

LIGHT CIRCLE - AUGUST 2010

GIST OF CIRCULARS – JULY 2010

234/2010 : Technology Upgradation Fund Scheme (TUF) – 01.04.2007 to 31.03.2012. All new proposals under TUFs not to be entertained under further orders.

235/2010 : Prompt issue of TDS certificates and maintenance of records – TDS certificates should be issued promptly within due dates and Branches / Offices should maintain records for having issued the same.

236/2010 : Mortgage of immovable properties held by tenants – Exception to loans granted under Canara rent scheme - As far as possible obtention of security of tenanted properties be discouraged with the exception of loans granted under Canara Rent scheme

237/2010 : 9th Bipartite settlement Clarifications – Leave Fare Concession to Workmen employees – Employees have to exercise option on or before 25.07.2010

238/2010 : Furnishing information under section 133(6) Income Tax Act, 1961 – As per CBDT notification dated 22.12.2009 all our branches / offices have to provide five general information under section 133(6) of IT Act 1961 as follows:

- 1. Payment in cash for purchase of DD/PO/Bankers cheque of an amount exceeding Rs. 1 lac during any one day**
- 2. Deposits in cash aggregating Rs. 2 lac or more on any one day**
- 3. Time deposits exceeding Rs. 2 lac**
- 4. payment made in cash against bills raised in respect of Credit Card aggregating Rs. 1 lac or more (less than Rs. 2 lacs) in a year**
- 5. payment against bills raised in foreign currency in respect of Credit card aggregating Rs. 50,000 or more (but less than Rs. 2 lacs) in a year**

239/2010 : Technology Upgradation Fund Scheme (TUFs) – Submission of information in respect of unit-wise loan sanctioned and unit wise information after determination of eligibility within the prescribed periods

240/2010 : Pension payment to Central / State Govt pensioners by Agency – Payment of compensation payable to pensioners in case of all delayed payments (revision and payment of arrears) w.e.f. October 2008 and submission of monthly details to Head Office

241/2010 : Amendment to PMLA rules – Branches shall determine whether the client is acting on behalf of beneficial owner, identify the beneficial owners and take all reasonable steps to verify his identity

Branches shall not allow opening of or keep any anonymous account or account in fictitious names or account on behalf of other persons whose identity has not been disclosed or cannot be verified

242/2010 : Pricing of credit linked to Base Rate – Additions / Modifications

243/2010 : Detailed guidelines for filing e-TDS returns and correction returns

244/2010 : Recovery of pension effected from defence pensioners to be remitted to Principal Controller of Defence Accounts (P) Allahabad

245/2010 : Restructuring of advances – Modified guidelines

246/2010 : Introduction of standardised interoffice memorandum

247/2010 : Centralised risk categorisation and fixing of threshold limit

248/2010 : Base rate implementation in CBS –FCR/FCC

249/2010 : National Fisheries Development Board (NFDB) - Subsidy Schemes for Fisheries

250/2010 : Letters received in Hindi are to be replied in Hindi – Compliance of Rule 5 of OL Rules 1976

251/2010 : Technology Upgradation Fund Scheme (TUFs) 01.04.2007 to 31.03.2010

252/2010: Loans/advances against shares & Debentures – Revised List of companies

253/2010 : Approved List of transport operators – Additions and deletions & modifications

254/2010 : Release of Best Practices code – Manual of instructions on Loan against Gold Jewellery (Revised upto 31.10 2009)

LIGHT CIRCLE - AUGUST 2010

255/2010 : Revised Margin and Security norms for agricultural loans- Nil margin and no collateral security limit increased from Rs. 50,000 to Rs. 1 lac

256/2010 : Loans against Gold jewellery for agricultural purposes Lending rate per gram enhanced to Rs.1200 – Recovery of NPAs and reiteration of certain aspects of lending

257/2010 : Rates of Interest linked to base rate of the Bank – Delegation of powers for Extending reduction in interest rates

258/2010 : Service tax changes effected by Finance Act -2010- sponsorship services are liable to service tax subject to certain exceptions

259/2010 : Housing loan scheme to customers – Life insurance cover – Creditor protection plan of M/s Canara HSBC Oriental Bank of Commerce Life Insurance Company Ltd Under group insurance

260/2010 : Capital Investment Subsidy Scheme for Construction renovation expansion of Rural godown – Revised guidelines if GOI under grameen Bhandaran Yojana

262/2010 : Guidelines for engaging recovery agents by the Bank- for rural an Semi-urban branches for assisting recovery of DA/LA/ Written off a/cs having Book Liab. Not exceeding Rs. 10 lac to be appointed after permission of CMD-EMD to be given by agent Rs. 1 lac. Fee for recovery in DA 3% of recovery or liab whichever is less subject to a max of Rs. 25,000/- in LA and Written off a/cs 5 % of recovery or liab which ever is less subject to a maximum of Rs. 50,000. In OTS a/cs 50% of the above amount

263/2010 : Revision in service charges for return of instruments ins SB./CA/OD/ OCC etc w.e.f. 1.9.2010

264/2010 : Interest rates of NRE term deposits

IMPORTANT I O CIRCULARS ISSUED DURING JUNE 2010

49/2010 Prompt recovery of SWAP charges- Recovery/Refund of exchange difference / swap cost/gains on account of cancellation / early delivery of Forward Contracts

50/2010 Our Representative Office opened at Sharjah, UAE

51/2010 Realisation and repatriation of export proceeds – Liberalisation - period of Realisation & Repatriation to india of the amount representing the full export value of goods or software exported enhanced from 6 months to 12 months from the date of export – relaxation extended up to 31.03.2011.

52/2010 Revision in ROI on FCNR(B) and RFC Deposits w e f 01/07/2010

IMPORTANT I O CIRCULARS ISSUED DURING JULY 2010

53/2010 Updated Exporter's caution list as at 31/03/2010, issued by RBI

54/2010 Foreign Exchange (compounding proceedings) rules, 2000 (the rules) - compounding of contraventions under FEMA, 1999

54/2010 Arrangement with M/s JPMORGAN CHASE BANK NA, New york -Their "Autoconvert Service" through which M/s JPMorgan Chase Bank N.A. will convert proceeds of our SWIFT Payment orders (MT 103) routed through our USD account with them, into the beneficiary's local currency & credits, to the beneficiary. (Circular number repeated)

55/2010 M/s JPMORGAN CHASE BANK NA - "Autoconvert Service" through which M/s JPM Chase Bank will convert proceeds of our SWIFT Payment orders (MT 103) routed through our USD account maintained with them, into the beneficiary's local currency & provides credit to the beneficiary.

56/2010 As per RBI directives AD banks should not insist on the surrender of proportionate export incentives, other than under duty draw back scheme, while allowing write off of unrealized export bills.

57/2010 Secure collection service- Revised guidelines- Reduction in limit for mandatory collection of clean instruments denominated in USD & payable in USA

MONETARY POLICY 2010-11

FIRST QUARTER REVIEW

The Monetary Policy for 2010-11 in April was announced at the time when there was some optimism about the sustainability of the global recovery. However, in the aftermath of the Greek sovereign debt crisis and other visible soft spots in Europe and the USA, there is renewed uncertainty about the sustainability of the recovery. In contrast, on the domestic front, the recovery has consolidated and is becoming increasingly broad-based. While rainfall is still below the long period average at the all-India level, it has been enough to induce a significant increase in sown area across a range of crops, the high prices of which have been a source of great worry. The dominant concern that has shaped the monetary policy stance in this first review is high inflation and measures to curb it down. The central theme of the policy as stated by RBI is to condition and contain perception of inflation in the range of 4.0 - 4.5 per cent, in line with the medium-term objective of 3.0 per cent inflation consistent with India's broader integration into the global economy.

POLICY THRUST

RBI has focused its policy on the following three objectives:

- | Contain inflation and anchor inflationary expectations, while being prepared to respond to any further build-up of inflationary pressures.
- | Maintain an interest rate regime consistent with price, output and financial stability.
- | Actively manage liquidity to ensure that it remains broadly in balance so that excess liquidity does not dilute the effectiveness of policy rate actions.

HIGHLIGHTS

- | Bank Rate and CRR / SLR have not been revised.
- | Repo Rate has been increased by 25 basis points to 5.75%.
- | Reverse Repo rate has been increased by 50 basis points to 4.50%.
- | Economy registered a growth of 8.6% in last quarter of 2009-10, fuelled by strong industrial growth.
- | Inflation touched double digits and remained main concern.

EXPECTED OUTCOMES

RBI hopes to achieve following four objectives by its policy initiatives.

- | Moderate inflation by reining in demand pressures & inflationary expectations.
- | Maintain financial conditions conducive to sustaining growth.
- | Reduce the volatility of short-term rates in a narrower corridor.
- | Generate liquidity conditions consistent with more effective transmission of policy actions.

OVERALL STANCE OF THE POLICY

The monetary policy response has been calibrated on the basis of India's specific growth-inflation dynamics in the broader context of persistent global uncertainty.

- | Domestic economic recovery is firmly in place and is strengthening. Thus, the GDP growth projection for 2010-11 has been revised to 8.5% (from 8.0% with an upside bias in April 2010).
- | Inflationary pressures have exacerbated and become generalised, with demand-side pressures clearly evident. Demand-side inflationary pressures need to be contained.
- | Despite the increase in the policy rates by 75 basis points cumulatively, real policy rates are not consistent with the strong growth that the economy is now witnessing. The trend may continue in line with the evolving growth and inflation scenario, while taking care not to disrupt the recovery.
- | Current market conditions indicate that while liquidity pressures will ease, the system is likely to remain in deficit mode for now, making the repo rate as the operating policy rate. The LAF operates in such a manner that as systemic liquidity

alternates from surplus to deficit, even at the margin, the overnight call money rates alternate between the reverse repo rate and the repo rate. This imparts volatility to call rates to the extent of the width of the LAF corridor.

In the context of the changing liquidity dynamics, RBI proposes to set up a Working Group to review the current operating procedure of monetary policy, including the LAF.

MACRO ECONOMIC OUTLOOK

GLOBAL ECONOMY: Several assessments of advanced economies show increasing pessimism about the sustainability of the current pace of recovery. There is widespread expectation of a slowdown of the global economy in the second half of 2010. In the US, recovery remains constrained by high unemployment, modest income growth, lower housing wealth and tight credit. In the Euro area, the growth outlook remains clouded by concerns about the sustainability of sovereign debt in some of the Euro area economies.

In contrast, Emerging Market Economies (EMEs) are witnessing strong growth, driven by strong domestic demand, restocking of inventories and, thus far, recovering global trade. Inflation in advanced economies is subdued due to large output gaps and high unemployment rates. In contrast, inflation in EMEs has been rising due to fast emerging capacity constraints, prompting many to reverse their expansionary monetary policies.

DOMESTIC ECONOMY:

The Indian economy grew by 7.4% in 2009-10. The momentum was particularly pronounced in Q4 of 2009-10 with growth at 8.6%.

The double digit growth in the Index of Industrial Production (IIP) that began in October 2009 continued during the current financial year. The IIP recorded a year-on-year growth of 14% with as many as fifteen out of the seventeen industry groups showing positive growth. Monsoon performance has been much better than it was last year, which augurs well for agricultural production.

The strength of the recovery is also reflected in the sales and profitability growth of the corporate sector. Besides replenishment of inventories, investment intentions are being translated into action across sectors, particularly in power, telecom and metals. Increase in resource mobilisation by the commercial sector from both banks and non-banks and the widening of the current account deficit also suggest strong underlying growth momentum. Taking into account the progress of monsoon so far and the prevailing global macroeconomic scenario, for policy purposes, the baseline projection of real GDP growth for 2010-11 has been revised to 8.5%, up from 8.0% with an upside bias as indicated in April 2010 policy statement.

INFLATION SCENARIO:

WPI inflation has been in double digits since Feb. 2010 and has remained there since then.

Even as primary food articles inflation continues to be in double digits (14.6%), the non-food manufactured products (weight: 52.2%) inflation, which was (-) 0.4% in November 2009, rose sharply thereafter to 5.4% in March 2010 and further to 7.3% in June 2010, suggesting that inflation is now very much generalised.

Notwithstanding some moderation in recent months, consumer price inflation, measured by various indices, remains in double digits. Even as food price inflation and consumer price inflation remain at elevated levels, inflation is now being significantly driven by demand side factors.

Taking into account the emerging domestic and external scenario, the baseline projection for WPI inflation for March 2011 has been raised to 6.0% from 5.5% as indicated in the April policy statement.

ECB POLICY FOR TAKE-OUT FINANCE

As per the extant norms, refinancing of domestic Rupee loans through ECB route is not permitted. However, keeping in view the special funding needs of the infrastructure sector, it has been decided to permit take-out financing arrangement

through ECB, under the approval route, for refinancing of Rupee loans availed of from the domestic banks by eligible borrowers in the sea port and airport, roads including bridges and power sectors for the development of new projects, subject to the following conditions:

- | The corporate developing the infrastructure project should have a tripartite agreement with domestic banks and overseas recognized lenders for either a conditional or unconditional take-out of the loan within three years of the scheduled Commercial Operation Date (COD). The scheduled date of occurrence of the take-out should be clearly mentioned in the agreement.
 - | The loan should have a minimum average maturity period of seven years.
 - | The domestic bank financing the infrastructure project should comply with the extant prudential norms relating to take-out financing.
 - | The fee payable, if any, to the overseas lender until the take-out shall not exceed 100 bps per annum.
 - | On take-out, the residual loan agreed to be taken- out by the overseas lender would be considered as ECB and the loan should be designated in a convertible foreign currency and all extant norms relating to ECB should be complied with.
 - | Domestic banks / Financial Institutions will not be permitted to guarantee the take-out finance.
 - | The domestic bank will not be allowed to carry any obligation on its balance sheet after the occurrence of the take-out event.
 - | Reporting arrangement as prescribed under the ECB policy should be adhered to.
- All other aspects of ECB policy, such as, USD 500 million limit per company per financial year under the automatic route, eligible borrower, recognised lender, end-use, average maturity period, prepayment, refinancing of existing ECB and reporting arrangements remain unchanged.

SURRENDER OF EXPORT INCENTIVES

As per Foreign Trade Policy (FTP) 2009-14, realisation of export proceeds shall not be insisted upon, under any of the Export Promotion Schemes, subject to the following conditions:-

- | The write-off on the basis of merits is allowed by the Reserve Bank or by the AD Category – I banks on behalf of the Reserve Bank, as per the extant guidelines;
- | The exporter produces a certificate from the concerned Foreign Mission of India, about the fact of non-recovery of export proceeds from the buyer; and
- | This would not be applicable in self-write-off cases.

The above relaxation is applicable for the exports made with effect from August 27, 2009.

It is clarified that since the Drawback scheme is governed by the provisions of the Customs Act, 1962, therefore, the drawback amount has to be recovered even if the claim is settled by the Export Credit Guarantee Corporation of India Limited (ECGC) or the write-off is allowed by the Reserve Bank.

Accordingly, banks are advised not to insist on the surrender of the proportionate export incentives, other than under the Duty Drawback scheme, if availed of, by the exporter under any of the Export Promotion Schemes under the FTP 2009-14.

MOBILE-LINKED NO FRILLS ACCOUNTS:

The government is giving final touches to an elaborate technology and regulatory architecture for delivering banking services through 'mobile-linked no frills accounts'. The government has identified 73,200 villages that have a population of more than 2,000 people where it will provide mobile-linked basic bank services by March 2012. The objective is to use the 600 million plus mobile phone network to offer basic financial services, especially in areas where no bank branches exist.

The National Payment Corporation of India, a not-for-profit company that provides low-cost infrastructure for providing payment services among banks, is helping

formulate the back-end technology solutions. This would link the mobile number of the person to his no-frills bank account. Eventually, it will be integrated with the Unique Identity Number (UIN), once it gets operationalised.

To begin with, from small kirana stores to banks to potentially entire FMCG chains - all have a digital date with money transfers on cellphones. A stage has been reached where customers will have the option to pay for their purchases directly into seller's account through cell phones.

MOBILE MONEY SERVICE:

Recently a pilot project has been launched for the use of what is known as 'mobile money service'. The project has been initiated by YES Bank in association with Nokia and Obopay, with the latter offering technology back-up to YES Bank. After obtaining necessary clearances from the RBI, YES bank has been running the pilot project for this new service initially at Pune and Chandigarh. The two cities are known for their large population of young generation, who come here for studies or first job. Under this service, mobile phone users can pay utility bills, or even send and receive money - all over text messages. Now, customers can go to a shop, get their mobile set credited with the cash tendered to the shopkeeper and in turn use that credit balance to pay via SMS.

BANKING ON THE UNBANKED:

According to an estimate by research and advisory firm, Tower Group, mobile banking usage in India will grow from 10 million active users in 2009 to over 53 million active users in 2013, representing a compounded annual growth rate of 51.8 per cent.

As per ICICI Bank's Non-Executive Chairman K.V. Kamath, the challenge is in banking the 600 million people in 600,000 villages in close to 600 districts. Mobile phones have the potential to enable banking - starting from customer acquisition to transaction authorisation, and execution to stored wallet.

The fact that this mobile payment service is an extremely user-friendly application that can be accessed by the masses is drawing customers all the more. The mechanism uses secure SMSes, rather than requiring the user to have a mobile data plan. Once the service is launched across the nation, people will begin to use it to transfer cash to one another instantly. YES Bank also gives ATM cards to registered users. This will facilitate withdrawal of cash from their mobile account any time.

THE ROAD AHEAD: Money transfer services in India are taking off slowly, but at a steady pace. According to research firm, Palo Wireless Market Research, the gross transaction value of mobile payments in India will reach \$1.28 billion in 2013. Users can use mobile money facilities to meet all of their daily payment needs like utility bill payments, top-up minutes, remitting money using P2P (peer to peer) and even pay merchants. Mobile giant Nokia claims that theirs is the only one of its kind service designed to convert physical cash to e-money, which can be facilitated through Nokia's retail outlets.

Aware of the possible scope for mobile money, RBI had increased P2P transfer limit from Rs 5,000 to Rs 50,000 some months ago. While the central bank has no objection to using the mobile channel for providing such basic services as mobile alerts for credit or debit entry, balance enquiry, etc, which are in the nature of providing information, it has issued stringent guidelines for banks that want to use mobile phones to initiate payment instructions.

HOW IT WORKS: Mobile money services are easy to adopt as they operate on customer friendly technology platforms. Public by now is quiet used to these kind of services by their exposure to paying cash for crediting talk time to their mobile account, or paying for dish TV rentals etc. A typical mobile money service involves following four steps:

Step 1: Approach a nearby authorised retailer or local merchant, (just like you do for buying the talk time or recharge coupon) for uploading the money transfer

Annual Supplement 2010-11 to Foreign Trade Policy (FTP) 2009-14 announced by Union Commerce and Industry Minister Anand Sharma on 23.8.2010

Higher Support for Market and Product Diversification

1. Additional benefit of 2% bonus, over and above the existing benefits of 5% / 2% under Focus Product Scheme, allowed for about 135 existing products, which have suffered due to recession in exports. Major sectors include all Handicrafts items, Silk Carpets, Toys and Sports Goods (all of which were earlier eligible for 5% benefits); Leather Products and Leather Footwear, Handloom Products and Engineering Items including Bicycle parts and Grinding Media Balls (all of which were earlier eligible for 2% benefit).

2. 256 new products added under FPS (at 8 digit level), which shall be entitled for benefits @ 2% of FOB value of exports to all markets. Major Sectors / Product Groups are Engineering, Electronics, Rubber & Rubber Products, Other Oil Meals, Finished Leather, Packaged Coconut Water and Coconut Shell worked items.

3. Instant Tea and CSNL Cardinol included for benefits under VKGUY @ 5% of FOB value of exports.

4. Nearly 300 products (at 8 digit level) from the readymade garment sector incentivised under MLFPS for further 6 months from October, 2010 to March, 2011 for exports to 27 EU countries.

Support for Technological Upgradation

5. Zero duty EPCG scheme, introduced in August 2009 and valid for only two years upto 31.3.2011, has been extended by one more year till 31.3.2012. In addition, to give a boost to technological up-gradation for additional sectors as well, the benefit of the scheme has been expanded to cover paper & paperboard and articles thereof, ceramic products, refractories, glass & glassware, rubber & articles thereof, Plywood and allied products, marine products, sports goods and toys and additional engineering products.

6. Additional Towns of Export Excellence (TEEs) announced viz. Barmer (Rajasthan) for Handicrafts; Bhiwandi (Maharashtra) for Textiles; and Agra (Uttar Pradesh) for Leather Products.

Benefit and flexibility to Status Holders

7. Status Holders contribute to a substantial part of our exports. To support them to upgrade their technology, 1% Status Holder Incentive Scheme (SHIS) introduced in August 2009 and valid for only two years upto 31.3.2011, has been extended by one more year for 2011-12 exports. In addition, to give a boost to technological up-gradation for additional sectors as well, the benefit of the scheme has been expanded to cover chemical & Allied products, paper, paperboard and articles thereof, ceramic products, refractories, glass & glassware, rubber & articles thereof, plywood and allied products, electronics products, sports goods and toys and additional engineering products.

8. Additional flexibility provided for transferability of Duty Credit Scrips being issued to Status Holders under paragraph 3.13.4 of FTP under VKGUY scheme by allowing transfer of scrip for import of cold chain equipments to unit(s) in the Food Park.

Stability / Continuity of the Foreign Trade Policy

9. The popular and exporter friendly Duty Entitlement Passbook (DEPB) scheme has been extended beyond 31.12.2010 till 30.06.2011.

10. Availability of concessional Export Credit: Interest subvention of 2% for pre-shipment credit for export sectors namely, Handloom, Handicraft, Carpet and SMEs for all export sectors, have been allowed till 31.3.2011 in the budget 2010-11. This facility has now been extended to a number of additional products pertaining to sectors like Engineering, leather, textiles, Jute.

11. Advance Authorization for Annual Requirement shall also be exempted from payment of anti-dumping & Safeguard duty in line with the underlying principle that goods and services should be exported and not the taxes and levies.

Procedural Simplification and Reduction of Transaction Cost

12. Exporters shall now have the flexibility to get a high value EPCG authorisation by filing their EPCG application on Annual basis, without the need to file the application for individual capital goods from time to time. It will reduce transaction time and cost.

13. Exporters shall now have the flexibility to Club Advance authorisation with Advance Authorisation for Annual Requirement for the purpose of account closure.

14. To impart flexibility to exporters and to facilitate smooth clearance of consignments, a Single customs notification for the two variants of Advance Authorization scheme namely advance authorisation for physical exports & deemed exports shall be issued. It will also eliminate the ambiguity in clubbing of such exports.

15. Adhoc Norms ratified under Advance Authorisation scheme shall henceforth apply to all cases for the same export product upto one year not only prospectively but also retrospectively.

16. Clarification on the availability of 4% SAD refund benefit, as given by DOR in terms of customs Notification No. 102/2007, only to trader importers, to be also extended to manufacturers, who sell the imported items like traders.

17. Chartered Engineer Certificate for Advance Authorisation on self declared basis, has been dispensed with. This will reduce documentation and the transaction cost.

EDI Initiatives

18. To reduce the transaction cost and time, the scope and domain of EDI is endeavoured to be continuously broadened. To remove redundancy of repeated submissions of RCMC, an 'e-RCMC' initiative has been commenced. Under this, the Export Promotion Councils would upload the RCMC data of their members on DGFT's website only once, thus reducing the procedural burden of repeated submissions and associated cost and time.

19. Facility of a data preparation module for Advance Authorization and Export Promotion Capital Good (EPCG) has been provided on an offline mode, which would reduce the need of continuous online interaction for long and address the connectivity and server response issues significantly.

20. In order to provide wider choice to the users and enlarge access for online filing, additional licenced certifying authorities for digital signatures and banks for electronic fund transfer (EFT) operations have been included in the gamut of EDI operations.

21. The online message exchange for Annual Advance Authorization and Duty Free Import Authorization (DFIA) shall also be made operational with Customs w.e.f. 1.12.2010.

Leather Sector

22. Leather sector shall be allowed re-export of unsold imported raw hides and skins and semi-finished leather from Public bonded warehouses, without payment of any export duty. This will facilitate the logistics for establishment of such warehouses and easy access to raw material for the leather sector.

23. Finished Leather export shall be entitled for Duty Credit Scrip @ 2% under FPS.

24. Additional 2% bonus benefits over and above the existing benefits under Focus Product Scheme would significantly benefit the Leather Sector.

Handloom sector

25. Duty free import of specified trimmings, embellishments etc. shall be available on Handloom made-ups exports @ 5% of FOB value of exports.

26. Additional 2% bonus benefits over and above the existing benefits under Focus Product Scheme would significantly benefit the Handloom Sector.

Textiles sector

27. Duty free import of specified trimmings, embellishment etc shall be available @ 3% on exports of polyester made-ups in line with the facility available to sectors like Textiles & Leather. It will promote export of products such as micro cloth, which has become popular in home textiles.

28. Readymade Garment sector granted enhanced support under MLFPS for a period of further 6 months from October, 2010 to March, 2011 for exports to 27 EU countries.

Gems & Jewellery Sector

29. The list of items allowed for duty free import by Gems & Jewellery sector has been expanded by Inclusion of additional items such as Tags and labels, Security censor on card, Staple wire, Poly bag. This will reduce the cost of the product to some extent.

Handicraft Sector

30. The facility of duty free import of tools under Duty Free Import scrips for Handicraft sector shall be made operational.

31. Additional 2% bonus benefits over and above the existing benefits under Focus Product Scheme will significantly benefit the Handicrafts and Silk Carpets sectors.

Service sector

32. Scrips issued under Served From India Scheme (SFIS) can now be used for payment of duty on import of Vehicles, which are in the nature of professional equipment.

Agriculture and Plantation

33. Instant Tea and CSNL Cardinol included for benefits under VKGUY @ 5% of FOB value of exports.

34. Oil Meals (Cotton, rape seed, groundnut), Castor Oil derivatives, Packed Coconut Water and Coconut Shell worked items shall be entitled for benefits @ 2% of FOB value of exports to all markets under FPS.

Engineering and Electronics

35. Additional 2% bonus benefits over and above the existing benefits under Focus Product Scheme will significantly benefit Bicycle parts and Grinding Media Balls exporters.

36. Additional items of Engineering, namely, Pipes & Tubes, Electric Generating

IMPORTANT QUESTION & ANSWERS

- 1. Validity of Negotiable Instrument is recognized in which Act: NI Act**
- 2. More than 2 nominees can be taken in which type of account: No Account.**
- 3. Section 45ZA to ZE of Banking Regulation Act deals with: Nomination of Deposits, Safe Custody and Lockers**
- 4. Nominee can claim payment when: Only after the death of depositor.**
- 5. Garnishee Order is applicable when relationship with respect to Bank and Customer: Debtor - Creditor**
- 6. A & B wants to change both their names with their sons in a deposit a/c: Not permitted; one original depositors name must continue.**

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- 7. Whether Pvt. Company can be a partner in a partnership firm: No**
- 8. Ombudsman Award - Max for credit card: 1,00,000**
- 9. EFT Settlement hours: 11 hourly for week days and 5 hourly for Saturdays.**
- 10. NEFT Charges – Inward: NIL**
- 11. Education Loan: Both Inland and Foreign under Priority sector: 10 and 20 lakh.**
- 12. Small Mfg Enterprises - Investment in Plant and Machinery what amount: Upto Rs.5.00 crore**
- 13. Food and Processing Industry upto what amount under Indirect agriculture advance: Upto Rs.10.00 crore**
- 14. CGTMSE - Micro units upto Rs 5 lacs: 85% & max amount of claim is Rs 4.25 lacs.**
- 15. Deferred Payment Guarantee - Type of Credit appraisal: Similar to that of Term Loan**
- 16. SGSY – If BPL beneficiaries is not available, how much from outside - Gen and Special Category: 20% and 30% respectively and no subsidy.**
- 17. PMGEP : Education qualification more than 10 lacs project cost in mfg sector: VIII Std pass**
- 18. Unspent Foreign Currency to be surrendered within: 180 days**
- 19. Special Crossing- what is essential: Bank's name must appear with or without two parallel lines.**
- 20. Locker Operation to be categorised under High and Low risk: 1 year and 3 years**
- 21. Agent dies - Cheque signed by him presented for payment: Can be paid**
- 22. Financial Director Dies - Cheque signed by him presented for payment: Can be paid**
- 23. Interest Rate Fluctuation - What type of risk: Market Risk**
- 24. No frills account is for what: Financial Inclusion**
- 25. Can we accept any Deposit beyond 120 months maturity: No except court order for minor's deposits.**
- 26. Regarding SHG : Number of members: 10 to 20 members**
- 27. In FCNR (B) Exchange risk is borne by: Banks**
- 28. Account when becomes NPA, if principal and interest not serviced beyond 90 days from which date: From the date of application during defaulting quarter**
- 29. Bills discounted and dishonoured: Debit the account for recovery immediately.**
- 30. USEP Subsidy (SJSRY): 25% and Max: Rs.50,000**
- 31. Priority Sector status with respect to housing repairs and renovations in rural areas: Rs.1.00 lakh**
- 32. In CC account which is not a disadvantage: Issue of Cheque book.**
- 33. CDR Eligibility criteria: Multiple banks/syndication/ consortium with outstanding of Rs 10 cr and above.**
- 34. SB Daily products for calculation of interest why: To make it compatible with NPA norms**
- 35. NPA - D3 Category (Beyond three years): 100% Provision both on secured and unsecured.**
- 36. AML - FIU – Cash Transactions details for the month to be submitted before: 15th of the following month.**
- 37. Agriculture Interest subvention of 2 + 1 : Interest rate concession should for prompt repayment: 6%**
- 38. BEP analysis is for what: Margin for safety**
- 39. Holding period calculation how determined Sales, Net Sales, Gross sales, Credit Sales, Production: Credit Sales**
- 40. Revaluation Reserve Discounting factor to be taken to which capital: 55% & Tier II**
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45. Export credit target for priority sector for Indian banks: Not a part of priority sector it is in preferred sector.
46. Hypothecation is defined in which Act: SARFAESI.
47. SARFAESI is applicable to what type of accounts: NPA accounts.
48. Joint a/c with Resident by NRI - In which account: NRO
49. PC facility in which type of LC: Red Clause LC
50. Number of days for examination of documents under LC by bank : 5 days.
51. Why crystallisation of Import bill: To extinguish foreign exchange liability by debiting the a/c.
52. Gold Card exporter can be charged at what extra interest: No interest
53. Number of days for Nostro and Vostro account credited (cooling period): 15 + 1 day
54. Housing loan Risk weight LTV < 75 for 30 lacs and more than 30 lacs: 50% and 75%
55. Buy Now Pay Later what type of card: Credit Card
56. Interest Rate on FCNR(B) Banks: LIBOR Rate Plus 100 basis points.
57. RBI Authorisation policy - where RBI permission not required: Tier 3 to Tier 6 branches.
58. Pari Passu charge: Equal rights to all creditors
59. EEFC - Max retention in foreign currency: 100%
60. Amount and words differ in cheque: Pass the cheque
61. Why foreign currency buying rate is low: Cost of holding is high.
62. Cheque issued without balance what penalty: No penalty (Only on dishonour, Court Proceedings)
63. NPA norms not applicable for which type of securities held as margin for an advance account which becomes overdue: (Govt.

30.08.2010

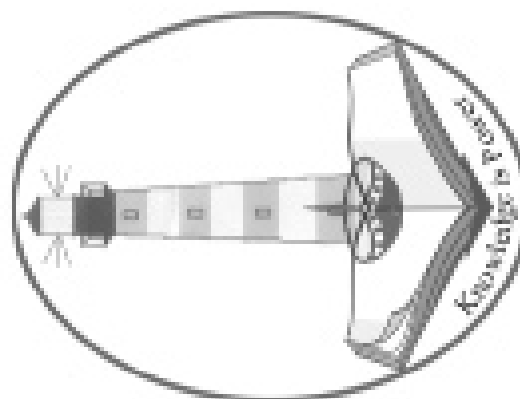
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