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Q.1) Consider the following statements about Wholesale and Long-Term Finance (WLTF) banks

1. It will be exempted from the statutory liquidity ratio
2. It will focus primarily on lending to infrastructure sector and small, medium & corporate businesses

Select the correct statements

- a) Only 1
- b) Only 2
- c) Both 1 and 2
- d) Neither 1 nor 2

Q.1) Solution (c)

The report of the Committee on Comprehensive Financial Services for Small Businesses and Low Income Households, chaired by Dr. Nachiket Mor ('Nachiket Mor Committee Report') had envisaged a class of differentiated banks called Wholesale Banks. Extending the committee's recommendations on Wholesale Banks, the Wholesale and Long-Term Finance (WLTF) banks will 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.

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. According to the Nachiket Mor Committee Report, since the 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

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threshold amount. Same may be applicable in the context of WLTF Banks. Therefore, they may have negligible retail segment exposure on their balance sheet.

The banks will have to maintain the cash reserve ratio, but would be exempted from the statutory liquidity ratio, or mandatory bond holding. There could also be relaxation regarding liquidity risk and compliance with liquidity ratios such as liquidity coverage ratio.

The pros and cons of licensing differentiated banks focusing on wholesale and long-term financing are:

Pros

- Differentiated banks concentrating on wholesale and long-term financing could act as steady and additional source of funding for small, medium and large businesses, and infrastructure sector over a longer term.
- Entry of such banks as market makers in debt, equity, forex, securitization, and other markets would further expand the markets and encourage product innovation, appropriate price discovery and superior market liquidity.
- WLTF banks may ease up the pressure of long maturity loan assets on the books of commercial banks, and in turn, moderate their asset-liability mismatch as these banks are expected to finance infrastructure projects, participate in take-out financing and securitize such assets to generate liquidity.
- Large ticket, long term lending requires superior expertise and skill in project appraisal and credit monitoring; and impeccable risk management systems that go beyond the traditional domain knowledge of commercial banking. It is expected that WLTF banks would acquire and maintain high quality assets on their portfolio to be able to generate enough revenues. They would, therefore, help build such expertise through selection of skilled manpower, training and suitable compensation.

Cons

- Raising of long term deposits and debt at competitive cost would not be easy, and funding of long term and infrastructure projects at higher interest costs could make the projects economically unviable.
- Lack of access to savings and other retail deposits would push the cost of funds for the WLTF banks upwards.
- Reputed and well-rated corporates would prefer to access the debt markets directly at comparatively lower interest rates than those offered by WLTF banks.
- WLTF banks could be subject to ALM mismatches, which may be difficult to manage, whereas commercial banks would have more flexibility in their asset liability structure.

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- Cyclical nature of industrial activities / performance could place enhanced risk of non-performing assets on the books of wholesale banks, which may not have the cushion of sustained earnings that retail credit portfolios normally provide, in times of economic downturn.
- Lack of enabling market infrastructure and issues such as absence of secondary markets in securitized assets, low demand for long-tenor instruments, and small investor base for such assets among others could be impediments for the WLTF banks.
- Development Finance Institutions (DFIs) in the past had played a similar role in filling the gap in meeting the financing needs of medium and large enterprises, industry and infrastructure sector. However, due to change in the operating environment coupled with dearth of low cost long term funds as a result of withdrawal of Government guarantee for bond issuance and resultant non-SLR status of their bonds, high level of concentration risk caused serious stress to their financial position.
- Given the constraints and limited scope for raising long term funds without sovereign guarantees, financing of infrastructure and commercial projects could be a challenge for the WLTF banks and their viability could be an issue for debate.

Read More -

<https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=866>

Source: http://www.business-standard.com/article/finance/rbi-proposes-wholesale-long-term-finance-banks-117040800041_1.html

Q.2) Consider the following statements about sustainable development goals index

1. Singapore is the only Asian country in top 10
2. It is produced by Sustainable Development Solutions Network (SDSN)

Select the correct statements

- a) Only 1
- b) Only 2
- c) Both 1 and 2
- d) Neither 1 nor 2

Q.2) Solution (b)

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India is ranked 116th on the index with a score of 58.1, behind countries such as Nepal, Iran, Sri Lanka, Bhutan and China. Pakistan is ranked 122.

It is produced by Sustainable Development Solutions Network (SDSN).

Sweden leads the list, followed by Denmark and Finland.

IN THE RACE

The 2017 Sustainable Development Goals Index

Rank	Country	Score
1	Sweden	85.6
2	Denmark	84.2
3	Finland	84
4	Norway	83.9
5	Czech Republic	81.9
6	Germany	81.7
7	Austria	81.4
8	Switzerland	81.2
9	Slovenia	80.5
116	India	58.1

Source: SDG Index and Dashboards Report

Source: http://www.business-standard.com/article/economy-policy/2017-sustainable-development-goals-index-india-ranked-117-of-157-countries-117071301204_1.html

Q.3) The recently launched 'Nivaran' portal is launched by

- a) Ministry of Railways
- b) Ministry of Consumer Affairs
- c) Ministry of Commerce and Industry
- d) Ministry of Finance

Q.3) Solution (a)

It is the grievance redressal portal launched by the Ministry of Railways.

It is the first IT application to be launched on the Rail Cloud.

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RailCloud is a virtual server with an inbuilt security system that will enable faster connectivity at a reduced cost.

RailCloud has been developed by rail public sector unit (PSU) RailTel at an cost of about Rs 53 crore.

RailCloud has been equipped with security features as per the latest government guidelines. The security features can be updated in one go for all the applications hosted on the Cloud, resulting in enhanced security and stability with less expenditure and effort.

Source:

<http://economictimes.indiatimes.com/industry/transportation/railways/railways-making-efforts-to-bring-railway-system-on-digital-platform-suresh-prabhu/articleshow/59565217.cms>

Q.4) Caspian Sea is bordered by

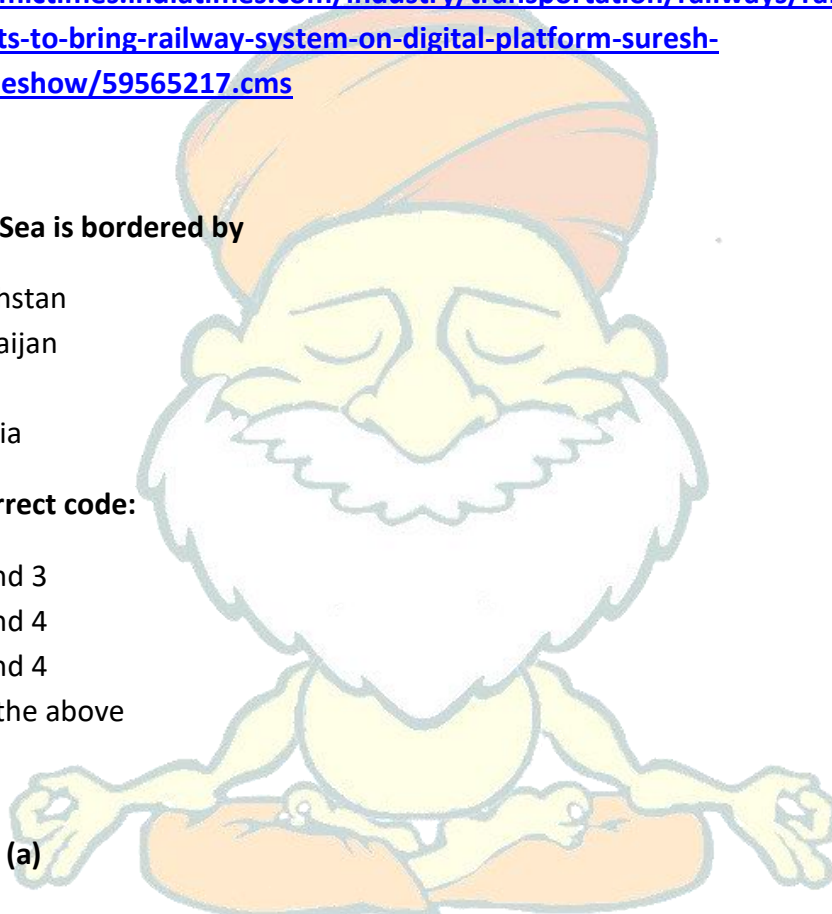
1. Kazakhstan
2. Azerbaijan
3. Iran
4. Georgia

Select the correct code:

- a) 1, 2 and 3
- b) 2, 3 and 4
- c) 1, 3 and 4
- d) All of the above

Q.4) Solution (a)

It is located between Europe and Asia. It is bounded by Kazakhstan to the northeast, Russia to the northwest, Azerbaijan to the west, Iran to the south, and Turkmenistan to the southeast.





Q.5) Consider the following statements about Falun Gong

1. It is identified with the qigong movement in China
2. It is banned in India

Select the correct statements

- a) Only 1
- b) Only 2
- c) Both 1 and 2
- d) Neither 1 nor 2



Q.5) Solution (a)

It is a holistic system of coordinated body posture and movement, breathing, and meditation used for health, spirituality, and martial arts training. With roots in Chinese medicine, philosophy, and martial arts, qigong is traditionally viewed as a practice to cultivate and balance qi (chi), translated as "life energy".

It is banned in China.

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The Falun Dafa Association of India has been campaigning for months to familiarise the challenges faced by the followers in china.

The association decided for a peace parade this month, to spread the message of Falun Gong and focus on persecution against practitioners in Beijing.

Source: <http://www.thehindu.com/todays-paper/tp-national/india-to-celebrate-falun-gong/article19260879.ece>

