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INTERVIEW CAPSULE FOR LIC HFL/IBPS RRB PO INTERVIEW 2018

HOW TO FACE BANKING INTERVIEWS 2018?

"First impression is the last impression". Yes, this plays a major role in how an interviewer perceives you as a candidate. What you say during the interview can make a big difference in your final results, in a good way or in a bad way. Through this capsule you can get to know how to prepare for upcoming banking recruitment interviews.

Introduction

The interview is an occasion of interpersonal communication between the prospective employer and a prospective candidate. It is a platform where the organization checks the suitability of the candidate vis-a-vis the job profile. The interviewee also has the opportunity to examine if his personal objectives will be met in the job and the company.

In an interview the candidate has to try to sell themselves to the interviewer.

This interview is a way for the panel to evaluate the personal skills and potential of the candidate vis a vis the post he has applied for. The questions asked in this interview are meant to measure the attitude, skills and adjustability of the candidate. The approach that the candidate takes to answer the questions lets the board decide the suitability of the candidate for the bank.

The question that may hit one's mind who is preparing herself for the personal interview round is *How to give a solid Introduction of oneself?* Here we will be discussing the most recurrent question in the history of interviews, i.e. "**Tell us something about yourself...**".

The important points that one needs to keep in mind to answer this question efficiently are as follows:

1. Name: When asked to introduce yourself, make it a point to always state your full name first. You must know the meaning of your name and mythological importance of your name. In fact, if the name of any of your family members has a special connection, you must know about that too.

2. Place: Be prepared to face questions like, "What is your hometown famous for?" or "Name the famous personality who hails from the city you belong to?" They may also ask you questions related to the branch of a particular bank in your city. Keep yourself ready with the answer to every such question.

3. Academics/Educational Qualifications: They can ask you to tell them about the name of the institution that you

did your graduation from. Disclose the percentage of marks only if you think you have scored fairly well or else you can talk about other achievements you have had in your journey so far. Also, prepare yourself to answer the questions on the main subject/ stream you graduated with.

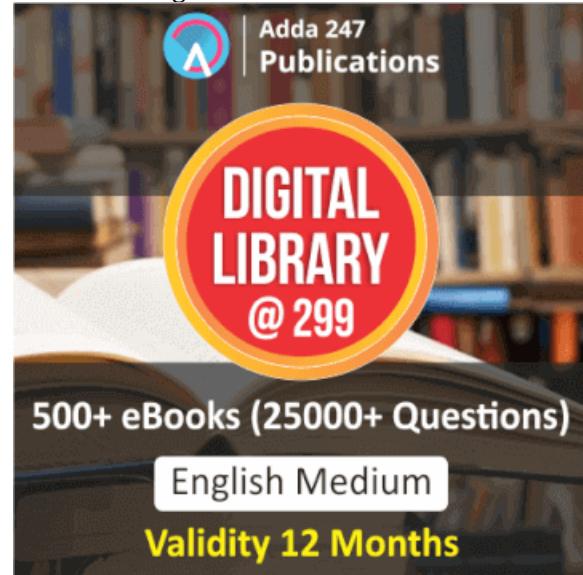
4. Gap: A gap in employment or academic studies can be a spike in your career profile. Learn to address the issue adeptly and wisely. They just need to know that you didn't sit idle while you were off from a regular degree or job, so you need to answer the question accordingly.

5. Strengths/Weaknesses: Do not forget to highlight your key strengths that go along with the responsibility of the job role you are applying for. Make sure that for every strength shared by you, you have a strong personal experience to share, if further asked by the interviewer. The weakness that you mention should be the one that wouldn't have an impact on your career as a banker.

6. Family: You may also be asked to tell them a few things about your family members. They might put up questions on the organization you mother/ father/ sister/ brother works with. So, keep yourself abreast of every such information so as to answer the questions appropriately.

7. Hobbies: Do mention the extracurricular activities you have been a part of during your overall academic life. Always keep it in mind that you have strong answers related to your hobby if further asked by the interviewers.

Remember to be positive and confident while answering the interviewers' questions, giving a mumble-jumble answer will do no good.



Interview Capsule for LIC HFL/IBPS RRB PO Interview 2018

What To Say When You Don't Know The Right Answer?

- The interviewers have a list of a huge number of questions with them so, **keep yourself ready to face the questions that will be unfamiliar to you** when asked during your personal interview round.
- You should **never panic** in the situation where you are unable to answer the question. This only lowers your confidence level and also carries a great potential to spoil your overall performance. Be poised as much as you can so that you can answer the questions that are yet to be asked.
- Don't look here and there, scratch your head and act like you know the answer. It only leaves the interviewer irritated when you don't give them the required answer in the end. So, keep the eye contact maintained.
- Never give a wrong answer.** If you don't know what the correct answer is, simply smile and say, "Sorry ma'am/sir, I don't know the correct answer."
- If you are faced with a twisted question on a topic you had studied well but you can't figure out the exact answer, **choose to tell them that you don't know the answer.** Giving them a mumble-jumble answer (Eg. there is a twisted question on repo rate and you start to define repo rate) will do no good at all. Be precise while answering their questions.

Understand What a Bank Wants.

Banks provide services to their customers in cities and rural areas as well. Banks never want any customer to feel disappointed due to behavior of their employees. The idea is that one customer's dissatisfaction sometimes results in many a customer's losses in the long run. And why? Because he wasn't Satisfied. A normal customer just wants:

1. The Banker to converse with him in his local language. No English vinglish—customers die to converse in their mother tongue.
2. To be given priority
3. To be treated fairly.
4. The Banker to not be lazy.

And it's his right to be treated this way. After all, it's his money that'll be saved in this Bank.

So, to balance all this, the interview panel tries to learn these following qualities in a candidate. They want:

1. The candidate must know the local language. They can connect better with the customers only if they know local language.
2. If he doesn't know the local language, then he must be Adaptive. Means to say, he must be able to learn it while at work.

3. The candidate must know what being friendly to a Customer means.
 4. The candidate must not be lazy.
 5. Must treat all the customers (illiterate plus literate plus angry plus frustrated) smartly and in an amiable manner.
 6. Must treat the customers above him.
- And more, and more.

Confidence vs. Overconfidence

The two words that look more or less similar are actually contradictory to each other, with one being capable of making one's interview and the other having the potential to mar the same. When one has a belief in her own strengths, values, and skills, she has a confidence while she is overconfident if she has impractical or irrational faith in her abilities. Being overconfident will not only ruin your performance during the interview but will also deter you from preparing for it. Here are a few tips on how to remain confident and not overconfident during an interview:

- You may fail to listen to the interviewer's questions properly due to overconfidence. So, pay attention to the questions that are being asked from you.
- Overconfidence might make you unable to comprehend interviewer's questions because it makes you hear or understand only what you want to. So, understand the question first and then answer it.
- Sometimes, during interviews, your answers hint that you know more than the interviewer does. So, try not to do that as it will negatively affect your overall performance.
- During Group Discussion, you might turn to ignore other people's points because overconfidence makes one feel that he is superior to others. So, listen carefully and value other candidates' points too.

If you are confident, you will possess better competence & communication skills and that will make you put forth stronger arguments during group discussion and proficient answers during the personal interview round. In essence, only confidence will make the interviewers more likely to single you out as the right candidate for the post. So, all that you have to do is to remain confident and not to overdo it.

Let's now look at a mock interview scenario.

I'm the interviewer now. Along with three, four others in the panel, I'm taking the interviews of 40+ candidates on this and this date. We've split up the time accordingly; 10 minutes on an average per candidate. Now, these are the following qualities we're

Be looking forward to in a candidate:

1. The candidate must smile warmly, not grinning. He should treat us properly.

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2. We're here to know him better. He should co-operate. He should sit properly.
3. His dressing should convey he's really come for his interview (and not to play teen patti with us)
4. He should be honest, while answering.
5. And creative. We love creative people.

Candidate 1 has come and he forgot to greet us.

A rather bad impression. Will he greet Bank customers, priority customers, while at work when he isn't greeting us here right now? Customers want affection from Bank employees and a warm smile on the face is the greatest sign of affection. Or is he really like this in his personal life as well? Not well-mannered person.

A small gesture, but many simple deductions!

Candidate 2 has come, but he's just too shy to converse with us.

Now why is he shy? Are we asking him his hand for our daughter? Why is he so shy? We're not learning much from him. Would he be able to converse with our Bank customers properly or not? He's just too shy. Reputed customers might think we're hiring novices who are not fit for the job. This might harm our Banks image.

Another small gesture, but which way it's going, you know now.

Candidate 3 has come. He was confident in the beginning, but his voice faltered the moment we presented him a question. We tried to make him normal, but he still is as he was.

Now we're not getting what he's saying. We do not understand him at all. Are we going to kill him after this interview? What he's afraid of? Why he's so scared? Is he thinking of himself a terrorist and we're interrogating him of his ties with the Al-Qaeda?

What to Wear To an Interview?

What you wear and how you carry yourself plays a big part in impression formation and your first impression, no doubt carries a huge weight in the personal interview round. In essence, one should dress neatly and professionally for the personal interview round of these exams so as to make it to the final selections. The interviewers are more likely to single you out as the right candidate if you cut a dash on the day of your interview. **Here are the guidelines, separately for men and women to dress up:**

Women:

- You can choose from trousers paired with a light color formal shirt, light solid colored saree paired with a collared or V-Neck (not too deep neck) and 3/4th sleeves blouse and light shade salwar - kameez.
- If you choose a trouser, it should be dark-colored paired with a light color formal shirt.
- The suit or saree must be simple and without much embroidery or other work on it.
- Use a little makeup just to get a polished look. Avoid loud makeup and wearing dark color lipstick or nail colors. You may choose not to wear any makeup at all, only a simple and neat look is all you need.
- Trousers should be paired with dark color formal shoes. Those wearing saree or salwar kameez can wear flat or lightly heeled chappals.
- If you are carrying a purse, it must be simple and small. Avoid carrying large flashy bags.

Men:

- A two-piece matched suit is the best and safest choice. Choose a not so flashy, solid or very subtle weave pattern suit that is dark in color and paired with a light colored shirt.
- If you cannot afford a suit, wear a light colored full shirt paired with dark trousers. Strictly avoid loud and flashy colors.
- Pair the suit or shirt with a good tie, coordinating socks (with mid-calf length so that no skin is visible even when you sit down) and formal shoes.
- Do not forget to take a neat hair-cut and clean shave before you appear for the interview.

Interview Capsule for LIC HFL/IBPS RRB PO Interview 2018

Be Genuine with your answers...

A genuine answer! That's what the interviewer looks forward to in a candidate. Genuineness! A candidate should be genuine to his work. Genuine to people and most importantly, genuine to the Bank's customers. If he doesn't know something (we just cannot suppose a person to know each and everything), he should consult with seniors, or the ones who knows, rather than give a right kind of answers.

If the interviewer asks him more general questions and he gave polite replies. He smiled properly, didn't grin, cheered us, and was affable. This candidate's name is likely being placed in the final list.

Interviewers like charming people. Yes, they adore charming people.

Charming people are those people who know how to attract others. Their acts are magnetic. They're the people, whose smile, whose gestures begets affection. It is indeed bad to Banks if people come to a branch and you, a Bank employee is throwing angry looks at him. You must bear a smile on your face while at work (and in the interview also, so we could know how pleasing your smiling is in reality).

Banks are for the service of customers and you must be prepared to devote yourself to this cause. And you must recognize a person's value. You must prepare to place others before yourself. That'll your supreme duty being a Bank employee.

Interviewers like to recruit those people whom the customers would praise someday (of their attitude and good work) in front of their families, their society.

- People, who are not lazy at work
 - People, who don't procrastinate.
 - People, who are just. People, who have a sense of team leadership in them.
1. People, who can operate a Bank even alone in cases if all the other employees are off-duty that day. People, who enjoy working in a Bank.

And all these qualities the interview panel analyses in just 15 minutes!

Know this, and know this well, that they won't ask you any bad question. They will not waste even half a minute. Every question they'll put forward, it must be linked to something deeper. Don't you dare think they tried to mock you by asking how many gfs you had, or how many times you bunked the class, or how many times you cheated on an exam? They just want to check your attitude towards these questions, your talent at working out a quick reply, your social skills in addition to your mental abilities.

So prepare yourself for all kinds of questions and you should try to know the intention behind their questions.

1. No matter if you've done B. Com or B. Tech, they want you to have knowledge about general things of your subjects.
2. They want you to know current knowledge of what's happening all around the world, or more importantly, in your State. (Just to check on how much aware you're of your environment)
3. They want you to have a good presence of mind.
4. They want you to have learning abilities and willingness to learn.
5. They want you to have a sense of moral ethics.
6. They want you to have a sense of respect for seniors as well as your juniors
7. They want in you the abilities to do work meticulously and scrupulously.
8. They want you to be passionate about your work and the tasks you're provided.
9. They want you to have some risk management skills. And of course, a good way, a morally proper way to tackle uneven circumstances.

And so, that's how the interviews go.

It depends upon person to person. It depends upon the mood of interviewers. Some interviewers are in such a good mood (because of previous candidate's funny jokes) that they don't even look how poorly your shoelaces are tied or how improperly your hair is combed. And some interviewers are in such a bad mood (might be they're just bored sitting all day interviewing idiots, but that's a rarity) that they even checks your panic level in the vibrations of your leg and the contrast of your uneven tone.

So your role is to be prepared for all kind of situations

Personal Questions asked in Bank Interview

The ice breaking questions asked in bank interview are usually based on personal details of the candidate and related to candidate's family, qualification, future planning and basic banking knowledge.

Some of the questions you can expect from these areas are:

Q1. Introduce yourself.

You can answer this question by giving a brief introduction of yourself - including your name, how many family member are there in your family, family profession, about your education and professional qualification if any, brief work experience if any, and career interest.

Q2. What is the meaning of your name?

This is a very common question that the candidates face at a bank interview. You must know the meaning of your name and mythological importance of your name. In fact, if the name of any of your family members has a special connection, you must know about that also.

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Q3. What is the specialty of the place you belong to?

You must be aware of the good/ bad things related to their home town or the place they live. You must know the history of the place like - what is the meaning of the name of your city, what is the history behind it, what was the old name of your place etc. or anything special that the city is/ was famous for like sarees, bangles, marbles etc. If there's nothing special about the city, try to explore famous places nearby. For example if a person belongs to any village in Rajasthan, then he/she can give a view of Jaipur or Jaisalmer or any other famous place near to his/her town or city or village. It can be the nature's beauty, food, clothes, industries etc.



Q4. What are your hobbies?

Hobbies give an insight into your personality. So, mention them carefully and once you have mentioned them, you must know well about them. For example if the candidate says that playing cricket is his/her hobby, then the candidate must know about the number of players, rules and regulations, about the recent cricket match, a little about cricket players also and all current news related with it.

Mentioning a hobby just for the sake of doing it without a proper knowledge about it will be disastrous.

Q5. Why did you choose banking as your profession?

This is a very common question that you can expect. Provide a straight answer without trying to bat around the bush.

Q6. Do you have any previous experience?

If you are working somewhere, you must know your job, company, industry well, as you can expect some related questions. Also, you must be very careful while replying to this question if you have switched jobs frequently. Since many candidates leave the bank job after some time, so, they try to find people who will work with them for a longer time.

Too many job switches in your profile reflect badly on your stability. Either don't show too many job switches or be prepared with the valid reasons for change.

If you are a working candidate, keep your NOC and other required documents ready. The banks are very strict and can cancel your candidature in absence of a required document.

Q7. Why did you leave your previous job?

Always be positive regardless of the circumstances. Speaking badabout your past employers would reflect badly on you. So, don't malign anyone. The best answer would be - for better prospects unless you have a more genuine reason to offer.

Q8. How can you be a value addition to our organization?

Try to connect your qualification and relevant experience with the organization.

The candidates from fields like engineering, science etc also apply for the bank job. These candidates can relate their qualifications or subject they studied in their graduation with the banking sectors.

Try to show a little banking knowledge here. Show that you are interested in this job from several years with a valid reason.

Q9. Where do you see yourself in another five years?

Give a an answer which is practically possible. Study a bit about the banking organization that what are the possible posts you can achieve in coming 5 to 10 years, and answer accordingly.

Q10. Do you think you have leadership quality?

Give a positive reply and relate it with some achievement at work, academics or even from the personal life

Q11. Can you explain a situation in which you displayed the leadership quality?

Mention a situation when you conducted any program, captained any game like cricket, football etc. or any school curricular activity. If you have no such experiences then

try to relate it to some of the incidents in your personal life.

Q12. Do you have any achievement?

The achievement doesn't mean only by saving someone's life or getting a gold medal. If in your life you feel you have got or done something good, it is an achievement.

Q13. What are your strengths?

Give two or three traits which can help you in your banking job like eye of detail, precision, good communication skills etc.

Q14. What are your weaknesses?

Give one and correlate it with some strength. Never give any negative trait that affects or results negative.

Q15. Are you applying for other jobs?

Don't spend a lot of time replying to this question. Be honest and keep the focus on this job. Don't give a big answer or discuss your future planning. Speak about what is in front of you only.

Q16. Do you know anyone who works in banking sector?

Keep information of relatives or parents friend who work in banking sector. This gives an impression that you are aware about the industry and culture but be careful to mention a friend only if they are well thought of.

Q17. Are you a team player?

Always reply a positive answer for this question because it is a common requirement in all organizations. Give a generic example from your experiences and show that you are a good evidence of your team attitude.

Q18. Why should we select you?

Relate your skills and qualifications with the requirements.

Q19. Are you willing to work at other places except from your hometown?

Always reply this question with a 'Yes'. There are less chances of getting the job at your desired places and there are many candidates who are ready to work anywhere.

Q20. How would you evaluate your present firm?

Talk positive things about your current employer. Tell about the valuable experience you gained from the organization. Don't mention negatives.

Q21. Who is your idol?

Only name of your "idol" is not sufficient. The candidate must know the history of his/her idol as well what are the qualities which make him/her the idol.

Q22. Do you have any questions?

If you have any genuine questions, you can ask. Otherwise, just say "thank you" and leave.

FEW EXPECTED PERSONAL QUESTIONS

It is not enough to have solid answers only for the below questions but you need to be prepared for the full spectrum of questions that may be presented.

- Tell me about yourself. (Even Qs related to your name/place can be expected if your name/place has prominence)
- Why did you choose this career?
- Tell us about your education?
- When did you decide on Banking career?
- Aren't you over qualified for this position?
- How will your professional knowledge be helpful in the Banking career?
- Do you have any plans for further education?
- Do you have any actual work experience?
- What have you been doing after graduation?
- Why are you leaving your current position? (for working professionals)
- What other career options do you have?
- What goals do you have in your career?
- How do you plan to achieve these goals?
- What do you know about banking?
- What is a Bank?
- Why do you want to work in the Banking industry?
- What do you know about our company? (Should have an idea)
- About important products from various banks, tag lines)
- Why are you interested in our company?
- Why don't you join some private company?

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- How is your professional knowledge useful for our organization?
- Why should I hire you?
- What will you do if you get a better offer?
- Who is your role model?
- What are your short-term goals?
- What is your long-term objective?
- Where do you see yourself, five years from now?
- What is your greatest strength?
- What is your weakness?
 - What are your hobbies?
- Tell us about your extracurricular activities.
- Q's related to your achievements?
- Are you a team player?
- Do you handle pressure well?
- Do you have any location preferences?
- Will you relocate?

SUBJECT-WISE INTERVIEW QUESTIONS

ENGLISH

- What have you read in English poetry?
- What is the theme of Milton's poetry?
- Which poem of Milton enchants you? Please let's hear his lines?
- What else have you read in English?
- Do you know about Hamlet?
- Who is the Nobel Prize winner in Literature in 2015?
- Who is your favorite writer, and why?
- What is noteworthy about Shakespeare/Milton?
- Tell the name of some Indo-Anglo writers?
- Some contemporary Indian English writers and their work?
- Do you read novels?
- Which one you have read lately?
- "Woods are lovely dark and deep but I have promises to keep miles to go before I sleep
- Miles to go before I sleep. "Why these lines are famous and who has written these lines?

Public Administration, Management and Marketing

- What is POSDCORB In public Administration?
- What is Motivation?
- Explain X and Y theory of Motivation? Who is founder of this Theory?
- Who is the founder of management?
- Who is the founder of Scientific Management?
- Who is the founder of Management by Exception?
- What are the "4 P" in Marketing?
- Use of Marketing in Banks?
- What is Management? Define in one line?
- What is marketing? Define in one line?

- How will you motivate your subordinates in Bank if there are misconceptions between them or any confusion?
- What are the leadership qualities? Do you posses these Qualities?
- What is marketing mix?
- What is product mix?
- What is Branding?
- What is "Corporate Social Responsibility"?

Economics

- What is optimum theory of population?
- What is Malthusian theory of population?
- Why 5 year plan in India is not successful?
- What is law of Diminishing marginal utility?
- Define National Income?
- What is the Difference between GDP and GNP?
- Difference between Micro and Macro Economics?
- Difference between Dynamic and Static Economics?
- What is Interpolation and Interpolation?
- What is Time Series?
- Explain Fisher Index Theory?
- Principle of maximum Social Advantage?
- What is Absolute Error?
- Discuss Kean's theory of Employment?
- What is indifference curve analysis?
- What is Say's market law?
- What is perfect competition?
- Price determination under imperfect competition?
- What is Dumping?
- Difference between Economy and Economics?
- What is Law of Demand?
- What is AC-MC Curve?
- Relevance of International Economics for this year?
- Who is the winner of Nobel Prize of Economics for this year?
- For which work this year's Economic Nobel is conferred?
- Who is Amaitya Sen?

History

- Who was Vikram Aditya?
- Who was Chanragupta-II?
- Where from he belonged?
- Who was the first governor-general of the independent India?
- How many battles were fought in Panipat?
- Who had fought all the three battles?
- Tell me something about Julius Ceaser? Name two well-known Historian?
- What do you know about Indus valley civilization?
- When did Aryans come to India?
- What are the sectors of Jain Religion?
- Please tell us about main principles of Jain Religious?

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- Who laid the foundations of the British Rules in India and in which year?
- What is Magna Carta?
- Who was the last emperor of Gupta period?

Political Science

- You are a student of Political Science? How is our foreign Policy at present?
- What is Socialism? Should we follow it fully?
- What is Capitalism? Should we follow it if yes then why of not then why?
- Which article refers to emergency provision?
- What is article 356?
- How does amendment take place in the constitution?
- What is Veto?
- What is article 370?
- Do you think that Sonia Gandhi is a good leader?
- Sonia Gandhi as a PM, Are you agree with it if yes then why it not then why?



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Geography & Mathematics

- What are the benefits of flood?
- Can you give some specific reasons for untimely rain is India?
- What is Alnino effect?
- What is Hurricane?
- How many types of soil are found in India? How your subject would be useful in Bank?
- Do you know some places where black soil is available in India?
- For which crop is the black soil suited most?
- Which part of your mathematics is good?
- Do you know Demovier's theorem? Explain it Expansion of SinX, Expansion of CosX, Fariur Sevices.
- Define n pr and n
- CR and their different applications in solving sums?
- What is Differentiation?
- What is Integration?

- Science Stream
- Why does cycle tube burst in summer?
- Why does sky look blue?
- What is the formula of $(A+B)^3$
- Is there any vein which carries impure blood?
- What is color blindness?
- What is Raman effect?
- What is Boyle's law?
- Who is the winner of Nobel prize in Physics, Chemistry and Medicine?
- What is Newton's I, II, III law?
- What is Char's law?
- Is there any use of science in Bank?
- What is Snell's law (laws of refraction)?
- What is Coulomb's law of Electrostatics?
- What is Boyle's law?
- What is Pascal's law?
- What is Archimedes's Principle?
- What is Specific heat?
- What is Conduction, convection, radiation?

Law

- What is Doppler's effect?
- What is Hard and Soft water?
- What is under table water?
- What is the difference between IPC and CPC?
- Is our constitution written?
- When was IPC formed or written? When was CPC formed or written?
- What is hypothecation?
- What is mortgage?
- What is Negotiable Instrument Act?
- When Negotiable Instrument Act came into force?
- Difference in bill of exchange and Promissory Notes?
- Difference between cheque and Draft?
- Tell us something about banking regulation Act?
- What is Pledge?
- Tell us something about Debt Recovery Tribunal?
- Till us full name of Securitization Act?
- What is Securitization?
- What is Lok Adalat?
- What are the new amendments regarding Company Act?
- Difference between promise and proposal
- What is Sale of Goods Act?
- Difference between void and voidable contract?

Agriculture

- How Indian Agriculture is viable?
- Tell me something about green revolution?
- Impact of green revolution on Banking Sector?
- How you will manage rain-flooded area and raid-fed area?
- What are genetically modified crops?

Interview Capsule for LIC HFL/IBPS RRB PO Interview 2018

- With a bumper harvest and record yield of food grains this year, the price rise was expected to be reversed, But
- strangely the prices continue to rise in India, why this is so?
- What is the present scenario of Indian Agriculture?
- What is Rain water harvesting system?
- How much amount of pulse is required at minimum in Indian diet, and how much Indians are actually getting it?
- What is organic Farming?
- How it is differ from existing way of farming?
- Give some suggestions for sustainable Agriculture in 21st century?
- What is sustainable agriculture?
- What is the situation of use fertilizers in India? Are they being used in accordance with the prescribed proportion of NPK?
- What are the problems of marketing of agricultural groups
- What are the main sources of agricultural credit in India?
- Can commercial banks provide economic assistance to the farmers?
- Why should Agricultural officers be appointed in banks?
- What is the contribution of Agriculture towards National Income?
- Can a non technical man manage the post of an Agricultural Officer of a bank?
- Income of MPs and MLAs is related to which sources?
- Agriculture Income is Exempt under which section?
- Current Assessment year?
- Describe new changes regarding to Income tax in current Budget?
- When Income Tax Act was enacted?
- What is difference between Public Limited Company and Private Limited Company?
- Article of Association?
- Memorandum of Association?
- Couram?
- Annual General Meeting?
- What are Prepaid Expenses and Outstanding Expenses?
- Tell us about Authorized, Issued and Paid-up Capital.
- What is Forfeiture of shares? How it is treated in Balance Sheet of a Bank?
- What is Single Entry System?
- Tell us about Promoters and Directors?
- What is Auditing? What are the main purposes of Auditing?
- "An Auditor is the watchdog of a company" Explain it?
- What is Value Added Tax?
- What is Market Capitalization?
- What is Break Even Point?
- What is Prime Cost and Overhead Cost?
- Difference between Fixed and Variable Expenses?
- What is Marginal and Standard Costing?
- What is Master Budget?
- What is capitalization?
- What is Contract?
- What is Bank Reconciliation Statement?
- What is Partnership Deed?
- Relevance of "BhartiyaBahiKhata" in present time?
- What is Wages Inward and Outward?
- What is "Contribution" in Cost Accounting?
- Difference between Cost Accounting and Cost Accountancy?
- What are the elements of effective Communication?
- Explain Accounting Standards?
- Explain Accounting Conventions?
- What is Accounting Equation?
- What is the use of Trial Balance?
- What is Fund Flow?
- What is Cash Flow?
- What is Working Capital?
- What are LIFO, FIFO, and HIFO?
- What is Short Working?
- What is Work in Progress?
- What is Intangible Assets?
- Tell us the Errors which are not disclosed by Trial Balance?
- What is difference between Public Sector Company and Public Limited Company?

Commerce Stream

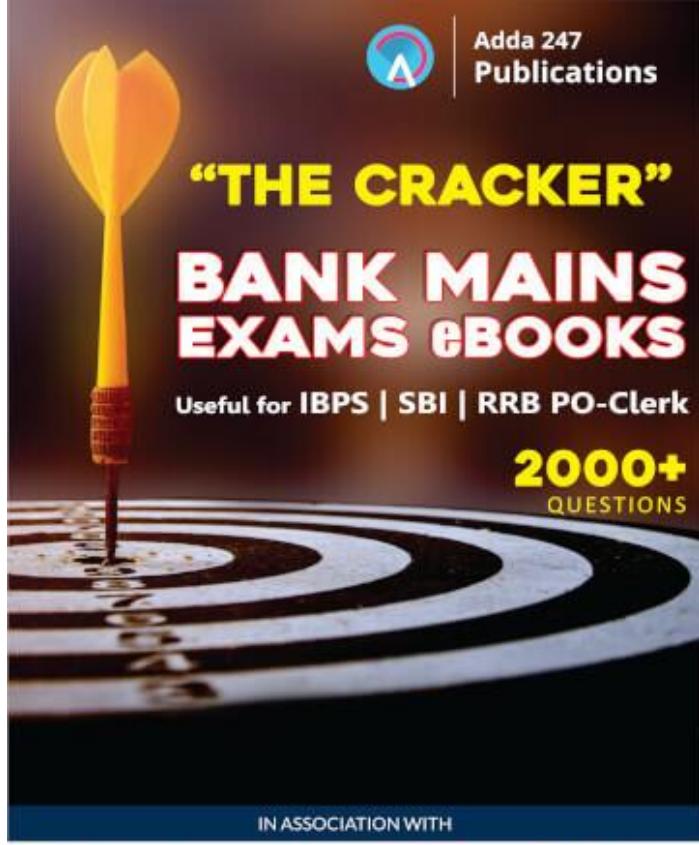
- What are the principles of Book Keeping?
- What is Balance Sheet? How you come to know after seeing balance sheet that economic condition is good or bad any organization?
- What is the difference between CA and ICWA?
- What are the Accounting ratios?
- What is the use of ratio in balance sheet of a bank?
- What is Acid test ratio?
- What is accounting?
- Difference between Double Entry System and Double Account System?
- Difference between Presidency and Provincial Insolvency Act?
- Explain various lists of Insolvency Act.
- Explain tax and how many types of Tax are being imposed in India?
- What is Direct and Indirect Tax? Give some examples?
- What is 80L, 80G, 80DD, 88B, 89(1), 88C, 80E?
- What are the sources of Income according to Income Tax Act?
- What is Capital Gain?

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- What is Real Account?

Finance

- Difference between FDI and FII..?
- What is Sensex?
- What is Nifty?
- Difference between Cheque and DD.
- What is NBFC?
- Difference between Banks and NBFC.
- What is KYC? Is it really useful to restrict Black Money, how?
- Demat account?
- Shares?
- Brokers?
- Bullion market?
- RBI, SBI, NPA?
- What is meant by willful defaulters? Who displays this and why? What are the effects of being declared as willful defaulter by them..?
- Money spent on PMJDY for ad's was waste or useful..?



Tell me something about yourself?

- Generally this is the first question which is put up in front of the candidate appearing in the interview. To answer this, the candidate must tell his name, place of residence and his current work or educational degree along with a very brief note on his family-father,

mother and siblings. He/she can also tell about his father or mother's occupation.

Some key points to be noted down while preparing this question

He must know the meaning of his name and specific reference with his name if any. For ex:- a boy named "Prashant" was asked about the geographical connection of his name i.e. Prashant Mahasagar or Pacific Ocean. The answer should be precise and questions like- if your father is a teacher then why do you want to become a banker? , can come up from your answer to the first question. Be prepared with the answers to these expected questions. Because this is the first question so the candidate must give a short and effective answer. You might be nervous at the beginning but remember to keep a smile on your face.

Where have you come from and what is famous in your city?

- The candidate must tell about his place of living- city and state. If the board further asks about any specifications, then name of the district etc. should be told. He/she must tell about the famous things of his place. For ex:- a candidate from Lucknow may tell about Imambara, chicken clothes, "tehzeeb" of Lucknow etc.

The key things to deal this question effectively are:-

- The candidate must know about the local MLA and MP from his area. If any renowned personality belongs to that area, you should be aware of the details.
- He must have full knowledge about that place, its history, famous monuments, personalities, rivers, at times even number of railway stations in the city etc., also about the politics of that state-CM and ruling party and all other nitty gritties of his place.
- For ex: - A candidate from Ghazipur, U.P. was asked about cultivation of "Poppy seeds" as Ghazipur is famous for cultivation of poppy seeds.
- At times, questions about local politics are also put forward like a candidate, from Amethi was asked about the electoral battle between Rahul Gandhi and Kumar Vishwas form Amethi.
- A good answer to such questions leaves a very positive impact on the board as it demonstrates your awareness about the surroundings and the fact that you are well prepared puts you ahead of others.

Why do you want to join the banking industry?

- To answer this question, you can say something like - "I want to join this industry because it can provide me

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a stable career with good growth prospects. It is one of the fastest growing sectors of the nation and provides great career opportunities.

- There could be many other reasons for you wanting to join the bank industry for e.g. it is an honest organization, good working conditions, chances to directly interact with public etc. The choice of reason could be anything that suits you as a person.
- This is a very commonly asked question and you must be prepared to answer it.

Please tell us about your strength and weaknesses.

- Here, the answers vary from candidate to candidate. But the strength and weakness should be such that they match up to or are in synchronization with the personality of the candidate. For ex:- If a candidate says that his strength is general awareness while in reality he possesses least knowledge of current affairs - cross questioning can easily unveil him and could actually land him in trouble.

Some key things to answer this question effectively are:-

- Try to put forward a strength which is useful in the banking sector. For ex: - good communication skills, adjustable etc.
- The strength should bring about a positive aspect of your personality in front of the board.
- This is a question from which you can actually turn the interview in your favor. For ex:- If you say something like, "I have won many awards in debate competitions so I would think that good oratory skills are my strength."
- This way I can inform the board about my previous achievements also and can get an advantage over others.
- They may ask how your quality/strength will be helpful to bank. Be prepared with an answer.
- Weakness should not be very negative like short temper, irregular etc. as they leave a bad impression.
- Remember, this question is the golden chance for you to turn the ball in your court. In the answer you must introduce all your unique talent in front of the board. So that the interview enters in your own comfort zone.

After doing B.Sc/B.tech/MBA/MA why do you want to choose banking? Why not something related with your field of education?

- You must give honest and sensible answers to such question. For ex:- A MBA candidate may say that there are hardly good jobs
- in MBA as of now. Banking is a safe sector providing great employment opportunities. In the answer, you

must show your keen interest in joining banking sector and it should not look like you don't have an option so you are choosing it.

- You can also expect some questions from academics. A science stream student may be asked about Newton's Law etc. So, you must also prepare the subjects studied by you in the degree.
- Bank Interview shall be conducted for 100 or 50 marks and the minimum marks to qualify for final selection shall be 40 - 50%. But to compete with others, securing the maximum score is important, which can be achieved by proper preparations.
- What to prepare for Interview? Although, predicting exact questions is not possible, there are certain topics and areas that are sure to be touched by panelists during an interview.

Bank interviews are basically based on six areas

1. Your C.V.
2. Banking Knowledge
3. GK (Current Affairs) and Computer Knowledge (Basics)
4. Current Recruitment (if any).
5. Why Banking Sector?
6. Why Govt. Job?

1. Your C.V. : For any interview preparation, a candidate should prepare a detailed bio data of yourself i.e. your qualifications, your place of birth, places where you have studied, your hobbies, extra activities, achievements, your aspirations, a little bit about your family etc.

2. Banking Knowledge: If you are going for bank interviews basic banking knowledge is necessary. The following basic banking terms will help the candidate.

3. Current Affairs: Be thorough with current affairs from past three months. Recent awards, Major issues, Sports related questions, State Governors and Chief ministers, Countries, Capitals, Currencies etc... .

Computer Knowledge: Be thorough with basic computer terminology.

Example: What is DOS, What is WWW, What is LAN, etc. If you have any certificate, it will be an added advantage to the candidate.

4. Current Recruitment (if any): If you are employed anywhere, you must be asked about that organization.

5. Why Banking Sector? - This question is very important and has been asked in interview boards regularly. By this question simply they want to know, why you want to join banking sector.

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If you are going for Bank Clerk interview with MBA/MCA/ M.SC/ MTech degrees? If yes, either of the following questions could be heading in your way:

1. Why you want to join as a PO with technical degree?
2. Aren't you overqualified for PO post?

6. Why Govt. Job? - When you are going for any govt. job interview, you have to very clear in your mind that why you want to join govt. sector.

How to answer point No. 5 & 6 -

Why Banking Sector? -

i. Banking sector is a sunrise or booming sector of Indian economy.

ii. It is one of the fastest growing sector as banks are expanding their reach across the geography.

iii. As role of Clerk is a multi-dimensional role, it offers unparalleled opportunities for learning and growth. It gives us a glimpse of opportunities in a PSU Bank.

iv. Moreover, Banking is a much respected profession in India and we get a social status and respect as a Banker.

i. Make sure your looks realistic and at the same time conveys your willingness to join bank sector.

ii. If questioned about your degree (MBA/MCA/ M.SC/ MTech)

Mention about the uncertain future of private sector, compared to high growth witnessed in banking sector.

Aren't you overqualified for PO post?

Let them know that how your degree can help in banking sector and also relate your answer with future growth.

What to prepare for Interview?

Although, predicting exact questions is not possible, there are certain topics and areas that are sure to be touched by panelists during an interview.

Why Banking Sector? -

i. Banking sector is a sunrise or booming sector of Indian economy.

- ii. It is one of the fastest growing sector as banks are expanding their reach across the geography.
- iii. As role of Clerk is a multi-dimensional role, it offers unparalleled opportunities for learning and growth. It gives us a glimpse of opportunities in a PSU Bank.
- iv. Moreover, Banking is a much respected profession in India and we get a social status and respect as a Banker.

Few expected Personal Questions

It is not enough to have solid answers only for the below questions but you need to be prepared for the full spectrum of questions that may be presented.

Q1. Tell me about yourself. (Even Qs related to your name/place can be expected if your name/place has prominence)

Q2. Why did you choose this career?

Q3. Tell us about your education?

Q4. When did you decide on banking career?

Q5. Aren't you over qualified for this position?

Q6. How will your professional knowledge be helpful in the Banking career?

Q7. Do you have any plans for further education?

Q8. Do you have any actual work experience?

Q9. What have you been doing after graduation?

Q10. Why are you leaving your current position? (for working professionals)

Q11. What other career options do you have?

Q12. What goals do you have in your career?

Q13. How do you plan to achieve these goals?

Q14. What do you know about banking?

Q15. What is a Bank?

Q16. Why do you want to work in the Banking industry?

Q17. What do you know about our company? (Should have an idea about important products from various banks, tag lines etc)

Q18. Why are you interested in our company?

Q19. Why don't you join some private company?

Q20. How is your professional knowledge useful for our organization?

Q21. Why should I hire you?

Q22. What will you do if you get a better offer?

Q23. Who is your role model?

Q24. What are your short-term goals?

Q25. What is your long-term objective?

Q26. Where do you see yourself, five years from now?

Q27. What is your greatest strength?

Q28. What is your weakness?

Q29. What are your hobbies?

Q30. Tell us about your extracurricular activities.

Q31. Q's related to your achievements?

Q32. Are you a team player?

Q33. Do you handle pressure well?

Q34. Do you have any location preferences?

Q35. Will you relocate?

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BANKING AWARENESS FOR INTERVIEWS

Internal Ombudsman Scheme 2018 Introduced For Scheduled Commercial Banks

- The Reserve Bank of India had, in May 2015, advised all public-sector and selected private and foreign banks to appoint **Internal Ombudsman (IO)** as an independent authority to review complaints that were partially or wholly rejected by the respective banks.
- The IO mechanism was set up with a view to strengthen the internal grievance redressal system of banks and to ensure that the complaints of the customers are redressed at the level of the bank itself by an authority placed at the highest level of bank's grievance redressal mechanism so as to minimize the need for the customers to approach other fora for redressal.
- RBI has reviewed the arrangement and issued revised directions **under Section 35 A of the Banking Regulation Act, 1949** in the form of 'Internal Ombudsman Scheme, 2018'. The Scheme covers, inter alia, appointment/tenure, roles and responsibilities, procedural guidelines and oversight mechanism for the IO.
- All Scheduled Commercial Banks in India having more than ten banking outlets (excluding Regional Rural Banks), are required to appoint IO in their banks. The IO shall, inter alia, examine customer complaints which are in the nature of deficiency in service on the part of the bank, (including those on the grounds of complaints listed in Clause 8 of the

Banking Ombudsman Scheme, 2006) that are partly or wholly rejected by the bank. The implementation of IO Scheme, 2018 will be monitored by the bank's internal audit mechanism apart from regulatory oversight by RBI.

21 Banking Ombudsman centres:

- Currently, there are 21 Banking Ombudsman centres operating in the country. The 21 centres are located in different cities viz. Ahmedabad, Bengaluru, Bhopal, Bhubaneswar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Kolkata, Mumbai (I), Mumbai (II), New Delhi (I), New Delhi (II), Patna, Thiruvananthapuram, Dehradun, Ranchi, Raipur, and Jammu.

RBI Notifies Amended Note Refund Rules

RBI released new guidelines through a gazette notification for all notes which were introduced post note ban, or notes which were introduced as part of the **Mahatma Gandhi New Series**. With this, the RBI has ended the lack of clarity over the exchange of the **Rs 2000 or Rs 200 currency notes**, introduced post demonetisation. As per the new Reserve Bank of India (Note Refund) Amendment Rules, 2018, "the undivided area of the single largest piece of the note" for a damaged Rs 2000 note must be 88 square cm for a full refund, and 44 square cm for half refund. The Rs 2000 note is 109.56 square cm in dimension. For a damaged Rs 200 note, the **criteria is 78 square cm** for a full refund, and 39 square cm for half refund.

Topic 1: Reserve Bank of India & its Functions

- i. RBI established on **April 1, 1935 under RBI Act 1934** (recommendations of **John Hilton Young Commission 1926** - called Royal Commission on Indian Currency & Finance), is the central bank of the country & was **nationalized w.e.f Jan 01,1949**.
- ii. Originally it was a shareholders' bank which was taken over by the Central Govt. under Reserve Bank (Transfer of Public Ownership) Act 1948 (**paid up capital Rs. 5 cr.**).
- iii. RBI's central office is in **Mumbai**.

Functions of RBI

- **Issuance of currency:** RBI is the authority in India to issue currency notes (called bank notes) under signatures of Governor. (One rupee note called currency note is issued by the Central Govt. & signed by Finance Secretary). The stock of currency is distributed with the help of currency chests spread all over the country.

- **Banker to Govt.:** RBI transacts govt. business & manages public debt. SBI or any other bank is appointed Agent where RBI does not have office. It provides Ways & Means advances to Govt.
- **Bankers' bank:** It keeps a part of deposits of commercial banks (as CRR) & acts as lender of last resort by providing financial assistance to banks. It provides export credit refinance, Liquidity Adjustment Facility & MSF.
- **Controller of Banks:** An controller of banks by including the banks in 2nd Schedule of the Act. It issues directions, carries inspection (on-site as well as off-site) & exercises management control.
- **Controller of credit:** RBI can fix interest rates (including Bank Rate) & exercise selective credit controls. Various tools such as change in cash reserve ratio, stipulation of margin on securities, directed credit guidelines etc. are used for this purpose. It also carries sale & purchase of securities which are known as open market operations.

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Maintenance of external value: RBI is responsible also for maintaining external value of Indian currency as well as the internal value. Foreign exchange reserves are held by RBI & it has a wide power to regulate foreign exchange transactions under Foreign Exchange Management Act.

Important Facts of RBI

- RBI is not expected to perform the function of accepting deposits from the general public.
- Prime lending rate is decided by the individual banks.
- RBI decides the following rates namely; Bank rate, repo rate, reverse repo rate & cash reserve ratio.

- The quantitative instruments of RBI are – bank rate policy, cash reserve ratio & statutory liquidity ratio.
- The objective of monetary policy is to control inflation; discourage hoarding of commodities & encourage flow of credit into neglected sector.
- When RBI is lender of the last resort, it means that RBI advances credit against eligible securities.
- GOI decides the quantity of coins to be minted.
- The method which is used currently in India to issue currency note – minimum reserve system. For issuing notes, RBI is required to hold the minimum reserves of Rs. 200 crores of which note less than Rs. 115 crores is to be held in gold.

Topic 2: POLICY RATES decided by the RBI

Current Policy rates as on 13th September 2018

Policy Repo Rate	:	6.50%
Reverse Repo Rate	:	6.25%
Bank Rate	:	6.75%
Marginal Standing Facility Rate:		6.75%
CRR :		4%
SLR :		19.5%

- **Repo Rate:** Repo rate is the rate of interest which is levied on Short-Term loans taken by commercial banks from **RBI**. Whenever the banks have any shortage of funds they can borrow it from RBI.
- **Reverse Repo Rate:** This is exact opposite of Repo rate. Reverse repo rate is the rate at which commercial banks charge on their surplus funds with RBI. RBI uses this tool when it feels there is too much money floating in the banking system.
- **SLR Rate:** Statutory Liquidity Ratio is the amount a commercial bank needs to maintain in the form of cash, or gold or Govt. approved securities (Bonds) before providing credit to its customers. It is determined as the %age of total Net Demand & Time Liabilities (NDTL).

Bank Rate: It is defined in Sec 49 of RBI Act 1934 as the 'standard rate at which RBI is prepared to buy or rediscount bills of exchange or other commercial papers eligible for purchase under this act'.

Cash Reserve Ratio: CRR refers to the ratio of bank's cash reserve balances with RBI with reference to the bank's net demand & time liabilities to ensure the liquidity & solvency of the scheduled banks.
MSF: It was introduced w.e.f. May 09, 2011, by RBI. **Eligibility:** Scheduled Commercial Banks having Current Account & SGL Account with RBI. **Amount:** 1% of NDTL

A Brief on LAF (Liquidity Adjustment Facility)

- It was introduced by RBI during June, 2000 in phases, to ensure smooth transition & keeping pace with technological upgradation.
- **Tenor:** Reverse Repo auctions (for absorption of liquidity) & Repo auctions (for injection of liquidity) are conducted on a daily basis (except Saturdays).
- **Cap:** 0.25% of NDTL w.e.f. 01.04.14.

Topic 3: Banking Regulation Act 1949

- Passed as the Banking Companies Act 1949 (came into force wef 16.3.49 & changed to Banking Regulation Act 1949 w.e.f. 01.03.66, it was made applicable to J & K in 1956 (and now applicable throughout India).
- The Act is not applicable to primary agricultural credit societies, cooperative land mortgage banks & non-agricultural primary credit societies.

SCHEDULED BANK

- As per Sec 2 (e) of RBI Act, a scheduled bank means a bank who is included in 2nd schedule of RBI Act 1934.
- A scheduled bank should satisfy the conditions which include paid-up capital & reserves requirement of not less than Rs. 5 lac, satisfaction of RBI that the affairs

Schedule Banks | Other Types of Banks

will not be conducted by the bank in a way to jeopardize the interests of the depositor. (Commercial, Rural & many State Coop Banks are classified as Scheduled Banks).

- A bank that is not included in the 2nd Schedule of RBI is called **Non-scheduled Bank**.

Total No. of Banks (As per IBA Website)

Total PSBs: 22 (IPPB is 100% Equaty of GoI)

Total Private Sector Banks: 24, If we include Payment & Small Bank (7) then it is 31.

RRB's: 56 | **Foreign Banks:** 46 | **Cooperative Banks:** 42

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Topic 4: What are the different types of accounts that can be opened in a Bank?

- a) Savings Bank Account
- b) Current Deposit Account
- c) Fixed Deposit Account
- d) Recurring Deposit a/c

Savings Bank Account: The rate of interest on savings bank account varies from bank to bank & also changes from time to time. Interest rate is paid to the account holders on daily balance basis.

Current Deposit Account:

- a) This account is mainly for big businessmen, companies & institutions, since there are no restrictions on number of withdrawals from this type of account. From this withdrawal can be made any number of times.
- b) For the convenience of the account holders banks also allow withdrawal of amounts in excess of the balance of deposit. This facility is known as overdraft facility.

Fixed Deposit Account (also Term Deposit Account): Money is deposited in a fixed deposit account to earn interest at a higher rate.

Recurring Deposit Account: The rate of interest allowed on the deposits in this account is higher than that on a savings bank deposit but lower than the rate allowed on a fixed deposit for the same period.

Note:

- a) Minimum age to open a bank account is now 10 years.
- b) Maximum Interest rate is given on FD A/c.
- c) The maximum period of an FD is 10 years & for RD is 10 years.

Important points related to Interest Rates on Bank Accounts {Differential rate of interest (DRI)}

- Interest on Savings A/c is calculated on daily balance basis.**
- Now, All SCBs (Excluding RRBs) have the discretion to offer differential interest rates based on whether the term deposits are with or without-premature-withdrawal-facility, subject to the following guidelines:**
- All term deposits of individuals (held singly or jointly) of Rs.15 lakh & below should, necessarily, have premature withdrawal facility.**
- For all term deposits other than (i) above, banks can offer deposits without the option of premature withdrawal as well.**
- Taxation of Savings Bank Interest rates:** Interest earned on savings bank accounts is not subject to Tax Deduction at Source. It is exempt upto Rs. 10,000 in a year.

What are Inoperative & Dormant Accounts?

RBI clarifies: RBI clarified on 30.10.09 that SB account can be treated as inoperative account only after 2 years from the date of the last credit entry of interest on Fixed Deposit account, where FD interest is being credited to SB account or where dividend on shares is being credited).

Miscellaneous Terms related to the Deposits

- Unclaimed Deposits:** The banks are to furnish to RBI a statutory annual return (penalty for delay) for unclaimed accounts which have not been operated for a period of 10 years or more in December every year u/s 26 of RBI Act.
- Demand liabilities:** Current deposits, Demand liabilities portion of saving deposits, margins held against LC/LG, Balances in overdue FD, cash certificate & RD, Outstanding TTs, MTs & DDs, Unclaimed deposits, Credit balance in CC a/c & Deposits held as security for loan payable on demand.
- Time liabilities:** FDs, cash certificate, cumulative & RDs, time liabilities portion of saving bank deposits, staff security deposits, margins against LC not payable on demand, deposit held as securities for advances & India Dev Bonds.

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Topic 5: Negotiable Instrument Act and Cheques

- In India the Negotiable Instruments Act was passed during 1881 which came into force wef **March 01, 1882**.
- **CHEQUE:** A cheque is (a) a bill of exchange (b) drawn on a specified bank & (c) not expressed to be payable otherwise than on demand. It includes electronic image of a truncated cheque & also an electronic cheque.
- **AMOUNT OF A CHEQUE:** Where amount of a cheque differs in words & figures, as per Section 18, amount written in words should be paid irrespective of the fact, which amount is less or more.

What are the Types of Cheque?

1. **Bearer Cheque or open Cheque:** When the words "or bearer" appearing on the face of the cheque are not cancelled, the cheque is called a bearer cheque. The bearer cheque is payable to the person specified therein or to any other else who presents it to the bank for payment.
2. **Order Cheque:** When the word "bearer" appearing on the face of a cheque is cancelled & when in its place the word "or order" is written on the face of the cheque, the cheque is called an order cheque. Such a cheque is payable to the person specified therein as the payee, or to any one else to whom it is endorsed (transferred).
3. **Crossed Cheque:** Crossing of cheque means drawing two parallel lines on the face of the cheque with or without additional words like "& CO." or "Account Payee" or "Not Negotiable". A crossed cheque cannot be encashed at the cash counter of a bank but it can only be credited to the payee's account.
4. **Ante-Dated Cheque:** If a cheque bears a date earlier than the date on which it is presented to the bank, it is called as "ante-dated cheque". Such a cheque is valid upto 3 months from the date of the cheque.
5. **Post-Dated Cheque:** If a cheque bears a date which is yet to come (future date) then it is known as post-dated cheque. It cannot be honoured earlier than the date on the cheque.
6. **Stale Cheque:** If a cheque is presented for payment after 3 months from the date of the cheque it is called stale cheque. A stale cheque is not honoured by the bank.
7. **A self-cheque:** It is written by the account holder as pay self to receive the money in the physical form from the branch where he holds his account.
8. **"A truncated cheque"** means a cheque which is truncated during the course of a clearing cycle, either by the clearing house or by the bank whether paying or receiving payment, immediately on generation of an electronic image for transmission. The expression "clearing house" means the clearing house managed by the RBI or a clearing house recognised as such by the RBI.'

The Parties of a Cheque

There are three parties to the cheque

- **Drawer or Maker**
- **The bank -** on whom the cheque is drawn (i.e. the bank with whom the account is maintained by the drawer)
- **Payee –** Payee is the person whose name is mentioned on the chequeto whom or to whose order the money is directed to be paid.
- **ENDORSEMENT:** As per Section 15, endorsing means signing on the face or backside of an instrument (or even on a paper called Allonge or stamped paper), for the purpose of negotiating (transferring to next person) a negotiable instrument.
- **Endorsement in full:** If an endorser signs his name & adds a direction to pay the amount mentioned in the instrument to, or to order of, a specified person, the endorsement is said to be in full. Blank endorsements can be converted into full.
- **Restrictive endorsement:** Where an endorsement prohibits & restricts further negotiability of the instrument, it is called restricted endorsement. The words 'Pay to Ashish only' or 'Pay to Ashish for my use' or 'Pay to Ashish for account of B', are the cases of restrictive endorsement.

A Brief on Crossing of a Cheque

- Crossing of a cheque means two parallel transverse lines on the face with or without words, such as '& Co', 'not-negotiable', 'payee's account only' etc. The words without lines will not constitute crossing. Such instruments should not be paid as drawer's mandate is not clear.
- Crossing is **applicable** in case of **cheques & demand draft** only & does not cover BOE or promissory note.

What are the Types of Crossing?

- **General crossing (sec 123):** General crossing is where a cheque bears across its face two parallel transverse lines (with or without words such as "& co" or any abbreviation. (Words not important, lines are)).
- **Special crossing (sec 124):** Where a cheque bears across its face, name of bank, either with or without the words not-negotiable (lines are not important, the addition of name of the bank is important), that addition shall be deemed as special crossing & the cheque be considered to be crossed specially to banker.
- **Special Crossing in favour more than one bank:** As per Section 127, if a cheque is crossed specially to more than one bank (unless one bank is acting as collecting agent to another), the payment shall be refused. A cheque crossed to two or more branches of the same bank is considered to be crossed to one bank only.

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- **Not negotiable crossing:** As per Section 130, a person taking a cheque crossed generally or specially bearing the words 'not negotiable' shall not have not be capable of giving a better title to the cheque than that, which the person from whom he took it, had.

Demand Drafts

- Demand draft is defined as per Section 85 (a) of NI Act 1881 as an order to pay money drawn by one office of a

bank upon another office of the same bank for a sum of money payable to order on demand.

- It is payable to order on demand (85-A NI Act). It cannot be issued as payable to bearer (Sec. 31 RBI Act).
- If a bank fails to honour a bank draft, it renders itself liable for damages. Similarly, omission of signatures or wrong signatures can also make the bank liable.
- By prior arrangement, the paying bank could be a different bank also.

Topic 6: Financial Inclusion and the initiatives launched to achieve it

Financial inclusion involves

- 1) Give formal banking services to poor people in urban & rural areas.
- 2) Promote habit of money-savings, insurance, pension-investment among poor-people.
- 3) Help them get loans at reasonable rates from normal banks. So. they don't become victims in the hands of local moneylender.

Some Important initiatives for Financial Inclusion

- Lead banking scheme (LBS).
- No frills account.
- BSBDA
- Business Correspondents (BC) system.
- Swabhiman Campaign
- PMJDY

Lead Bank Scheme

- Lead Bank Scheme, introduced towards the end of 1969, envisages assignment of lead roles to individual banks (both in public sector & private sector) for the districts allotted to them.
- A bank having a relatively large network of branches in the rural areas of a given district & endowed with adequate financial & manpower resources has generally been entrusted with the lead responsibility for that district. Accordingly, all the districts in the country have been allotted to various banks.
- The lead bank acts as a leader for coordinating the efforts of all credit institutions in the allotted districts.

No Frill Account

- 'No Frills' account is a basic banking account. Such account requires either nil minimum balance or very low minimum balance. Charges applicable to such accounts are low.

- The RBI in 2005-06 called upon Indian banks to design a 'no frills account' - a no precondition, low 'minimum balance maintenance' account with simplified KYC (Know Your Customer) norms.
- But all the existing 'No-frills' accounts opened were converted into BSBDA in compliance with the guidelines issued by RBI in 2012.

What is BSBDA (Basic Savings and Bank Deposit A/c)?

In 2012, RBI introduced BSBDA. Some important points are:

- This account shall not have the requirement of any minimum balance.
- The services available in the account will include: deposit & withdrawal of cash at bank branch as well as ATMs; receipt/credit of money through electronic payment channels or by means of deposit/collection of cheques drawn by Central/State Govt. agencies & departments;
- While there will be no limit on the number of deposits that can be made in a month, account holders will be allowed a maximum of four withdrawals in a month, including ATM withdrawals.
- Facility of ATM card or ATM-cum-Debit Card.

Business Correspondent

- BCs are bank representatives. They personally go to area allotted to them & carry out banking. They help villagers to open bank accounts, in banking transactions etc.
- Business Correspondents get commission from bank for every new account opened, every transaction made via them, every loan-application processed etc.

Current Status of the Pradhan Mantri Jan - Dhan Yojana as on 4th July 2018

Bank Name / Type (All figures in Crore)	Number of Beneficiaries at rural/semi-urban centre bank branches	Number of Beneficiaries at urban metro centre bank branches	No Of Rural-Urban Female Beneficiaries	Number of Total Beneficiaries	Deposits in Accounts (In Crore)	Number of Rupay Debit Cards issued to beneficiaries
Public Sector Banks	13.89	11.93	13.53	25.81	62921.37	19.44

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Regional Rural Banks	4.34	0.80	2.81	5.14	13788.70	3.69
Private Sector Banks	0.60	0.40	0.53	1.00	2242.02	0.92
Grand Total	18.82	13.12	16.87	31.95	78952.09	24.06

Topic 7: All about the Priority Sector Lending Norms

It means provide credit to the needy sectors of the society.

The sectors are:

- Agriculture
- Education
- Export
- Social Infrastructure
- Micro & Small Enterprises
- Housing
- Weaker Sections
- Renewable Energy

Targets under PSL

- **Agriculture:** 18% of ANBC (Adjusted Net Bank Credit). Out of this 18%, a target of 8% of ANBC is for Small & Marginal Farmers, to be achieved in a phased manner i.e., 7% by March 2016 & 8% by March 2017.
- **Weaker Sections:** 10 % of ANBC.
- **Micro Enterprises:** 7.5% of ANBC has been prescribed for Micro Enterprises, to be achieved in a phased manner i.e. 7% by March 2016 & 7.5% by March 2017.
- Overall PSL Target for Domestic Bank/Foreign Bank with more than 20 Branches: 40% of ANBC.
- Overall PSL Target for Foreign Bank with less than 20 Branches: 40% of ANBC to be achieved in phased manner

2017-18	36
2018-19	38
2019-20	40

Categorization of MSME according to MSME ACT 2006 Manufacturing Sector (Goods)

- The government has given a new turnover based classification of MSMEs in February 2018. As per this new classification, the MSMEs are categorized in term of business turnover. This is in place of the previous classification based on investment made in plant and machineries if they are operating in the manufacturing sector and investment in equipment for service sector companies. As per the new classification, the same turnover based criteria have been applied for all type of MSMEs including those operating in the services sector.
- Though the primary responsibility of promotion and development of MSMEs is of the State Governments, the center has passed an Act in 2006 to empower the sector and also has formed a Ministry (Ministry of MSMEs). It was the Micro, Small and Medium Enterprises Development (MSMED) Act which was notified in 2006 that defined the three tier of micro, small and medium enterprises and set investment limits. The new turnover criteria will better suit with

the GST Network (GSTN) and other formats of segregating the MSMEs.

The new turnover based classification of MSMEs

- The Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 will accordingly be amended to define units producing goods and rendering services in terms of annual turnover as follows:
 - A micro enterprise will be defined as a unit where the annual turnover does not exceed Rs 5 crores;
 - A small enterprise will be defined as a unit where the annual turnover is more than Rs 5 crore but does not exceed Rs 75 crore;
 - A medium enterprise will be defined as a unit where the annual turnover is more than Rs 75 crore rupees but does not exceed Rs 250 crore.
 - Additionally, the Central Government may, by notification, vary turnover limits, which shall not exceed thrice the limits specified in Section 7 of the MSMED Act.

Table: Classification of MSMEs-

Classification of the MSME	New Classification (annual turnover)	Previous classification – Ceiling on Investment in Plant and Machinery (in Rs)
Micro	Not exceeding Rs 5 crores	Below 25 lakhs
Small	Between Rs 5 crores to Rs 75 crores	25 lakhs to 5 crores
Medium	Rs 75 to Rs 250 crores	5 crores to 10 crores

Other Targets under PSL

- Farmers with landholding of up to 1 hectare are considered as Marginal Farmers. Farmers with a landholding of more than 1 hectare & upto 2 hectares are considered as Small Farmers.
- SCB having any shortfall in lending to priority sector shall be allocated amounts for contribution to Rural Infrastructure Development Fund with NABARD.
- For Renewable Energy, bank loans up to a limit of Rs.15 crore to borrowers for purposes like solar based power generators, etc. For individual households, the loan limit will be Rs.10 lakh per borrower.
- Export credit will be allowed up to 32% of ANBC for Foreign banks with less than 20 branches in India.
- For Education, banks can provide loans to individuals for educational purposes including vocational courses

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uptoRs. 10 lakh for studies in India & Rs. 20 lakh for studies abroad.

- **Limits under Social infrastructure** Bank loans up to a limit of Rs.5 crore per borrower for building social infrastructure for activities namely schools, health care facilities, drinking water facilities & sanitation facilities in Tier II to Tier VI centres.

Monitoring of Priority Sector Lending targets

- To ensure continuous flow of credit to priority sector, there will be more frequent monitoring of priority sector lending compliance of banks on 'quarterly' basis instead of annual basis as of now.

Non-achievement of Priority Sector targets

- Scheduled Commercial Banks having any shortfall in lending to priority sector shall be allocated amounts for contribution to RIDF established with NABARD & other Funds with NABARD/NHB/SIDBI, as decided by the Reserve Bank from time to time.
- The interest rates on banks' contribution to RIDF or any other Funds, tenure of deposits, etc. shall be fixed by Reserve Bank of India from time to time.

RBI revises priority sector lending norms for RRBs

Salient features of the guidelines:-

- **Targets:** 75 % of total outstanding to the sectors eligible for classification as priority sector lending.
- **Categories of the Priority Sector:** Medium Enterprises, Social Infrastructure & Renewable Energy will form part of the Priority Sector, in addition to the existing categories, with a cap of 15% of total outstanding.
- **Agriculture:** 18% of total outstanding should be advanced to activities mentioned under Agriculture.
- **Small & Marginal Farmers:** A target of 8% of total outstanding has been prescribed for Small & Marginal Farmers within Agriculture.
- **Micro Enterprises:** A target of 7.5 % of total outstanding has been prescribed for Micro Enterprises.

■ **Weaker Sectors:** A target of 15 % of total outstanding has been prescribed for Weaker Sections.

■ **Monitoring:** Priority Sector Lending will be monitored on a quarterly as well as annual basis.

Note: The revised guidelines will be operational with effect from Jan 2016.

Priority Sector Lending Certificates (PSLCs)

- These are a mechanism to enable banks to achieve the priority sector lending target & sub-targets by purchase of these instruments in the event of shortfall. This also incentivizes surplus banks as it allows them to sell their excess achievement over targets thereby enhancing lending to the categories under priority sector.
- All PSLCs will be valid till March 31st & will expire on April 1st.
- There are only four eligible categories of PSLCs i.e. PSLC General, PSLC Small & Marginal Farmer, PSLC Agriculture & PSLC Micro Enterprises.

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Topic 8: Financial Market | Important Points on Money Market, Capital Market & their Instruments

MONEY MARKET

It is a market for short-term debt securities, such as **commercial paper, repos, negotiable certificates of deposit, & Treasury Bills** with a **maturity of one year or less**.

CAPITAL MARKETS IN INDIA

It is the **market for long term funds**. It refers to all the facilities & institutional arrangements for **borrowing & lending medium & long term funds**.

Money Market VS Capital Market

Money Market	Capital Market
--------------	----------------

Market for short term financial assets	Market for long term financial assets
Maturity period less than one year	Maturity period beyond one year
Deals over the counter	Deals at stock exchange
No. of players limited	No. of players unlimited
Regulated by RBI	Regulated by SEBI

Major money market Instruments

- Certificate of Deposit (CD)
- Commercial Paper (CP)
- Inter Bank Participation Certificates
- Inter Bank term Money
- Treasury Bills

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- Bill Rediscounting
- Call/Notice Money

Terms relating to Money Market	
Call Money	Money lent or borrowed for one day
Notice Money	Money lent or borrowed for a period of 2-14 days.
Term Money	Money lent or borrowed for 15 days to 1 year.
Yield to maturity	Expected rate of return on an existing security purchased for the market.
Coupon Rate	Specified interest rate on a fixed maturity security fixed at the time of issue.

CALL/NOTICE MONEY MARKET OPERATIONS

- Under call money market, funds are transacted on overnight basis & under notice money market, for 2 days to 14 days.
- Participants include banks (excluding RRBs) & Primary Dealers (PDs), both as borrowers & lenders. Non-bank institutions are not permitted in the call/notice money market with effect from August 6, 2005.
- Calculation of interest payable is based on FIMMDA's (Fixed Income Money Market & Derivatives Association of India) Handbook of Market Practices.

INSTRUMENT OF GOVT. BORROWING

- To meet the temporary receipt & expenditure mismatch, govt. obtains over draft from RBI under Ways & Means Advances. For short term liquidity, it issues cash management bills, treasury bills of 91 days, 182 days & 364 days maturity. For long term funds, it uses dated securities in the form of bonds/long term loans.

TREASURY BILLS

- These are the instruments (in the form of promissory notes) of short term borrowing by the Central govt., first issued in India in 1917.
- TBs can be purchased by any one (including individuals) except State govt.
- Minimum amount of face value Rs. 25000 & in multiples thereof.
- **Maturity: 91 days, 182 days & 364 days.**
- Treasury bills are zero coupon securities. They are issued at a discount & redeemed at face value at maturity.

Cash Management Bills (CMB)

- CMB introduced on 11.08.11, is a short-term security to be sold by Govt. of India to raise temporary money for cash management needs.

- The tenure is less than 91 days but the notified amount & date of issue depends upon the temporary cash requirement of the Govt.
- It is issued at discount to the face value through auctions, as in the case of the Treasury Bills.

DATED SECURITIES

- These are long term securities & carry a fixed or floating coupon (interest rate) paid on the face value, payable at fixed time periods (half-yearly).
- The tenor of dated securities can be up to 40 years.
- Public Debt Office of RBI acts as the registry/depository of Govt. securities & deals with the issue, interest payment & repayment of principal at maturity.

WAYS & MEANS ADVANCES (WMAs)

- WMAs were introduced as per an agreement between RBI & Govt.
- WMAs are temporary overdrafts by RBI to govt. (Central & State) under Section 17(5) of RBI Act. WMSs replaced the earlier ad hoc T-Bills system.
- WMAs bridge the time interval of mismatch between govt. expenditure & receipts.
- **Duration:** 10 consecutive working days for Central Govt. & 14 days for State Govt.

OTHER MONEY MARKET INSTRUMENTS

CERTIFICATE OF DEPOSIT

This scheme was introduced in July 1989, to enable the banking system to mobilize bulk deposits from the market, which they can attract at competitive rates of interest.

Who can issue	Scheduled commercial banks (except RRBs) & All India Financial Institutions within their 'Umbrella limit'.
CRR/SLR	Applicable on the issue price in case of banks
Investors	Individuals (other than minor), corporations, companies, trusts, funds, associations etc.
Maturity	Min: 7 days Max : 12 Months (in case of FIs minimum 1 year & maximum 3 years).
Amount	Min: Rs. 1 lac, beyond which in multiple of Rs. 1 lac
Int. Rate	Market related. Fixed or floating
Loan	Against collateral of CD not permitted
Nature	Usance Promissory note. Can be issued in Dematerialisation form only wef June 30, 2002

COMMERCIAL PAPER

- i. CP introduced during 1990, is a short term money market instrument issued as an unsecured **usance promissory note** & privately placed.

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ii. Who can issue Commercial paper (CP): Companies, primary dealers (PDs) & all-India financial institutions (FIs).

iii. A company is eligible to issue CP if:

- Its tangible net worth, as per latest audited balance sheet, is not less than Rs. 4 crore.
- Sanctioned working capital limit by bank/s or all-India financial institution/s;
- The borrower accounts are classified as a Standard Asset by financing bank/s/ institution/s &
- Minimum credit rating from SEBI approved credit rating agency (CRA) is A3.

iv. Maturity: Min 7 days & max upto one year

v. Amount: Min Rs. 5 lakh or multiples thereof.

establishing coordination between the Govt. & the corporate sector.

CAPITAL MARKETS IN INDIA

- It refers to all the facilities & institutional arrangements for borrowing & lending medium & long-term funds.
- It is segregated into (i) gilt edged market & (ii) the industrial securities market.
- The **gilt edged market** refers to the market for govt. & semi-govt. securities which are traded in the market in stable value & are sought after by banks & other institutions.
- The **industrial securities market** refers to the market for shares & debentures of old as well as new companies. This market is further divided as primary market & secondary market.
 - ⊕ The primary market refers to the setup which helps the industry to raise funds by issuing different types of securities, which are issued directly to the investors, both individual & institutions.
 - ⊕ The secondary market refers to the network for subsequent sale & purchase of securities, after these are issued.

INDIAN DEPOSITORY RECEIPTS (IDRs)

IDR is an instrument in the form of a Depository Receipt created by the Indian depository in India against the underlying equity shares of the issuing company. In an IDR, foreign companies would issue shares, to an Indian companies would issue shares, to an Indian Depository which would in turn issue depository receipts to investors in India.

Topic 9: All about the DICGC

(Deposit Insurance & Credit Guarantee Corporation of India)

1. Which banks are insured by the DICGC?

All commercial banks including branches of foreign banks functioning in India, local area banks & regional rural banks are insured by the DICGC.

2. What does the DICGC insure?

It insures all deposits such as savings, fixed, current, recurring, etc. except the following types of deposits.

- Deposits of foreign Govt.s;
- Deposits of Central/State Govt.s;
- Inter-bank deposits;
- Deposits of the State Land Development Banks with the State co-operative bank;

(v) Any amount due on account of any deposit received outside India

(vi) Any amount, which has been specifically exempted by the corporation with the previous approval of Reserve Bank of India.

3. What is the maximum deposit amount insured by the DICGC?

Each depositor in a bank is insured upto a maximum of Rs.1,00,000 for both principal & interest amount held by him in the same capacity.

4. HQ: Mumbai Chairman: B.P.Kanungo

Topic 10: NPAs & SARFAESI Act

It means once the borrower has failed to make interest or principal payments for 90 days, the loan is considered to be a non-performing asset.

Criteria for classification of loan as NPA

Farm Credit within Agriculture loans: A loan will be treated as an NPA if installment of the principal or interest remains unpaid beyond the due date for (a) two

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crop seasons in case of short duration crops (maturing within one year) & (b) one crop season for long duration crops (maturing after one year). This would also be applicable, mutatis mutandis, to agricultural term loans. In other agriculture loans, the 90 days norm would be applicable.

SARFAESI Act & Rules

- ⊕ SARFAESI Act (The Securitization & Reconstruction of Financial Assets & Enforcement of Security Interest Act, 2002) was enacted to regulate securitization & reconstruction of financial assets & enforcement of security interest created in respect of Financial Assets to enable realization of such assets.
- ⊕ The Act provides for the manner for enforcement of security interests by a secured creditor without the intervention of a court or tribunal.
- ⊕ If any borrower fails to discharge his liability in repayment of any secured debt within 60 days of notice from the date of notice by the secured creditor, the secured creditor is conferred with powers under the SARFAESI Act to
 - a) Takes possession of the secured assets of the borrower, including transfer by way of lease, assignment or sale, for realizing the secured assets
 - b) Takeover of the management of the business of the borrower including the right to transfer by way of lease, assignment or sale for realizing the secured assets,

- c) Appoint any person to manage the secured assets possession of which is taken by the secured creditor, and
- d) Require any person, who has acquired any of the secured assets from the borrower and from whom money is due to the borrower, to pay the secured creditor so much of the money as is sufficient to pay the secured debt.

The assets portfolio of the banks is required to be classified as

- | | |
|---------------------|-------------------------|
| (1) standard assets | (2) sub-standard assets |
| (3) doubtful assets | (4) loss assets. |
- ⊕ Standard asset is one that does not disclose any problems & which does not carry more than normal risk attached to the business.
 - ⊕ An asset which has been classified as NPA for a period not exceeding 12 months is considered as sub-standard asset.
 - ⊕ Doubtful asset is one which has remained NPA for a period exceeding 12 months.
 - ⊕ An asset which is considered uncollectible & loss has been identified by the bank or internal or external auditors or the RBI inspection & the loss has not been written off is regarded as loss asset.

What is pledge: U/s 172 of Indian Contracts Act, pledge is bailment (delivery) of goods as security for payment of a loan. Only goods (movable assets excluding actionable claims (Sec 2(7) of Sales of Goods Act) can be pledged.

Topic 11: A Brief on ATMs in India

- 1. What is an Automated Teller Machine (ATM)?**
A. Automated Teller Machine is a computerized machine that provides the customers of banks the facility of accessing their account for dispensing cash & to carry out other financial & non-financial transactions without the need to actually visit their bank branch.
- 2. What is White Label ATMs (WLAs)?**
A. ATMs set up, owned & operated by non-banks are called White Label ATMs. Non-bank ATM operators are authorized under Payment & Settlement Systems Act, 2007 by the Reserve Bank of India.
- 3. Is there any time limit for the card issuing banks for recrediting the customers account for a failed ATM/WLA transaction?**

A. As per the RBI instructions, banks have been mandated to resolve customer complaints by re-crediting the customer's account within 7 working days from the date of complaint.

4. Are the customers eligible for compensation for delays beyond 7 working days?

A. Yes. Effective from July 1, 2011, banks have to pay compensation of Rs. 100/- per day for delays in re-crediting the amount beyond 7 working days from the date of receipt of complaint for failed ATM transactions. The compensation has to be credited to the account of the customer without any claim being made by the customer. If the complaint is not lodged within 30 days of transaction, the customer is not entitled for any compensation for delay in resolving his / her complaint.

Topic 12: Currency System in India

- ⊕ Money as a means of payment consists of coins, paper money & withdrawable bank deposits.
- ⊕ **Legal tender:** As per provisions of coinage Act 1906, bank notes, currency notes & coins (Rs. 1 & above) are

legal tender for unlimited amount. The subsidiary coins (below Re 1) are legal tenders for sum not exceeding Re 1. Issue of 1, 2 & 3 paise coins discontinued wef Sep 16, 1981.

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- **Currency chests are operated by RBI** so that they can provide good quality currency notes to the public. However, RBI has appointed commercial banks to open & monitor currency chests on behalf of RBI. The cash kept in currency chests is considered to be kept in RBI.
- The bank branches are also **authorised to establish Small Coin Depots to stock small coins**. The Small Coin Depots also distribute small coins to other bank branches in their area of operation.

What are soiled, mutilated & imperfect banknotes?

- **Government note:** means any note issued by Central Government or supplied by the Central Government to the Bank and issued by the Bank, provided the liability for the payment of the value in respect of such note has devolved on and been taken over by the Bank.
- **Imperfect Note:** means any note, which is wholly or partially, obliterated, shrunk, washed, altered or indecipherable but does not include a mutilated note.
- **Mutilated note:** means a note of which a portion is missing or which is composed of more than two pieces.
- **Mismatched note:** means a mutilated note which has been formed by joining a half note of any one note to a half note of another note.
- **Soiled note:** means a note which, has become dirty due to usage and also includes a two piece note pasted

together wherein both the pieces presented belong to the same note, and form the entire note.

Pre-2005 series Banknotes

The banknotes issued before 2005 MG series are called pre-2005 series banknotes, which do not have the year of printing on the reverse side. On Jan 23, 2014, RBI decided to withdraw, from circulation, these notes as they have fewer security features.

1. These notes shall continue to be legal tender. The notes are only being withdrawn from circulation.
2. These notes can be exchanged at select bank branch till 30.06.16.

Currency Quick Facts				
Den.	Letter	Colour	Motif	Dimension
10	-	Chocolate Brown	Sun Temple, Konark	63 mm x 123 mm
50	-	Fluorescent Blue	Hampi with Chariot	66 mm x 135 mm
200	H	Bright Yellow	Sanchi Stupa	66 mm x 146 mm
500	-	Stone Grey	Red Fort	66mm x 150mm
2000	-	Magenta	Mangalyaan	66mm x 166mm

Topic 13: A close look at the Prompt Corrective Action (PCA)

To ensure that banks don't go bust, RBI has put in place some trigger points to assess, monitor, control & take corrective actions on banks which are weak & troubled. The process or mechanism under which such actions are taken is known as Prompt Corrective Action, or PCA.

What is PCA as per RBI? All Misconceptions Cleared

- RBI clarified that the PCA framework is not intended to constrain normal operations of the banks for the general public.
- Under RBI's supervisory framework, it uses various measures/tools to maintain sound financial health of banks. PCA framework is one of such supervisory tools.
- It involves monitoring of certain performance indicators of the banks as an early warning exercise & is initiated once such thresholds as relating to capital, asset quality etc. are breached.
- Its objective is to facilitate the banks to take corrective measures including those prescribed by the Reserve Bank, in a timely manner, in order to restore their financial health.
- It provides an opportunity to the Reserve Bank to pay focussed attention on such banks by engaging with the management more closely in those areas.

- The PCA framework is, thus, intended to encourage banks to eschew certain riskier activities & focus on conserving capital so that their balance sheets can become stronger.

Salient Features of revised PCA Framework for Banks

- A. Capital, asset quality & profitability continue to be the key areas for monitoring in the revised framework.
- B. Indicators to be tracked for Capital, asset quality & profitability would be:
 - a) **CRAR/ Common Equity Tier I ratio:** CET ratio – the percentage of core equity capital, net of regulatory adjustments, to total risk weighted assets as defined in RBI Basel III guidelines
 - b) **Net NPA ratio:** NNPA ratio – the percentage of net NPAs to net advances
 - c) **Return on Assets:** ROA – the percentage of profit after tax to average total assets
- C. Leverage would be monitored additionally as part of the PCA framework.
- D. Breach of any risk threshold (as detailed under) would result in invocation of PCA.
- E. The PCA framework would apply without exception to all banks operating in India including small banks & foreign banks operating through branches or

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subsidiaries based on breach of risk thresholds of identified indicators.

F. A bank will be placed under PCA framework based on the audited Annual Financial Results & the Supervisory Assessment made by RBI.

Topic 14: All about the Products of NPCI

- ⊕ **A Brief on NPCI:** National Payments Corporation of India (NPCI) is an umbrella organization for all retail payments system in India. It was incorporated in December 2008 & the Certificate of Commencement of Business was issued in April 2009. The authorized capital was pegged at Rs 300 crore & paid up capital was Rs 100 crore. **B.Sambamurthy- Interim Chairman.**

A Brief on BHIM

- ⊕ Bharat Interface for Money is an app that lets you make simple, easy & quick payment transactions using Unified Payments Interface (UPI). This can be done using just Mobile number or Virtual Payment Address (VPA). Currently it is available in 12 languages.
- ⊕ Virtual Payment Address (VPA) is a unique identifier which you can use to send & receive money on UPI.
- ⊕ Amount of money that can be sent using BHIM is uptoRs 10,000 per transaction & a maximum of Rs 20,000 per day for one bank account.

A Brief on UPI- 2016

- ⊕ Unified Payments Interface is an instant payment system developed by NPCI. UPI is built over the IMPS infrastructure & allows you to instantly transfer money between any two parties' bank accounts.
- ⊕ UPI-PIN is a 4-6 digit pass code you create/set during first time registration with this App.
- ⊕ The upper limit per UPI transaction is Rs. 1 Lakh.

Immediate Payment Service (IMPS): It was launched in 2010. IMPS offers an instant, 24X7, interbank electronic fund transfer service through mobile phones.

Overview of *99# Service: *99# service launched by NPCI, which works on Unstructured Supplementary Service Data (USSD) channel. This service was launched in 2014. Banking customers can avail the service by dialing *99#, a "Common number across all Telecom Service Providers (TSPs)" on their mobile phone & transact through an interactive menu displayed on the mobile screen.

Overview of *99*99# Service: *99*99# is a USSD (Unstructured Supplementary Service Data) based value

added service from NPCI that facilitates the customers to check the status of his/her Aadhaar number seeding/linking in the bank account. The service works across all GSM service providers & brings together the diverse ecosystem partners such as Banks & TSPs (Telecom Service Providers).

MMID: MMID stands for Mobile Money Identifier. MMID is a 7-digit code issued by the bank to their customers for availing IMPS.

A Brief on QSAM *99*99# service, is alternatively known as QSAM (Query Service on Aadhaar Mapper). Using this service, a person can check the Aadhaar seeding/linking status in his/her bank account.

A Brief on NACH

- ⊕ NPCI implemented "National Automated Clearing House (NACH)" for Banks, Financial Institutions, Corporates & Govt., is a web based solution to facilitate interbank, high volume, electronic transactions which are repetitive & periodic in nature.
- ⊕ NACH System can be used for making bulk transactions towards distribution of subsidies, dividends, interest, salary, pension etc. for bulk transactions towards collection of payments pertaining to telephone, electricity, water, loans, investments in mutual funds, insurance premium etc.
- ⊕ NACH's Aadhaar Payment Bridge (APB) System, developed by NPCI has been helping the Govt. & Govt. Agencies in making the Direct Benefit Transfer scheme a success.
- ⊕ **BBPS:** Bharat Bill Payment System (BBPS) will function as a tiered structure for operating the bill payment system in the country under a single brand image. NPCI will function as the authorized Bharat Bill Payment Central Unit (BBPCU), which will be responsible for setting business standards, rules & procedures for technical & business requirements for all the participants.

Topic 15: Small Finance Banks & its Headquarters

- ⊕ **The objective is** to further financial inclusion by (a) provision of savings vehicles, (b) supply of credit to small business units; small & marginal farmers; micro & small industries; & other unorganised sector entities, through high technology-low cost operations.
- ⊕ It shall primarily undertake basic banking activities of acceptance of deposits & lending to unserved & underserved sections including small business units, small & marginal farmers, micro & small industries &

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unorganised sector entities. The minimum paid-up equity capital is **Rs. 100 crores**.

- The promoter's minimum initial contribution to the paid-up equity capital of such small finance bank shall at least be 40 % & gradually brought down to 26 % within 12 years from the date of commencement of business of the bank.

Headquarters of the Small Finance Banks

- Au Financiers (India) Ltd., Jaipur
- Capital Local Area Bank Ltd., Jalandhar
- Disha Microfin Private Ltd., Ahmedabad

- Equitas Holdings P Limited, Chennai
- ESAF Microfinance & Investments Private Ltd., Registered Office- Chennai, Corporate Office- Thrissur (Kerala)
- Janalakshmi Financial Services Private Limited, Bengaluru
- RGVN (North East) Microfinance Limited, Guwahati
- Suryoday Micro Finance Private Ltd., Navi Mumbai
- Ujjivan Financial Services Private Ltd., Bengaluru
- Utkarsh Micro Finance Private Ltd., Varanasi

Topic 16: Payments Banks & its Headquarters

- The objective is to further financial inclusion by providing (i) small savings accounts(ii) payments/remittance services to migrant labour workforce, low income households, small businesses, other unorganised sector entities & other users.
- **Scope of activities:** Acceptance of demand deposits. It will initially be restricted to holding a maximum balance of Rs. 100,000 per individual customer.
- It cannot undertake lending activities. Apart from amounts maintained as CRR on its outside demand & time liabilities, it will be required to invest minimum **75% of its "demand deposit balances" in SLR eligible**. **The minimum paid-up equity capital shall be Rs. 100 crore.**
- The promoter's minimum initial contribution to the paid-up equity capital of such payments bank shall at

least be **40 %** for the first five years from the commencement of its business.

Headquarters of the Payment Banks

- Aditya Birla Nuvo Limited- Veraval, Gujarat
- Airtel M Commerce Services Limited- Registered Office- New Delhi, Corporate Office- Gurugram, Haryana
- Cholamandalam Distribution Services Limited- Chennai
- Department of Posts (IPPB)- New Delhi
- Fino PayTech Limited- Navi Mumbai
- National Securities Depository Limited- Mumbai
- Reliance Industries- Mumbai
- Vodafone m-pesa Limited- Mumbai

Topic 17: What are the Risks in Banking Sector?

- Banking risk can be defined as exposure to the uncertainty of outcome. It is applicable to full-service banks like SBI, PNB & Others.

Types of bank risks

- | | |
|---------------------|----------------------|
| 1. Credit risk | 4. Market risk |
| 2. Operational risk | 5. Liquidity risk |
| 3. Business risk | 6. Reputational risk |

Operational risk: Basel Committee on Banking Supervision defines operational risk "as the risk of loss resulting from inadequate or failed internal processes, people & systems or from external events. Operational risk, the risk in all banking transactions

Liquidity risk: Liquidity risk is the risk of a bank not being able to have enough cash to carry out its day-to-day operations.

Reputational risk – when banks lose the public's trust: It is the risk of damage to a bank's image & public standing that occurs due to some dubious actions taken by the bank.

Business Risk: Business risk is the risk arising from a bank's long-term business strategy. It deals with a bank not being able to keep up with changing competition dynamics, losing market share over time, & being closed or acquired.

Topic 18: What are the BASEL-3 Norms & a brief on the 3 Pillars of Basel?

- Basel Committee is the primary global standard-setter for the prudential regulation of banks & provides a forum for cooperation on banking supervisory matters.

▪ Its mandate is to strengthen the regulation, supervision & practices of banks worldwide with the purpose of enhancing financial stability.

- Stefan Ingves, Governor of Sveriges Riks bank (SWEDEN), is the Chairman of the Basel Committee.
- Basel III or Basel 3 released in December, 2010 is the third in the series of Basel Accords. These accords deal with risk management aspects for the banking sector.
- According to Basel Committee on Banking Supervision "Basel III is a comprehensive set of reform measures, developed by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision & risk management of the banking sector".
- Basel 3 measures aim to:
 - Improve the banking sector's ability to absorb shocks arising from financial & economic stress, whatever the source
 - Improve risk management & governance
 - Strengthen banks' transparency & disclosures.

Three Pillars of Basel 3

- **Pillar 1: Minimum Regulatory Capital Requirements based on Risk Weighted Assets (RWAs):** Maintaining capital calculated through credit, market & operational risk areas (mainly that capital which can absorb risk.)
- **Pillar 2: Supervisory Review Process:** Regulating tools & frameworks for dealing with peripheral risks that bank face.
- **Pillar 3: Market Discipline:** Increasing the disclosures that banks must provide to increase the transparency of banks

Topic 19: Most Important Miscellaneous Banking Terms

- **ACU:** Asian Clearing Union (ACU) was established with its head-quarters at Tehran, Iran, on December 9, 1974.
- The Central Banks & the Monetary Authorities of Bangladesh, Bhutan, India, Iran, Maldives, Myanmar, Nepal, Pakistan & Sri Lanka are currently the members of the ACU.
- Asian Monetary Units (AMUs) is the common unit of account of ACU & is denominated as 'ACU Dollar' & 'ACU Euro'. All instruments of payments under ACU have to be denominated in AMUs.
- **Rupee Denominated Bonds:** Any corporate (entity registered as a company under the Companies Act, 1956/ 2013) or body corporate (entity specially created out of a specific act of the Parliament) & Indian banks are eligible to issue Rupee denominated bonds overseas. Real Estate Investment Trusts (REITs) & Infrastructure Investment Trusts (InvITs) coming under the regulatory jurisdiction of SEBI are also eligible. The minimum maturity period for such bonds will be 3 years.
- **National Institute of Bank Management (NIBM):** It was established in 1969 by RBI, in consultation with the Govt. of India, as an autonomous apex institution for

Important Facts related to BASEL 3

- Minimum Ratio of Total Capital To RWAs--10.50%
- Minimum Ratio of Common Equity to RWAs--4.50% to 7.00%
- Tier I capital to RWAs--6.00%
- Core Tier I capital to RWAs--5.00%
- Capital Conservation Buffers to RWAs--2.50%
- Leverage Ratio--3.00%
- Countercyclical Buffer--0% to 2.50%

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BILINGUAL

- research, training, education & consultancy in bank management. Its mandate is to play a proactive role of "think-tank" of the banking system. The Governor of RBI is the Chairman of the Governing Board. It is situated at Pune, Maharashtra.
- **Electronic Funds Transfer at Point of Sale (EFTPOS):** EFTPOS is the method for paying for goods or services without needing to **carry cash**.
- **Moral Suasion:** Moral Suasion is just as a request by the RBI to the commercial banks to take so & so action & measures in so & so trend of economy. RBI may request commercial banks not to give loans for unproductive purpose which does not add to economic growth but increases inflation.
- **Bouncing of a cheque:** Where an account does not have sufficient balance to honour the cheque issued by the customer, the cheque is returned by the bank with the reason "funds insufficient" or "Exceeds arrangement". This is known as 'Bouncing of a cheque'.
- **Demat Account:** The term "demat", in India, refers to a dematerialised account for individual Indian citizens to trade in listed stocks or debentures.
- **Capital Adequacy Ratio (CAR):** Capital adequacy ratio measures the amount of a bank's capital expressed as a

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%age of its credit exposure. Globally, the capital adequacy ratio has been developed to ensure banks can absorb a reasonable level of losses before becoming insolvent. Indian banks are expected to maintain a minimum capital adequacy ratio of 9 % (Rs 9 as capital for every Rs 100 in loan or asset)

- **Balance of Trade:** The value of a country's exports minus the value of its imports. Unless specified as the balance of merchandise trade, it normally incorporates trade in services, including earnings (interest, dividends, etc.) on financial assets.
- **Balance of Payments:** A list of all of a country's international transactions for a given time period, usually one year.
- **NOSTRO Account:** A Nostro account is maintained by an Indian Bank in the foreign countries.
- **VOSTRO Account:** Vostro account is maintained by a foreign bank in India with their corresponding bank.
- **BCBS:** Basel Committee on Banking Supervision is an institution created by the Central Bank governors of the Group of Ten nations.
- **What is STRIPS:** Separate Trading for Registered Interest & Principal Securities.
- The CORE word in CBS stands for Centralized Online Realtime Exchange.
- **Cross Selling:** Cross-selling stands for offering to the existing & new customers, some additional banking products, with a view to expand banking business, reduce the per customer cost of operations & provide more satisfaction & value to the customer.
- **Credit Card Business :** Issue of cards
 - (a) Banks having net worth of Rs. 100 cr or above only can undertake the credit card business.
 - (b) RBI permission is not required to undertake credit card issue business.
- **ASSET SECURITISATION:** Securitisation of assets is an additional channel for recycling of funds by business entities including banks. **Securitisation** is process

through which the future receivables (say rent, installment of a term loan due in future) of an organization (say bank), are converted into debt instruments (such as bonds with a fixed rate of return) & then sold.

Important Terms related to Mutual Funds

- **Asset Management Company:** A company formed & registered under the Companies Act 1956 & approved as such by the SEBI to manage the funds of a mutual fund. Under an agreement (with the trustees of the Mutual Fund), an AMC undertakes to formulate mutual funds schemes, distribute income as per agreement.
- **Close-ended scheme:** A scheme where funds are raised for a fixed period. The scheme is wound up after that period & funds are returned with capital appreciation to unit holders. Normally, a close-ended scheme is listed on a stock exchange.
- **Net asset value:** The price of value of one share of a fund. It is calculated by summing the quoted values of all the securities held by the fund, adding in cash & any accrued income & subtracting liabilities & dividing the result by the number of shares outstanding.
- **Open ended scheme:** A scheme is the one which continuously offers its units & buys them back from investors.

A Brief on Nationalization of Banks

- Nationalisation of Imperial Bank of India & its conversion into State Bank of India in July 1955.
- Conversion of 8 major State-associated banks into subsidiary banks of SBI in 1959.
- Nationalisation of 14 Indian scheduled banks in July 1969.
- Nationalisation of 6 more banks in April 1980 & New Bank of India merged into Punjab National Bank.

Topic 20: How the amount can be transferred from one Bank A/c to the other?

Real Time Gross Settlement (RTGS)

- RTGS implemented w.e.f. 26.03.2004 is a centralized payment system operated by RBI. In RTGS inter-bank payment instructions are processed & settled, on gross basis in a real time environment.
- It uses Indian Financial Network (INFINET) & SFMS platforms. RTGS is regulated by RTGS System Regulations, 2013.

National Electronic Funds Transfer (NEFT)

- RBI operationalized NEFT System in Nov 2005. It facilitates transfer of funds from any bank branch to any other bank branch.
- **Amount:** There is no lower/upper value limit.

- **Bank account:** NEFT is an account to account transfer system. The remitter & beneficiary should have a bank account.

Processing Charges/Service Charges

1. Banks cannot levy any charges for inward NEFT,
2. For outward NEFT: Up to Rs. 10000 = Rs. 2.50, above Rs. 10000 to Rs. 1 lac = Rs. 5. Above Rs. 1 lac to Rs. 2 lac = Max Rs. 15 & above Rs. 2 lac = Max Rs. 25 (w.e.f. 13.07.2012).

- **CENTRALIZED FUNDS MANAGEMENT SYSTEMS (CFMS):** CFMS was operated & maintained by RBI to enable operations on current accounts maintained at

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various offices of the RBI, through standard message formats in a secure manner.

- **NEPAL REMITTANCE SCHEME:** It is a cross-border one-way remittance facility scheme, for remittance from India to Nepal. Amount: Up to Indian Rs. 50,000 from NEFT branches. Beneficiary will receive funds in Nepalese rupees.

■ **CORE BANKING SOLUTIONS:** Core Banking Solutions (CBS) or Centralised Banking Solutions is the process which is completed in a centralized environment i.e. under which the information related to the customer's account (i.e. financial dealings, profession, income, etc.) is stored in the Central Server of the bank (that is available to all networked branches) instead of the branch server.

Topic 21: What are the types of Accounts that can be opened by Foreign (Person) in India?

a) NRO A/c (Foreign Tourist)

- Foreign tourists during their short visit to India can open a Non-Resident (Ordinary) Rupee (NRO) account (Current / Savings) with any Authorised Dealer bank dealing in foreign exchange.
- Can be opened up to a maximum period of 6 months.
- All payments to residents exceeding INR 50,000 can be made only by means of cheques / pay orders / DDs.

b) EEFC A/c

- Exchange Earners' Foreign Currency Account (EEFC) is an a/c maintained in foreign currency with Authorised Dealer.
- It is a facility provided to foreign exchange earners, including exporters, to credit 100% of their foreign exchange earnings to the a/c, so that the account holders do not have to convert foreign exchange into Rupees, thereby minimizing the transaction costs.
- All categories of foreign exchange earners, such as individuals, companies, etc. who are resident in India, may open EEFC accounts.
- It can be held only in the form of a current account. No interest is payable on EEFC accounts.

- NRI/PIO may remit from the balances held in NRO account an amount not exceeding USD one million per financial year, subject to payment of applicable taxes.
- The limit of USD 1 million per financial year includes sale proceeds of immovable properties held by NRIs/PIOs.

Non-Resident (External) Rupee Account (NRE Account)

- NRE account may be in the form of savings, current, recurring or fixed deposit accounts.
- Account will be maintained in Indian Rupees.
- Accrued interest income & balances held in NRE accounts are exempt from Income tax.
- Authorised dealers/authorised banks at their discretion allow for a period not more than two weeks, overdrawings in NRE savings bank accounts, up to a limit of Rs. 50,000.
- Loans up to Rs.100 lakh can be extended against security of funds held in NRE Account either to the depositors or third parties.

Foreign Currency Non-Resident (Bank) Account - FCNR (B) Account

- FCNR (B) accounts are only in the form of term deposits of 1 to 5 years
- Account can be in any freely convertible currency.
- Loans up to Rs.100 lakh can be extended against security of funds held in FCNR (B) deposit either to the depositors or third parties.
- The interest rates are stipulated by the Department of Banking Operations & Development, RBI.

ACCOUNTS FOR NRI/PIO: Non-Resident Ordinary Rupee Account (NRO Account)

- NRO accounts may be opened / maintained in the form of current, savings, recurring or fixed deposit accounts.
- Interest rates offered by banks on NRO deposits cannot be higher than those offered by them on comparable domestic rupee deposits.
- Account should be denominated in Indian Rupees.

Topic 22: A Brief on CAMELS rating for Domestic Banks?

- RBI's 1995 working group headed by Sh. S. Padmanabhan suggested method for rating.
- RBI rates the banks on a 5 point scale of A to E, widely on the lines of international CAMELS rating model for domestic banks & CALCS model for foreign banks.

CAMELS Rating for Domestic Banks

C	Capital adequacy ratio
A	Asset quality
M	Management Effectiveness
E	Earning (i.e. profitability)

L	Liquidity (asset-liability management)
S	System & controls

Rating parameters for foreign banks

C	Capital adequacy ratio
A	Asset quality
L	Liquidity
C	Compliance
S	System & controls

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Topic 23: BANKING OMBUDSMAN SCHEME 2006

The Scheme enables a bank customer for filing of complaints relating to certain services rendered by banks.

- 1) The Banking Ombudsman is a senior official appointed by the Reserve Bank of India to redress customer complaints against deficiency in certain banking services.
- 2) All Scheduled Commercial Banks, Regional Rural Banks & Scheduled Primary Co-operative Banks are covered under the Scheme.
- 3) The Banking Ombudsman does not charge any fee for filing & resolving customers' complaints.

4) The maximum compensation which a BO can help a complainant to get is Rs. 20 lakhs.

- 5) If a complaint is not settled by an agreement within a period of one month, the BO proceeds further to pass an award. Before passing an award, the BO provides reasonable opportunity to the complainant & the bank, to present their case.
- 6) If one is not satisfied with the decision passed by the BO, one can approach the appellate authority who is the Deputy Governor of the RBI.

Topic 24: NBFC OMBUDSMAN SCHEME

- RBI introduced an Ombudsman Scheme for customers of Non-Banking Financial Companies (NBFCs).
- The Scheme is an expeditious & cost free apex level mechanism for resolution of complaints of customers of NBFCs, relating to certain services rendered by NBFCs.
- It is being introduced under Section 45 L of RBI Act, 1934, with effect from February 23, 2018.
- The NBFC Ombudsman is a senior official appointed by RBI to redress customer complaints against NBFCs for deficiency in certain services covered under the grounds of complaint specified under Clause 8 of the Scheme.
- As on date, four NBFC Ombudsman have been appointed with their offices located at Chennai, Kolkata, New Delhi and Mumbai.
- NBFCs which are defined in Section 45-I (f) of RBI Act 1934 & registered with RBI under Section 45-IA of RBI Act 1934, which (a) are authorized to accept deposits; or (b) have customer interface, with assets size

of one billion rupees or above, as on the date of the audited balance sheet of previous financial year, or of any such asset size as the RBI may prescribe, are covered under the Scheme.

- The Scheme initially covers NBFCs authorized to accept deposits & would be gradually extended to cover other identified NBFCs.
- The compensation amount, if any, which can be awarded by NBFC Ombudsman, for any loss suffered by complainant, is limited to the amount arising directly out of the act or omission of the NBFC or rupees one million, whichever is lower.

Note: NBFC Ombudsman may award compensation not exceeding rupees 0.1 million to the complainant for causing mental agony & harassment.

- Appellate Authority is vested with a Deputy Governor-in-Charge of the department of the RBI implementing the Scheme.

Topic 25: What is Base Rate, MCLR & Other rates of Lending?

Base Rate

- RBI decided that banks should switch over to Base Rate system w.e.f. 1.7.2010.
- Banks may determine their actual lending rates w.r.t. Base Rate.
- No loan can be sanctioned below base rate.
- Exempted accounts: The following loans could be priced without reference to Base Rate: (a) DRI loans (b) loans to banks' own employees (c) loans to banks' depositors against their own deposits.

▪ The MCLR comprises of (a) Marginal cost of funds; (b) Negative carry on account of CRR; (c) operating costs; (d) Tenor premium.

- Marginal Cost of funds (MCF): It has 2 components (a) Marginal cost of borrowings (b) return on networth.
- By using MCF, it will be calculated as: Required CRR × (marginal cost) / (1-CRR)

Exemptions from MCLR

- loans under schemes of Govt. of India wherein banks have to charge interest rate as per the scheme.
- Working Capital Term Loan, Funded Interest Term Loan etc. as part of rectification/restructuring package.
- Loans under various refinance schemes of Govt. of India or any Govt. Undertaking wherein banks charge interest at the rates prescribed under the schemes.
- The following loans can be priced without being linked to MCLR :

Marginal Cost Based Lending Rate

- RBI introduced MCLR w.e.f. 1.4.2016 to determine Base Rate by banks to improve the efficiency of monetary policy transmission.
- All rupee loans sanctioned & credit limits renewed w.e.f. 01.04.16 to be priced w.r.t. MCLR. It will be internal benchmark.

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- a) Loan to depositors against their own deposits.
- b) Loan to banks' employees & Chief Executive Officer/Whole Time Directors.
- c) Loans linked to a market determined external benchmark.

d) Fixed rate loans. In case of hybrid loans where the interest rates are partly fixed & partly floating, interest rate on the floating portion should adhere to the MCLR guidelines.

Topic 26: What is Reverse Mortgage Loan?

- ⊕ The scheme of reverse mortgage has been introduced for the benefit of senior citizens owning a house but having inadequate income to meet their needs. Some important features of reverse mortgage are:
- ⊕ A homeowner who is above 60 years of age is eligible for reverse mortgage loan. It allows him to turn the equity in his home into one lump sum or periodic payments mutually agreed by the borrower & the banker.
- ⊕ NO REPAYMENT is required as long as the borrower lives, Borrower should pay all taxes relating to the

house & maintain the property as his primary residence.

- ⊕ The amount of loan is based on several factors: Borrower's age, Value of the property, Current interest rates & The specific plan chosen.
- ⊕ **As per the scheme formulated by National Housing Bank (NHB), the maximum period of the loan period is 15 years.** The residual life of the property should be at least 20 years. Where the borrower lives longer than 15 years, periodic payments will not be made by lender. However, the borrower can continue to occupy.

Topic 27: What is Hypothecation & Pledge?

	Hypothecation	Pledge
Defined in	SARFAESI Act 2002 (Sec 2 n)	Indian Contract Act 1872 (section 172)
Definition	Charge on movable property in favour of secured creditor without delivery of possession	Bailment of goods as security for payment of a debt or performance of promise
Parties:		
-Borrower	Hypothecator	Pledger / pawnner
-Bank	Hypothecate	Pledger / pawnnee
Nature of securities	Movable assets such as stocks, machinery, vehicles	Goods
Possession	Borrower (in trust for bank). Bank	Possession with bank till repayment

	cannot take possession without consent of the borrower. On taking possession bank gets rights of pledge & can sell the assets without intervention.	of the loan. Bank has to preserve the goods carefully & return the same, if loan is repaid.
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- ⊕ **Mortgage:** As per section 58 of Transfer of Property Act 1882, mortgage is transfer of interest in specific immovable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, an existing or future debt or the performance of an engagement which may give rise to pecuniary liability.

Topic 28: What is NBFC & how it differs from Banks?

- ⊕ Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in the business of loans & advances, acquisition of shares/stocks/bonds/debentures/securities issued by Govt. or local authority or other marketable securities of a like nature, leasing, hire-purchase, insurance business, chit fund business.
- ⊕ NBFCs lend & make investments & hence their activities are akin to that of banks; however there are a few differences as given below:
 - a) NBFC cannot accept demand deposits;
 - b) NBFCs do not form part of the payment & settlement system & cannot issue cheques drawn on itself;

- c) Deposit insurance facility of Deposit Insurance & Credit Guarantee Corporation is not available to depositors of NBFCs, unlike in case of banks.

⊕ Register with RBI:

- A company incorporated under the Companies Act, 1956 & desirous of commencing business of non-banking financial institution as defined under Section 45 I(a) of the RBI Act, 1934 should comply with the following:
- a) It should be a company registered under Section 3 of the companies Act, 1954
 - b) It should have a minimum net owned fund of Rs 200 lakh.

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Deposits in NBFC:

- ⊕ Presently, the maximum rate of interest an NBFC can offer is 12.5%. The interest may be paid or compounded at rests not shorter than monthly rests.
- ⊕ NBFCs are allowed to accept / renew public deposits for a minimum period of 12 months & maximum

period of 60 months. They cannot accept deposits repayable on demand.

- ⊕ The deposits with NBFCs are not insured.
- ⊕ The repayment of deposits by NBFCs is not guaranteed by RBI.

Topic 29: What are the types of Money?

- ⊕ **Commodity Money** - Commodity money value is derived from the commodity out of which it is made. The commodity itself represents money, & the money is the commodity.
- ⊕ **Representative Money** - is money that includes token coins, or any other physical tokens like certificates, that can be reliably exchanged for a fixed amount/quantity of a commodity like gold or silver.
- ⊕ **Fiat Money** - Fiat money, also known as fiat currency is the money whose value is not derived from any intrinsic value or any guarantee that it can be converted into valuable commodity (like gold). Instead, it derives value only based On Govt. order (fiat)
- ⊕ **Commercial Bank Money** - Commercial bank money or the demand deposits are claims against financial institutions which can be used for purchasing goods & services.
- ⊕ **Reserve Money (M 0)**

Currency in circulation + Bankers' 'deposits with the RBI + 'Other' deposits with the RBI = Net RBI 'credit to the Govt.

+ RBI credit to the commercial sector + RBI's claims on banks + RBI's net foreign assets + Government's currency liabilities to the public - RBI's net non-monetary liabilities.

M1=Currency with the public + Demand deposits with the banking system + 'Other' deposits with the RBI

M2=**M1** + Savings deposits of office savings banks.

M3=**M1**+ Time deposits with the banking system

= Net bank credit to the Govt.

M4=**M3** +All deposits with post office savings banks (excluding National Savings Certificates)

- ⊕ **Bhartiya Reserve Bank Note Mudran Private Limited (BRBNMPL)**: RBI established BRBNMPL in February 1995 as a wholly-owned subsidiary to augment the production of bank notes in India & to enable bridging of the gap between supply & demand for bank notes in the country.

Topic 30: What are the Different types of Banking?

- ⊕ **Para banking**- When Bank provides banking services except the general banking facility.
- ⊕ **Narrow Banking**- When banks invest its money in Govt. securities instead investing in market to avoid risk.
- ⊕ **Offshore Banking**- Bank which accept currency of all countries.
- ⊕ **Green banking**- Promoting environmental-friendly practices & reducing your carbon footprint from your banking activities.
- ⊕ **Retail Banking**- Retail banking refers to the division of a bank that deals directly with retail customers.
- ⊕ **Wholesale banking**-Wholesale banking is the provision of services by banks to organisations such as Mortgage

Brokers, large corporate clients, mid-sized companies, real estate developers & investors, international trade finance businesses etc.

- ⊕ **Universal Banking**: R H Khan committee & recommended the concept of Universal Banking. It means allowing FIs & banks to undertake all types of banking or development financing activity, subject to compliance of statutory & other requirements of RBI, Govt. & related legal Acts.
- ⊕ **Islamic Banking**: An Islamic bank is a deposit-taking banking institution whose scope of activities excluding borrowing & lending on the basis of interest.

Topic 31: What are the important codes that are used in Banking?

IFSC (Indian Financial System Code)

- ⊕ Indian Financial System Code is an alpha-numeric code that uniquely identifies a bank-branch participating in the NEFT system.

- ⊕ This is an 11 digit code with the first 4 alpha characters representing the bank, The 5th character is 0 (zero) & the last 6 characters representing the bank branch.

MICR - Magnetic ink character Recognition

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- ⊕ MICR is 9-digit numeric code that uniquely identifies a bank branch participating in electronic clearing scheme.
- ⊕ Used to identify the location of a bank branch.
- ⊕ City (3) Bank (3) Branch (3)
- ⊕ It is allotted to a bank branch is printed on the MICR band of cheques. MICR used for electronic credit system.

SWIFT Code: Society for Worldwide Interbank financial tele-communication

- ⊕ India was 74th Nation to join SWIFT Network.

- ⊕ SWIFT Code is a standard format of bank Identifier code.
- ⊕ This code is used particularly in International transfer of money between banks.
- ⊕ A majority of FOREX related message are sent to correspondent banks abroad through SWIFT.
- ⊕ SWIFT Code consist 8 or 11 character when code is 8 digit, it is referred to primary office.
4 – bank code 2 – country code 2 – location code 3
– branch code (optional)

Topic 32: Important Banking Abbreviations

<p>1. PSBs: Public Sector Banks</p> <p>2. SNBCs: Schedule Non- Commercial Banks</p> <p>3. SENSEX: Sensitive Index of Stock Exchange</p> <p>4. KYC: Know Your Customer</p> <p>5. RTGS: Real Time Gross Settlement</p> <p>6. EFT: Electronic Fund Transfer</p> <p>7. CBS: Core Banking Solutions</p> <p>8. LIBOR: London Interbank Offered Rate</p> <p>9. MIBOR: Mumbai Interbank Offered Rate</p> <p>10. MIBID: Mumbai Interbank Bid Rate</p> <p>11. SARFAESI: Securitisation & Reconstruction of Financial Assets & Enforcement Of Security Interest</p> <p>12. CAR: Capital Adequacy Ratio</p> <p>13. FIIs: Foreign Institutional Investments</p> <p>14. MICR: Magnetic Ink Character Recognition</p> <p>15. BIRD: Bankers Institute of Rural Development</p> <p>16. IBA: Indian Bank Association</p> <p>17. BPLR: Benchmark Prime Lending Rate</p> <p>18. SWOT: Strength, Weaknesses, Opportunities & Threats</p> <p>19. SWIFT: Society For Worldwide Interbank Financial Telecommunication</p> <p>20. FERA: Foreign Exchange Regulatory Act</p> <p>21. FEMA: Foreign Exchange Management Act</p> <p>22. CASA: Current & Saving Account</p> <p>23. NDTL: Net Demand & Time Liabilities</p> <p>24. NASDAQ: National Association For Securities Dealers Automated Quotations</p> <p>25. CRISIL: Credit Rating & Investment Services India Limited</p> <p>26. CIBIL: Credit Information Bureau Of India Limited</p> <p>27. NAV: Net Asset Value</p> <p>28. ICRA: Indian Credit Rating Agency</p> <p>29. CARE: Credit Analysis & Research Limited</p> <p>30. WMAs: Ways & Means Advances</p> <p>31. ALM: Asset Liability Management</p> <p>32. INFINET Indian Financial Network</p> <p>33. OLTAS - On-line Tax Accounting System (OLTAS) for Direct Taxes</p> <p>34. TIN - Tax Information Network (TIN)</p> <p>35. IMPS - Interbank Mobile Payment Service (IMPS) or Immediate Payment Service</p> <p>36. CDR- Corporate Debt Restructuring</p> <p>37. CAD- Capital Account Deficit</p>	<p>38. REITs: Real Estate Investment Trusts</p> <p>39. InvITs: Infrastructure Investment Trusts</p> <p>40. ALM- Asset Liability Management</p> <p>41. ASBA: Application Supported by Blocked Amount</p> <p>42. PIN: Personal Identification Number</p> <p>43. CECA: Comprehensive Economic Cooperation Agreement</p> <p>44. CEPA: Comprehensive Economic Partnership Agreements</p> <p>45. DTAA - Double Taxation Avoidance Agreement</p> <p>46. EFSF - European Financial Stability Facility</p> <p>47. FINO- Financial Inclusion Network Operation</p> <p>48. FIPB - Foreign Investment Promotion board</p> <p>49. FSLRC- Financial Sector Legislative Reforms Commission</p> <p>50. CRAR: Capital to Risk-weighted Assets Ratio</p> <p>51. LCR: Liquidity Coverage Ratio</p> <p>52. TARC - Tax Administration Reform Commission</p> <p>53. GIRO - Govt. Internal Revenue Order</p> <p>54. FRBMA: Fiscal Responsibility & Budget Management Act</p> <p>55. AMFI- Association of Mutual Fund in India.</p> <p>56. TIEA - Tax Information exchange Agreement</p> <p>57. GAAR - General anti avoidance rule</p> <p>58. GSLV - Geo-Synchronous Launch Vehicle</p> <p>59. PPP - Public Private Partnership & Purchasing Power parity</p> <p>60. PSLV - Polar Satellite Launch vehicle</p> <p>61. TAPI - Turkmenistan-Afghanistan-Pakistan-India.</p> <p>62. QFI -Qualified Foreign Investors</p> <p>63. AD-Authorized Dealer.</p> <p>64. ASSOCHAM-Associated Chambers of Commerce & Industry of India.</p> <p>65. BCSBI-Banking Codes & Standards Board of India.</p> <p>66. BIS-Bank for International Settlements.</p> <p>67. CDS-Credit Default Swap.</p> <p>68. CEPA-Comprehensive Economic Partnership Management.</p> <p>69. FIMMDA-Fixed Income Money MARKETS & Derivatives Association.</p> <p>70. FPI-Foreign Portfolio Investment.</p> <p>71. IBRD-International Bank for Reconstruction & Development.</p>
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72. UIDAI-Unique Identification Development Authority of India.
 73. PMGSY- Pradhan Mantri Gram Sadak Yojana
 74. PMEGP- PM's Employment Generation Programme
 75. NRDWP- National Rural Drinking Water Programme
 76. PMKK- Pradhan Mantri Kaushal Kendras
 77. SANKALP- Skill Acquisition & Knowledge Awareness for Livelihood Promotion programme
 78. STRIVE- Skill Strengthening for Industrial Value Enhancement
 79. NTA- National Testing Agency
 80. ICDS- Integrated Child Development Services
 81. TIES- Trade Infrastructure for Export Scheme
 82. FIPB- Foreign Investment Promotion Board
 83. CERT-Fin- Computer Emergency Response Team for our Financial Sector
 84. IRFC- Indian Railway Finance Corporation Limited
 85. FFO- Further Fund Offering

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Topic 33: The HQ of NATIONALIZED/PSBs BANKS

- Allahabad Bank-Kolkata
- Bank of India -Mumbai
- Bank of Maharashtra -Pune
- Canara Bank -Bangalore
- Central Bank of India -Mumbai
- Corporation Bank -Mangalore
- Dena Bank -Mumbai
- Indian Bank- Chennai
- Indian Overseas Bank- Chennai
- Oriental Bank of Commerce- Gurgaon
- Punjab National Bank- New Delhi

- Punjab & Sind Bank- New Delhi
- State Bank of India- Mumbai
- Syndicate Bank- Manipal
- UCO Bank- Kolkata
- Union Bank of India- Mumbai
- United Bank of India- Kolkata
- Vijaya Bank- Bangalore
- Andhra Bank- Hyderabad
- Bank of Baroda- Vadodra
- IDBI Bank- Mumbai
- IPPB- New Delhi

Topic 34: Financial Regulations | Institutions | Organizations

Chit Funds	Respective State Govt.s
Insurance companies	IRDA
Housing Finance Companies	NHB
Venture Capital Fund /	SEBI
Merchant Banking companies	SEBI
Stock broking companies	SEBI
Nidhi Companies	Ministry of corporate affairs, Govt. of India

■ NABARD is the "Micro-Finance Regulatory Authority"

Small Industries Development Bank of India (SIDBI)

■ Small Industries Development Bank of India (SIDBI in short) was established in the year 1990 (Date: 2nd April 1990) under the Small Industries Development Bank of India Act 1989 as a subsidiary of Industrial Development Bank of India.

- Chairman- Mohammad Mustafa
- Head Quarters: Lucknow

Securities & Exchange Board of India (SEBI)

■ It is the regulator for the securities market in India. SEBI was initially established as a non statutory body in April 1988, to regulate the working of stock exchange. Later it was given a statutory status on April 1992 via SEBI Act, 1992 with the following objectives.

- Chairman- Ajay Tyagi
- Head Quarters : Mumbai

National Bank for Agriculture & Rural Development

- Established on 12th July 1982 on the recommendation of CRAFICARD committee (also called as Sivaraman Committee)
- For Agricultural finance, It is the apex organization.
- Chairman: Dr. Harsha Kumar Bhanwala
- Head Quarters: Mumbai
- Rural Infrastructure Development Fund (RIDF) is operated by NABARD, instead in April 1995.

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REGIONAL RURAL BANK (RRB):

- Regional Rural Bank Were Set Up By An Ordinance In 1975, Later Replaced By RRBs Act, 1976 As Pre Banking Commission Recommendation In 1975.
- Father Of RRB Is M.Swaminathan.
- The Govt. Of India Had Appointed A Working Group On Rural Banks Under The Chairmanship Of Mr. M. Narasimham In 1975. First RRBs Were Set Up On 2nd Oct.
- Share Holder Contribution: Govt. Of India 50% Sponsor Bank 35% State Govt. 15%.

EXIM BANK:

- Export-Import (EXIM) Bank of India is the principal financial institution in India for coordinating the working of institutions engaged in financing export & import trade.
- It is a statutory corporation wholly owned by the Govt. of India.
- It was established on January 1, 1982 for the purpose of financing, facilitating & promoting foreign trade of India.
- Chairman- David Rasquinha | Headquarters : Mumbai

NATIONAL HOUSING BANK(NHB)

- It is the apex institution of housing finance in India, was set up as wholly owned subsidiary of RBI.
- The bank started its operations from July 1988.
- NHB is a subsidiary bank of Reserve Bank of India.
- National Housing Bank was established under section 6 of National Housing Bank Act (1987).
- The HQ: of NHB is in New Delhi | Chairman: Shri Sriram Kalyanaraman

ECCG

- Export Credit Guarantee Corporation of India. This organisation provides risk as well as insurance cover to

the Indian exporters. | Chairman- Geetha Muralidhar | Head Quarters : Mumbai

CLEARING CORPORATION OF INDIA

- Clearing Corporation of India Limited (CCIL) was incorporated on 30th April 2001, as the country's first clearing house for the Govt. securities, forex & other related market segments. It commenced operations from Feb 15, 2002. It provides a system for efficient clearing of money, Govt. securities & foreign exchange market transactions.

BANKING CODES & STANDARDS BOARD OF INDIA

- Banking Codes & Standards Board of India (BCSBI) was set up on the lines of a similar set up in UK to oversee the Fair Practice Code evolved by the Bankers.
- **Members:** The Board was set up as a Society, under the Societies Registration Act, 1860. Commercial banks, RRBs & Urban Coop Banks are its members.
- **A Governing council of the BCSBI looks after its financial affairs & managerial policies.** The tenure of the Council is 5 years & the appointment of the Council after 5 years would be with the concurrence of the RBI.

Indian Banks' Association (IBA)

- **Indian Banks' Association (IBA)** set up in 1946 with 22 members to discuss issues of common interests. Over the years, IBA emerged as the Voice of Indian Banking Industry. IBA adopts a consultative approach to give its views on any issue pertaining to banking sector. **As on December 28, 2015** the total Membership of the Association is 237.
- **Ordinary: 139 Associate: 98 Total: 237**
- **Usha Ananthasubramanian** is present Chairman of IBA & its headquarter is in Mumbai.

Topic 35: Important Financial Schemes of the Government

KISAN VIKAS PATRA From 1st October 2018

- KVP are regulated by KVP Rules 2014, Scheme is available through Post Offices & those banks that are authorized to operate PPF scheme.
- **Denomination:** Rs.1000, Rs.5000, Rs.10000 & Rs.50000
- **Types of certificates:** Category Single, Joint A-Type & Joint B-Type (E/S).

▪ **Maturity period: 112 Months**

▪ **Rate of Interest: 7.7%.**

▪ **Rate of interest:** Rs.1000 becomes double during the maturity period.

1. Nomination facility, 2. Pledge for loan facility & 3. premature payment after 2 years & 6 months subject to certain conditions, is eligible.

Topic 36: List of Mergers in the Indian Banking Industry

The Bank which acquired	The Bank which got Merged	Year of Merger
State Bank of	5 SBI's Associate	2017

India	Banks & Bharatiya Mahila Bank	
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Kotak Mahindra Bank	ING Vysya Bank	2016
ICICI Bank	Bank of Rajasthan	2010
State Bank of India	State Bank of Indore	2009
State Bank of India	State Bank of Saurashtra	2008
HDFC Bank	Centurion Bank of Punjab	2008
Centurion Bank of Punjab	Lord Krishna Bank	2007
Indian Overseas Bank	Bharat Overseas Bank	2007
IDBI Bank	United Western Bank Ltd.	2006
Federal Bank	Ganesh Bank of Kurundwad	2006
Centurion Bank	Bank of Punjab (BoP)	2005
IDBI Bank Limited	IDBI Limited	2005

Oriental Bank of Commerce	Global Trust Bank (GTB)	2004
Punjab National Bank	Nedungadi Bank	2003
Bank of Baroda	Benares State Bank	2002
ICICI Bank Limited	ICICI Limited	2002
ICICI Bank	Bank of Madura	2001
HDFC Bank	Times Bank	2000
Union Bank of India	Sikkim Bank	1999
State Bank of India	Kashinath State Bank	1995
Bank of India	Bank of Karad	1994
Punjab National	Bank New Bank of India	1993
State bank of India	Bank of Cochin	1985
Canara Bank	Lakshmi Commercial Bank	1985

Topic 37: What are the Sectors in the Indian Economy?

- Indian Economy is normally categorized into **three** sectors namely - **1. Primary Sector 2. Secondary Sector 3. Tertiary Sector**
- **Primary Sector:** Primary Sector is directly dependent on environment for manufacture & production. For example, agriculture, mining, farming etc.
- **Secondary Sector:** Secondary Sector adds value to the products by transforming raw materials into valuable

products. For example, processing & construction industries.

- **Tertiary Sector/Service Sector:** Tertiary Sector is involved in production & exchange of services. For example, transportation, communication, & other services of such kind. **Tertiary Sector is also known as Services Sector** as it facilitates the production & exchanges of services.

Topic 38: A Brief on Printing & Minting of Currencies in India

- In India, RBI is engaged in printing of all notes & production of coins is handled by Government under The Coinage Act, 1906.
- RBI determines what volume of currency is required at a particular time.
- The production of bank notes, coins, non-judicial stamps, postage stamps & other govt. documents is managed by Security Printing & Minting Corporation of India Limited(SPMCIL). It was established in 2006.

- Currency is also printed by RBI which has two printing presses & owned by **Bhartiya Reserve Bank Note Mudran Limited**. These are located in Mysore, Karnataka & Salboni, West Bengal.
- **Indian security Press** is located in Nashik & **Security Printing Press** is located in Hyderabad.

A brief on the Minting of Coins

- Security Printing & Minting Corporation of India Limited (SPMCIL) comprises four mint:
 - ❖ India Government Mint, Mumbai
 - ❖ India Government Mint, Kolkata
 - ❖ India Government Mint, Hyderabad
 - ❖ India Government Mint, Noida
- The main objectives of these mints is to produce coins, medals & awards, as per the requirements of India.
- Mumbai mint is known for producing standardized weights & measures.

A brief on the Printing Presses

- a) The first printing press of **India Currency Note Press (CNP)** was established in 1928 for printing bank notes in India. This press is located in Nashik, Maharashtra.
- b) **Bank Note Press (BNP)** has two branches located in Mysore, Karnataka & Dewas, Madhya Pradesh. Currently both CNP & BNP print Indian currency.

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- d) Noida is known as the first mint in the country to produce stainless steel coins.

Points to Remember

- Special kind of paper is required for the printing of bank notes & non-judicial stamps. This paper is produced in special Security Paper Mill which was established in 1968 at **Hoshangabad**, Madhya Pradesh.

▪ 2 currency note printing presses owned by GOI & 2 are owned by RBI, through the Bharatiya Reserve Bank Note Mudran Ltd. (BRBNML). GOI presses are at Nasik (Western India) & Dewas (Central India). RBI presses are at Mysore (Southern India) & Salboni (Eastern India).

▪ Coins are minted in four mints owned by GOI which are located at Mumbai, Hyderabad, Calcutta & NOIDA.

Topic 39: What is the Mudra Scheme?

- a) MUDRA stands for Micro Units Development & Refinance Agency Ltd.
- b) Financial institution set up by GOI for development & refinancing micro units enterprises.
- c) The purpose is to provide funding to the non-corporate small business sector through various Last Mile Financial Institutions like Banks, NBFCs and MFIs.
- d) It is responsible for refinancing all Last Mile Financiers such as Non-Banking Finance Companies, Societies, Trusts, Section 8 Companies, Co-operative Societies, Small Banks, Scheduled Commercial Banks and Regional Rural Banks.
- e) Under the aegis of Pradhan Mantri MUDRA Yojana (PMMY), MUDRA has already created its initial

products / schemes. The financial limit for these schemes are:-

Shishu: covering loans upto Rs. 50,000/-

Kishor: covering loans above Rs. 50,000/- and upto 5 lakhs

Tarun: covering loans above Rs. 5 lakhs to 10 lakhs

f) Pradhan Mantri Mudra Yojana is a Government of India scheme, which enables a small borrower to borrow from banks, MFIs, NBFCs for loans upto 10 lakhs for non-farm income generating activities. Generally, loans upto 10 lakhs issued by banks under Micro Small Enterprises is given without collaterals.

g) Shri Mohammad Mustafa is the Head currently.

Topic 40: Headquarters of the International Financial Organizations

Name of the Organization	HQ
IMF International Monetary Fund	Washington, DC
IBRD International Bank for Reconstruction and Development	Washington, DC
IFC International Finance Corporation	Washington, DC
IDA International Development Association	Washington, DC
ICSID, International Centre for Settlement of Investment Disputes	Washington, DC
MIGA Multilateral Investment Guarantee Agency	Washington, DC
World Trade Organization (WTO)	Geneva
AFDB African Development Bank	Abidjan

ADB Asian Development Bank	Manila
EBRD European Bank for Reconstruction & Development	London
BIS Bank of International Settlements	Basel
EIB European Investment Bank	Luxembourg
AACB African Association of Central Banks	Dakar, Senegal
IIB International Investment Bank	Moscow, Russia
SEACEN South East Asian Central Banks Centre	Kuala Lumpur, Malaysia

Topic 41: Important Financial, Economics & Budget Terms

- **Fiscal Responsibility and Budget Management Act:** The Act is an attempt to make the Government adhere to a phased plan to reduce fiscal deficit, which denotes an excess of expenditure over revenue.
- **Dividend Distribution Tax:** This is a tax levied on companies that pay out dividends to its shareholders, i.e. share a portion of earnings with them.

- **Venture Capital Funds:** These are funds that invest in startups, a financially riskier proposition than investing in established companies.
- **Securities Transaction Tax:** It is a tax on all transactions done over the stock exchanges involving securities such as shares, derivatives, and equity-linked mutual funds.

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- **Capital Gains Tax:** It is a tax on the gains that ensue when an asset is sold for a price higher than what it was bought for.
- **Ad Valorem Tax:** This is charged as a percentage of the value of a good or service, not at a specific rate per unit.
- **Advance Pricing Agreement (APA):** It is an agreement between a taxpaying entity and the taxman that indicates how the former will price transactions with its associates.
- **Fiscal Consolidation:** The term refers to the things a Government does to maintain good fiscal health – cut debt and wasteful expenditure and improve revenue opportunities.
- **Current Account Deficit:** It is a trade measure that shows the value of a country's imports of goods and services to be higher than the value of its exports.
- **Bear market:** A period during which the majority of securities prices in a particular market (such as the stock market) drop substantially.
- **Bull market:** A period during which the majority of securities prices in a particular market (such as the stock market) rise substantially.
- **Inflation risk:** The risk that the purchasing power of the future value of assets or income will be lower due to inflation.
- **Interest rate risk:** Risk of gain or loss on a security due to possible changes in interest rate levels. When interest rates rise, the market value of a debt security will fall, and vice versa.
- **Direct and Indirect Taxes:** Direct taxes are the one that fall directly on individuals and corporations. For example, income tax, corporate tax etc. Indirect taxes are imposed on goods and services. They are paid by consumers when they buy goods and services. These include excise duty, customs duty etc.
- **Customs Duty:** These are levies charged when goods are imported into, or exported from, the country, and they are paid by the importer or exporter. Usually, these are also passed on to the consumer.
- **Primary Deficit:** The primary deficit is the fiscal deficit minus interest payments. It tells how much of the Government's borrowings are going towards meeting expenses other than interest payments.
- **Fiscal policy:** It is the government actions with respect to aggregate levels of revenue and spending. Fiscal policy is implemented through the budget and is the primary means by which the government can influence the economy.
- **Fiscal Deficit:** When the government's non-borrowed receipts fall short of its entire expenditure, it has to borrow money from the public to meet the shortfall. The excess of total expenditure over total non-borrowed receipts is called the fiscal deficit.
- **Revenue Deficit:** The difference between revenue expenditure and revenue receipt is known as revenue deficit. It shows the shortfall of government's current receipts over current expenditure.
- **Capital Budget:** It consists of capital receipts and payments. It includes investments in shares, loans and advances granted by the central Government to State Governments, Government companies, corporations and other parties.
- **Vote on Account:** The Vote on Account is a grant made in advance by the parliament, in respect of the estimated expenditure for a part of new financial year, pending the completion of procedure relating to the voting on the Demand for Grants and the passing of the Appropriation Act.
- **Guillotine:** Parliament, unfortunately, has very limited time for scrutinising the expenditure demands of all the Ministries. So, once the prescribed period for the discussion on Demands for Grants is over, the Speaker of Lok Sabha puts all the outstanding Demands for Grants, Whether discussed or not, to the vote of the House. This process is popularly known as 'Guillotine'.
- **Public Account:** Under provisions of Article 266(1) of the Constitution of India, Public Account is used in relation to all the fund flows where Government is acting as a banker. Examples include Provident Funds and Small Savings. This money does not belong to government but is to be returned to the depositors. The expenditure from this fund need not be approved by the Parliament.

Topic 42: Major Controls/Schemes introduced in Banking Sector from 1968

Year	Reform Introduced
1962	In order to ensure the safety of deposits of small depositors in banks in India, Deposit Insurance Corporation Act, 1961 was enacted. Deposit Insurance Corporation of India was established in January 1962.
1963	Agricultural Refinance Corporation (ARC) was set up by the Act of July 1, 1963. Its objective was to refinance central land mortgage banks, State cooperative banks and scheduled commercial banks.
1965	Credit Authorisation Scheme(CAS) was introduced, under which the commercial banks were required to obtain prior permission of RBI for sanctioning any fresh working capital limits above the prescribed norm which was revised from time to time.
1968	National Credit Council (NCC) set up in Feb. 1968

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	to assist RBI & Govt. to allocate credit according to plan priorities.
1969	Fourteen banks with deposits of over Rs.50 crores were nationalised.
1969	Lead Bank Scheme was introduced to mobilise deposits on a massive scale throughout the country and also for stepping up lending to the weaker sections.
1972	Concept of Priority Sector was formalised. Specific targets were set out in Nov 1974 for public sector banks & in Nov. 1978 for private sector banks.
1972	Differential Rate of Interest (DRI) Scheme was instituted to cater to the needs of the weaker sections of the society and for their upliftment.
1980	Six Banks with demand and time liabilities greater than Rs.200 crore as on March 14, 1980, were nationalised on April 15, 1980.
1994	Board for Financial Supervision (BFS) was set up within RBI to attend exclusively to supervisory functions & provide effective supervision in an integrated manner over the banking system, financial institutions, NBFCs & other para-banking financial institutions.
1995	Banking Ombudsman Scheme was introduced under the provisions of the BR Act, 1949.
2006	Banking Codes and Standards Board of India (BCSBI) was set up by Reserve Bank in order to provide for voluntary registration of banks committing to provide customer services as per

	the agreed standards and codes.
	The roadmap for the presence of foreign banks in India was drawn up in February 2005.
	Banks were advised to introduce a facility of 'no frills' account with nil or low minimum balances in November 2005.
	Recovery of Debts Due to Banks and Financial Institutions Act was enacted in 1993, which provided for the establishment of tribunals for expeditious adjudication and recovery of non-performing loans. Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act , 2002 was enacted in March, 2002.

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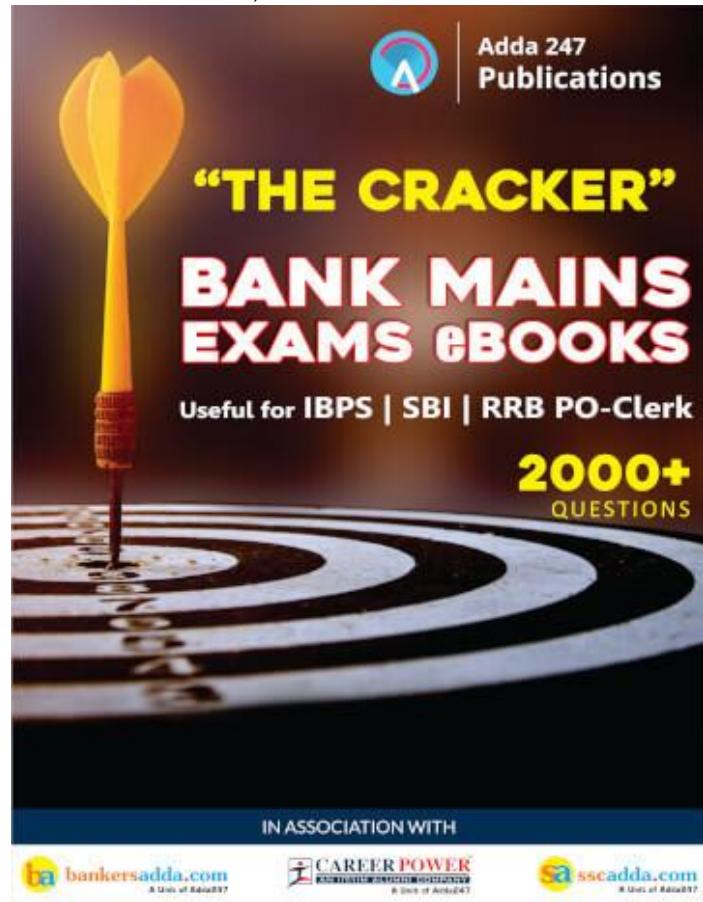
Topic 43: History of Banking Sector in India

- a) The first bank of a joint stock variety was Bank of Bombay, established in 1720 in Bombay. This was followed by Bank of Hindustan in Calcutta, which was established in 1770 by an agency house.
- b) The General Bank of Bengal and Bihar, which came into existence in 1773, after a proposal by Governor (later Governor General) Warren Hastings, proved to be a short-lived experiment.
- c) The first 'Presidency bank' was the Bank of Bengal established in Calcutta on June 2, 1806 with a capital of Rs.50 lakh. The bank was given powers to issue notes in 1823.
- d) Bank of Bombay was the second Presidency bank set up in 1840 with a capital of Rs.52 lakh, and the Bank of Madras the third Presidency bank established in July 1843 with a capital of Rs.30 lakh.
- e) With the collapse of the Bank of Bombay, the New Bank of Bombay was established in January 1868.
- f) The Presidency Bank Act, which came into existence in 1876, brought the three Presidency banks under a common statute and imposed some restrictions on their business.
- g) The first Indian owned bank was the Allahabad Bank set up in Allahabad in 1865, the second, Punjab National Bank was set up in 1895 in Lahore, and the third, Bank of India was set up in 1906 in Mumbai. All these banks were founded under private ownership.
- h) Swadeshi Movement of 1906 provided a great impetus to joint stock banks of Indian ownership and many more Indian commercial banks such as Central Bank of India, Bank of Baroda, Canara Bank, Indian Bank, and Bank of Mysore were established between 1906 and 1913.
- i) The late Shri Vithal L Kavthekar pioneered the urban co-operative credit movement in the year 1889 in the then princely State of Baroda.
- j) The first registered urban co-operative credit society was the Conjeevaram Urban Co-operative Bank, organised in Conjeevaram, in the then Madras Presidency.

Note: They were known as Presidency banks as they were set up in the three Presidencies that were the units of administrative jurisdiction in the country for the East India Company. The Presidency banks were governed by Royal Charters. The Presidency banks issued currency notes until the enactment of the Paper Currency Act, 1861, when this right to issue currency notes by the Presidency banks was abolished and that function was entrusted to the Government.

- k) The presidency banks were amalgamated into a single bank, the Imperial Bank of India, in 1921. It also functioned as a central bank prior to the establishment RBI. The Imperial Bank of India performed three set of functions, viz., commercial banking, central banking and the banker to the government.
- l) By 1930, the number of commercial banks increased to 107 with the Imperial Bank of India still dominating the Indian banking sector.
- m) Indian Central Banking Enquiry Committee was set up in 1929 to survey extensively the problems of Indian banking, observed that a central bank be established for the country.
- n) Reserve Bank of India Act 1934 was enacted paving the way for the setting up of the Reserve Bank of India. The issue of bank failures and the need for catering to the requirements of agriculture were the two prime reasons for the establishment of the Reserve Bank. The banking sector came under the purview of the Reserve Bank in 1935.
- o) The Government, therefore, first implemented the exercise of nationalisation of the Imperial Bank of India with the objective of "extension of banking facilities on a large scale, more particularly in the rural and semi-

urban areas, and for diverse other public purposes". The Imperial Bank of India was converted into the State Bank of India in 1955 with the enactment of the State Bank of India Act, 1955.



Topic 44: Important Financial Abbreviations Part 2

- ❖ ADRs - American Depository Receipts
- ❖ CAGR - Compounded Annual Growth Rate
- ❖ CDSL - Central Depository Services (India) Limited
- ❖ ECS - Electronic Clearing Scheme
- ❖ FIIs - Foreign Institutional Investors
- ❖ GETFs - Gold Exchange Traded Funds
- ❖ IFCI - Industrial Financial Corporation of India
- ❖ IPO - Initial Public Offering
- ❖ NSC - National Savings Certificate
- ❖ OTCEI - Over the Counter Exchange of India Limited
- ❖ Industrial Credit and Investment Corporation of India Bank
- ❖ NISM: National Institute of Securities Market
- ❖ SIP: Systematic Investment Plan
- ❖ SWP: Systematic Withdrawal Plan
- ❖ AAY: Antyodaya Anna Yojana
- ❖ CAA&A: Controller of Aid Accounts and Audit
- ❖ CFPI: Consumer Food Price Index

- ❖ CIRP: Corporate Insolvency Resolution Process
- ❖ CLSS: Credit Linked Subsidy Scheme
- ❖ DARE: Department of Agricultural Research and Education
- ❖ DDA: Doha Development Agenda
- ❖ DGCI&S: Directorate General of Commercial Intelligence and Statistics
- ❖ DGFT: Directorate General of Foreign Trade
- ❖ DIPAM: Department of Investment and public Asset Management
- ❖ DIPP: Department of Industrial Policy and Promotion
- ❖ DISCOMS: Distribution Companies
- ❖ EBRD: European Bank for Reconstruction and Development
- ❖ EFTA: European Free Trade Association
- ❖ EIB: European Investment Bank
- ❖ e-NAM: Electronic National Agriculture Market
- ❖ EPCG: Export Promotion on Capital Goods

- GCC: Gulf Cooperation Council
- IBC: Insolvency and Bankruptcy Code
- LFPR: Labour Force Participation Rate
- M0: Reserve Money
- M3: Broad money
- MDGs: Millennium Development Goals
- NAREDCO: National Real Estate Development Council
- NCDs: Non-Convertible Debentures
- NCLT: National Company Law Tribunal
- NICRA: National Innovations on Climate Resilient Agriculture

- PMAY: Pradhan Mantri Awas Yojana
- PMFBY: Pradhan Mantri Fasal Bima Yojana
- PMKSY: Pradhan Mantri Krishi Sinchayee Yojana
- POL: Petroleum Oil and Lubricants
- RMSA: Rashtriya Madhyamik Shiksha Abhiyan
- SSA: Sarva Shiksha Abhiyaan
- SUUTI: Specified Undertaking for Unit Trust of India
- UDAY: Ujjwal Discom Assurance Yojna
- UDISE: Unified District Information System for Education

Topic 45: Miscellaneous Banking Terms

- **Average Yield:** It is the sum of all interest that the investment generates divided the length of time the investor invested in it.
- **Net Interest Margin:** Net interest margin is the net interest income divided by average interest earning assets.
- **Bulk Deposits:** a) It means single Rupee term deposits of Rupees one crore & above for Scheduled Commercial Banks other than RRBs. b) For RRBs, it is the Single Rupee term deposits of Rupees fifteen lakhs and above.
- **"Notice deposits":** It means term deposit for specific period but withdrawable on giving at least one complete banking day's notice.
- **"Term deposit":** It means a interest bearing deposit received by the bank for a fixed period and shall also include deposits such as Recurring /Cumulative /Annuity /Reinvestment deposits and Cash Certificate.
- **Small Accounts:** It means a savings account in which:
 1. the aggregate of all credits in a financial year does not exceed rupees one lakh;
 2. the aggregate of all withdrawals and transfers in a month does not exceed rupees ten thousand; and
 3. the balance at any point of time does not exceed rupees fifty thousand.
- **LIBOR:** It is the average weighted interest rate on interbank loans provided by banks, that participate in the London interbank market and offer funds in different currencies for different time periods (from 1 day to 1 year).
- **Double Taxation Avoidance Agreement (DTAA):** It is a tax treaty signed between two or more countries. Its key objective is that tax-payers in these countries can avoid being taxed twice for the same income. It applies in cases where a tax-payer resides in one country and earns income in another.
- **DRI Loans**
DRI scheme provides bank loan at a concessional rate of interest of 4% per annum for productive / self employment ventures. SC/ST, minorities and physically

- handicapped persons are targeted under this scheme to boost financial inclusion.
- **Amortization:** It is the reduction of an amount at regular intervals over a certain time period. It mainly refers to the reduction of debt by regular payment of loan installments during the life of a loan. It also describes the accounting process of writing off an intangible asset.
 - **Lessor & Lessee:** Lessor and Lessee are two parties to a lease agreement. An agreement or a contract by which the owner (lessor) of a specified asset grants permission to another party (lessee) to use the asset for a specific period of time and with defined terms and conditions in return of periodic rentals, is termed as a lease. A lessor is a person or a party who is the owner of the asset under the lease agreement. The lessor holds the legal rights over an asset. A lessee is a person or a party who takes the asset on lease from the lessor (owner of the asset). The lessee is often termed as a tenant. The lessee is required to oblige the terms and conditions mentioned in the lease agreement.
 - **"Bailment":** It is the delivery of goods by one person to another for some purpose, upon a contract that they shall, when the purpose is accomplished, be returned or otherwise disposed of according to the directions of the person delivering them. The person delivering the goods is called the "bailor". The person to whom they are delivered is called the "bailee".
 - **Derivative:** A derivative instrument derives its value from an underlying product. There are basically three derivatives
 - a) **Forward Contract-** A forward contract is an agreement between two parties to buy or sell an agreed amount of a commodity or financial instrument at an agreed price, for delivery on an agreed future date. **Future Contract-** Is a standardized exchange tradable forward contract executed at an exchange.
 - b) **Options-** An option is a contract which grants the buyer the right, but not the obligation, to buy (call option) or sell (put option) an asset, commodity, currency or financial instrument at an agreed rate (exercise price) on

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- or before an agreed date (expiry or settlement date). The buyer pays the seller an amount called the premium in exchange for this right. This premium is the price of the option.
- c) **Swaps-** Is an agreement to exchange future cash flow at pre-specified Intervals. Typically one cash flow is based on a variable price and other on affixed one.
- **Restructuring:** A restructured account is one where the bank, grants to the borrower concessions that the bank would not otherwise consider.
- **CASA Deposit:** Deposit in bank in current and Savings account.
- **Liquid Assets:** Liquid assets consists of: cash, balances with RBI, balances in current accounts with banks, money at call and short notice, inter-bank placements due within 30 days and securities under "held for trading" and "available for sale" categories excluding securities that do not have ready market.
- **ALCO:** Asset-Liability Management Committee (ALCO) is a strategic decision making body, formulating and overseeing the function of asset liability management (ALM) of a bank.
- **Consortium Financing:** It occurs for transactions that might not take place with a single lender. Several banks agree to jointly supervise a single borrower with a common appraisal, documentation and follow-up and own equal shares in the transaction.
- **Moratorium Period:** Moratorium period or EMI holiday period refers to a particular duration in the loan tenure when the borrower is not required to pay EMIs. This holiday period is mostly available for salaried individuals. Although the borrower is not required to pay EMIs, the loan amount would still continue to incur interest during this period.
- **A Brief on Insolvency and Bankruptcy Board of India**
- a) It was established on 1st October, 2016 under the Insolvency and Bankruptcy Code, 2016 (Code).
 - b) It is a key pillar of the ecosystem responsible for implementation of the Code that consolidates and amends the laws relating to reorganization and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner for maximization of the value of assets of such persons, to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders.
 - c) It is a unique regulator: regulates a profession as well as processes.
 - d) It has regulatory oversight over the Insolvency Professionals, Insolvency Professional Agencies, Insolvency Professional Entities and Information Utilities.
 - e) Dr. M. S. Sahoo is the Chairperson.

