of India Ltd (CCIL). The CCIL acts as the Calculating Agent. The rate is announced at 10.45 AM every day.

(2) Term MIBOR: FBIL announces the benchmark rates for Term MIBOR for 3 tenors of 14-day, 1-month and 3-month on a daily basis on all working days. The benchmark rates are determined through a polling-based submission by the participating banks and Primary Dealers [PDs] out of the FBIL's list of identified submitters. The CCIL acts as the Calculating Agent. The rates are announced at 11.45 AM every day.

(3) FC-Rupee Options Volatility Matrix : FBIL announces the benchmark matrix of FC-Rupee Options Volatilities for 5 tenors of 1-week, 1-month, 3 month, 6-month and 12-month on a daily basis on all working days. The matrix is determined on the basis of data obtained through a poll among participating banks out of FBIL's list of identified submitters. The CCIL acts as the Calculating Agent. The matrix is announced at 6 PM every day.

(4) Certificates of Deposit: FBIL announces the benchmark rates for FBILCD on a daily basis on all working days at 5.30 PM. FBIL has developed the

FBIL- CD, for the money market based on traded CDs reported on the FTRAC platform of CCIL up to 5 PM. FBIL-CD is announced for 7 tenors of 14 days, 1 month, 2 months, 3 months, 6 months, 9 months and 12 months. All trades having a value of Rs.5 cr and above and a minimum of 3 trades in each tenor are considered for calculating the benchmark for each tenor. In the event of the threshold criteria not being met for any tenor, the benchmark rate thereof is calculated using the FBIL- TBILL rates for that tenor plus a spread. The CCIL is the Calculating Agent.

(5) Treasury Bills: FBIL announces the benchmark rates for Treasury Bills (FBIL-TBILL) on a daily basis on all working days at 5.30 PM. FBIL has developed the FBIL-TBILL, based on Treasury bills traded in the market. FBIL-TBILL is announced for 7 tenors of 14 days, 1 month, 2 months, 3 months, 6 months, 9 months and 12 months. FBIL-TBILL is calculated on the basis of secondary market trades executed and reported up to 5 PM on the NDSOM Platform. All trades having a value of Rs.5 crores and above and a minimum of three trades in each tenor are considered for calculating the benchmark for each tenor. If there are less than 3 trades in a particular tenor, the data is augmented by including the executable orders on the NDS –OM Platform. CCIL is Calculating Agent.

(6) Market Repo Overnight Rate (FBIL – MROR)

FBIL announces the benchmark for Market Repo Overnight Rates (FBILMROR) on a daily basis on all working days. The benchmark rate is calculated based on the Basket Repo trades executed on the Basket Repo segment on the CROMS Platform of Clearing Corporation of India (CCIL) in the first hour of trading between 9.00 AM to 10 AM. The CCIL acts as the Calculating Agent. The rate is announced by 10.45 AM every day. If the time is extended due to non-fulfillment of threshold criteria, the dissemination time may get suitably extended.

8. FINANCIAL RESOLUTION & DEPOSITS INSURANCE BILL, 2017

BACKGROUND:

- India has a law to swiftly address the issue of insolvency of companies in the manufacturing sector. Essentially, that law aims at finding and finalising a resolution plan to get a troubled company back on track, or, in the event of failure, ensure a quick winding up.
- The plan is to have a similar law for firms in the financial sector - so that if a bank, a Non Banking Finance Company (NBFC), an insurance company, a pension fund or a mutual fund run by an asset management company fails, a quick solution is available to either sell that firm, merge it with another firm, or close it down, with the least disruption to the system, to the economy, and to investors and other stakeholders.
- The need for a specific regulation rose following the 2008 financial crisis, which witnessed a large number of high-profile bankruptcies. With the government also actively encouraging people to engage more with the banking sector, both through schemes like Jan Dhan Yojana and moves like demonetization, it becomes critical to protect savers and those joining the formal economy in case a bank or insurance firm starts failing.
- This is proposed to be done through a new entity, a Financial Resolution Corporation which is envisaged as an agency that will classify firms according to the risks they pose, carry out inspections and at a later stage, take over control. This was recommended by the Financial Sector Legislative Reforms Commission (FSLRC) headed by Justice B N Srikrishna.
- In this context, Government has come with the Financial Resolution and Deposit Insurance Bill, 2017 or FRDI Bill which was introduced in Lok Sabha during Monsoon Session 2017 and is currently being examined by a Joint Committee of the two Houses of Parliament.
- The bill is part of a larger, more comprehensive approach towards systematic resolution of all financial firms, banks, insurance companies and other financial intermediaries. FRDI deals only with financial sector entities such as banks and insurance companies and the Insolvency Code Act deals with companies in all other sectors.

KEY FEATURES:

- FRDI Bill, 2017 seeks to protect customers of financial service providers in times of financial distress.
- It aims to inculcate discipline among financial service providers in the event of financial crisis, by limiting the use of public money to bail out distressed entities.
- The Bill would help in maintaining financial stability in the economy by ensuring adequate preventive measures.
- The Bill aims to strengthen and streamline the current framework of deposit insurance for the benefit of retail depositors.
- It seeks to decrease the time and costs involved in resolving distressed financial entities.

HIGHLIGHTS OF THE BILL:

- The Bill establishes a Resolution Corporation to monitor financial firms, anticipate risk of failure, take corrective action, and resolve them in case of such failure. The Corporation will also provide deposit insurance up to a certain limit, in case of bank failure.
- The Resolution Corporation or the appropriate financial sector regulator may classify financial firms under five categories, based on their risk of failure. These categories in the order of increasing risk are:

i) Low (ii) Moderate (iii) Material (iv) Imminent, & (v) Critical.

- The Resolution Corporation will take over the management of a financial firm once it is classified as 'critical'. It will resolve the firm within one year (may be extended by another year).

- Resolution may be undertaken using methods including:
  . Merger or acquisition,
  . Transferring the assets, liabilities and management to a temporary firm, or
  . Liquidation
- If resolution is not completed within a maximum period of two years, the firm will be liquidated. The Bill also specifies the order of distributing liquidation proceeds.
- Resolution Corporation is expected to cover all firms regulated by the RBI, SEBI, IRDA and PFRDA.
- The Resolution Corporation would protect the stability and resilience of the financial system; protecting the consumers and protecting public funds.
- The resolution regime provides mechanisms and guidelines for an orderly management of the distressed bank's affairs either by reconstructing it or by liquidating it - but without using public money.

SCOPE OF THE ACTIVITIES OF FINANCIAL RESOLUTION CORPORATION:

The Financial Resolution Corporation will exercise certain powers including:

a) Classification of firms based on risk, and

b) Directing the management of a firm to return their performance based incentive. However, the Bill does not specify a review or appeal mechanism for aggrieved persons to challenge the decision of the Resolution Corporation.

- The Bill specifies that the Corporation will take over the administration of a firm, and exercise the powers of the board of directors, as soon as the firm is classified as 'critical'.
- The Bill requires financial firms to pay fees to the Resolution Corporation.
- Deposit Insurance Corporation that guarantees deposits up to Rs 1 lakh per customer will be closed down and the FRC will decide the amount now.
- In addition, the FRC has power to liquidate any bank and permit to use the depositors' money to bail-in a bank. However, the question of bail-in does not arise in Indian situation as banks under liquidation are generally merged with stronger banks.
- The 'Resolution Corporation', proposed in the draft bill, would look after the process and prevent banks from going bankrupt. It would do this by writing down of the liabilities, which is termed as a bail-in. The draft bill empowers Resolution Corporation to cancel the liability of a failing bank or convert the nature of the liability.
- It is the provisions of 'bail-in' in FRDI Bill that have given rise to concerns over protection for bank deposits.

CONCEPT OF BAIL-IN:

A bail-in is a way to rescue an ailing bank or a financial institution by internally restructuring its debt through various tools which include transferring its assets and liabilities, merging it with another firm, or liquidating it there by making its creditors and depositors take a loss on their holdings. A bail-in is an opposite of bail-out, in which, the banks instead of saving bankrupt companies, save themselves and it involves funds being infused by external sources to resolve a firm. This includes a failing firm being rescued by the government.

HOW DOES IT WORK:

- It allows resolution agencies to override the rights of the shareholders of the firm. This could mean writing down of a company's equity and debt to absorb losses, or converting debt into equity. This could also mean overriding requirements such as approvals by shareholders and disposing-off the firms assets to a third party without any requirement for consent. In other words, deposit holders do not have any superior claims.
- Bail-in clause allows critically ill banks to restructure their liabilities which is also depositors' monies i.e., they can take deposited cash and issue bonds, shares etc which can be redeemed only after a fixed period of time.

GLOBAL EXPERIENCE OF BAIL-IN:

- The Financial Stability Board, an international body comprising G20 countries (including India), recommended that countries should allow resolution of firms by bail-in under their jurisdiction. The European Union also issued a directive proposing a structure for member countries to follow while framing their respective resolution laws. This directive suggested that countries should include bail-in among their resolution tools.
- The first country to go with the bail-in program was Denmark. In its response to its financial crisis in 2011, the country came up with five bank packages which included increasing the cap of the insured amount deposited in banks, along with a safety net and also implementing bail-in. Denmark's bail-in case was not a disaster as it was carried out in the orderly manner having clear and coherent legal framework for bail-ins.
- One of the rare instances was in 2013, when bail-in was used to resolve a bank in Cyprus when its economy declined and fell after the Greek crisis that created crisis in Europe in 2011 and 2012.This led to the collapse of its banking system and when the government refused to step in and bailout, the bail-in program was advocated by the International Monetary Fund (IMF). Cyprus bail-in program was a disaster; what can be called as 'legal theft' of 60% of depositors' money.
- In the 24 months following the Cyprus story, Canada, New Zealand, the US, the UK and Germany also introduced legislation that in effect gives the governments in those countries the option of freezing, and perhaps seizing bank deposits above a certain level.
- In the UK, for example, protected deposits have an upper limit of £85,000. In the rest of Europe, that translates into €100,000. The UK's Financial Services Compensation Scheme (FSCS) goes some steps further. It also provides a protection limit of up to £1 million pounds sterling on 'temporary high balances' that depositors may have held when the bank failed.

INDIAN CONTEXT:

- Current laws governing resolution of financial firms do not contain provisions for a bail in. If a bank fails, it may either be merged with another bank or liquidated.
- In case of bank deposits, amounts up to one lakh rupees are insured by the Deposit Insurance and Credit Guarantee Corporation (DICGC). In the absence of the bank having sufficient resources to repay deposits above this amount, depositors will lose their money.

- The Bill has a similar provision which allows the Resolution Corporation to set the insured amount in consultation with the RBI.
- The fear is Indian policymakers may want to nudge savers on the same path as in many other parts of the world to ultimately lower risks and the potential burden on taxpayers, although there is no explicit mention of this in the proposed law.

SAFEGUARDS FOR CREDITORS & DEPOSITORS:

- The Bill specifies that the power of the Corporation while using bail-in to resolve a firm will be limited. There are certain safeguards which seek to protect creditors and ensure continuity of critical functions of the firm.
- When resolving a firm through bail-in, the Corporation will have to ensure that none of the creditors (including bank depositors) receive less than what they would have been entitled to receive if the firm was to be liquidated.
- Further, the Bill allows a liability to be cancelled or converted under bail-in only if the creditor has given his consent to do so in the contract governing such debt. The terms and conditions of bank deposits will determine whether the bail-in clause can be applied to them.

THE GOVERNMENT'S RESPONSE:

- The Government asserts that India's FRDI Bill is more depositor-friendly than that of many other jurisdictions that provide for statutory bail-ins, where the consent of creditors or depositors is not required for bail-in. It has also informed that it does not propose in any way to limit the scope of powers to extend financing and resolution support to banks, including public sector banks. The government's implicit guarantee for public sector banks remains unaffected.
- This is an indication that the Govt. may not want to foreclose the option to back a failed bank. In the UK too, the Treasury retains the power to transfer a failing firm into public ownership, or make a public equity injection as the last resort.

BENEFITS OF FRDI BILL, 2017:

- It can benefit a large number of retail depositors as it seeks to decrease the time and costs involved in resolving distressed financial entities.
- Help in maintaining financial stability in the economy by ensuring adequate preventive measures, as well as provide necessary instruments in an event of crisis. Once implemented, this Bill together with the Code will provide a comprehensive resolution framework for the economy.
- The bill envisages inculcating discipline among financial service providers in the event of financial crisis.
- It promotes Ease of doing business in the country.
- Improve financial inclusion and increase access to credit, which may lead to the reduction of the cost for obtaining credit.
- Increased access to finance enhances enterprise growth, which in turn leads to preserving employment, growth and the creation of new job opportunities.

LATEST ON FRDI BILL:

- Moving swiftly to address growing disquiet over provisions in the (FRDI) bill pending before Parliament, the finance minister has hinted that the government may backtrack on some of its controversial provisions. As per the Finance Minister, 'the objective of the Government is to fully protect the interest of the financial institutions and the depositors. The Government stands committed to this objective.
- The latest Financial Stability Report (December 2017) has reported a 3.3% drop in the year-on-year deposit growth for all scheduled commercial banks, cutting across all bank groups, between March and September 2017. This is the worst possible time for the government to press for the passage of a bill whose provisions can erode the trust and confidence of the depositors in the PSBs and other public sector financial institutions.
- Most people view that the primary objective of the bill does not appear to be deposit protection, but financial institution resolution. What worries them even more is that the FRDI bill puts depositors at the bottom when it comes to actual protection.

9. FINANCIAL STABILITY REPORT – DECEMBER 2017

The Financial Stability Report reflects the overall assessment on the stability of India's financial system and its resilience to risks emanating from global and domestic factors. The Report also discusses issues relating to development and regulation of the financial sector.

MACRO-FINANCIAL RISKS - Global Economy and Markets:

- The global economy has picked up steam and the growth momentum appears sustainable. Notwithstanding the efforts to formalize monetary policy by the Federal Reserve and the Bank of England, financial conditions in the advanced economies remain accommodative. Commodities space is firming up, and increased geopolitical risks imply likely volatility in commodity prices.
- In the emerging market context, exports are growing at their fastest clip in six years on the back of a pick-up in global growth. Notwithstanding hardening of US treasury yields, debt flows to emerging economies remain robust.

Domestic Economy and Markets:

- Domestic growth rebounded in 2017-18: Q2, after initial hiccups associated with the roll-out of the nationwide goods and services tax (GST), coming on the back of demonetisation. The ongoing deleveraging in the heavily indebted parts of the corporate sector and poor credit growth in public sector banks present a downside risk to growth.
- The overall investment climate remains challenging as seen from the decline in new investment proposals.
- The positive signals of improvement – 'the decline in number and cost of stalled projects in 2017-18: Q2', 'the efforts to improve the quality of government expenditure', 'ease of doing business ranking', 'India's sovereign rating upgrade by Moody's' and the 'bank recapitalisation announcement' – are expected to provide a significant fillip to investment sentiments.
- The overhang of liquidity conditions in the wake of demonetisation has led to unprecedented flows to both equity and debt mutual funds. Foreign portfolio investment (FPI) flows into the capital market also remained buoyant with a greater preference for debt.

FINANCIAL INSTITUTIONS: PERFORMANCE AND RISKS:

- The overall risks to the banking sector remained elevated due to asset quality concerns. Credit growth of scheduled commercial banks (SCBs) showed an improvement between March and September 2017, while public sector banks (PSBs) continued to lag behind their private sector peers.
- The gross non-performing advances (GNPA) ratio and the stressed advances ratio of the banking sector increased between

March 2017 and September 2017.

- Stress test suggests that in the baseline scenario, GNPAs of the banking sector may rise from 10.2 per cent of gross advances in September 2017 to 10.8 per cent in March 2018 and further to 11.1 per cent by September 2018.
- SCBs' return on assets (RoA) remained unchanged at 0.4 per cent between March and September 2017 while PSBs have continued to record negative profitability ratios.
- Overall, capital to risk-weighted assets ratio (CRAR) improved from 13.6 per cent to 13.9 per cent between March 2017 and September 2017.
- The share of large borrowers both in total SCBs' loans as well as GNPAs declined between March and September 2017.
- GNPAs of the NBFC sector as a percentage of total advances increased between March 2017 and September 2017.
- The network analysis indicates that the degree of interconnectedness in the banking system has decreased gradually since 2012. The joint solvency-liquidity contagion analysis shows that the losses due to default of a bank have declined.
- From the perspective of larger financial system, SCBs continued to be the dominant players accounting for nearly 47 per cent of the bilateral exposure followed by asset management companies managing mutual funds (AMC-MFs), non-banking financial companies (NBFCs), insurance companies, housing finance companies (HFCs) and all-India financial institutions (AIFIs).

Stress Tests and Network Analysis:

- The macro stress test for credit risk indicates that under the baseline macro scenario, the GNPA ratio may increase to 10.8% by March 2018 and further to 11.1% by September 2018.
- The network analysis indicates that the degree of interconnectedness in the banking system has decreased gradually since 2012. The joint solvency-liquidity contagion analysis shows that losses due to default of a bank have declined.

FINANCIAL SECTOR: REGULATIONS & DEVELOPMENTS:

- While global banks have strengthened their resilience in terms of capital and liquidity, their activity moderated in terms of cross-border lending. On the domestic front, regulations on resolution have ultimately evolved into the bankruptcy framework, and stakeholders have to maintain a fine balance among various options available to them for the most optimum resolution. Corporate governance in banks is key to ensuring the success of the recapitalisation of banks.
- Financial savings in the form of mutual funds (MF) investments and pension schemes not only continued to grow, but, are also getting broad-based in terms of the spatial distribution and investor profile. The domestic insurance sector has recently seen significant activity in terms of going public and consolidation; five insurance companies have already been listed on the stock exchanges and two more are in the process of being listed. The new insolvency and bankruptcy regime is showing significant progress in dealing with financial and operational creditors to insolvent companies in a market determined and time bound manner.

Assessment of Systemic Risk:

- India's financial system remains stable. The stress in the banking sector, particularly the PSBs, while significant, appear to be bottoming out.
- The results of the latest systemic risk survey conducted by the Reserve Bank in October 2017 indicated that among risks affecting the financial system, 'global risks' and the risk perception on macro-economic conditions and institutional risks were perceived to be in 'medium' category. provisions of IBC, for which no penalty has been specified, will be punishable with fine ranging between Rs.1 lakh to Rs. 2 cr.

10.MAJOR CHANGES IN SIXTH BI-MONTHLY MONETARY POLICY REVIEW ON 07th FEB. 2018

1) RELIEF FOR MSME BORROWERS WHO HAVE REGISTERED UNDER GOODS AND SERVICES TAX:

- The formalisation of business through registration under Goods and Services Tax (GST) adversely impacted cash flows of the smaller entities during the transition phase with consequent difficulties in meeting their repayment obligations to banks and non-banking financial companies (NBFCs).
- As a measure to support their transition to a formalised business environment, RBI has been decided that for the GST-registered Micro, Small and Medium Enterprises (MSMEs) which were Standard as on August 31, 2017 and for which the aggregate exposure of banks and NBFCs does not exceed Rs. 25 crore as on January 31, 2018, the amounts overdue as on September 1, 2017 and payments due between September 1, 2017 and January 31, 2018, be allowed by banks and NBFCs to be paid not later than 180 days from their original due date, without a downgrade in asset classification.

2) REMOVAL OF CREDIT CAPS ON MSME (SERVICES) UNDER PRIORITY SECTOR:

- In the light of feedback received from various stakeholders and in line with the increasing importance of services sector in the economy, RBI has decided to remove the currently applicable loan limits of Rs. 5 crore and Rs. 10 crore per borrower to Micro, Small and Medium Enterprises (Services) respectively, for classification under priority sector.
- Accordingly, all bank loans to MSMEs, engaged in providing or rendering of services as defined in terms of investment in equipment under Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, shall qualify under priority sector without any credit caps.

3) APPLICABILITY OF SUB-TARGETS OF SMALL & MARGINAL FARMERS AND MICRO ENTERPRISES FOR FOREIGN BANKS WITH 20 BRANCHES AND ABOVE:

- In order to achieve level-playing field in the priority sector lending guidelines for banks, RBI had stipulated in April, 2015 that post 2018 (i.e., after three years from the issuance of guidelines), the sub-targets for lending to small and marginal farmers and micro enterprises shall be made applicable for foreign banks with 20 branches and above.
- RBI has now decided that the sub-target of 8 percent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of Off-Balance Sheet Exposure (CEOBE), whichever is higher, will be made applicable for lending to the small and marginal farmers for foreign banks with 20 branches and above from FY 2018-19.
- Further, the sub-target for bank lending to the Micro Enterprises in the country of 7.50% of ANBC or CEOBE, whichever is higher, will also be made applicable for foreign banks with 20 branches and above from FY 2018-19.

4) HARMONIZING BENCHMARK RATE:

- RBI had introduced the Marginal Cost of Funds based Lending Rates (MCLR) system with effect from April 1, 2016 on account of the limitations of the Base Rate regime. With the introduction of the MCLR system, it was expected that the existing Base Rate linked credit exposures shall also migrate to MCLR system. RBI has observed that a large proportion of bank loans continue to be linked to the Base Rate despite the RBI highlighting this concern in earlier monetary policy statements.

- Since MCLR is more sensitive to policy rate signals, RBI has decided to harmonize the methodology of determining benchmark rates by linking the Base Rate to the MCLR with effect from April 1, 2018.

5) COMPREHENSIVE REPO DIRECTIONS:

- Currently, the Reserve Bank's Repo directions are issued separately for Government Securities and corporate debt. These directions specify entities eligible to undertake repos and minimum credit rating of corporate bonds that may be used as collateral.
- With a view to harmonizing regulations across different types of collateral and also to encourage wider participation, especially for corporate debt repos, the repo directions are proposed to be streamlined and simplified. The revised directions will be issued by the end of this month.

6) EASE OF ACCESS TO NON-RESIDENTS FOR FOREX HEDGING ONSHORE:

- Access to non-residents for hedging their INR currency risk arising out of their current and capital account transactions is limited by the type of risks that are permitted to be hedged and the instruments that can be used.
- With a view to ease the access of such non-residents to the onshore market for their hedging requirements, including for Masala bond exposures, RBI now proposed to allow them to dynamically hedge their currency and interest rate exposures onshore using any of the permitted instruments. The circular to permit the above will be released by RBI the necessary changes in FEMA regulations have been notified by the Govt.

7) REVISION OF LIMITS FOR EXCHANGE TRADED CURRENCY DERIVATIVES (ETCD):

- Currently, users can take positions in exchange traded currency derivatives, without having to establish proof of underlying exposure, upto USD 1.5 crore per exchange for USD-INR and USD 0.5 crore per exchange for other currency pairs involving the Rupee.
- This limit was last reviewed in March, 2015. RBI has subsequently permitted introduction of currency option contracts involving the INR on exchanges.
- In order to encourage further participation in exchange traded currency derivatives, RBI has now proposed to merge these position limits across all foreign currency-INR pairs and provide a single limit of USD 100 million per user (both resident and non-resident) across all exchange traded currency derivatives, in all exchanges combined. The circular to this effect will be released by the end of this month.

8) TAKING OVER OF G-SEC BENCHMARK AND FOREX REFERENCE RATE BY FINANCIAL BENCHMARKS INDIA PVT. LTD (FBIL):

- FBIL was incorporated in 2014 as per the recommendations of the Committee on Financial Benchmarks. FBIL has so far taken over existing benchmarks such as Mumbai Inter-Bank Outright Rate (MIBOR) and option volatility, and introduced new benchmarks such as Market Repo Overnight Rate (MROR), Certificate of Deposits (CDs) and T-Bills yield curves.
- The development of FBIL as an independent organisation for administration of all financial market benchmarks including valuation benchmarks is important for the credibility of these benchmarks and integrity of financial markets.
- Accordingly, RBI has proposed that

i) FBIL would assume the responsibility for standardising the valuation of Government securities (issued by both the Centre and States) currently being done by FIMMDA; and,

ii) FBIL would also assume the responsibility for computation and dissemination of the daily "Reference Rate" for Spot USD/INR and other major currencies against the Rupee, which is currently being done by RBI.

- The implementation dates will be indicated by FBIL and the Reserve Bank.

9) OMBUDSMAN SCHEME FOR CUSTOMERS OF NON-BANKING FINANCE COMPANIES (NBFCs): With a view to providing customers of NBFCs with a cost-free and expeditious grievance redress mechanism, RBI has now decided to introduce an Ombudsman Scheme for NBFCs. The scheme will cover all deposit taking NBFCs and those with customer interface having asset-size of Rupees One Billion and above. To begin with, the Scheme will be operationalised by the end of Feb, 2018.

10) REVIEW OF CURRENCY DISTRIBUTION AND EXCHANGE SCHEME (CDES): With a view to promote a less cash economy, the incentive schemes have been reviewed and it has been decided to discontinue going forward the incentives for installation of Cash Recycler Machines (CRMs) and Automated Teller Machines (ATMs).

11. MONETARY POLICY

Monetary policy is a tool with RBI to regulate the interest rate and money supply expansion that prevail in the economy. RBI is vested with the powers for formulating, supervising and controlling the monetary and banking system.

Instruments: There are 2 categories of instrument of monetary policy.

(1) **Under the general category**, it has powers to conduct **open market operations** (OMO), **change the reserve ratios** and **alter the discount rates**.

(2) **Under special category** it can have various credit direction program (priority sector, export credit, food credit etc.) and specifying margins and level of credit in special categories (selective credit control).

Easy or tight money Policy :

(1) An **easy money policy** is intended to increase the money supply. It help bring about a reduction in interest rates. Lower interest rates are expected to stimulate a sluggish economy. RBI buys securities from banks or reduces reserve ratio or the bank rate. RBI usually follows an easy policy in times of recessions and economic slowdown.

(2) **Tight policy** is intended to cool down an overheated economy by limiting credit availability or making it very costly. For this, RBI employs measures which would reduce the overall money supply, which basically are the reverse of what is adopted for an easy money policy. A tight money policy is implemented when economy suffers from inflationary pressures.

Open market operations : It refers to buying and selling of govt. securities by RBI in the open market. By its impact on the reserves of banks, OMO helps control the money supply in the economy. When RBI sells Govt. securities to banks, the lendable resources of the banks are reduced and banks are forced to reduce or contain their lending, thus curbing the money supply. When money supply is reduced, the consequent increase in the interest rates tends to limit spending and investment.

Varying Reserve Ratios: An increase in CRR or SLR would force banks to deploy a larger part of their lendable resources as reserves. As banks reduce their market lending operations, consequent decline in money supply would increase interest rate. **Bank rate / Repo Rate** : When these are increased, banks reduce their borrowing from RBI, which lowers their lendable resources. The decline in money supply increases the interest rates. The opposite happens when RBI reduces these rates.

Of 3 kinds of general monetary instruments, OMO is more flexible and preferred. **MONETARY & LIQUIDITY AGGREGATES**

Money stock measures were introduced by RBI during 1970 and the working group under Y V Reddy suggested major changes in the money stock measures, which gave its recommendations (during Dec 1997) and implemented during June 1998. The current measures are monetary (M) and liquidity (L) aggregates.

Monetary Aggregates

M 0 (called reserve money) = Currency in circulation + bankers' deposits with RBI + other deposits with RBI (including primary dealers' balance) (there is weekly report).

M 1 (called Narrow money) = currency with public + current deposits with banking system + 15% of demand liabilities portion of saving deposits with banking system + other deposits with RBI. (fortnightly report).

M 2 = M 1 + time liabilities portion (i.e. remaining 85%) of saving deposits with banking system + certificates of deposits issued by banks + term deposits (excluding FCNR-B deposits) with a contractual maturity of up to and including one year with banking system (fortnightly report).

M 3 (Called Broad money) = M 2 + term deposits (excluding FCNR-B) with a contractual maturity of over one year with the banking system + call borrowings from non-depository financial corporations by the banking system. (fortnightly report)

Important points regarding monetary aggregates:

1. **M0** is essentially the monetary base, compiled from the balance sheet of RBI.
2. **M1** purely reflects the non-interest bearing monetary liabilities of banking system.
3. **M 2,** besides currency and current deposits, includes saving and short term deposits reflecting the transactions balances of entities.
4. **M3** has been redefined to reflect, in addition to M2, the call funding that the banking systems obtains from other financial institutions.

Liquidity Aggregates

L I = M 3 + all deposits with post office saving banks (excluding NSCs)

L 2 = L 1 + term deposits with term lending institutions and refinancing institutions (FIs) + term borrowing by FIs + certificate of deposits issued by FIs and **L 3 =** L 2 + public deposits of NBFCs.

12. Prompt Correction Action Framework

The existing PCA framework for banks, introduced during 2004, was revised by RBI on 13.04.2017 and became effective from 01.04.2017, based on the financials of the banks for year ended Mar 31, 2017. It would be reviewed after 3 years. This framework does not preclude RBI from taking any other action as it deems fit in addition to the actions prescribed in the framework.

A) Capital, asset quality and profitability shall be the key areas for monitoring in the revised framework.

B) Indicators to be tracked are CRAR/ CET-I ratio, Net NPA ratio and Return on Assets respectively.

C) In addition, leverage would be monitored.

D) Breach of any risk threshold (see next page) would result in invocation of PCA.

E) The PCA framework would apply to all banks operating in India including small banks and foreign banks operating through branches or subsidiaries.

F) A bank will be placed under PCA framework based on the audited Annual Financial Results and the Supervisory Assessment made by RBI. RBI may impose PCA on a bank during a year (including migration from one threshold to another) if the circumstances so warrant. **Mandatory actions** :

Risk Threshold 1: (see chart on next page)

Restriction on dividend distribution/remittance of profits. Promoters/owners/parent in the case of foreign banks to bring in capital

Risk Threshold 2: (see chart on next page)

In addition to mandatory actions of Threshold 1, Restriction on branch expansion

Higher provisions as part of the coverage regime **Risk Threshold 3:** (see chart on next page)

In addition to mandatory actions of Threshold 1, Restriction on branch expansion;

Restriction on management compensation and directors' fees, as applicable

RBI initiated discretionary actions :

These include, Special Supervisory Interactions, Strategy related, Governance related, Capital related, Credit risk related, Market risk related, HR related, Profitability related, Operations related and any other **Discretionary corrective actions**

Special Supervisory interactions : (a) Special Supervisory Monitoring Meetings (SSMMs) at quarterly or other identified frequency (b) Special inspections/targeted scrutiny of the bank (c) Special audit of the bank

Strategy related actions : RBI to advise the banks to: (a) Activate the Recovery Plan that has been duly approved by the supervisor (b) Undertake a detailed review of business model in terms of sustainability of the business model, profitability of business lines and activities, medium and long term viability, balance sheet projections, etc. (c) Review short term strategy focusing on addressing immediate concerns (d) Review medium term business plans, identify achievable targets and set concrete milestones for progress and achievement (e) Review all business lines to identify scope for enhancement/ contraction (f) Undertake business process reengineering as appropriate (g) Undertake restructuring of operations as appropriate

1. **Governance related actions :** (a) RBI to actively engage with the bank's Board on various aspects as considered appropriate (b) RBI to recommend to owners (Government/ promoters/ parent of foreign bank branch) to bring in new management/ Board (c) RBI to remove managerial persons under Section 36AA of the BR Act 1949 as applicable (d) RBI to supersede the Board under Section 36ACA of the BR Act 1949/ recommend supersession of the Board as applicable (e) RBI to require bank to invoke claw back and malus clauses and other actions as available in regulatory guidelines, and impose other restrictions or conditions permissible under the BR Act, 1949 (f) Impose restrictions on directors' or management compensation, as applicable.
2. **Capital related actions :** (a) Detailed Board level review of capital planning (b) Submission of plans and proposals for raising additional capital (c) Requiring the bank to bolster reserves through retained profits (d) Restriction on investment in subsidiaries/ associates (e) Restriction in expansion of high risk-weighted assets to conserve capital (f) Reduction in exposure to high risk sectors to conserve capital (g) Restrictions on increasing stake in subsidiaries and other group companies
3. **Credit risk related actions :** (a) Preparation of time bound plan & commitment for reduction of NPAs (b) Preparation of

and commitment to plan for containing generation of fresh NPAs (c) Strengthening of loan review mechanism (d) Restrictions on credit expansion for borrowers below certain rating grades (e) Reduction in risk assets (f) Restrictions on/ reduction in credit expansion to unrated borrowers (g) Reduction in unsecured exposures

(h) Reduction in loan concentrations; in identified sectors, industries or borrowers (i) Sale of assets (j) Action plan for recovery of assets through identification of areas (geography wise, industry segment wise, borrower wise, etc.) and setting up of dedicated Recovery Task Forces, Adalats, etc.

4. **Market risk related actions :** (a) Restrictions on/reduction in borrowings from the inter-bank market, (b) Restrictions on accessing/ renewing wholesale deposits/ costly deposits/ certificates of deposits, (c) Restrictions on derivative activities, derivatives that permit collateral substitution, (d) Restriction on excess maintenance of collateral held that could contractually be called any time by the counterparty
5. **HR related actions :** (a) Restriction on staff expansion, (b) Review of specialized training needs of existing staff
6. **Profitability related actions :** Restrictions on capital expenditure, except in technological upgradation.
7. **Operations related actions :** (a) Restrictions on branch expansion plans; domestic or overseas, (b) Reduction in business at overseas branches/ subsidiaries/ in other entities, (c) Restrictions on entering into new lines of business, (d) Reduction in leverage through reduction in non-fund based business, (e) Reduction in risky assets, (f) Restrictions on non-credit asset creation, (g) Restrictions in undertaking businesses as specified. Any other specific action that RBI may deem fit considering specific circumstances of a bank.

SALIENT FEATURES OF REVISED PCA FRAMEWORK FOR BANKS

A) Capital, asset quality and profitability continue to be the key areas for monitoring in the revised framework.
B) Indicators to be tracked for Capital, asset quality and profitability would be CRAR/ Common Equity Tier I ratio, Net NPA ratio and Return on Assets respectively.
C) Leverage would be monitored additionally as part of the PCA framework.
D) Breach of any risk threshold would result in invocation of PCA.

PCA MATRIX - AREAS, INDICATORS AND RISK THRESHOLDS

AREA	**Indicator**	**Risk Threshold 1**	**Risk Threshold 2**	**Risk**
CAPITAL **(Breach of either CRAR or CET 1 ratio to trigger PCA)**	**CRAR - ** Minimum regulatory prescription for capital to risk assets ratio + applicable capital conservation buffer (CCB)	Upto 250 bps below Indicator	More than 250 bps but not exceeding 400 bps below Indicator	
	Current minimum RBI prescription of 10.25% (9% minimum total capital plus 1.25% of CCB as on March 31, 2017) **And/ Or**	<10.25% but >=7.75%	<7.75% but >=6.25%	
	Regulatory pre-specified trigger of Common Equity Tier 1 (CET-1 min) + applicable capital conservation buffer(CCB)	Upto 162.50 bps below Indicator	More than 162.50 bps below but not exceeding 312.50 bps below Indicator	In excess 312.50 bps below Indicator
	Current minimum RBI prescription of 6.75% (5.5% plus 1.25%* of CCB as on March 31, 2017) **Breach of either CRAR or CET-1 ratio to trigger PCA**	<6.75% but >= 5.125%	<5.125% but >=3.625%	<3.625%
ASSET QUALITY	Net Non-performing advances (NNPA) ratio	>=6.0% but <9.0%	>=9.0% but < 12.0%	>=12.0%
PROFITABILITY	Return on assets (ROA)	Negative ROA for two consecutive yrs	Negative ROA for three consecutive years	Negative ROA for four consecu yrs.
LEVERAGE	Tier 1 Leverage ratio[4]	<=4.0% but > = 3.5% (leverage is over 25 times the Tier 1 capital)	< 3.5% (leverage is over 28.6 times the Tier 1 capital)	
*CCB would be 1.875% and 2.5% as on March 31, 2018 and March 31, 2019 respectively.				

NOTES:

1 CET 1 ratio–the percentage of core equity capital, net of regulatory adjustments, to total risk weighted assets as defined in RBI Basel III guidelines.

2 NNPA ratio – the percentage of net NPAs to net advances.

3 ROA – the percentage of profit after tax to average total assets.

4 Tier 1 Leverage ratio – the percentage of the capital measure to the exposure measure as defined in RBI guidelines on leverage ratio.

Ø Breach of 'Risk Threshold 3' of CET1 by a bank would ~~identify a bank as a likely candidate for resolution through to~~ols like amalgamation, reconstruction, winding up, etc.

Ø In the case of a default on the part of a bank in meeting the obligations to its depositors, possible resolution processes may be resorted to without reference to the PCA matrix.

E) The PCA framework would apply without exception to all banks operating in India including small banks and foreign banks operating through branches or subsidiaries based on breach of risk thresholds of identified indicators.

F) A bank will be placed under PCA framework based on the audited Annual Financial Results and the Supervisory Assessment made by RBI. However, RBI may impose PCA on any bank during the course of a year (including migration from one threshold to another) in case the circumstances so warrant.

<table>
<tr><th colspan="3">MANDATORY AND DISCRETIONARY ACTIONS</th></tr>
<tr><th>SPECIFICATIONS</th><th>MANDATORY ACTIONS</th><th>DISCRETIONARY</th></tr>
<tr><td>Risk Threshold 1</td><td>➢ Restriction on dividend distribution/remittance of profits.
➢ Promoters/owners/parent in the case of foreign banks to bring in capital</td><td rowspan="3">Common menu
➢ Special Supervisory Interactions
➢ Strategy related
➢ Governance related
➢ Capital related
➢ Credit risk related
➢ Market risk related
➢ HR related
➢ Profitability related
➢ Operations related</td></tr>
<tr><td>Risk Threshold 2</td><td>➢ In addition to mandatory actions of Threshold 1,
➢ Restriction on branch expansion; domestic and/or overseas
➢ Higher provisions as part of the coverage regime</td></tr>
<tr><td>Risk Threshold 3</td><td>➢ In addition to mandatory actions of Threshold 1,
➢ Restriction on branch expansion; domestic and/or overseas
➢ Restriction on management compensation and directors' fees, as applicable</td></tr>
</table>

COMMON MENU FOR SELECTION OF DISCRETIONARY CORRECTIVE ACTIONS

1) Special Supervisory Interactions:

Ø Special Supervisory Monitoring Meetings (SSMMs) at quarterly or other identified frequency

Ø Special inspections / targeted scrutiny of the bank

Ø Special audit of the bank

*CCB would be 1.875% and 2.5% as on March 31, 2018 and March 31, 2019 respectively.

Banks placed under PCA till 31st Dec 2017:

Bank of India	Dena Bank
United Bank of India	Bank of Maharashtra
Indian Overseas Bank	IDBI Bank
Corporation Bank	UCO Bank
Central Bank of India	Oriental Bank of Commerce

13.Legal Entity Identifier (LEI) - (Aadhaar No. for Legal Entities)

LEI is a unique 20 digit code assigned to a *legal entity*. Every eligible legal entity will be assigned unique LEI for use globally. It is not applicable for individual persons. **Objective :** LEI is designed to enable the identification and linking of parties to financial transactions, in order to manage counterparty risk. Its goal is to help improve the measuring and monitoring of systemic risk and support more cost-effective compliance with regulatory reporting needs. **LEI Institutional Framework**

1. Global Legal Entity Identifier Foundation (GLEIF): It is tasked to implement and ensure operation of Global LEI System
2. LEI Regulatory Oversight Committee (LEI-ROC): It represents public financial market authorities from all over the world.
3. LEI Operating Units (LOUs): It Assign LEIs. These are contact points for companies in different countries.

LEI structure : The 20 character alphanumeric code created using ISO 17442:2012 standard and has following structure: **Characters 1-4,** a 4-character prefix assigned by the ROC Secretariat, unique to each LOU (for LEIL–3358)

Characters 5-6, 2 reserved characters – 00

Characters 7-18, 12 characters generated and assigned to an entity by the LOU according to transparent and sound allocation policies

Characters 19-20, 2 check digits under ISO 17442.

Who needs to apply for LEI codes?

An entity registered in India needs to apply for LEI code. These entities can be Sole Prop, Limited Liability Partnerships, Partnership Firms, Trusts, Companies, Insurance & Housing Finance Companies, Non-Banking Finance Companies, SPV-Trusts, SPV-Co-op Societies or Multistate Co-op Societies, Banks, Stand Alone Primary Dealers, Public Financial Institutions, Government Organizations etc.

RBI guidelines on obtaining LEI:

RBI has mandated the implementation of the LEI system for all participants in the Over-the-Counter (OTC) markets for Rupee Interest Rate derivatives, foreign currency derivatives and credit derivatives, in a phased manner. Entities without an LEI code cannot participate in the OTC derivative markets, after the date specified in the schedule. **Time line for obtaining LEI code** are as under: *Phase I* : Entities regulated by RBI / SEBI / IRDA / PFRDA & Companies with Net Worth > Rs.10000 mn : by 01.01.2017 *Phase II :* Corporates With Net Worth between Rs 2000 mn and Rs 10000 mn by Oct 01, 2017 *Phase III :* Between Rs 700 mn and Rs 2000 mn : Dec 01, 2017 *Phase IV :* Between Rs 700 mn and below by Mar 31, 2018. **Bank Borrowers:**

In the Oct 2017, RBI had indicated that LEI system for all borrowers of banks having total fund based and non-fund based exposure of Rs.5 crore and above will be introduced. To start with, large corporate borrowers having total exposures of Rs.50 crore and above are to obtain LEI as per the schedule given below. *Borrowers who do not obtain LEI as per the schedule are not to be granted renewal / enhancement of credit facilities.* For borrower of Rs. 5 crore and upto Rs.50 crore RBI shall issue directions later on. **Time line for borrowers to obtain LEI code**:

Borrowers with fund and non-fund based exposure of :

1) above Rs.1000 cr by Mar 31, 2018
2) between Rs.500 cr and Rs.1000 cr by Jun 30, 2018
3) between Rs.100 cr and Rs.500 cr by Mar 31, 2019

4) between Rs.50 cr and Rs.100 cr by Dec 31, 2019.
Banks should encourage large borrowers to obtain LEI for their parent entity as well as all subsidiaries and associates. **LEI from where?** LEI can be obtained from LOUs accredited by GLEIF. In India, LEI code may be obtained from Legal Entity Identifier India Ltd (LEIIL), a subsidiary of the Clearing Corporation of India Limited (CCIL), which has been recognised by RBI as issuer of LEI under the Payment and Settlement Systems Act, 2007 and is accredited by the GLEIF as the Local Operating Unit (LOU) in India for issuance and management of LEI.

Validity period of an LEI:
LEI shall be valid for one year after assignment or renewal. It shall be the duty of the entity to apply for renewal of LEI before expiry of the validity.

Relationship Record: Relationship Data means collection and reporting of data on Direct and Ultimate Accounting Parent. Data on parent entities is a part of the information that must be provided in order for LEI to be issued or renewed that have or acquire LEI. The LEI reference data on ownership and corporate hierarchies are essential to achieve one of the key objectives of risk aggregation for the global LEI system. The aim is to have sufficient data to construct a map of the financial network and the complex entity groups which participate in it. By providing information on Parent Entities, it would be possible to construct shareholdings and voting control through the financial group.

Charges for registering for LEI:
LEI issuance fee of Rs.8260 (including GST) is payable on issuance of LEI code. The annual fee for maintenance and renewal of LEI is Rs.4307 (including GST).

14. The Insolvency & Bankruptcy Code 2016

The Insolvency and Bankruptcy Code, 2016 notified on Dec 01, 2016, offers a comprehensive insolvency legislation for companies, partnerships and individuals. **Insolvency and bankruptcy :** *Insolvency* is failure of a company or LLP to pay due amount of Rs.1 lac or above (Central Govt. can enhance the minimum amount to Rs.1 cr). In case of individuals or partnership the amount is Rs.1000 or above (can be enhanced to Rs.1 lac). On the other hand, the *Bankruptcy* is the legal declaration of insolvency by an adjudicating body (court or tribunal). **Who can initiate the insolvency resolution process?** The creditors can initiate an IRP at the National Company Law Tribunal **(NCLT)**. The defaulting corporate debtor, its shareholders or employees, may also initiate voluntary insolvency proceedings. These creditors can be:

1. Financial creditors (banks/FIs etc.)
2. Operational creditors (inputs/service providers)
3. Corporate creditors

Four Pillars under IBC-2016

1) Insolvency and Bankruptcy Board of India (IBBI) : It is a 10 members Board. It regulates the intermediaries such as Information Utilities & Insolvency Professionals.

2) National Company Law Tribunal and Debt Recovery Tribunals : These are adjudicating Authorities to take decision on cases referred to them. Civil courts do not have jurisdiction. NCLT will look into cases relating to companies & LLPs and DRT will take up the cases relating to individuals & partnerships.

3) Information Utilities (IUs) : These are the entities that will collect, store and disseminate information to facilitate resolution process. National E-Governance Services Limited (NeSL) is the first IU, in India

4) Insolvency Resolution professionals : These are professionals who fulfill eligibility criteria under IBC-2016. They prepare insolvency resolution plan and take over management of a company under insolvency resolution process, on interim basis.

Insolvency resolution process for companies by Financial Creditors

For initiating the insolvency process, the company should have defaulted in payment of due amount. There are two independent stages for resolution: *(a) Insolvency resolution and (b) liquidation.*

1. Insolvency resolution process (IRP) Under IRP, a case can be referred to NCLT by a creditor. If NCLT accepts such application, it imposes moratorium (a calm period) and appoints Insolvency Professional (IP) when Board of the company is suspended. IP explores the possibility of resolution and constitutes a Committee of Creditors. If NCLT rejects the application, the creditor can rectify the defect within 7 days.

IP collects information from IUs, relating to lenders, terms and conditions of loans, securities etc.

IP is required to prepare IRP for approval of creditors. If approved by 75% of creditors by vote (voting rights are in the ratio of debt), the NCLT passes an order binding the debtor and creditors to the repayment plan.

Time limits for Insolvency resolution:

NCLT decides about admission of a case within 14 days. IP is required to place insolvency resolution plan with in 180 days. The NCLT can allow extension by 90 days, if 75% creditors by voting, agree. Hence , the total period can be 270 days. In case of small companies with turnover up to Rs.1 cr, the period is 90+45 (135 days).

2. Process of Liquidation

A corporate debtor may be put into liquidation in the following scenarios:

(i) a 75% majority of the creditor's committee decides to liquidate the corporate debtor;
(ii) the creditor's committee does not approve a resolution plan within 180 days (or within the extended 90 days);

(iii) the NCLT rejects resolution plan submitted to it; or

(iv) the debtor contravenes the agreed resolution plan and an affected person makes an application to the NCLT to liquidate the corporate debtor.

On NCLT passing the order of liquidation, a moratorium is imposed on the pending legal proceedings against the corporate debtor, and the assets of the debtor (including the proceeds of liquidation) vest in the liquidation estate.

Appeal against order of NCLT : A person aggrieved by order of NCLT can file appeal in Supreme Court within 45 days from date of receipt of order.

Punishment for malicious initiation of IRP or liquidation process : Minimum fine is Rs.1 lac and maximum fine is Rs.1 cr.

Priority of claims

1. The costs of insolvency resolution,
2. Secured debt together with workmen dues for the preceding 24 months.
3. Central and State government dues.
4. Workmen dues, employee dues and other unsecured financial creditors.

RBI direction on provisioning: Banks are to make 50% provision on a loan for which IRP is admitted by NCLT. On liquidation order, the provision requirement is 100%.

15. Bitcoin - A cryptocurrency

The currency can be a Metal currency (coins), Paper currency (bank notes), Plastic currency (debit cards) or Cryptocurrency. Bitcoin is a Cryptocurreny. Other cryptocurrencies are Ethereum, Ripple, Litecoin etc. (collectively called Altcoin).

What is a Cryptocurrency? It is a digital money system designed to make monetary transactions secure by use of Cryptography. *It is process of converting legible information into an almost uncrackable code, to track the transactions.* Such currencies are created and stored electronically in the *block-chain.*

Features of cryptocurrency including Bitcoin:

1) It is not backed by underlying assets. Hence it has no instrinsic value.
2) It has no physical form and exists in network only.
3) It is not issued or regulated by a Monetary Authority & network is decentralized.
4) It can be used like a paper currency to buy goods and services.

Why cryptocurrency : Creation of a currency not controlled by govt. or businesses, that a user could trade globally with no cost and without having to reveal his/her identity. **Origin of Bitcoin :** In Aug 2008, domain name "bitcoin.org" was registered. The word *bitcoin* was defined in a white paper published on 31 Oct 2008 by Satoshi Nakamoto (an anonymous person or persons). In Jan 2009, the Bitcoin network started functioning when Satoshi Nakamoto mined first block. The receiver of first Bitcoin was a Hal Finney. **Features of Bitcoin:**

How it is used? The bitcoin network is a peer-to-peer network and the payments and receipts happen directly without any intermediary. In case of other currencies an intermediary like a bank also participates.

Verification of transactions: The transactions in bitcoin are verified by the bitcoin network computers and then recorded in a public ledger, called Blockchain.

What is blockchain? Blockchain is a distributed database. It enables independent verification of chain of ownership of all Bitcoin transactions. Whenever a Bitcoin transaction takes place, its detail is broadcast over the Bitcoin network. Each network computer stores its own copy of the blockchain. Every peer has a record of complete history of all transactions and balance of every account, in the block chain.

Ownership: Bitcoins are registered as bitcoin address in the block chain. For spending bitcoin money, owner needs corresponding private key and sign the transaction digitally. **Volume of bitcoin:** As per Bitcoin code, there is a limit to issue only 21 million Bitcoins. According to current estimate, the bitcoin mining will last till the year 2140 AD only. **Mining and creation of Bitcoin:** The process of creating bitcoins is called mining. Miners are members of public with skills to handle complex computers. They have a financial incentive (to earn Bitcoins) for helping to validate and timestamp, the transactions The miners use the high-powered computer software, to solve complex mathematical algorithms (puzzle) and verify them, to make the Blockchain more secure. The level of difficulty of the puzzle is very high. It takes lot of time & effort to solve a puzzle. The miners compete to solve these problems and the first person who submits the solution, is the winner and receives a reward of a specific number of bitcoins. **Where to get bitcoins?** Bitcoins are available from a) Bitcoin exchanges, b) Purchase from other users and c) By mining. **Bitcoin Units:** The unit is Bitcoin represented as BTC and XBT. Small amounts of bitcoin are millibitcoin (mBTC) and satoshi. The smallest amount within bitcoin system is 0.00000001. A millibitcoin is equal to 0.001 bitcoin.

Properties of Bitcoin transactions:

1) Transaction is irreversible when it is confirmed within Bitcoin network.
2) Bitcoins are received on an address (it is randomly seeming chain of around 30 characters). Transactions and accounts are not connected to real-world identies.
3) Transactions are on global basis. These are confirmed within few minutes
4) Funds are locked in a public key cryptography system. As a result, the transactions are secure.
5) Anyone can install the software and can start receiving or sending Bitcoins. No permissions are required.

Value of Bitcoin : The value of Bitcoin depends upon demand and supply position. During December 2017, it was quoted around $17000.

16. FOREIGN TRADE POLICY 2015-20 (MID –TERM REVIEW)

The Union Commerce and Industry Minister unveiled the Mid-Term Review of Foreign Trade Policy 2015-20 by announcing a slew of incentives to boost country's exports.

BACKGROUND:

˜ The five-year FTP was announced on April 1, 2015, and set an ambitious target of India's goods and services exports at $900 billion by 2020. It also has a goal of increasing India's share of world exports to 3.5 per cent from 2 per cent.

˜ India's external trade performance has grown to be so acute that the current account deficit in the first-quarter of the current fiscal year reached a four-year high of 2.6 percent. This trend is continuing despite favourable trade conditions in the global markets. Only domestic factors can explain the widening trade deficit. Clearly, the uncertainty surrounding the implementation of the Goods and Services Tax (GST) has had a major role to play.

˜ Exports, meanwhile, declined from $468 billion to $437 billion between 2014-15 and 2016-17.

˜ According to World Bank (WB) data, no country in history has sustained a growth rate of seven per cent without an export growth of 15 per cent or more. However, Indian export growth of goods and services has not even crossed 10 per cent since 2011. Therefore, there seem to be larger structural issues at work that are impeding the growth of India's external sector.

˜ A common argument made to improve India's trade competitiveness is that the rupee is strong and needs to be depreciated to make exports competitive in the world markets. However, this argument does not hold good in the face of recent trends in both the exchange rate and the real effective exchange rate over the last few months.

MID-TERM REVIEW OF THE FOREIGN TRADE POLICY

The Govt. has released the mid-term review of the Foreign Trade Policy (FTP), with the focus expected to be on policy measures to boost the exports of goods and services and to increase employment generation and value-addition in the country. FTP is a dynamic document and regular changes are made to increase value addition in the country, generate more employment and boost exports. The mid-term review of FTP is aimed at mid-course correction. It was to be announced on July 1, together with the implementation of the GST regime. But the announcement was postponed to take into account feedback from export sector regarding GST related issues

HIGH LIGHTS

- In a massive relief to Indian exporters, the government announced liberal incentives of Rs.8,450 crore ($1.3 billion) in its mid-term review of the five-year foreign trade policy that was rolled out in 2015. The increase in annual incentive by 34 per cent to Rs.8,450 crore will benefit leather, handicraft, carpets, sports goods, agriculture, marine, electronic components and project exports. The FTP would focus on micro, small and medium enterprises, labour-intensive segments and agriculture sector.
- FTP will also focus on 'Ease of Trading' across borders. A professional team will handhold, assist and support exporters in their export related problems, accessing export markets, meeting regulatory requirements.
- Mid-term review of Foreign Trade Policy will focus on finding new markets and new products as well as increasing India's share in the traditional markets and products. To achieve Prime Minister vision of doubling farmers' incomes by 2022, FTP will have a focused policy for agricultural exports.
- Incentives for goods exports is Rs. 4,567 crore, and for services exports is Rs. 1,140 crore. This is in addition to the recently announced incentives to ready-made garments.
- The Merchandise Exports from India Scheme (MEIS) incentive rate will be raised by 2 per cent across the board for labour intensive / MSME sectors. Services exports from India Scheme (SEIS) incentives for sectors such as education, health, hospitality, business, legal, accounting, architectural, engineering to be increased by 2 per cent.
- Trade accounts for 45% of the country's GDP. FTP incentives now cover 8,000 of the total 12,000 lines of items. Of these incentives, Rs.749 cr for leather and footwear, Rs.1354 cr for agriculture and related items, Rs.759 cr for marine exports, Rs.369 cr for telecom and electronic items, Rs.921 cr for handmade carpets, Rs.193 cr for medical and surgical equipments, Rs.1140 cr for textiles and ready made garments.
- A new Logistics Division has also been created in Department of Commerce for integrated development of the logistics sector. The move is likely to positively impact exports by lowering transaction cost, increasing speed and ease of goods movement, improving Logistics Performance Index.
- A new trade data analytics division under the Directorate General of Foreign Trade will analyse real time data to help fine tune policy.
- Self-certification scheme for duty-free imports.
- MEIS incentives for two sub-sectors of textiles - ready-made garments and made-ups - have already been increased to 4 per cent from 2 per cent, with an additional annual incentive of Rs.2,743 crore.
- Validity period of Duty Free Credit Scrips has already been increased from 18 to 24 months to enhance their utility in the GST framework. GST rate on sale/transfer of scrips has been reduced to zero.
- The introduction of the new tax regime would be the catalyst for spurring growth in the export sector. The lower duty on most of items and reduction of cascading effect of various duties would lower the cost and make exports competitive.
- The government also said that support to Export Credit Guarantee Corporation will be enhanced to provide increased insurance cover to exporters particularly MSMEs exploring new or difficult markets.
- Further, to give a fillip to services trade, the policy has raised the Service Exports from India Scheme by two per cent, envisaging an additional outgo of Rs.1,140 crore. Last month, the Commerce Ministry announced a similar two per cent additional incentive for garments and made-ups.
- The FTP also sought to establish an Export Promotion Mission to provide an institutional framework to work with State Governments to boost India's exports. The government also aimed to promote and boost export of defence goods. Besides, an e-wallet system to address the liquidity problem being faced by exporters is likely to be operational from April 01, 2018. The government has expressed hope that the GST would help to push exports growth.

OUTSOURCING OF FINANCIAL SERVICES BY NBFCs: The Reserve Bank on November 9, 2017, put in place necessary safeguards in its directions on 'Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs (Non-Banking Financial Companies)' in public interest.

˜ **PRICING OF CREDIT:** The Reserve Bank on February 2, 2017, advised all Non-Banking Financial Company – Micro Finance Institutions (NBFC-MFIs) to ensure that the average interest rate on loans sanctioned during a quarter does not exceed the average borrowing cost during the preceding quarter plus the margin, within the prescribed cap.

Earlier, NBFC-MFIs were required to ensure that the average interest rate on loans during a financial year did not exceed the average borrowing cost during that financial year plus the margin, within the prescribed cap.

17. FINAL TIPS FOR INTERVIEW & FREQUENTLY ASKED QUESTION IN INTERVIEW

Interview is an evaluation of your attitude, views and awareness levels , in short potential in "You" is judged by interview board who are learned and experienced people in their own field of specialization. While facing PI ,you should be: **Yourself, Honest, Simple & Confident**

BASIC TIPS

1. Dress Code :		
*	**Gentlemen**	**Ladies**
*	Comfortable and befitting for the occasion (Formals)	
*	Light shirt (Sky blue or White) and dark trouser (preferably dark sky blue)	Normal traditional dresses like saree, salwar kameez , etc . Avoid too much dark or bright colours
*	Wear formal shoe (preferably black with tied laces) Use dark colour socks.	Keep ornaments/jewelry minimal and subtle .
*	Belt should match shoe colour . Avoid big buckles .	Any formal footwear . Wear matching socks if possible.
*	Overall you should be neat, tidy, clean and well groomed.	
*	Wearing tie is optional but will give corporate look .	
*	Carry one additional dress if you are traveling a long distance .	
*	Buy branded cloths.	

2. General Guidelines :	
*	Work on non-verbal communication (take care of your posture and gesture)
*	Reach venue well in advance (at least 1 Hour before scheduled time)
*	Reach LHO city (venue city) one day before Interview date so that you can avoid journey stress/fatigue .
*	Enhance your communication ability .Though there is no language barrier , if Interviewer started communication in English , you are expected to reply in English . Fluency can be attained with daily practice of speaking (possibly in front of mirror) within a week . You can speak Hindi with permission of panel , if question asked in English.
*	Write down expected questions and your possible replies. Do not remember answers . Just try to answer systematically .
*	Build your confidence level high . Avoid over confidence .
*	Your communication with panel should reflect Leadership and Management skill.
3. In Interview Hall :	
*	Before you enter in hall, gently knock door twice. Take permission . Greet every panel members. (e.g. Good morning all of you sir, Good morning madam .You should have eye contact with every panel member while greeting). Seat only after panel member asked to do so. Say thank you.
*	Avoid bluffing or guessing , do not get emotional or nervous even if a question is asked to provoke you , try to maintain your cool. If you don't remember answer say "Sorry Sir/Madam, I am unable to recollect right now." OR if don't know answer say " Sorry Sir/Madam, I don't know the answer" .
*	Do not carry Purse / Document File (unless it is specifically asked as they have your file with them) / Mobile with you in Interview Hall .
*	Listen attentively. Avoid situation of repeating the question.
*	Keep answers precise and to the point even if you know much more .

*	Eye contact plays vital role. Always maintain perfect eye contact with every panel member , mostly with person who asked question,this will exhibit your self confidence.

4. General Guidelines :	
*	Work on non-verbal communication (take care of your posture and gesture)
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WORK SHEET : To be prepared at your own.

1 : SWOT Analysis (SELF)	
Strengths	
Weakness	
Opportunities	
Threats	
2 : SWOT Analysis (BRANCH)	
Strengths	
Weakness	
Opportunities	
Threats	
3 : SWOT Analysis (BANK)	
Strengths	

Weakness	
Opportunities	
Threats	

4 : Previous Assignments		
Tenure	Branch	Major Roles

FREQUENTLY ASKED QUESTIONS Questions

About YourSelf

1. Tell us something about your self?
2. What are your contributions to the bank?
3. What are your achievements?
4. What do you feel about being part of Canara Bank?
5. Which place do you belong to? What is it known for?

Common Questions About Your Branch

1. What is the category of your branch?
2. What is the inspection gradation?
3. What is total business?
4. What is target for March, 2018 deposits & advances achieved or not?
5. What is actual figures at present ?
6. What is NPA percentage of branch ?
7. What is your branch cash recovery target ?
8. What is your share of low cost deposit to total deposit ?
9. What is potential of your branch ?
10. Who are your competitors in the area & what is your market share ?
11. Name five important depositors and borrowers
12. What is HRD & what are activities practised in your branch ?

Common Questions About Our Bank

1. What are the deposit / advances figures of our Bank for March 2018.

2. What is the total business of our bank?
3. What is our Banks total Market Share?
4. What is the NPA percentage?
5. What is CAR? What does it indicate & why is it important?
6. What is our annual profit for 2017 & our ranking?
7. What is the target for retail lending?
8. What is our capital & reserves?
9. How many directors are there? Name few of them.
10. How many wings are there in head office?
11. Who is heading which ....Wing?
12. How many circle offices are there, who is heading .... circle?
13. How many branches are there abroad and which are they ?
14. What are and why should we have specialised branches ?
15. What are Corporate service branches & why they are required?
16. Why & what is focus of Mahila banking branches, how many are there and where?
17. What is the staff strength of our bank?
18. How many branches are there?
19. How many subsidiaries do we have, name them.
20. Name RRBs sponsored by us?

Common Questions on General Aspects

1. Who is governor of RBI?
2. Who is chairman of IBA
3. Who is chair person of NABARD ?
4. What is bank rate, what is the present rate?
5. What is CRR and percentage, what is SLR and percentage
6. What is burden, yield and spread
7. What is cost of funds
8. What is narrow banking?
9. What is Relationship banking?
10. What are the tools of Risk MONITORING?
11. What are the three pillars of BASEL III?

Common Questions on Deposits

1. What is low cost deposit, why it is important, what are measures you suggest improving the same?
2. Are deposits still important for the banks today?
3. Can you open account with zero balance? what is No frill accounts ?
4. What is annuity linked Deposit & how it is different from others?
5. What is KYC Norms ? What is simplifies KYC norms ?
6. What is TDS? What are guidelines?
7. How and why PAN No. Quoted in banking transactions?
8. What do you understand by single bulk Deposit Callable and non callable?
9. What is Sukanya Samriddhi yojan ?
10. What is the Preferential rate of interest for deposits to senior citizens?
11. What is APY Account?

Common Questions onGeneral Banking

1. What are denomination of gift card issued?
2. What are the subsidiary services and why are they required?
3. What are different types of credit cards we issue and why?
4. What is relationship between customer and bank in respect of locker and safe custody?
5. What do you mean by good house keeping ?
6. What steps you suggest for curbing income leakage?
7. How frauds can be avoided?
8. What you mean by preventive vigilance?
9. What is performance budgeting?
10. What is instant credit. What is the difference between local and outstation?
11. What are guidelines of payment of interest on delayed collection and why it is required?
12. Which committee gave recommendation on customer service?
13. What is need of ombudsman scheme what it is all about?
14. What is COPRA ?
15. Name few steps taken by our bank for betterment of customer service?
16. What is CRM?
17. Which is statement which gives idea about internal control of the branch?
18. We are corporate agents for which insurance company?
19. What is revolving credit facility ?
20. What is concurrent audit?
21. What is skill inventory and talent bank?
22. What are types of inspection in our bank
23. Name few important committees and their recommendation
24. What are the changes in locker rent collection?
25. What are the various types of credit card in our bank?
26. What is take on audit?
27. What is the time norms in customer service for issue of DDs?

Common Questions on Agriculture/Priority Sector/Government Sponsored Schemes

1. What is SHG
2. What is RUDSETI
3. What is priority sectors and what are sub sectors?
4. What is scale of finance?
5. What is tie up arrangements?
6. What is high tech agriculture?
7. Name govt. Sponsored schemes
8. What is personal accident insurance to KCC holders?
9. What is floriculture, pisiculture
10. What are functions of NABARD?
11. What is GVY, HKY?
12. What is Agriculture Innovative Centre?
13. Why and what is sub service area?
14. What is Govt. sponsored schemes and tell about one of them
15. What is PMFBY?
16. What is the definition of sick SSI?
17. What is revolving fund?
18. What is scale of finance?
19. Salient features of relief to farmers in arrears.
20. What is hi-tech agriculture?

Common Questions on General Advances

1. Why we have to market our credit today?
2. What is the margin for MSME working capital as per turn over method for digital transaction?
3. What are the risks covered under Manual model?
4. Why Credit risk rating is important
5. What are the tools available for knowing Character, Condition, Capital, Capacity of the borrower?
6. Full form of CLAPS?
7. What is the maximum loan limit can be sanctioned under MSME service sector to get eligible under priority sector status?
8. Why banks are required capital to do Banking Business?
9. What is the requirement of capital under CGTMSE covered account as per Basell Norms?
10. What are objectives of our credit policy?
11. What are the guidelines for rejection of loan application
12. What are various lending methods for working capital?
13. What is diversion of funds. What you will do when noticed?
14. What are take over of borrowal accounts ? What are the guidelines?
15. What are prudential exposure norms
16. What is MTR, why it is required?
17. What is QOS & HOS?
18. What is MSOD
19. What is special watch and special mention accounts? Why watch is required?
20. What do you understand by lenders liability?
21. What do you understand by monitoring?
22. What care you take while taking insurance against stock of inventory?
23. What is stand by credit?
24. What is automatic renewal clause in a guarantee?
25. What is protective clause in a guarantee?
26. What is claim period in a guarantee
27. What is bills culture
28. What is most important ratio for a banker
29. What steps you suggest to improve retail lending
30. What is working capital cycle?
31. What care you take while doing godown inspection?
32. What are the guidelines for issue for free credit card to housing loan borrowers and depositors?
33. What are the guidelines for loans to non wilful depositors?
34. What are the details of special scheme for natural calamities?

35. What do you understand by composite loan scheme?
36. What do you understand by LBA accounts?
37. What is the time norms for sanction of loans to MSE?
38. What are the two newly introduced MSME schemes?
39. Name few tools of credit monitoring?
40. Name the segments under priority sector?
41. What are the precautions you take while obtaining third party property as security?
42. What are suggestion to avoid Frauds in EMT transactions
43. What do understand by operational risk?
44. Why OTS should given more thrust?

Common Questions on Legal Aspects of Banking

1. What are the effects of NPA on the banks ?
2. What is income recognition & Asset classification?
3. What & why Mirror account?
4. What is provisioning for Standard,Sub standard,& douftful & loss assets?
5. What is testamentary and intestate ?
6. What is registration of charges/modification/ satisfaction ?
7. What is material alteration?
8. What is criminal liability for cheque return?
9. What do you understand by borrowing power of company?
10. What precautions you take while giving loan to PA holder
11. What is rule in Clayton's case?
12. What is banker's book evidence act?
13. What is implied authority of partner?
14. What is EP ?What is the limitation for execution ?
15. What is expansion of SARFAESI ?
16. What are various asset sub-classification codes.?
17. What is the objective of SARFAESI act?
18. What is DRT? Why DRT ?
19. What is payment in due course?
20. Under which section protection is given to the collecting banker?
21. What is difference between hypothecation and pledge
22. What is the difference between Can Adalath & Lok Adalath.
23. Who is authorized officer under SARFAESI act?
24. What is the utility of CIR Data ?
25. What is compromise policy of the Bank ?

Common Questions on Forex & International Banking

1. What is delinking?
2. What is deemed export?
3. What is bill of entry?
4. What is GR/PP/softex forms?
5. What is undrawn balance?
6. What is Llyod˝s certificate?
7. What are listed countries?
8. What is chartered bill of lading?
9. What is payment under reserve?
10. What is FEMA?
11. What is balance of payment and devaluation?

Common Questions on Banking & Technology :

1. What is Crytocurrency
2. What is digital Banking
3. Payment bank
4. What are fintech company
5. What is the percentage of digital transaction

6. What is CANDI

COMMON QUESTIONS - ANSWERS

GENERAL BANKING

1. 5:25 REFINANCE SCHEME:

A) Long Term Debt of commercial banks are generally limited to a Maximum Tenor of 10 to 12 years.
B) Due to the nature of infrastructure projects & Core industry sector, it is difficult to service the debt within the above period.
C) Now RBI has permitted all Scheduled Commercial Banks to lend long term loans to projects in Infrastructure & Core Industries Sector.
D) Allowing longer tenor amortization of the loan say 25 years.
E) It is applicable for all new loans.
F) It is applicable to existing loans subject to some conditions.
G) Initial debt facility is refinanced after a term of 5 to 7 years, corresponding to amortization.
H) It reduces Asset Liability Management issues.

2. GYAN SANGAM:

A) Reorient the portfolios of small Public Sector Banks.
B) Build people capacities.
C) Use more technology.
D) Strengthen Risk Management Practices.
E) Strengthen partner channels such as Business Correspondents.

3. BANKS BOARD BUREAU:

A) Will recommend appointment of Directors to Public Sector Banks.
B) Advise on ways of raising funds and dealing with issues of stressed assets.
C) BBB will be a link between Banks and Government.

4. MARGINAL COST OF FUNDS METHODOLOGY FOR INTEREST RATES ON ADVANCES:

A) W.E.F. 01-04-2016.
B) Applicable for loans sanctioned on or after 01-04-2016.
C) Existing loans till repayment or renewal.
D) MCLR comprises of:
   i) Marginal cost of funds.
   ii) Negative carry on CRR

(CALCULATION OF MARGINAL COST OF FUNDS: **a) Marginal Cost of Borrowings:**

1. DEPOSITS:
   i. Current Deposits – Core portion of Deposits as per ALM
   ii. Savings Bank Dep – Core portion of Deposits as per ALM
   iii. Term Deposits (Fixed Rate) – Various Maturities.
2. BORROWINGS:

Short Term Rupee Borrowings – Average Rates
Long Term Rupee Borrowings – Average Rates or Bench Mark yield for Banks.

MARGINAL COST OF BORROWINGS WILL HAVE A WEIGHTAGE OF 92% OF MARGINAL COST OF FUNDS. RETURN ON NET WORTH WILL HAVE 8%.

5. INDRADHANUSH:

A: APPOINTMENTS:-

Separate post of Chairman and MD (MD&CEO). Non-Executive Chairman.
Private Sector candidates can apply for PSB top posts.

B: BANK BOARD BUREAU:

Board for appointment of whole time Directors as well as Non-Executive Chairman of PSBs. Will start functioning from 01-04-2016. Board consists of
Chairman plus 3 Official members and 3 experts (2 from banking sector)

C. CAPITALIZATION:

Capitalization of Banks as per BASEL III norms. To keep safe buffer over and above minimum norms of BASEL III. The extra capital requirement for the next four years upto FY 2019 is about 180000 crores. 70000 crores will be provided by GOI. 110000 crores will have to be raised by PSBs.

D: DE-STRESSING PSBs:

Major PSBs funding has gone to infrastructure. Due to several factors Projects are increasingly stalled/stressed leading to NPA burden on Banks. GOI to review the major reasons affecting these projects and propose actions to overcome these problems.

Strengthening Risk Control measures and NPA disclosures.

A) Creation of CRILIC (Central Repository of Information on Large Credits)
B) Formation of Joint Lender Forum.

E. EMPOWERMENT:

No interference of Government in Banks.
Robust Grievances Redressal Mechanism for customers as well as staff.

F. FRAME WORK OF ACCOUNTABILITY: Key performance indicators for PSBs. Marks

Efficiency of capital	25
Diversification Business	25
NPA Management	15
Financial Inclusion	15
Strategic Initiatives	20

G. GOVERANCE REFORMS: (Gyan Sangam – 6 different topics)

a) Optimizing capital
b) Digitization
c) Strengthening Risk Management
d) Improving Managerial Performance
e) Financial Inclusion

f) No interference policy

6. FORENSIC AUDIT:

It involves examination of legalities of blending the techniques of propriety (VFM Audit) regularity and investigative and financial audits. The objective is to find out whether or not true business value has been reflected in the financial statements and in the course of examination to find whether any fraud has taken place.

7. CENTRAL REPOSITORY INFORMATION ON LARGE CREDIT (CRILC):

A) HO to submit borrower information in the form of CRILC to RBI quarterly.
B) Reporting about borrower exposure information 5 Crore and above from banking industry.
C) Reporting about SMA status of the borrower (SMA2 – weekly).
D) Report data directly from CBS
E) RBI verifies CRILC data under RBS (Risk Based Supervision).

8. COUNTER CYCLICAL CAPITAL BUFFER:

A) Build up a buffer capital in good times.
B) Restricting the banking sector from indiscriminate lending in the period of excess credit growth.
C) It can be maintained in form of Common Equity Tier I or other fully loss absorbing capital.
D) The amount may vary from 0% to 2.5% of RWA (Risk Weighted Assets).

9. WHAT IS START UP INDIA SCHEME?

This is the initiative taken by Government of India to promote start ups working towards innovation, development,

deployment or commercialisation of new products, services or processes driven by technology or Intellectual property. The start up must be registered as a Pvt.Ltd.Company or
Partnership firm or a LLP with registration/incorporation not older than 5 years. Annual turnover in any preceding FY should not exceed Rs.25 crores. The Government supports start ups by way of tax holiday, concession in Intellectual Property fees and quick approvals.

10. RBI GOVERNOR AND DEPUTY GOVERNORS.

The bank is headed by the **Governor** and the post is currently held by Dr Urjit Patel. There are 3 **Deputy Governors** Shri N S Viswanathan, Dr Viral V Acharya and Shri B P Kanungo

11. MAJOR FEATURES OF BASEL III:

- Better capital.
- Capital Conservation Buffer.
- Counter Cyclical Buffer.
- Minimum Common Equity & Tier 1 capital requirement.
- Leverage Ratio.
- Liquidity Ratios.
- Systemically Important Financial Institutions.

15. Comparison of Capital Requirements under Basel II and Basel III :

Requirements	**Under Basel II**	**Under Basel III**
Minimum Ratio of Total Capital To RWAs (India)	8% (9%)	10.50% (11.50%)
Minimum Ratio of Common Equity to RWAs	2%	4.50% to 7.00%
Tier I capital to RWAs	4%	6.00%
Core Tier I capital to RWAs	2%	5.00%
Capital Conservation Buffers to RWAs	None	2.50%
Leverage Ratio	None	3.00%
Countercyclical Buffer	None	0% to 2.50%
Minimum Liquidity Coverage Ratio	None	60% (2015)
Minimum Net Stable Funding Ratio	None	TBD (2018)
Systemically important Financial Institutions Charge	None	TBD (2011)

(TBD: To Be Determined)

16. WHAT ARE THE MAJOR CHALLENGES FACED BY BANKING IN INDIA

- Re-orientation of the Indian Banking System.
- Competition.
- BASEL III implementation.
- Capital mobilization.
- Risk Management Systems in Banks.
- Governance.
- HR Management.
- Asset Quality.

17. STRATEGIES FOR FACING THE CHALLENGES:

- Consolidation and restructuring of PSBs for better efficiency, governance and capital efficiency.
- Leveraging Technology and digitalization to improve banking operations efficiency.
- Filling up Leadership Gaps.
- Professional Board.
- Improving Risk Management, Asset Quality and Recovery.
- Achieving universal Financial Inclusion.
- Rethinking Priority Sector Lending.

- Specialized and Focused Trainings.
- Bank level settlements.
- Improvements in Performance Appraisal System.
- Insulate Banks from CBI, CVC & RTI.

18. WHAT ARE THE OBJECTIVES OF MONETORY POLICY?

- Maintain Price Stability;
- Support Economic Growth;
- Preserve Financial Stability.

19. DECEMBER 2017 – IMPORTANT PERFORMANCE HIGHLIGHTS:

Global Business = Deposit + Advance	8.77 Lakhs Crs = (5.04 + 3.73)
Net Profit	126 Crs
Gross NPA	10.38%
Net NPA	6.78%
Provision Coverage Ratio	55.81%
ROA	0.15%
Capital Adequacy ratio	12.49%
CASA	1.58 (33.83)

20. SOME IMPORTANT FINANCIAL INDICATORS:

SLR	19.50%
CRR	4%
BANK RATE	6.25%
REPO RATE	6.00%
REV REPO RATE	5.75%
MSF	6.25%
Expected GDP	7.6%

21. WHAT IS A GREEN BOND:

A green bond is like any other bond where a debt instrument is issued by an entity for raising funds from investors. However what differentiates a Green bond from other bonds is that the proceeds of a Green Bond offering are "ear-marked" for use towards financing "green" projects. Thus the key difference between a "green" bond and a regular bond is that the issuer publicly states it is raising capital to fund "green" projects, assets or business activities with an environmental benefit, such as renewable energy, low carbon transport etc

22. WHAT IS A PAYMENT BANK:

Payment banks have the primary objective of financial inclusion through providing small savings accounts and payment/remittance services to the migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users, by enabling high volume-low value transactions in deposits and payment / remittance services in a secured technology driven environment.

Payment banks are not allowed to undertake lending activities and will be restricted to holding a maximum balance of Rs. 100,000 per individual customer initially.

23. Subsidiaries %age of ownership interest as on	31.12.2017

Canbank Venture Capital Fund Ltd	100%
Canbank Financial Services Ltd	100%
Canara Bank Securities Ltd	100%
Canbank Factors Ltd	70%
Canbank Computer Services Ltd	69.14%
Canara Robeco Asset Management Co. Ltd	51%
Canara HSBC Oriental Bank of Commerce Life Insurance Co Ltd	51%
Canara Bank (Tanzania) Ltd	100%
Joint Ventures	
Commercial Bank of India LLC, Moscow	40%
Associates	
Canfin Homes	30%
Regional Rural Bank Sponsored by the Bank	
Pragati Krishna Gramin Bank	35%
Kerala Gramin Bank	35%

24. What are the disclosure norms for Banks?

- ✓ Capital
- ✓ Asset Quality & Credit Concentration
- ✓ Liquidity
- ✓ Operating Results
- ✓ Movement in provision
- ✓ Restructured Accounts
- ✓ Financial Assets sold to Securitization/Reconstruction Companies
- ✓ Forward Rate Agreement and Interest Rate swaps
- ✓ Interest Rate Derivities
- ✓ Investment in Non Government Debt Securities
- ✓ Consolidated Financial Statements

25. What is Corporate Governance?

Provide a framework within which banks and supervisors should operate to achieve robust and transparent risk management and decision-making and, in doing so, promote public confidence and uphold the safety and soundness of the banking system.

26. What is Corporate Social Responsibility?

Company having a Net Worth of Rs.500 crores or more or turnover of Rs.1000 crore or more or a Net Profit of Rs.5.00 crores or more during any financial year has to ensure that the company spends in every financial year atleast 2% of average Net Profit of the company, during the three immediately prceeding 3 financial years on CSR. Generally Banks spend on Education & Employment of poor, Child Welfare, Environment, Community Welfare, Rural Development and Health Care.

27. Who is the Fianance Secretary (Banking) of Central Government? Mr. Rajiv Kumar IAS :1984.

28. What is e-governance?
Application of information and communication technology for delivery of governmental services.

29. What is impossible Trinity? Impossible to have the following 3 at a time. Stable Forex Rate. Free Capital Movement. Independent Monetary Policy.

30. What is a Commercial Paper?

- ✓ It is a short term borrowing by highly rated corporate.
- ✓ Tangible Net Worth should not be less than Rs.4.00 crores.
- ✓ Should have been sanctioned WC limits by a Bank or FI.
- ✓ Account should be standard.
- ✓ Minimum credit rating should be P2 or equivalent which is not older than 2 months.
- ✓ Minimum period 7 days and maximum period 1 year.
- ✓ In denomination of Rs.5.00 lacs or multiples thereof.

31. What is a Certificate of Deposit?

- ✓ Deposit Certificate issued by Scheduled Commercial Banks or FIs.
- ✓ Issued to mobilise bulk deposits.
- ✓ Minimum 7 days and maximum 1 year.
- ✓ Minimum Rs.1.00 lac and in multiples of Rs.1.00 lac.
- ✓ Rate of interest market driven.
- ✓ No loans against the security of Certificate of Deposits.
- ✓ No premature closure.
- ✓ Deposits are transferable.

32. Return on Assets – how it can be improved.

- ✓ By improving the profits.
- ✓ Following are the major components of the Assets side of Bank‟s Balance Sheet.
- ✓ Fixed Assets. Furniture. Investments. Loans and Advances. Cash in hand and Balance with Banks (including RBI). Other Sundry Assets.
- ✓ We have to minimize out spending on Fixed Assets and Furniture and maximise their utilization.
- ✓ The return on Investments are market driven and we do not have much control on them. However they have to be cleverly deployed to maximise the returns with minimum risk.
- ✓ We should maintain the quality of our Loans and Advances and also maintain good Net Interest Income.
- ✓ We should not keep idle cash or bank balance which is a drain on our profits.
- ✓ Other Sundry Assets to be closely monitored so as to avoid long outstanding entries.

33. What are Sweat Equity Shares?
Shares which are issued by a company to its Directors or Employees at a discount or for a consideration other than cash for providing their knowhow, or intellectual property or value addition.

34. Difference between Banking & Finance?
Financial Sector is a broader term and it includes Banks, Insurance, Investment Agencies, Stock Market etc. Banks mainly does the activity of accepting the Deposits and Lending. Their main source of profit is interest. Whereas in case of other financial agencies their main source of income is commission, fees etc.

35. What is CAMELS?

- **C**apital Adequacy Ratio
- **A**sset Quality
- **M**anagement Effectiveness
- **E**arnings (Profitability)
- **L**iquidity (ALM)
- **S**ystem Controls

36. What is Take out Financing?

Providing finance for longer duration projects (say 15 years) by banks by sanctioning medium term loans (say 5 to 7 years). It is an understanding that the loan will be taken out of the financing bank within the pre-fixed period by another institution thus preventing any possible asset liability mismatch.

37. What is GST?

Uniform Tax levied on Goods and Services across the country. Avoiding the complications in overlapping taxes levied by Centre and States. Separate State GST and Separate Central GST.

38. What is shadow banking?

NBFCs which provide services similar to those of traditional commercial banks. But they do so outside the traditional system of regulated depository institutions.

39. What is Stress Audit?

Incidence of stress on accounts studies and corrective measures initiated. Applicable to borrowal accounts with FB+NFB limits of Rs.50.00 crores and above, in Standard Asset Category. It is one of Credit Monitoring Tools. Very useful for branches and Credit Monitoring Authorities. Periodicity – annual. Done by Inspecting Officers. No closure report stipulated. Total 17 parameters.

More than 12 parameters under Grade I	LOW STRESS
8 to 12 parameters under Grade I	MEDIUM STRESS
Less than 8 parameters under Grade I	HIGH STRESS

40. What is Supply Chain Finance Management?

- ✓ An innovative lending option to extend working capital finance to suppliers (pre-sale stage) and dealers (post sale stage) of corporate clients. It can also be called as Creditors Management (Suppliers) and Debtors Management (Dealers).
- ✓ The three types of products are:
- ✓ Vendor Financing
- ✓ Dealer Financing
- ✓ Electronic Invoice presentment and payment (EIPP)

ADVANCES

1. In recent years, our Bank has focussed more on retail lending. What are the benefits/advantages of retail lending?

As retail loans are of relatively small size, credit risk is well spread. Low deliquency rate. Leads to stable growth in credit portfolio of the branch. Requirement of minimum documents from applicant. Simple appraisal and simple documents. Less processing time and simple sanction process. Easy monitoring. Helps in widening clientele base and cross selling of third party products.

2 **What is MUDRA Loan scheme?**

It is Pradhana Mantri Mudra Loan Scheme. MUDRA means Micro Units Development and Refinance Agency. Banks to give loans to Micro Units and Small Business Units. Refinance available from MUDRA.

SISHU loans upto Rs.50000.

KISHORE loans from Rs.50000 upto Rs.5.00 lacs.

TARUN loans from Rs.5.00 lacs to Rs.10.00 lacs.

3. When is HL a Priority Advance?

Housing Loan upto Rs.28 lacs, Project Cost Rs.35 lacs, population 10 lacs & above.

Housing Loan upto Rs.20 lacs, Project Cost Rs.25 lacs, population below 10 lacs.

4. **What the target for Weaker Section under Priority Sector Advances?** 10%

5. **What is ARC and what it does?**

Asset Reconstruction Company. It purchases NPAs from Banks.

6. **What is ANBC and how it is calculated?**

ANBC is Adjusted Net Bank Credit. ANBC = Net Bank Credit + Investment made in non-SLR Bonds held in HRM category.

7. **What is DPG?**

Deferred Payment Guarantee, guaranteeing Term Loan repayment.

8. **When is EL eligible for Interest subsidy?**

When the parental income is not more than 4.5 lakhs in a financial year.

9. **What is an NPA?**

A Non Performing Asset (NPA) is a loan or an advance where;

- ✓ Interest and/ or instalment of principal remain overdue for a period of more han 90 days in respect of a term loan,
- ✓ The account remains "out of order" as indicated at paragraph below, in espect of an Overdraft/Cash Credit (OD/CC),
- ✓ The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted,
- ✓ The instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops,
- ✓ The instalment of principal or interest thereon remains overdue for one crop season for long duration crops,
- ✓ The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of guidelines on securitisation dated February 1, 2006.
- ✓ .In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

10. When does an account become irregular on account of non submission of stock statement?

Stock statements relied upon by the banks for determining drawing power should not be older than three months. The outstanding in the account based on drawing power calculated from stock statements older than three months, would be deemed as irregular.

11. **When does expired limit become NPA?**

An account where the regular/ ad hoc credit limits have not been reviewed/ renewed within 180 days from the due date/ date of ad hoc sanction will be treated as NPA

12. **When does an NPA is directly classified as Doubtful Asset?**
Erosion in the value of security can be reckoned as significant when the realisable value of the security is less than 50 per cent of the value assessed by the bank or accepted by RBI at the time of last inspection, as the case may be. Such NPAs may be straightaway classified under doubtful category.

13. **When does an NPA is classified as Loss Asset?**
If the realisable value of the security, as assessed by the bank/ approved valuers/ RBI is less than 10 per cent of the outstanding in the borrowal accounts, the existence of security should be ignored and the asset should be straightaway classified as loss asset.

14. **Can an Advances against term deposits, NSCs eligible for surrender, IVPs, KVPs and life policies be classified as NPA? If so, when?**
Advances against term deposits, NSCs eligible for surrender, IVPs, KVPs and life policies need not be treated as NPAs, provided adequate margin is available in the accounts. Advances against gold ornaments, government securities and all other securities are not covered by this exemption.

15. **How do you classify Agricultural Loans as NPA?**
A loan granted for short duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for two crop seasons. A loan granted for long duration crops will be treated as NPA, if the instalment of principal or interest thereon remains overdue for one crop season. For the purpose of these guidelines, "long duration" crops would be crops with crop season longer than one year and crops, which are not "long duration" crops, would be treated as "short duration" crops.

16. **Can Central Government Guaranteed loans be classified as NPA?** The credit facilities backed by guarantee of the Central Government though overdue may be treated as NPA only when the Government repudiates its guarantee when invoked.

17. **How do you classify State Government Guaranteed loan accounts as NPA?**
State Government guaranteed advances and investments in State Government guaranteed securities would attract asset classification and provisioning norms if interest and/or principal or any other amount due to the bank remains overdue for more than 90 days.

18. **What is Provisioning Coverage Ratio? What percentage is to be kept aside for this?**
Provisioning Coverage Ratio (PCR) is essentially the ratio of provisioning to gross nonperforming assets and indicates the extent of funds a bank has kept aside to cover loan losses. 70%.

19. **Which accounts are included in SMA – 0 report?**
SMA-0Principal or interest payment not overdue for more than 30 days but account showing signs of incipient stress.

20. **Which accounts are included in SMA – 1 report?** SMA-1Principal or interest payment overdue between 31-60 days.

21. **Which accounts are included in SMA – 2 report?** SMA-2Principal or interest payment overdue between 61-90 days

22. **What are the Signs of Stress SMA-0 Accounts?**
Illustrative list of signs of stress for categorising an account as SMA-0:

1. Delay of 90 days or more in (a) submission of stock statement / other stipulated operating control statements or (b) credit monitoring or financial statements or (c) non-renewal of facilities based on audited financials.
2. Actual sales / operating profits falling short of projections accepted for loan sanction by 40% or more; or a single event of non-cooperation / prevention from conduct of stock audits by banks; or reduction of Drawing Power (DP) by 20% or more after a stock audit; or evidence of diversion of funds for unapproved purpose; or drop in internal risk rating by 2 or more notches in a single review.
3. Return of 3 or more cheques (or electronic debit instructions) issued by borrowers in 30 days on grounds of non-availability of balance/DP in the account or return of 3 or more bills / cheques discounted or sent under collection by the borrower.
4. Devolvement of Deferred Payment Guarantee (DPG) instalments or Letters of Credit (LCs) or invocation of Bank Guarantees (BGs) and its non-payment within 30 days.
5. Third request for extension of time either for creation or perfection of securities as against time specified in original sanction terms or for compliance with any other terms and conditions of sanction.

23. **What is CDR and which accounts are eligible for CDR?**

It is Corporate Debt Restructuring. The eligible accounts are:

a. The borrowers enjoy credit facilities from more than one bank / FI under multiple banking / syndication / consortium system of lending.
b. The total outstanding (fund-based and non-fund based) exposure is Rs.10 crore or above.

24. **How long the NPA account will remain in Sub Standard Category? How much provisioning is made?** 12 Months. Provisioning is 15% of outstanding liability and if unsecured additional 10%

25. **What is the amount of provisioning made for Doubtful Asset**s?

Upto 1 year	100% of unsecured portion and 25% of Secured portion
1 to 3 years	100% of unsecured portion and 40% of Secured portion
More than 3 years	100% of entire liability.

26. **What are Red Flag Accounts?**

Accounts with liability of Rs.50.00 crores and above showing Early Warning Signals are to be reported to RBI.

27. **Which are the Credit Risk Rating models?**

Portfolio Model
Small Value Model
Manual Model
Risk Assessment Model (RAM)

28. **What is ″out of order″ Account?**

Account continuously overdrawn for more than 90 days.
No credits continuously for 90 days as on the date of Balance Sheet. Credits are not enough to cover the interest debited during the quarter.

29. Charges with CERSAI is to be registered within?

30 days.

30. **What is Shiksha Sahayog Yojana?**

- ✓ Parent of the child should be a member of Janashree Bima Yojana.
- ✓ Two children of the policy holder are eligible.

- ✓ Scholarship amount Rs.1200 per year.
- ✓ Children studying in 9th to 12th standard are eligible.
- ✓ Scholarship shall be paid for a maximum of 4 years or till the student completes 12th standard, whichever is earlier.

31. **In April 2015 RBI made some changes in the priority sector norms. Can you tell what are the major changes?**

    a. Distinction between Indirect and direct agriculture removed. Instead, agriculture divided in to 3 sub categories viz. Farm Credit, Agriculture infrastructure and Ancillary activities.

    b. Medium Enterprises included in MSME sector (Earlier only Micro & Small). Two new sectors viz. Social Infrastructure and Renewable Energy included in Priority sector classification

32. **What is pre-release audit?**

    All types of credit facilities- fresh sanctions and renewals with limits of Rs.5 crores are to be subjected to pre release (pre disbursement audit). The audit should be done within 48

    hours from obtention of documentation. No authority can waive this. Audit should cover credit appraisal, documentation, compliance of sanction terms and conditions and collection of service charges. Conduct of pre-release audit should be confirmed in NF 482.

33. **What is ballooning repayment?**

    In some cases of term loan projects, though the overall project is viable through out the repayment tenure, DSCR may be lower than prescribed in the initial period. In such cases term loan instalment amounts may be kept lower in the initial period thereby gradually increasing the same year on year. Such repayment schedule is ballooning repayment.

34. **In recent years, our Bank has focussed more on retail lending. What are the benefits/advantages of retail lending?**

    As retail loans are of relatively small size, credit risk is well spread. Low delinquency rate. Leads to stable growth in credit portfolio of the branch. Requirement of minimum documents from applicant. Simple appraisal and simple documents. Less processing time and simple sanction process. Easy monitoring. Helps in widening clientele base and cross selling of third party products.

35. **When a Housing Loan will be treated as CRE and why?**

    When an applicant submits application for Housing Loan for purchasing a 3rd dwelling unit to be owned by him, such HL proposal is treated as CRE (Commercial Real Estate). Such proposal is deemed as finance for acquiring a unit which will be put on rent thereby resulting in commercial gain and hence treated as CRE. Rate of interest on such HLs is 1% more than applicable for normal HLs.

36. **What are the steps to be taken when a claim invoking the Bank Guarantee is received?**

    Guarantee claim should be settled within 24 hours of receipt of valid claim form beneficiary. If for any genuine reason it is not possible to settle within 24 hours, R & L Section, C.O. should be contacted for guidance. The following to be verified as soon as claim is received in branch:

    a. Whether any court order is there restraining payment
    b. Whether duplicate guarantee is issued and whether payment thereof is already made
    c. What is the name of beneficiary and invocation by beneficiary or an authorized representative
    d. Whether invocation is made in proper from
    e. Whether as per terms and conditions of guarantee
    f. Whether auto renewal clause is there and whether any request is there from beneficiary to extend
    g. Whether claim is specific in terms of amount of guarantee.

37. **What is Financial Closure?**

    Completing all project related financial transactions. Mainly full disbursement completed.

38. **What is Reverse Mortgage?**

    Loan extended to Senior Citizens against the security of house property owned by them. The loan is given in lump sum or instalments. They continue to be the owners of the house and occupy it. The loan obligation is deferred till the death of the home owner. The legal heirs can repay the loan and retrieve the property.

39. **As per CIBIL Scores, who is a High Risk party and low risk** A person with a score of less than 699 high risk and more than 825 low risk .

40. **What is Janashree Bima Jojana?**
Death cum disability insurance scheme operated by the LIC OF INDIA. All Credit linked women SHG members are eligible.

41. **What is Net Working Capital Gap?**
Current Assets minus Current Liabilities excluding Bank Borrowings.

42. **What is Contribution in Break even Analysis?**
Surplus available in Sales revenue after meeting all the variable costs.

43. **If the company issues Bonus Shares, what will happen to its Debt Equity Ratio?** It will remain unaffected.

PRIORITY SECTOR & AGRICULATURAL CREDIT

1. Why priority sector lending target assigned to branches?
Priority sector lending is an important role given by the RBI to the banks for providing a specified portion of the bank lending to vulnerable sector of the economy, which may not be an attractive for the banks from the point of profitability, but lending with **support larger in achieving Nation building.**

2. Thrust area under priority sector lending?

1. **Agriculture**
2. **Micro, Small and Medium Enterprises**
3. **Export Credit**
4. **Education**
5. **Housing**
6. **Social Infrastructure**
7. **Renewable Energy**
8. **Others**

3. Recent modification under priority sector guidelines? (2.03.2018)
Ceiling on loan limits to Micro Small and Medium enterprise under service sector to be categorized under priority sector is **removed** (Earlier maximum loan limit ceiling was **` 5 Crs for Micro and Small enterprises** and **`10 Crs for Medium enterprises**)

4. Lending to small and marginal farmers to the extent of .... ANBC or CE-OBS exposure classified under agriculture priority sector and updated in CBS by using option

Ans: 8% & ALM35

***Adjusted Net Bank Credit (ANBC)**
****Credit equivalent of Off-Balance Sheet Exposures (CE-OBS Exposure)**

5. What is Social infrastructure finance in Priority sector lending ?
Bank loans up to a limit of Rs.5 cr per borrower for building social infrastructure for activities namely **schools, health care facilities, drinking water facilities and sanitation facilities** in Tier II to Tier VI centres**.(Centres with population less than 1 lakh)**

6. Government sponsored scheme classified under weaker section category

a. National Rural Livelihoods Mission **(NRLM**)
b. National Urban Livelihood Mission **(NULM)**
c. Self Employment Scheme for Rehabilitation of Manual Scavengers

7. "Qualifying assets" mean

a. The loan is to be extended to a borrower whose household annual income in rural areas does not exceed Rs.1,00,000/- while for non-rural areas it should not exceed Rs.1,60,000/-
b. Loan does not exceed Rs.60,000/- in the first cycle and Rs. 100,000/- in the subsequent cycles.
c. Total indebtedness of the borrower does not exceed Rs. 1,00,000/-.
d. Tenure of loan is not less than 24 months when loan amount exceeds Rs.30000/- with right to borrower of prepayment without penalty.
e. The loan is without collateral.

8. Housing loan above 28 lakhs in metropolitan centre and 20 lakhs in other centre are classified as

Ans: Non – Priority Housing Loan

9. Definition of Export Credit under Priority sector lending target

Incremental export credit over corresponding date of the preceding year, up to 2 percent of ANBC or CE-OBS whichever is higher, effective from April 1, 2015 subject to a sanctioned limit of Rs.25 cr per borrower to units having turnover of up to Rs.100 cr.

10. Stage involved in SHG development

a. Group formation
b. Group stabilization
c. Micro credit stage
d. Micro enterprise development

11. Category of weaker section advance

No.	Category
1	Small and Marginal Farmers
2	Artisans, village and cottage industries where individual credit limits do not exceed Rs 1 lakh
3	Beneficiaries under Government Sponsored Schemes such as National Rural Livelihoods Mission (NRLM), National Urban Livelihood Mission (NULM) and Self Employment Scheme for Rehabilitation of Manual Scavengers
4	Scheduled Castes and Scheduled Tribes
5	Beneficiaries of Differential Rate of Interest (DRI) scheme
6	Self Help Groups
7	Distressed farmers indebted to non-institutional lenders
8	Distressed persons other than farmers, with loan amount not exceeding Rs. 1 lakh per borrower to prepay their debt to non-institutional lenders
9	Individual women beneficiaries up to Rs. 1 lakh per borrower
10	Persons with disabilities
1	Overdrafts upto Rs. 5,000/- under Pradhan Mantri Jan-DhanYojana (PMJDY) accounts, provided the borrowers˝ household annual income does not exceed Rs. 100,000/- for rural areas and ☐ 1,60,000/- for non-rural areas

2	Minority communities as may be notified by Government of India from time to time. In States, where one of the minority communities notified is, in fact, in majority, minority community will cover only the other notified minorities. These States/ Union Territories are Jammu & Kashmir, Punjab, Meghalaya, Mizoram, Nagaland and Lakshadweep.

12. What are the ancillary activities under Priority sector lending

a. Rs.5 crore to co-operative societies of farmers for disposing of the produce of members
b. Agriclinics and Agribusiness Centres
c. Food and Agro-processing
d. Bank loans to Primary Agricultural Credit Societies (PACS), Farmers" Service Societies (FSS) and Large-sized Adivasi Multi-Purpose Societies (LAMPS) for onward to agriculture
e. MFIs for on-lending to agriculture sector
f. Outstanding deposits under RIDF and other eligible funds with NABARD
g. Custom Service Units managed by individuals, institutions or organizations who maintain a fleet of farm machinery

13. For how many year MSME unit enjoy priority sector lending status Ans: 3 years

14. Achievement of Priority Sector lending targets are calculated based on .... Ans: Average of priority sector targets / sub targets achievement as at the end of **each quarter**

15. What is priority lending certificate?

The priority sector lending certificates are certificates issued by banks that have over reached their priority sector lending targets. PSLCs thus can be issued only up to the extent of their over lending to the stipulated sectors. Buyers of PSLCs are usually those banks who could not meet their priority sector lending targets. The price of PSLCs will be determined on the basis of demand and supply that will be reflected in the auction under the RBI"s e-Kuber training platform.

As per RBI guidelines, Banks can issue four types of PSLCS including three subsector PSLCs – agriculture, small and marginal farmers, micor enterprises and one PSLC for general.

16. Non achievement of Priority Sector lending target and sub targets

Having shortfall in lending to priority sector shall be allocated amounts for contribution to the Rural Infrastructure Development Fund (RIDF) established with NABARD and other
funds with NABARD / NHB / SIDBI as decided by the Reserve Bank from time to time.

17. What is house hold income criteria for eligibility of Overdraft facility under PMJDY & where it gets classified under priority sector advances ?

Ans .Borrowers household income should not exceed Rs.1,00,000/ for rural areas &
Rs.1,60,000/for non rural areas .Overdraft facility under PMJDY to be classified under Other Finance to MSME.

18. What is criteria for classification of loans sanctioned by bank under priority sector for housing projects exclusively for construction of houses for economically weaker sections & low income groups ?

Ans. Total cost not to exceed Rs. 10 lakhs per dwelling unit & family annual income not to exceed Rs. 2 lakhs irrespective of location.

19. **What is ceiling of loan to distressed farmers indebted to non institutional lenders & where it gets classified in priority sector classification? Ans.** Rs. 50,000/ & it gets classified under Agriculture-Farm credit-Priority sector

20. **In states where creation of charge on land records is on line, is there any ceiling up to which KCC loans are sanctioned only on hypothecation of crops without even noting banks lien on land records.?**
Ans. Yes, for KCC loan up to Rs. 1 lakh, bank lien on land records not to be noted whether creation of charge is on line or manual.

.

21. **In case party is already having a KCCS loan, and total exposure including the proposed development/investment loan exceeds Rs.1,00,000/-, what is security norm.?**

Ans. Mortgage of land/ co obligation has to be stipulated in addition to hypothecation of crops/assets created out of our finance

22. **What is security norm for activities allied to agriculture & agri. Clinic & agri. business for loan limit up to Rs. 10 lakhs ?**

Ans. Hyp. of assets created out of our finance +Mortgage of land where primary activities are under taken (prime security) along with compulsory coverage for credit cover under CGFMU

23. **What is ceiling of loan limit up to which "no dues certificate " is not to be insisted from individual borrowers?**

Ans. No dues certificate not to be obtained irrespective of the proposed loan limit.

24. **What is norm for fixing gold loan limit for crop production ?**

Ans. Limit for crop production under ALGL is Scale of Finance or 75 %(LTV) of the gold value, whichever is less.

25. **Finance under Revised Joint Farming Group Of Bhoomi Heen Kisan Scheme ,can be for what purposes.**

Ans. a. Farm activities
b.Allied/Off farm activities c.Non Farm activities

*****-****

DEPOSITS

1. Tell some of the features of SB Power plus account?

- ✓ One lac quarterly average balance.
- ✓ ATM withdrawal upto 50000 in our Bank ATM
- ✓ Free unlimited ATM transactions in our Bank ATM

2. Tell us something about SB Galaxy account?

- ✓ A combo product contains SB Account, DEMAT Account, On line Trading Account, Internet & Mobile Banking, Insurance, Card Services & other Addons.
- ✓ Eligibility: All Individual & Joint Accounts
- ✓ Can be opened in Branches in cities where DP centre/Cell is functioning.
- ✓ No initial Deposit.
- ✓ Freebees will be extended only where monthly average balance is Rs.50000 and above.
- ✓ Personal Insurance cover in case of death by Accident – Rs.5.00 lacs.

3. Why there is thrust on CASA?

- ✓ It is a LOW COST DEPOSIT.
- ✓ It helps to improve NIM.
- ✓ Helps in reducing our Base Rate.
- ✓ Works as an outlet to sell our other products.
- ✓ Transactions can be done through tech products thereby reducing cost.

4. What is the eligibility for SB Power plus Account?

- ✓ Average quarterly balance of Rs.1.00 lakh

5. Whether an NRI can open an SB Power plus Account? Yes.

6. What is minimum and maximum amount that can be deposited in RD Dhanvarsha Scheme?

- ✓ Rs.1000 and Rs.100000.

7. When an NRI Senior Citizen opens a Term Deposit, is he eligible for additional rate of interest?

- ✓ No.

8. What is a non callable deposit?

- ✓ Deposit cannot be closed before maturity

9. Who is an HNI?

- ✓ A High Net worth Individual is a person who has;
- ✓ Average balance of Rs.2.00 lacs and above in SB/NRE SB account.
- ✓ Balance of Rs.10.00 lacs and above in Term Deposit (Domestic/NR)
- ✓ Balance of Rs.5.00 lacs and above in CA.
- ✓ Enjoying Fund Based limits/term loans exceeding Rs.30.00 lacs.
- ✓ Salary Credit of Rs.25000 and above in a Super Saving Salary Account.
- ✓ Business Contribution/Opinion makers/VIPs such as Head of Village/Town/City Top Executives of Companies etc.

10. What are the four key elements of KYC policy?

- ✓ Customer Acceptance policy.
- ✓ Customer identification procedures.
- ✓ Monitoring of transactions.
- ✓ Risk Management.

11. Give some examples of High Risk Customers (Deposits)?

- ✓ Trusts, Charities, NGOs, Organizations receiving donations, Companies having close family share holdings or beneficial ownership, Accounts under Foreign Contribution Regulation Act, Politically Exposed Persons, HNIs, Non Resident Accounts.

Legal Aspects

1**. There is a overdue loan in your branch in the name of a partner of ABC firm and ABC firm has deposits with you. Whether you can exercise right to set off? What if the above position is vice versa?**

- ✓ In first case it right to set off can not be exercised. In the latter case it can be exercised.

2. TYPES OF COMPANIES (AS PER COMPANIES ACT 2013)

- ✓ One-person company: The 2013 Act introduces a new type of entity to the existing list i.e. apart from forming a public or private limited company, the 2013 Act enables the formation of a new entity a "one-person company" (OPC). An OPC means a company with only one person as its member [section 3(1) of 2013 Act].

- ✓ Private company: The 2013 Act introduces a change in the definition for a private company, inter-alia, the new requirement increases the limit of the number of members from 50 to 200. [section 2(68) of 2013 Act].
- ✓ Small company: A small company has been defined as a company, other than a public company.
- ✓ Paid-up share capital of which does not exceed 50 lakh INR or such higher amount as may be prescribed which shall not be more than five crore INR
- ✓ Turnover of which as per its last profit-and-loss account does not exceed two crore INR or such higher amount as may be prescribed which shall not be more than 20 crore INR:
- ✓ As set out in the 2013 Act, this section will not be applicable to the following:
- ✓ A holding company or a subsidiary company
- ✓ A company registered under section 8
- ✓ A company or body corporate governed by any special Act [section 2(85) of 2013 Act]

3. When a cheque deposited for collection is bounced, where can the payee or holder in due course can file the suit?

At the place of the drawer or at the place where the payee or holder in due course maintains his account. (Sec 142 (2) (a) of NI ACT 1881).

Profitability Concepts

1 **What is the relevance of profits**

Augment economic capital,
Helps retained earnings to increase capital base
Improves Investors confidence
Index of efficient use of funds
Makes a viable organization

2 **What is profit and profitability** Profit represents an absolute figure

Profitability is measured by Ratios and shows operational efficiency

3 **Name few profitability ratio** ROA,NIM,ROE, Book value,

4 **What is ROA, how it is measured and what is the ideal ROA**

ROA is Return on Asset and is the ratio of net profit to total assets. The standard measure of ROA globally is 1%

5 **What is NIM, how it is arrived and what is desirable NIM**

NIM is Net Interest Margin and is the ratio of net interest income to average earning assets. The desired NIM is above 3%

6 **What is ROE**

ROE is Return on Equity / Net worth. It is ratio of Net profit to Average Net worth (Capital + Reserve- intangible assets)

7 **What is Book Value and how it is arrived**

It is net worth divided by No. of shares. Market price of share generally factors book value.

8 **What is EPS**

EPS is Earning Per Share. It is the ratio of net profit to No. of shares

9 **What is CRAR, what it indicates**

Capital to Risk Weighted Asset Ratio. The total capital, consist of Tier I & Tier II Capital as a ratio of Risk Weighted Assets. It indicates the soundness and risk bearing ability of a Bank.

10 **What do you understand by Yield on Advances**

Interest Income on advances divided by average advances indicates average yield on advances. This ratio enables cost benefit assessment from various loan products.

11 **What is yield on Investments**

Interest and dividend income on investment divided by average investments indicate yield on investments.

12 **What is the cost of deposit**

Interest paid on deposit divided by average deposits is called cost of deposit. It consists of Current, SB and Term Deposit.

13 **Which are the operational efficiency ratios,**

Cost – Income ratio and Burden ratio is called as operational efficiency ratio.

14 **What is Cost Income ratio**

Non-Interest Expenditure divided by Net Total Income (Total Income minus

Banking New trends

1. **What is Fin Tech ?**

The term "Fin Tech" is a contraction of the words "finance" and "technology". It refers to the technological start-ups that are emerging to challenge traditional banking and financial players and covers an array of services, from crowd funding platforms and mobile payment solutions to online portfolio management tools and international money transfers.

Some of the major FinTech products and services currently used in the market place are Peer to Peer (P2P) lending platforms, crowd funding, block chain technology, distributed ledgers technology, Big Data, smart contracts, Robo advisors, E-aggregators, etc. These FinTech products are currently used in international finance, which bring together the lenders and borrowers, seekers and providers of information, with or without a nodal intermediation agency.

2. **What are Digital Currencies ?**

Digital currencies (DCs) are digital representations of value, currently issued by private developers and denominated in their own unit of account. They are obtained, stored, accessed, and transacted electronically and neither denominated in any sovereign currency nor issued or backed by any government or central bank.

Digital currencies are not necessarily attached to a fiat currency, but are accepted by natural or legal persons as a means of exchange and can be transferred, stored or traded electronically. DC schemes comprise two key elements: (i) the digital representation of value or "currency" that can be transferred between parties; and (ii) the way in which value is transferred from a payer to a payee.

3. **What is Crypto Currencies ?**

It is the Digital Currency schemes also known as "crypto currencies" due to their use of cryptograph techniques. It is reported that there are hundreds of crypto currencies currently in use with an aggregate market capitalization of around USD 6.5bn5. However, only a very small fraction of these currencies are traded on a daily basis.

Crypto currencies derive their value solely from the expectation that others will be willing to exchange it for sovereign currency or goods and services.

4. **What can be some of the implications of Digital Currencies for financial firms, markets and system will depend on the extent of their acceptability among users.** If use of DCs were to become widespread, it would likely have material implications for the business models of financial institutions. DCs could potentially lead to a disintermediation of some existing payment services infrastructure.

The regulatory perimeter around DCs is a complicated issue and regulation may depend on the definition of DCs in particular jurisdictions. The cross-border reach of DC schemes may make it difficult for national authorities to enforce laws.

5. **What is Distributed ledgers Technology (DLT) ?**

Distributed ledger technologies (DLT) provide complete and secure transaction records, updated and verified by users, removing the need for a central authority. These technologies allow for direct peer-to-peer transactions, which might offer benefits, in terms of efficiency and security, over existing technological solutions. It is an innovation with potentially broad applications in financial market infrastructures (FMIs) and in the economy as a whole. Its most common use at present is for digital currencies, but firms are stepping up their R&D activities for other uses including securities trading, smart contracts, and land and credit registries. If widely adopted, distributed ledger technology can pose new challenges for regulation.

6. **What are the benefits of Distributed Ledger Technology (DLT)**

The major benefits are reduced cost; faster settlement time;reduction in counterparty risk; reduced need for third party intermediation; reduced collateral demand and latency; better fraud prevention; greater resiliency; simplification of reporting, data collection, and systemic risk monitoring; increased interconnectedness; and privacy.

7. **What is Block Chain ?**

Block chain is a distributed ledger in which transactions (e.g. involving digital currencies or securities) are stored as blocks (groups of transactions that are performed around the same point in time) on computers that are connected to the network. The ledger grows as the chain of blocks increases in size. Each new block of transactions has to be verified by the network before it can be added to the chain. This means that each computer connected to the network has full information about the transactions in the network.

8. **What are the advantages and the disadvantages of Block Chain ?**

Frequently cited benefits of Block chain are its transparency, security and the fact that transactions are logged in the network.

Some of the disadvantages currently include the lack of coordination and the scalability of this technology. One of the best-known applications of Block chain technology at the present time is bitcoin. Transactions in this virtual currency are largely anonymous. This creates ethical risks for financial institutions dealing with users of this currency, because they are unable to (fully) verify their identity.

9. **What are the potential applications of Distributed Ledger Technology and Blocked Chain**

Distributed ledger technology is an innovation with potentially broad applications in financial market infrastructures (FMIs) and in the economy as a whole. Its most common use at present is for digital currencies, but firms are stepping up their R&D activities for other uses including securities trading, smart contracts, and land and credit registries.

It has also been observed that market participants in other securities markets are exploring the usage of Block chain or Distributed Database technology to provide various services such as clearing and settlement, trading, etc. Indian securities market

may also see such developments in near future and, therefore, there is a need to understand the benefits, risks and challenges such developments may pose.

10. **What is Peer-to-peer (P2P) lenders ?**

Peer-to-peer (P2P) lenders connect lenders and borrowers, using advanced technologies to speed up loan acceptance. These technologies are designed to
increase the efficiency and reduce the time involved in access to credit.

While P2P lending originally involved direct matching of individual lenders and
borrowers on a one-to-one basis, it has evolved into a form of marketplace lending where institutional and high net worth individual investors lend into a pool that borrowers can access.

11. **Which are the countries that has witnessed rapid growth in P2P lending ?** United States, the United Kingdom, and China.

12. **What are the advantages of P2P lending ?**

Depending on the structure, P2P may involve simple matching, deposit taking, or management of a collective investment scheme.

Since P2P lending companies operate entirely online, they can run with lower overhead and provide services more cheaply than traditional financial institutions. As a result, lenders often earn higher returns compared to savings and investment products offered by banks, while borrowers can borrow The most common form of P2P loan is an unsecured personal loan, but start-up and small-business loans are also becoming important.

The principal benefit of P2P lending for borrowers is the fast and convenient access to funding, while for investors it is the potential for high returns.

In their current form, P2P platforms are different from banks, because they do not take positions in loans and do not generally perform maturity and liquidity transformation like banks. P2P platforms more directly match the risk appetite of lenders with the risk profile of borrowers. These factors are likely to make P2P platforms less systemically important than banks of comparable size. The default of a bank can have systemic effects because of the many credit inter linkages that a bank builds during its business of intermediating credit markets. This creates the possibility of contagion should a single bank fail. The risk of such a contagion is likely to be much less with the failure of a P2P platform because they do not have the same network of credit inter-linkages. This would be true even if a P2P platform was very large.

13. What is Crowd Funding ?

Crowd funding is a way of raising debt or equity from multiple investors via an internet- based platform

14. What is BHIM ?

BHIM (Bharat Interface for Money) is a mobile app developed by NPCI, based on the Unified Payment Interface (UPI) and was launched on 30 December 2016. It is intended to facilitate e-payments directly through banks and as part of the drive towards cashless transactions. BHIM allow users to send or receive money to other UPI payment addresses or scanning QR code or account number with IFSC code or MMID (Mobile Money Identifier) Code to users who do not have a UPI-based bank account. BHIM allows users to check current balance in their bank accounts and to choose which bank account to use for conducting transactions, although only one can be active at any time. Users can create their own QR code for a fixed amount of money, which is helpful in merchant transactions.

15. What are the benefits under working capital assessment extended to Micro & Small Enterprises whose 25% of transactions are digitalised ?

- Eligible for 30% of the accepted projected digitalized transactions as Working capital , upto a limit of Rs.5.00 Crores

- Margin requirement is only 3.33% of accepted projected digitalized transactions >

16. What is the criteria for Priority sector classification of MSME(Service) financing ? All Micro Small Medium enterprises finance is eligible to be classified as Priority irrespective of the loan limit.

17. What is the revised frame work for resolution of stressed assets ?

- Joint Lenders' Forum (JLF) as an institutional mechanism for resolution of stressed accounts stands dispensed with.

- Banks required to identify initial stress in loan accounts, immediately on default.
- Lender/ all lenders - singly or jointly - shall initiate steps to cure the default immediately on identification of default.
- The resolution plan (RP) may involve any actions/plans/reorganization including regularization of the account, sale of the exposures to other entities/investors, change in ownership, or restructuring.
- If a resolution plan in respect of large accounts is not implemented within timelines specified, lenders to file insolvency applications under the IBC within 15 days from the expiry of the specified timeline.
- Lenders shall report to CRILC all borrower entities in default, on a weekly basis.

18. What is i-Lead ?

Inspiring Lead System is introduced wef 01.04.2018 with the motive of inculcating marketing culture amongst all staff of the Bank, as only marketing and sales at alldelivery points shall augment business to the Bank.It is available to all staff of the Bank and all staff to record the

activities and leads on daily basis. All leads generated from our existing customer and the prospect to be captured.ion which can be easily accessed by all the staff working in Branches/Other Units.All leads entered in i-Lead shall be followed upto a logical end.

19. What is the latest guidelines for quick mortality classification ?

- The limit for bringing a loan account under the purview of Quick Mortality is increased from Rs.5.00 lakhs and above to Rs.15.00 lakhs and above
- The cut off limit increased to Rs.15.00 lakhs and above for conducting investigation for the loan accounts suffering Quick Mortality

- Waiver of investigation in respect of closed or upgraded quick mortality loan accounts Is delegated to the respective Circle Heads on a case to case basis where staff involvement is not apparent

20 What are the major changes in guidelines with regard to Credit Information Reports for consumer segments ?

- Usage of risk score of all CICs and mapping of the bad rates of the CICs to various risk grades of the bank (consumer segment).
- Where ever two CIRs are to be obtained, Branches/ Offices shall be free to obtain report from any of the CICs.
- Delegation to be based on the "lower of risk grades assigned based on score of any two CICs

21 Within what period CGTMSE first claim has to be lodged ?

3 years from NPA date or expiry of lock-in period whichever is later, by exhausting all your recovery process.(SARFAESI, SUIT FILE)

RESERVE BANK OF INDIA RECENT CIRCULAR 1. The salient

features of revised PCA Framework for Banks

A. Capital, asset quality and profitability continue to be the key areas for monitoring in the revised framework.
B. Indicators to be tracked for Capital, asset quality and profitability would be CRAR/ Common Equity Tier I ratio1, Net NPA ratio2 and Return on Assets3 respectively.
C. Leverage would be monitored additionally as part of the PCA framework.
D. Breach of any risk threshold (as detailed under) would result in invocation of PCA.

Area	Indicator	Risk Threshold I	Risk Threshold II	Risk Threshold III

Capital	CRAR- Minimum regulatory prescription for capital to risk assets ratio + applicable capital conservation buffer(CCB)	upto 250 bps below Indicator	More than 250 bps but not exceeding 400 bps below Indicator	--
	Current minimum RBI prescription of 10.25% (9% minimum total capital plus 1.25%* of CCB as on March 31, 2017)	<10.25% but >=7.75%	<7.75% but >=6.25%	--
	And/ Or Regulatory pre-specified trigger of Common Equity Tier 1 (CET 1min) + applicable capital conservation buffer(CCB)	upto 162.50 bps below Indicator	More than 162.50 bps below but not exceeding 312.50 bps below Indicator	In excess of 312.50 bps below Indicator
	Current minimum RBI prescription of 6.75% (5.5% plus 1.25%* of CCB as on March 31, 2017) Breach of either CRAR or CET 1 ratio to trigger PCA	<6.75% but >= 5.125%	<5.125% but >=3.625%	<3.625%
Asset Quality	Net Non Performing Assets Ratio (NNPA)	>=6.0% but <9.0%	>=9.0% but < 12.0%	>=12.0%
Profitability	Return on Assets (ROA)	Negative ROA for two consecutive years	Negative ROA for three consecutive years	Negative ROA for four consecutive years
Leverage	Tier 1 Leverage ratio	<=4.0% but > = 3.5% (leverage is over 25 times the Tier 1 capital)	< 3.5% (leverage is over 28.6 times the Tier 1 capital)	---

i) Breach of 'Risk Threshold 3' of CET1 by a bank would identify a bank as a likely candidate for resolution through tools like amalgamation, reconstruction, winding up, etc.

ii) In the case of a default on the part of a bank in meeting the obligations to its depositors, possible resolution processes may be resorted to without reference to the PCA matrix.

- The PCA framework would apply without exception to all banks operating in India including small banks and foreign banks operating through branches or subsidiaries based on breach of risk thresholds of identified indicators.
- A bank will be placed under PCA framework based on the audited Annual Financial Results and the Supervisory Assessment made by RBI.

- However, RBI may impose PCA on any bank during the course of a year (including migration from one threshold to another) in case the circumstances so warrant.

Mandatory and discretionary actions

<table>
<tr><th>Specifications</th><th>Mandatory actions</th><th>Discretionary actions</th></tr>
<tr><td>Risk Threshold I</td><td>Restriction on dividend distribution/remittance of profits.

Promoters/owners/parent in the case of foreign banks to bring in capital</td><td rowspan="3">Common menu

Special Supervisory Interactions
Strategy related
Governance related
Capital related Credit risk related Market risk related HR related
Profitability related
Operations related Any other</td></tr>
<tr><td>Risk Threshold II</td><td>In addition to mandatory actions of Threshold 1

Restriction on branch expansion; domestic and/or overseas

Higher provisions as part of the coverage regime</td></tr>
<tr><td>Risk Threshold III</td><td>In addition to mandatory actions of Threshold 1, Restriction on branch expansion; domestic and/or overseas

Restriction on management compensation and directors' fees, as applicable</td></tr>
</table>

2. Access Criteria for Payment Systems

- RBI regulates the payment system as per Section 10(2) read with Section 18 of Payment and Settlement Systems Act 2007 (Act 51 of 2007)
- There will be two sets of access criteria for the following TWO types of payment system.
    - Centralised payment systems and the
    - Decentralised payment systems.
- The centralised payment systems will include
    - Real Time Gross Settlement (RTGS) System and
    - National Electronic Fund Transfer (NEFT)
- The decentralised payment systems will include
    - Clearing houses managed by RBI (Cheque Truncation System (CTS) centres)) as well as other banks
    - Express Cheque Clearing System (ECCS) centres
- Membership to the centralised and decentralised payment systems will be open to all scheduled/ licensed banks.
- Unlicensed banks can continue to participate in the decentralised payment systems as sub-members.
- Co-operative societies cannot be either direct members or sub-members in any payment system.
- Notified institutions like Post Office Savings Bank will as hitherto be eligible for membership in decentralised payment systems
- Primary Dealers will also be eligible for RTGS membership subject to the extant regulations
- **Access Criteria**
- The uniform access criteria for centralised payment system:
    - i. Minimum CRAR of 9% (as per the latest audited balance sheet);
    - ii. Net NPAs below 5% (as per the latest audited balance sheet);
    - iii. Minimum net-worth of ` 25 crore;
    - iv. Availability of Core Banking Solution / centralised processing system at applicant's end; and
    - v. Recommendation of the concerned regulatory / supervisory department.
    - Applications for membership should be submitted to CGM, Department of Payment and Settlement Systems (DPSS), Reserve Bank of India

- The uniform access criteria for decentralised payment systems:
  - i. Minimum CRAR of 9% (as per the latest audited balance sheet);
  - ii. Net NPAs below 5% (as per the latest audited balance sheet);
  - iii. Availability of Core Banking Solution / centralised processing system at applicant's end; and
  - iv. Recommendation of the concerned regulatory / supervisory department.
  - Applications for membership should be submitted President of the respective clearing house.
  - Sub membership for centralised and decentralised payment system – The sub members would participate through sponsor bank. There are no restrictions on the number of sub member through sponsor bank.

3. Money Transfer Service Scheme (MTSS)

- Reserve Bank has the powers under Section 10(1) of the Foreign Exchange Management Act, 1999, to accord necessary permission to act as an Indian Agent under the Money Transfer Service Scheme.
- Quick and easy way of transferring personal remittances from abroad to beneficiaries in India.
- Only inward personal remittances into India such as remittances towards family maintenance and remittances favouring foreign tourists visiting India are permissible.
- No outward remittance from India is permissible under MTSS.
- Under MTSS the remitters and the beneficiaries are individuals only.
- Indian Agent should be an Authorised Dealer Category-I bank or an Authorised Dealer Category-II or a Full Fledged Money Changer (FFMC), or a Scheduled Commercial Bank or the Department of Posts
- The minimum amount of USD 50,000 shall be kept as a foreign currency deposit while the balance amount may be kept in the form of a Bank Gurantee.
- Only cross-border personal remittances, such as, remittances towards family maintenance and remittances favouring foreign tourists visiting India shall be allowed under this arrangement.
- Donations/ contributions to charitable institutions/t rusts, trade related remittances, remittance towards purchase of property, investments or credit to NRE Accounts shall not be made through this arrangement.
- A cap of USD 2500 has been placed on individual remittance under the scheme.
- Amounts up to Rs.50,000/- may be paid in cash to a beneficiary in India. Any amount exceeding this limit shall be paid by means of account payee cheque/ demand draft/ payment order, etc., or credited beneficiary's bank account only.
- Only 30 remittances can be received by a single individual beneficiary under the scheme during a calendar year
- The Indian Agent should commence its money transfer operations under the scheme within a period of six months from the date of issuance of permission
- The Overseas Principal should obtain necessary authorisation from the Department of Payment and Settlement Systems, RBI under the provisions of the Payment and Settlement Systems Act (PSS Act), 2007
- The minimum net-worth of Overseas Principals should be at least USD 1 million as per the latest audited balance sheet

4. **Customer Protection – Limiting Liability of Customers in Unauthorised Electronic Banking Transactions**
Broadly, the electronic banking transactions can be divided into two categories:

- Remote/ online payment transactions

- (transactions that do not require physical payment instruments to be presented at the point of transactions e.g. internet banking, mobile banking, card not present (CNP) transactions), Pre-paid Payment Instruments (PPI), and

- Face-to-face/ proximity payment transactions
  - (transactions which require the physical payment instrument such as a card or mobile phone to be present at the point of transaction e.g. ATM, POS, etc.)

- The systems and procedures in banks must be designed to make customers feel safe about carrying out electronic banking transactions.
- To achieve this, banks must put in place:
  - appropriate systems and procedures to ensure safety and security of electronic banking transactions carried out by customers;
  - robust and dynamic fraud detection and prevention mechanism;
  - mechanism to assess the risks (for example, gaps in the bank's existing systems) resulting from unauthorised transactions and measure the liabilities arising out of such events;
  - appropriate measures to mitigate the risks and protect themselves against the liabilities arising therefrom; and

- a system of continually and repeatedly advising customers on how to protect themselves from electronic banking and payments related fraud.
    - Reporting of unauthorised transactions by customers to banks

Limited Liability of a Customer

(a) Zero Liability of a Customer

- o A customer's entitlement to zero liability shall arise where the unauthorised transaction occurs in the following events:
- o Contributory fraud/ negligence/ deficiency on the part of the bank (irrespective of whether or not the transaction is reported by the customer).
- o Third party breach where the deficiency lies neither with the bank nor with the customer but lies elsewhere in the system, and the customer notifies the bank within **three** working days of receiving the communication from the bank regarding the unauthorised transaction.

(b) Limited Liability of a Customer

- o A customer shall be liable for the loss occurring due to unauthorised transactions in the following cases:
- o In cases where the loss is due to negligence by a customer, such as where he has shared the payment credentials, the customer will bear the entire loss until he reports the unauthorised transaction to the bank.
- o Any loss occurring after the reporting of the unauthorised transaction shall be borne by the bank.
- o In cases where the responsibility for the unauthorised electronic banking transaction lies neither with the bank nor with the customer, but lies elsewhere in the system and when there is a delay **(of four to seven working days after receiving the communication from the bank)** on the

  part of the customer in notifying the bank of such a transaction, the per transaction liability of the customer shall be limited to the transaction value or the amount mentioned in the table , whichever is lower.

- Further, if the delay in reporting is beyond **seven** working days, the customer liability shall be determined as per the bank's Board approved policy.
- Overall liability of the customer in third party breaches, is summarised here below in the Table

Time taken to report the fraudulent transaction from the date of receiving the communication	**Customer˝s liability (☐)**
Within 3 working days	Zero liability
Within 4 to 7 working days	The transaction value or the amount mentioned in Table 1, whichever is lower
Beyond 7 working days	As per bank's Board approved policy

2. LETTER OF UNDERTAKING (LOU) CONCEPT OF LOU:

A Letter of Undertaking is a bank guarantee issued by a bank on behalf of its client for overseas import payments. A bank issuing the LoU undertakes to repay the principal and interest on the client's loan unconditionally.

LoU, SWIFT, Letter of Credit (LoC)

Nirav Modi's Fraud is all over the news these days as the Punjab National Bank detected fraudulent transactions worth Rs. 11,300 crore at its Brady House branch in Mumbai recently. If you've been catching up with the news you must have come across these Banking Terms- **Letter of Undertaking (LoUs), Letter of Credit (LoC), Society for Worldwide Interbank Financial Telecommunication (SWIFT) system, and Core Banking System (CBS).** It is important for you to understand what these terms mean, not only to get a better insight at the PNB fraud swirling in current affairs of the nation.

What is a 'Letter Of Credit'?

A letter of credit is a letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase.

What is SWIFT?

When an LoU is issued, the message of credit transfer is conveyed to overseas banks through the **Society for Worldwide Interbank Financial Telecommunication (SWIFT)** system. This is a significant information as it gives the bank's consent and guarantee. To issue SWIFT, an official has to log in and fill up confidential information such as the account number and SWIFT code. It generally has three layers of security - a maker, a checker and a verifier within the core banking system before it is issued.

What is Letter of Undertaking (LoU)?

An LoU is an assurance given by one bank to another to meet a liability on behalf of a customer. The LoU is akin to a letter of credit or a guarantee. LoUs are used in international banking transactions. An LoU is issued for overseas import remittances and involves four parties — an issuing bank, a receiving bank, an importer and a beneficiary entity overseas. According to norms, the term of an LoU is 180 days, and can be rolled over once for six months. Since LoUs are a form of lending, they are typically backed by security.

PARTIES IN LOU IN INDIAN CONTEXT:

e) **The LoU Issuing bank in India;**
f) **The Importer based in India on whose behalf the LoU is issued;**
g) **A Receiving bank located abroad;**
h) **A Beneficiary entity located overseas – offshore suppliers.**

MECHANISM:

- LoU is an explicit undertaking offered by a bank to another bank on behalf of its customer, who is importing goods from overseas supplier. Backed by the LoU, the overseas bank gives Buyers Credit to the importer.
- LoU is used by the Importers to avail short-term credit called Buyers Credit in a foreign country in foreign currency from overseas banks for goods being imported. Since the importer has to make the payment in foreign currency, he usually opts for a credit facility from a foreign bank or a foreign branch of Indian bank, as the borrowing cost is much lower.
- The overseas banks usually lend the importer on the basis of an LoU issued. The bank which gives the LoU earns a fee, typically 0.2-0.25% of the amount. The bank which gives the buyer's credit earns interest in terms of London Interbank Offered Rate, plus a spread, depending on the profile of the customer. Thus importer gets a cheap line of foreign credit.

EXAMPLE:

c) The Importer client approaches his bank in India and asks for an LoU. As per RBI guidelines, Banks should issue guarantees on behalf of customers who do enjoy credit facilities with them. Further, the guidelines stipulate that LoU should not be more than 90 days.
d) The bank would undertake the viability study to ensure safety and security of bank's liability. The bank depending upon the risk perception will also obtain following:
   - **Collateral security in the shape of property or fixed deposits;**
   - **Third party guarantee;**
   - **Margin money;**
   - **Commission.**
g) The bank there after will pass Contra entries in respect of LoU and will issue LoU. The coded message in respect of LoU will be conveyed through SWIFT to an Indian bank abroad. In case the SWIFT is integrated with Core Banking Solution (CBS) the liability of LoU will automatically get reflected in the bank records.
h) **Society for Worldwide Interbank Financial Telecommunications (SWIFT)** is a messaging network for securely transmitting information and instructions for all financial transactions through a standardized system of codes. For sending message through SWIFT, the coding is done at three stages by three different officials: Maker, Checker and Verifier. Maker keys in the message in the system, Checker checks it and the Verifier transmits it after he is convinced of its genuineness.

As a matter of precaution, the bank which receives the coded message and transfers the money to the overseas Nostro bank account of the exporter or the importer; sends a SWIFT message back confirming the creation of the loan. The person who receives this message is a different person; not any of the three - maker, checker or verifier. The message comes to a secured room and gets printed on a separate printer. Access to secured room is restricted to a few bank officials.

i) On the basis of LoU, the overseas bank does not give the credit directly to the Importer but credits the NOSTRO account of his bank resulting in release of the foreign currency amount.

j) The Importer there after can then make the remittance to the overseas suppliers.

BENEFITS OF LoU:

- The issuing bank earns commission. Further, the margin obtained adds to the deposits of the bank.
- The overseas bank lending to the borrower on the basis of LoU earns interest on the amount lent.
- Interest rates on lending in India are higher compared to international benchmark rates. Hence the effective outgo on interest for the borrower is low, therefore beneficial to him.

PUNJAB NATIONAL BANK - CASE STUDY

- Punjab National Bank detected fraudulent transactions worth Rs 11,300 crore at its Brady House branch in Mumbai. The fraud was carried out by the perpetrators in collusion with the staff.
- Punjab National Bank, Brady House branch in Fort, Mumbai, issued LoU's spread over 7 years on behalf of Nirav Modi who just had a current account with the bank.
- No viability study was undertaken, no collateral, third party guarantee or margin was obtained.
- Gokulnath Shetty, a Deputy Manager of PNB posted at foreign exchange department of the branch, issued LoU and played the roles of four officials - maker, checker, verifier and receiver of the message confirming the creation of a loan.
- In PNB, the SWIFT was not integrated with CBS as such the liability of LoU was not reflected in the banks records.
- On the basis of LoUs, the overseas branches of many Indian banks gave forex credit. The credit is ideally meant for short-term only. In this case, the loan was allowed for long periods far beyond the prescribed norms.
- In January 2018, when a couple of LoUs matured but the banks did not receive their payments, they approached PNB for repayment of the loans. Also, one fraudulent LoU was issued on January 16, 2018, on behalf of Nirav's firm. The bank officials asked the firm to submit 100% cash margin for the LoU, to which the firm stated that they had been availing similar facility in the past. An internal inquiry by PNB revealed that fake LoUs were issued in the past for several years.
- Though a standard banking practice, Nostro reconciliation was not done for each entry (credit and debit) by the treasury back office of the bank with mirror entry in CBS. Nor, was reconciliation done with CBS to cross-check the loan details and book the actual liability for principal and interest.
- Concurrent auditors in bank branches are assigned the job of transaction verification. Similarly, the internal auditors are expected to verify client files, outstanding transactions, approvals and transaction registers. Foreign exchange transactions audit of FOREX dealing branches is additionally conducted. RBI auditors conduct the annual financial review.

The fraud can be summed up as a total system failure – a result of greed, corruption and casual approach by all concerned with operation, supervision, regulation, audit etc.

MEARCHANTING TRADE:

Transactions undertaken by an Indian merchant trader with an overseas supplier to supply the goods directly to another overseas buyer (of the same foreign country or a third country), without the goods reaching the Indian shores (e.g., goods shipped from Germany to Malaysia) resulting in adequate profit margin to the Indian trader, are called Merchanting Trade Transactions or Intermediary Trade Transactions. In other words, merchanting trade is a set of transactions where Indian trader intermediates and facilitates buying and selling outside our shores, for a profit margin. (Please refer to Circular No. FX/43/2014 dt.10.04.2014

- For any remittance made for Merchanting Trade the following are required to be ensued.
  - The good has not entered into DTA(Domestic Tariff Area) and goods has not undergone any transformation.
  - Goods involved in Merchanting trade are permitted for export and import under the prevailing FTP(foreign Trade policy) India as on date of shipment and all directives/guideline for export-import are adhered to for the Export Leg/Import Leg
  - That both the leg(Export/Import)are routed through the same AD bank and documents like Invoice, Packing List/Transport Documents/Insurance Document are verified and satisfied about the genuineness of trade?
  - That the entire Merchanting trade has been completed in 9 months and outlay of foreign exchange is not more the 4 months
  - Short term Trade Credit permitted is net off of Advance Payment Received, if any from overseas buyers and discounting of Export Leg document
  - Advance payment received if any against the Export Leg is earmarked for Import Leg payment (however bank may permit the deployment fund for intervening period in interest earning fund)
  - Merchanting trade on one to ne matching basis in each case and any default in any leg by the trader is reported to Regional Office of RBI on Half Yearly basis and incase the default outstanding reaching 5% of Annual Export Earning the Merchanting trader is Caution Listed.
  - Any LC to be issued to overseas supplier only after ensuring the availability of confirmed Export order keeping completion of transaction within 9 months.
  - Genuineness of transaction and trade is ensured.

HIGH SEA SALE:

High Seas Sale is a sale of goods under Imports while they are on the way to Indian shores on high seas before they actually land at any port in India. Such sale takes place by transfer / endorsement of documents of title to goods by the original importer in the name of another person / entity or in parts to several local buyers by raising local invoices / bills.

Branches/Offices are advised to ensure authenticity of all Electronic Bill of Entries relating to High Sea Sale transactions, without any exception and in case of any discrepancies/Mis-match found, branches shall take up with the importer concerned. Any such case of misuse/illegal transfer of funds shall be reported through Suspicious Transaction Report. (Please refer to Circular No. FX/143/2014

For any High Sea Sale the extant guideline as per Cir FX/99/2014 and 143/2014 is to be adhered to. The copy of High Sea Sale Agreement is to be obtained

The genuineness/veracity of **Bill Of Entry** filed by importer is to be checked/verified in the website of Central Board of Excise and customs namely **www.icegate.gov.in** under the service document status ? (Misuse of High Sea Sale route is reported by MOF-FIU- details to be checked thoroughly)

ADVANCE REMITTANCE FOR IMPORT:
Advance remittances for imports are generally permitted in case where the Value of import is small, Goods to be imported is in high demand, where supplier demand a portion of it or full value of goods as advance payment. Branches /offices can permit advance remittance subject to compliance of extant guideline in vogue.

Advance remittance for Import exceeding 200000 USD or its equivalent, the unconditional ,irrevocable SBLC(Stand By Letter of Credit) or the Guarantee from the International Bank of repute situated outside India is to be obtained by the importer from the supplier. Any importer other than Govt undertaking/public sector company/department are not permitted to make the advance payment without irrevocable SBLC/Guarantee from the international bank of repute?

In case the Importer other than Govt undertaking/ Public departments/ State Govt offices are unable to obtain bank guarantee from the overseas supplier and branch is satisfied about the track record and bonafides of importer the requirement the requirement of SBLC/ Bank guarantee may not be insisted upto advance remittance of 5 Million USD subject to obtaining permission from competent authority in our bank(Canara bank) as per the delegation of power subject followings

- Importer customer should have satisfactory dealing with branch for a minimum period of one year.
- Branch should be satisfied about the bonafides of transaction and track record of importer.
- Customer account should be fully compliant to KY/ AML guidelines and due diligence exercise should be done for importer entity and the overseas supplier/manufacturer
- Satisfactory OPL on each of the overseas supplier should be available.
- Advance payment should be made as per the sale contract &extent guideline and directly to the account of supplier/manufacturer concern. Not the third party or the numbered account .
- Physical import should take place within six month of remittances however in case of Capital good it can be upto 3 years .The documentary evidence of Import i.e Bill of Entry should be submitted within 15 days of import of goods.
- In case of non import of good ,the advance remittance should be repatriated to India or to be used for other permissible purpose under FEMA for exchange is permitted to be released

Any Govt undertaking /Public sector department/State Govt offices/Undertaking making any Advance remittance exceeding 100000 USD or equivalent for import are unable to provide the irrevocable SLBC/Bank Guarantee from the International bank of repute they are required to obtain specific waiver from MOF of GOI . They can be permitted the remittance subject to obtention of waiver from MOF GOI and other conditions mentioned above.
For any deviation above the RBI permission is required.
Advance Remittance for Import of Rough Diamond .
Branches are permitted to allow the advance remittance without any limit and without irrevocable unconditional SBLC? Bank guarantee of International bank of repute othe than public sector undertaking of Govt Of India or State government for import of Rough diamonds subject to obtention of permission from the delegated authority and ensuring the compliance of following.

- Importer should be recognized processor of rough diamond and should have good track record of export realization
- Overseas Mining company should be in the **approved list of GJEPC**
- Transaction should be based on commercial judgement and after being satisfied about on the bonafides of transaction.
- Advance payment should be strictly as per the terms of sale contract and payment should be directly made to the account of overseas supplier. To the ultimate beneficiary not to any numbered account. And also insure that he payment is not made to import the conflict Diamonds. To ensure this the **Kimberlay Process Certificate is** to be obtained from the importer.
- KYC and Due diligence exercise to be done for the Indian importer and overseas suppliers.
- Follow up of bill of Entry / document evidencing import of rough diamond to India is to be obtained.
- In case of public sector undertaking/ Public Department of Govt of India / State Govt undertaking where advance remittance exceeds 100000 USD , the waiver from MOF GOI is required if they are not in position to provide the SBLC/Bank Guarantee of international bank of repute .
- Details of advance remittance made exceeding 5 millions USDor equivalent without SBLC/Bank Guarantee of International bank of repute within 15 days of close of the Half year i.e Sept and March to be submitted to the Regional Office of RBI

ADVANCE REMITTANCE FOR PURCHASE OF AIRCRAFTS /HELICOPTERS// OTHER AVIATION RELATED PURCHASE.
The person who has been permitted by the DGCA to operate the Schedule / Non scheduled Air transport services including Air taxi may make advance remittances upto 50 million USD without providing unconditional and irrevocable SBLC/ Bank guarantee from a bank of International repute. Branches/ offices may allow advance remittance for above purpose by obtaining the permission from competent autotype delegated under delegation of power.

- Advance payment should be strictly as per the terms of sale contract and payment should be directly made to the account of overseas supplier. To the ultimate beneficiary not to any numbered account.
- KYC and Due diligence exercise to be done for the Indian importer and overseas suppliers.
- Import should take place within six month or within 3 years in case of Capital goods.
- Requisite approval from the DGCA is to be obtained by the company as per extant guide line under foreign trade policy.
- In the event of non-import of Aircraft/ related purchases the branch to ensure that Advance Remittance is immediately repatriated to India.
- Follow up of bill of Entry / document evidencing import of rough diamond to endia is to be obtained.

- No advance remittance to be made by Govt. department/undertaking/public sector unit/state govt. offices more than 100000 USD without specific waiver unconditional, irrevocable SBLC/ Bank Guarantee from International bank of repute from MOF , GOI(MOF – Ministry of Finance waiver is required)
- For Advance remittance beyond 50 million USD for import of each Aircraft/Helicopter/Aircraft related purchase are required to have the permission to operate as air transport services by DG of Civil aviation for advance remittances without the irrevocable SBLC/guarantee of international bank of repute ?

TRADE CREDIT AUDIT CHECKLIST.

slno	AUDIT QUESTIONIRE	OBSERVATION
01	Whether RBI's prior permission for Buyers Credit/Trade Credit of 20.00million USD and above is obtained?	
02	Whether LOU/LOC issued on behalf of party to overseas bank are as per delegation of power?	
03	Whether all Buyers Credit(LOU/ LOC) is entered in FCOM package and a running no of each LOU/Buyers Credit is Maintained. (Ref. ho cir IO/127/2012)	
04	Whether appropriate charges/commission as per extant Guidelines have been collected? Whether in case of Rollover of Buyers Credit Commission /appropriate charges are collected afresh for the period of Roll Over permitted. Whether in case of devolvement of LOU/Buyers credit the Differential commission is collected wherever concession in commission is permitted to party. Whether commission amount is arrived/ calculated for the LOU amt plus applicable Interest & other charges?	
05	Whether the monthly statement of Approval /Drawl / Utilization /Repayment of Trade Credit granted for import is submitted by branch to Circle Office? Whether RBI Specific approval/Permission Ref no. is Mentioned in Trade Credit monthly Statement in case of Trade Credit for more than USD 20 million &above? Whether Monthly statement is correctly compiled and Promptly submitted by 5th of succeeding month? Instances of delayed submission in last three months, if any, to be reported. Whether rollover of buyers credit is reflected in monthly statement under the repayment column Part II of Monthly Statement? (Part I- Approval of Trade Credit granted Part II – Disbursement/Utilization and Debt servicing of Trade Credit)	
06	Whether the correct Rate of Interest (Prescribed by RBI from time to time (currently LIBOR+3.50) is permitted on Trade Credit?	
07	Whether maximum repayment of 1 yrs from the date of Shipment and maximum of 3 yrs in case of capital good being Imported from the date of shipment is adhered to? However there may be maximum 5 yrs repayment for Capital Good but Bank cannot issue LOU for more than 3 yrs.	

****BEST OF LUCK****