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GENERAL KNOWLEDGE  
BANKING AND FINANCE

# CAPSULE

14TH TO 20TH OCTOBER 2018

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# WEEKLY GENERAL KNOWLEDGE BANKING & FINANCE CAPSULE (04<sup>th</sup> to 10<sup>th</sup> November 2018)

## Banking & Financial News

### RBI permits Banks to provide Partial Credit Enhancement of NBFC Bonds.

- The Reserve Bank of India (RBI) has permitted banks to provide partial credit enhancement (PCE) of bonds issued by systemically important non-deposit taking non-banking financial companies (NBFCs).
- These are registered with the RBI and housing finance companies (HFCs) registered with the National Housing Bank.
- The move is aimed at enhancing the credit rating of the bonds and enabling these NBFCs to access funds from the bond market on better terms.
- PCE, which was introduced in 2015, will help NBFCs and HFCs raise money from insurance and provident or pension funds who invest only in highly-rated instruments.

### Reserve Bank of India

- 24th Governor: Urjit Patel
- Headquarters: Mumbai
- Founded on : 1 April 1935

### Process initiated by RBI to set up Digital Public Credit Registry.

- The Reserve Bank of India has initiated the process to set up a digital Public Credit Registry (PCR) to capture all the details of borrowers, including wilful defaulters and also the pending legal suits in order to check financial delinquencies.
- The reason for setting up this process is to enable the banks and financial institutions to get a 360-degree profile of existing and prospective borrowers on a real-time basis.
- The public credit registry will also include data from entities like market regulator SEBI, the corporate affairs ministry, Goods and Service Tax Network and the Insolvency and Bankruptcy Board of India.

### Andhra Pradesh signs \$172 Million Project Agreement with World Bank.

- World Bank have signed the loan agreement with Andhra Pradesh and Centre for a \$172.20 million project to enhance agricultural productivity,

profitability, and climate resilience of poor and marginalized farmers in Andhra Pradesh.

- The Andhra Pradesh Integrated Irrigation and Agriculture Transformation Project (APII and ATP) will be implemented in rural areas largely dependent upon rain-fed agriculture.
- The projects seek to ensure that farming continues to remain a financially viable activity.

### World Bank :

- President - Jim Yong Kim
- Headquarters - Washington, D.C
- Founded on - 1945

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### Ombudsman for Digital Payments likely to be planned by RBI.

- The Reserve Bank of India is likely to establish an ombudsman for digital payments by March 2019.
- This is to take the load off the increasing number of complaints currently being handled by the banking ombudsman.
- Following the rapid adoption of digital payments across the country, RBI in its Annual Report for 2017-18 had announced that it was considering a plan to establish a separate ombudsman to handle consumer complaints related to digital transactions.

### ECB Norms for Infrastructure Companies relaxed by RBI.

- The Reserve Bank has relaxed the norms governing foreign borrowings for infrastructure creation in consultation with the Government.
- The average maturity requirement for mandatory hedging has been reduced to five years from earlier ten years.
- The minimum average maturity requirement for ECBs (external commercial borrowings) in the infrastructure space raised by eligible borrowers has been reduced to three years from earlier five years.

### MCLR raised by Syndicate Bank up to 0.15%.

- Syndicate Bank has hiked its benchmark lending rate or MCLR by up to 0.15 per cent across various tenors.
- Syndicate Bank has raised MCLR for a three month tenor from 8.35 per cent to 8.40 per cent, while six-month MCLR increased from 8.6 per cent to 8.75 per cent.
- The interest rate for different categories of borrowers are pegged at the marginal cost of funds based lending rate (MCLR).

### Andhra Bank plans to divest stakes in joint ventures.

- Andhra Bank plans to divest its stake either fully or partially in various joint venture firms.
- Approval for divestment of bank's stake in full or in part in joint venture investments of the bank includes ASREC India Ltd, India International Bank (Malaysia) Bhd and IndiaFirst Life Insurance Co Ltd, Andhra Bank said in a regulatory filing.
- IndiaFirst is a joint-venture between Bank of Baroda, Andhra Bank and UK's wealth and investment management firm Legal & General.

### SBI to sale 11 NPA accounts to recover Rs.1,019 crore.

- SBI has put up 11 non-performing assets (NPAs) for sale to ARCs and financial companies to recover dues of nearly Rs 1,019 crore.
- Of these 11 accounts, Janki Corp Ltd has the highest outstanding dues.

## Financial Schemes & MoUs

### India's 1st LC Payment via Blockchain to be received by Reliance.

- HSBC Holdings for the first time has executed a trade finance transaction using blockchain for an export by Reliance Industries Ltd (RIL) to US-based Tricon Energy.
- The use of blockchain offers significant potential to reduce the timelines involved in the exchange of export documentation from the extant 7-10 days to less than a day.
- The blockchain-enabled letter of credit (LC) transaction substantially reduced the time taken for such deals.

### 378-cr Investment announced by Meghalaya for Aqua Mission 2.0

- The Meghalaya Government announced Rs378 crore **investment in the second phase of the State's** flagship aquaculture mission aimed at cutting down fish imports into the hill State.
- The mission by Meghalaya State Aqua Mission 2.0 was announced by Fisheries Minister Comingone Ymbon at the 5th state aqua festival held in Shillong at the U Soso Tham auditorium premises.
- Aqua Mission 1.0 has also increased production of fries from 0.9 million in 2012 to 9.69 million in 2017 to meet market demand.

### Disinvestment of 100% Govt stake in Dredging Corporation of India approved by CCEA.

- The Cabinet Committee on Economic Affairs approved 100% strategic disinvestment of the government's equity in the Dredging Corporation of India Ltd.
- The government of India holds 73.44% shares in Dredging Corporation of India Limited.
- Union Cabinet gave its approval to Amendment to the Central Universities Act, 2009 for setting up of Central Tribal University in Andhra Pradesh.
- Cabinet also approved leasing out six airports, namely Ahmedabad, Jaipur, Lucknow, Guwahati, Thiruvananthapuram and Mangaluru for operation, management, and development under Public Private Partnership.

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### Microfinance companies for securitisation to create common pool of assets.

- In an bid to improve cash flows, microfinance firms are planning to create a common pool of assets for doing securitization deals with banks.
- Securitisation is a process of pooling loan receivables and selling their related cash flows to third party investors as securities. This frees up capital which can be used for fresh lending.
- The common pool, essentially by smaller MFIs, is aimed at creating economies of scale and making it easier for banks to buy it.
- Bigger MFIs such CreditAccess, Grameen and a few others are likely to contribute to the pool.

### Interest rates reduced by KFC for manufacturing and service sectors.

- To support industrial sectors of the state, Kerala Financial Corporation (KFC) has cut interest rates for manufacturing and service sector loans.
- The interest rates of service sector loans will come down up to 1% from existing rates.
- This will benefit thousands of manufacturing, industrial and service sector units of the State.

### After Aadhaar data blockade, Fintech companies in search of another plan.

- Fintech players after being completely blocked out of the Aadhaar authentication infrastructure, the fledgling industries are trying to develop alternative

mechanisms of using technology to authenticate its customers.

- As eKYC authentication is stopped now, Payment Companies are trying to develop their own means of getting KYC done with physical documents by using technology so that cost can be reduced.
- In a parallel development, in a circular dated November 1, UIDAI extended the deadline for implementation of virtual Aadhaar till January 31, 2019.

### Demonetisation impacted India to go digital for payments.

- Reserve Bank data indicates the sharp hike in digital transactions following the 2016 note ban as Indians from smaller towns and cities are paying digitally for goods and services.
- Payments company executives estimate that card transactions in towns with populations of up to 1 million have doubled in the two years since demonetisation.
- As merchants started accepting wallets like Paytm or PhonePe for digital transactions, the trend has shifted and a lot of small-value retail payments could have moved away from cards.

### Digital assistants, social media key for banking by 2022.

- Apart from mobile and online, Digital assistants, social media and third-party channels are expected to be the primary channels for banking by 2022.
- In the short-term, banks will leverage open banking for compliance such as the Payment Services Directive (Europe), Unified Payments Interface (India) and New Payments Platform (Australia).
- It is believed that less than 40% of the current workload would move to public cloud by 2022 and 70% say that artificial intelligence (AI) is expected to have a significant impact in transforming customer service/support by 2022

### Appointments and Resignations

#### 3 new members appointed to CBDT

- PK Dash, Akhilesh Ranjan and Neena Kumar have been appointed as new members in the Central Board of Direct Taxes (CBDT).
- All three officers are from the 1982-batch of the Indian Revenue Service (IRS).
- Sushil Chandra is the chairman of CBDT.
- The CBDT frames the policy for the I-T Department that is tasked to enforce direct tax laws in the country.