

Prelim Bits 06-12-2019

Exercise INDRA

- It is a joint Tri-services exercise between India and Russia.
- The Indra series of exercise began in 2003 and the first joint Tri Services Exercise was conducted in 2017.
- INDRA 2019 will be conducted simultaneously at Babina (near Jhansi), Pune, and Goa.

India's Forex Reserves

- India's Forex reserves consists of Foreign Currency Assets, Gold, Special Drawing Rights (SDR), Reserve Tranche Position in the IMF.
- The country's foreign exchange reserves recently crossed the \$450-billion mark for the first time ever.
- It provides country's import cover for 11 months.
- Since the beginning of the current financial year, the forex reserve has gained by \$38.8 billion.
- It enables the central bank to buy dollars from the market to check any sharp appreciation of the rupee.
- **Trends** - India's foreign exchange reserves fell to \$274.8 billion in September of 2013.
- It prompted the Centre and RBI to unleash measures to attract inflows.
- It has been a steady rise for the reserves since then, with \$175 billion added in the last six years.

Small Finance Banks

- RBI has recently released the final guidelines on on-tap licensing for small finance banks.
- The guidelines say that Payments banks willing to convert themselves into small finance banks (SFBs) can apply for such a licence only after five years of operations.
- Such payments banks which are eligible to set up an SFB have to come under the non-operating financial holding company (NOFHC) structure.
- SFB undertakes basic banking activities of accepting deposits and lending to unserved and underserved sections, including small business units, small and marginal farmers, micro and small industries and unorganised sector

entities.

- The SFB will be given scheduled bank status once they commence their operations.
- The minimum capital for setting up an SFB has been mandated at Rs. 200 crore.
- For primary (urban) co-operative banks (UCBs) to become SFB's, the initial net worth requirement will be Rs.100 crore and to be increased to Rs.200 crore within 5 years.
- Any individual or professional having at least 10 years of experience in banking and finance at a senior level can also set up an SFB either singly or jointly.
- Promoters of SFB's shall always hold a minimum of 40% of the paid-up voting equity capital of the bank during the first five years from the date of commencement of business.
- RBI has also decided to bring UCBs with assets of ₹500 crore and above, under the reporting framework of the Central Repository of Information on Large Credits (CRILC).

Payments Banks

- The objectives of setting up of payments banks will be to further financial inclusion by providing
 - i. Small savings accounts and
 - ii. Payments/remittance services to migrant labour workforce, low income households, small businesses, other unorganised sector entities and other users.
- They can Accept of demand deposits and initially restricted to hold a maximum balance of Rs. 100,000 per individual customer.
- They cannot undertake lending activities.
- They should maintain Cash Reserve Ratio (CRR) with RBI.
- It is required to invest minimum 75% of its "demand deposit balances" in Statutory Liquidity Ratio(SLR).
- It should maintain maximum 25 per cent in current and time/fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.
- They can issue ATM/Debit cards however cannot issue credit cards.
- The minimum paid-up equity capital for payments banks shall be Rs. 100 crore.

NIIF Master Fund

- The NIIF is a trust that raises debt to invest in the equity of infrastructure

finance companies.

- It acts like a bankers' bank in infrastructure financing. Government owns 49% of NIIF.
- It provides equity support to NBFCs/ Financial Institutions (FIs) engaged in infrastructure financing.
- It also provides equity/ debt to commercially viable projects, both Greenfield and Brownfield, including stalled projects.
- It is being considered as an Alternative Investment Fund (AIF) under SEBI regulation.
- A typical sovereign wealth fund (SWF) will be a state-owned investment company owned by governments and invests their own money in foreign countries.
- Though the NIIF acts like an SWF, it does not invest in assets such as stocks, bonds, real estate, commodities etc like an SMF do and therefore cannot be called so.
- **Recent Developments** - NIIF of India and Canada Pension Plan Investment Board (CPPIB) have agreed for CPPIB to invest up to \$600 million through the NIIF Master Fund.
- The NIIF Master Fund invests equity capital in core infrastructure sectors in India, with a focus on transportation, energy and urban infrastructure.

Source: PIB, The Hindu