

Financial Awareness Capsule

May 2016

Financial Awareness has become an important section of Bank PO and Bank Clerk exams like SBI Clerk and SBI PO. If you haven't already been following Financial Awareness Capsule May 2016, then now is the time!

Now let us take a look at the Financial Awareness Capsule May 2016! This is the most comprehensive Financial Awareness Capsule May 2016. It covers everything important you need to know for your Financial Awareness/General Awareness/Banking Awareness section of SBI PO & SBI Clerk. Before we dig into Financial Awareness Capsule May 2016, take a look at:

[General Awareness & Financial Awareness for SBI Clerk – Preparation Tips](#)

Notes from Financial Awareness Capsule May 2016

Let us take a look at some of the important happenings from the financial world in May 2016.

Insolvency & Bankruptcy Code, 2015 Passed

The Lok Sabha has unanimously passed Insolvency and Bankruptcy Code, 2015 by a voice vote. The code seeks to ensure time-bound settlement of insolvency, faster turnaround of businesses and create a unified data base of serial defaulters.

Highlights of the Code: The Code creates time-bound processes for resolution of the insolvency of companies and individuals. These processes will be completed within time-bound 180 days. If insolvency is resolved in stipulated time, the assets of the borrowers may be sold to repay creditors. The resolution of the insolvency of processes



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will be conducted by licensed insolvency professionals (IPs). These IPs will be members of insolvency professional agencies (IPAs). IPAs under insolvency resolution will also furnish performance bonds equal to the assets of a company.

Bankruptcy is a legal status usually imposed by a Court, on a firm or an individual who is unable to meet debt obligations. India's new Bankruptcy Bill attempts to create a formal Insolvency Resolution Process (IRP) for business. During the IRP, financial creditors assess whether the debtor's business is viable to continue and the options for its rescue and revival. If the IRP fails or financial creditors decide to wind down and distribute the assets of the debtor the debtor's business is liquidated.

ICICI Bank sign MoU with BRICS's New Development Bank

India's largest private sector lender ICICI Bank has inked a MoU with the BRICS promoted New Development Bank (NDB) for a partnership in bond issuances, co-financing, treasury management and human resources. With this, ICICI Bank becomes first financial institution in the country to tie up with the BRICS Grouping-promoted NDB.

The MoU was signed by NDB's first President and ICICI Bank veteran KV Kamath and ICICI Bank Chief Chanda Kochhar in Mumbai, Maharashtra.

Key facts: The MoU will help NDB in exploring rupee-denominated bonds in the domestic and international markets. It will make both the lenders collaborate to fund development projects in India. They will also leverage a mutually beneficial partnership in other areas such as treasury risk management, human resource development and account and cash management services. The MoU will help NDB to leverage the deep market access and insight of ICICI Bank in the India's financial markets.

About New Development Bank: NDB is a multilateral development bank promoted by BRICS nations viz. Brazil, Russia, India, China and South Africa. It is outcome of 6th BRICS Summit being held in Fortaleza, Brazil. It is headquartered in

Shanghai, China. It will have a regional office in Johannesburg, South Africa. NDB began its operations in July 2015 with an initial capital of 100 billion dollars. The goal of the bank is to fund infrastructure projects in emerging economies for sustainable development. In the NDB, each participant country has been assigned one vote, and none of the countries have veto power.

Union Cabinet approves National Capital Goods Policy 2016

The Union Cabinet has given its approval for National Capital Goods Policy 2016 to give a push to the capital goods sector and the Make in India initiative.

This is first ever policy for Capital Goods sector framed by the Union Government (Ministry of Heavy Industry & Public Enterprise).

Key features of Policy Objectives: Increase production of capital goods from 230,000 crore rupees in 2014-15 to 750,000 crore rupees in 2025. Raise direct and indirect employment from the current 8.4 million to 30 million. Increase exports from the current 27% to 40% of production. Increase the share of domestic production in India's demand from 60% to 80% to make India a net exporter of capital goods.

Aim of Policy: Facilitate improvement in technology depth across sub-sectors, ensure mandatory standards, increase skill availability and promote growth and capacity building of MSMEs, help in realising the vision of 'Building India as the World class hub for Capital Goods' and also play a pivotal role in overall manufacturing as the pillar of strength to the vision of 'Make in India'. The Department of Heavy Industry (DHI) will meet the objectives of the policy in a time bound manner through obtaining approval for schemes as per the roadmap of policy interventions.

Background: The idea of a National Capital Goods Policy was first presented by the DHI to the Prime Minister in the 'Make in India' workshop held in December, 2014. It has been framed and finalized after extensive stakeholder consultations with industry, academia, different ministries etc. It has been framed to create game changing



strategies for the capital goods sector by addressing some of the key issues. It includes availability of finance, innovation and technology, raw material, productivity, quality and environment friendly manufacturing practices, creating domestic demand and promoting exports.

RBI to issue Rs 1000 banknotes with inset letter R

The Reserve Bank of India (RBI) will shortly issue banknotes of 1000 rupees denominations with inset letter 'R' in both the number panels. These new banknotes will be issued in the Mahatma Gandhi Series – 2005. Besides, all the banknotes in the denomination of 1000 rupees issued by RBI in the past would continue to be legal tender.

New features: The design of these new 1000 rupees banknotes is similar in all respects to the earlier issued banknotes of same denominations in Mahatma Gandhi Series – 2005. On the obverse side: These banknotes will have all the other security features, including ascending size of numerals, bleed lines and enlarged identification mark. On the reverse side: These banknotes will bear signature of RBI Governor Raghuram G Rajan. It will also have the year of printing '2016' printed.

ICICI Bank launches India's First Contactless Credit Card

India's largest private sector bank ICICI Bank has launched country's first contactless business credit card in association with Jet Airways for small and mid-sized enterprises (SMEs). The card has been christened as the 'Jet Airways ICICI Bank Business Advantage Card'.

Key facts: The card is powered by 'VISA PayWave' contactless technology. The technology enables cardholder to make payments by simply tapping card at contactless enabled terminals in more than 48 countries including India. The card can also be used by dipping or swiping at non-contactless merchants. It offers dual advantage of



reward programme on the expenses and repayments of the credit card. With this ICICI Bank became the first bank globally to offer a dual advantage reward programme.

Islamic Development Bank to open first branch in India

Saudi Arabia's Islamic Development Bank (IDB) has decided to open its first branch in India at Ahmedabad, Gujarat. In this regard, IDB and its private sector arm, Islamic Corporation for the Development of the Private Sector (ICD), already have met with top officials of the Reserve Bank of India (RBI), EXIM Bank and India's other nationalized banks.

This announcement comes as part of MoU signed between IDB and India's EXIM Bank during Prime Minister Narendra Modi visit to United Arab Emirates (UAE) in April 2016. As part of the MoU a US 100 million dollars line-of-credit (LoC) was to be given to IDB's member countries to facilitate exports. Besides, IDB also has decided to provide Gujarat state 30 medical vans as part of its social sector initiatives.

About Islamic Development Bank: The IDB is a multilateral development financing institution based in in Jeddah, Saudi Arabia. Presently, it has 56 Islamic countries as its members. It was founded in 1973 by the Finance Ministers at the first Organisation of the Islamic Conference (now Organisation of Islamic Cooperation). IDB's objective is to foster the economic development and social progress of member countries as well as the Muslim community in accordance with principles of Islamic (Shariah) law.

HDFC Bank launches Startup to helps upcoming start-ups



India's second-largest private sector lender HDFC Bank has launched SmartUp, a dedicated solution for start-ups to fulfil all their banking needs. It was launched in association with a Mumbai-based start-up accelerator Zone Start-ups India (ZSI).

Key facts: SmartUp is tailored to meet all the requirements of a start-up. It is a complete banking solution meant for start-ups. It will be offering banking and payment solutions, along with forex and advisory services to start-ups. Smartup will provide facility of current account. It will include waiver of AMB (average monthly balance) for the first six months and extendable to 12 months. It will also include salary account for employees by waiving the minimum number of employees' criteria. SmartUp will also provide HDFC's 'PayZapp' for business – a payment and collection solution and a dedicated relationship manager. Accountholders will also get recommendations of regulatory and compliance issues and also chartered accountant for tax related issues. Start-ups will also get the opportunity to showcase their products on SmartBuy to 32 million HDFC Bank customers.

SBI seeks to take over 5 Associate Banks, BMB

The country's largest lender, State Bank of India (SBI) has decided to merge its five associate public sector banks (PSBs) and the Bharatiya Mahila Bank (BMB) with itself. In this regard, SBI has informed the Bombay Stock Exchange (BSE) that it is seeking in-principle approval for acquisition from the Union Government. 5 subsidiary banks are:

- (i) State Bank of Bikaner and Jaipur,
- (ii) State Bank of Hyderabad,
- (iii) State Bank of Mysore,
- (iv) State Bank of Patiala and
- (v) State Bank of Travancore.

Besides, the boards of the subsidiary banks and the SBI also met individually in Mumbai to begin merger talks to acquire the businesses including assets and liabilities.

Key facts: The merged entity will increase SBI's market share from 17 per cent to 22.5-23 per cent the country with total business of over Rs. 35 lakh crore. It will have one-fourth of the deposit and loan market in the country and SBI's staff strength will increase by 35-49 per cent. The merged entity will also increase branch network by 6,000. At present, SBI alone has more than 15,000 branches in the country.

Background: The merger move comes after the Union Government had announced a road map for bank consolidation during the 2016-17 Union Budget. This was seen as necessary to meet the huge infrastructure financing needs of the country. It also seeks to feature Indian Bank in the top 50 banks of the world in terms of size as no bank in the country features in it.

IDBI Bank first state-run bank to open branch at IFSC

Mumbai based IDBI Bank has decided to open an international banking unit (IBU) at the International Financial Services Centre (IFSC) in Gandhinagar. This is the first state-run bank to open for IBU centre. Yes Bank, Federal Bank and ICICI Bank have been operating branches in GIFT city. Recently Private player Kotak Mahindra Bank opened its branch at the IFSC as these would provide full range of corporate banking services and would meet foreign currency funding needs of it clienteles. Over USD 250 million worth of business transactions were conducted at GIFT City in the past six months.

Indian 9th in Crony-Capitalism Index

India is ranked at ninth position in crony-capitalism index for the year 2015. There has been no change in its position from the previous year. Crony sector wealth accounts for 3.4 per cent of the gross domestic product (GDP). As per the latest crony-capitalism index, the non-crony sector wealth amounts to 8.3 per cent of the GDP. Germany is the cleanest with least number of crony capitalists. Russia tops the list followed by Malaysia, the Philippines and Singapore.



SEBI to tighten KYC, transfer norms for Participatory Notes

Mumbai based Securities and Exchange Board of India (SEBI) is likely to tighten the norms for participatory notes (P-Notes) to curb round-tripping and restrict money laundering to follow recommendations made by Special Investigation Team on black money.

The changes include requirement of increased disclosures on transfer and prior consent of issuer on transfer, bringing P-Notes under know-your-customer and anti-money laundering norms and reporting suspicious transactions to the financial intelligence unit.

Under these rules, KYC review will be done on the basis of risk classification assigned to subscriber. The Market regulator will have to take remedial action in case of any breaches.

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