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## RBI & Banking sector

### RBI & Monetary Policy

**Financial Settlements:** Due to the Eid al-Milad holiday, the settlement of all outstanding transactions originally due on September 8 was postponed to September 9. This includes the settlement for the auction of Government of India Dated Securities held on September 4.

**Sovereign Gold Bond (SGB) Redemption:** The RBI has set a redemption price of ₹10,610 per unit for the SGB 2020-21 Series VI, which was issued on September 8, 2020. Investors are receiving an impressive absolute simple return of over 107% on these bonds, not including the 2.5% annual interest.

**Foreign Exchange Strategy:** The RBI has been cautiously reducing its holdings of US Treasury securities over the past year. This strategic move is a response to global financial uncertainty and the imposition of new tariffs by the United States. Simultaneously, the central bank has been increasing its holdings of physical gold held domestically.

### Banking Sector Developments

**Credit & Deposits:** Indian banks are experiencing a gap between credit growth and deposit mobilization. While credit growth has been steady, households are increasingly moving their savings into higher-yielding investments like mutual funds and insurance products, which is putting pressure on the banks' traditional low-cost deposit base.

**Technology & Regulation:** The banking sector is adopting AI and real-world evidence (RWE) in line with the RBI's "Framework for Responsible and Ethical Enablement of Artificial Intelligence" (FREE-AI). This is aimed at improving risk analytics and operational efficiency.

**Leadership Change:** The RBI has approved the re-appointment of R Gandhi as the part-time Chairman of Yes Bank until 2027.

**Public Sector Banks (PSBs):** A two-day brainstorming session, "PSB Manthan," is scheduled to begin on September 12, where the top management of PSBs will discuss strategies and future plans. Additionally, PSBs have closed 1.5 million inoperative Jan Dhan accounts.

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## MCQS

1: What was the redemption price set by the RBI for the Sovereign Gold Bond (SGB) 2020-21 Series VI?

- A) ₹5,150 per unit
- B) ₹8,200 per unit
- C) ₹10,610 per unit
- D) ₹12,500 per unit

**Answer:** C) ₹10,610 per unit

The news states, "The RBI has set a redemption price of ₹10,610 per unit for the SGB 2020-21 Series VI..."

2: In response to global financial uncertainty, what has the RBI been doing with its holdings of US Treasury securities and physical gold?

- A) Increasing both its holdings of US Treasury securities and physical gold.
- B) Decreasing both its holdings of US Treasury securities and physical gold.

C) Increasing its holdings of US Treasury securities while decreasing its holdings of physical gold.

D) Cautiously reducing its holdings of US Treasury securities while increasing its holdings of physical gold.

**Answer:** D) Cautiously reducing its holdings of US Treasury securities while increasing its holdings of physical gold.

The summary mentions, "The RBI has been cautiously reducing its holdings of US Treasury securities... Simultaneously, the central bank has been increasing its holdings of physical gold held domestically."

3: Why are Indian banks experiencing a gap between credit growth and deposit mobilization?

- A) The RBI has limited credit expansion.
- B) Households are moving their savings to higher-yielding investments like mutual funds.
- C) Businesses are not taking out loans.
- D) The government has reduced bank interest rates.

**Answer:** B) Households are moving their savings to higher-yielding investments like mutual funds.

The news states that "households are increasingly moving their savings into higher-yielding investments like mutual funds and insurance products, which is putting pressure on the banks' traditional low-cost deposit base."

4: What is the name of the framework adopted by the banking sector for the use of AI and real-world evidence?

- A) REAL-AI
- B) FREE-AI
- C) SAFE-AI
- D) SECURE-AI







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**Answer: B) FREE-AI**

The summary reports that the banking sector is adopting AI and real-world evidence "in line with the RBI's 'Framework for Responsible and Ethical Enablement of Artificial Intelligence' (FREE-AI)."

**5: What is the name of the two-day brainstorming session scheduled for public sector banks (PSBs)?**

- A) "PSB Vision"
- B) "PSB Innovate"
- C) "PSB Manthan"
- D) "PSB Strategy"

**Answer: C) "PSB Manthan"**

The news states that a "two-day brainstorming session, 'PSB Manthan,' is scheduled to begin on September 12..."

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