BANKING TERM

RESERVED RATIO
CRR- Under section 42(1) of rbi act 1934, every SCB in india has to keep a part of their NET DEMAND AND TIME LIABILITY with rbi in the form of ONLY CASH.
It is maintained by only schedule commercial bank and comes under rbi act 1934.

SLR- According to section 24(2A) of BANKING REGULATION ACT 1949, all financial institution (NBFC, SCB, RRB etc.) has to maintain some percentage of their NET DEMAND AND TIME LIABILITY with themselves at all time.
Slr is maintain in the form of CASH, GOLD, G SEC, CURRENT A/C WITH OTHER BANKS AND LISTED DEPOSIT WITH RBI.

objective of SLR
1. to restrict the expansion of bank credit.
2. to enhance the investment in g sec
3. to ensure solvency of banks.
MAX SLR CAN BE 40%
MINIMUM IS whatever the percentage..

NOTE- if any bank have Rs. 100 as their net demand and time liability then how much of this is always secured?
ans - CRR + SLR (as they are called as reserve ratio. they can not be lent by bank.)

RTGS. What is RTGS? Short Notes on Real-time gross settlement (RTGS). All about Real-time gross settlement (RTGS).
Real-time gross settlement (RTGS) maintains by the Reserve Bank of India .

RTGS system is a funds transfer mechanism where transfer of money takes place from one bank to another on a 'real time' and on 'gross' basis. This is the fastest possible money transfer system through the banking channel. Settlement in 'real time' means payment transaction is not subjected to any waiting period. The transactions are settled as soon as they are processed. 'Gross settlement' means the transaction is settled on one to one basis without bunching with any other transaction. Considering that money transfer takes place in the books of the Reserve Bank of India, the payment is taken as final and irrevocable.
RTGS is a large value funds transfer system whereby financial intermediaries can settle interbank transfers for their own account as well as for their customers. The minimum value of transaction in RTGS system is Rs 2,00,000. The system effects final settlement of interbank funds transfers on a continuous, transaction-by-transaction basis throughout the processing day. Customers can access the RTGS facility between 9 am to 4:30 pm on weekdays and 9 am to 1:30 pm on Saturdays.

Important Points to Remember about **NABARD:**
*. National Bank for Agriculture and Rural Development (NABARD) is an apex development bank in India.
*. NABARD was established on the recommendations of Shivaraman Committee.
*. NABARD was established by an act of Parliament on 12 July 1982 to implement the National Bank for Agriculture and Rural Development Act 1981 .
*. NABARD replaced the Agricultural Credit Department (ACD) and RuralPlanning and Credit Cell (RPCC) of Reserve Bank of India, and Agricultural Refinance and Development Corporation (ARDC).
*. Headquarters of NABARD is situated in Mumbai, Maharashtra, India.
*. The Present Chairman of NABARD is Dr. Prakash Bakshi.

*. NABARD completed its 25 years on12 July 2007 and Completed its 30year in 12 July, 2012.
*. NABARD announced Rural Innovation award to celebrate it's 30th foundation day.

NO FRILLS ACCOUNT

No frill account is a type of bank account, with low / Zero balance requirement with extra-features removed.

In simple words it: If a company makes its service/product cheaper by removing the extra features, that is no frill.
eg. Dish TV package without 100 sports channels.

RBI came up with this No-frill concept, because poor people cannot open regular bank accounting having requirements like Rs.5000/- minimum balance etc.

So there are no frill accounts for them. So that poor people can open bank accounts and take loans, that'll save them from the 36% interest rate charged by the evil money lenders.

- Account can be opened with a minimum initial deposits of Rs.5/- and maintained at the minimum balance of Rs 5, no penalty charges will be deducted in case the minimum balance reaches zero.
- The Account holders will not be eligible for Cheque Book and ATM card facilities
- Maximum numbers of withdrawals are restricted to 30 every 6 months.
- Duplicate passbook may be issued to the account holder with a charge of Rs.10/-

As you can see above, it doesn't have the extra-features like Cheque book and ATM etc. So it is no-frill (because extra-features removed).

Advantages
· Rural women can put their hard earned money in it, less chances of theft or husband spending it on Desi liquor.
· Can get easy loans, saved from the clutches of moneylenders.
· Some banks even offer free of charge DD (demand drafts) like 2 per month.
· No frill account holder can convert his/her account to regular saving account later.

now no frill accounts have been replaced by BASIC

1. What is a Repo Rate?
A: Repo rate is the rate at which our banks borrow rupees from RBI. Whenever the banks have any shortage of funds they can borrow it from RBI. A reduction in the repo rate will help banks to get money at a cheaper rate. When the repo rate increases, borrowing from RBI becomes more expensive. Which means when repo rate increases bank will get money from rbi at higher rate ===bank will lend to customer at higher rate
higher repo===higher rate of loan by banks===reduction in flow of money as people will not take money at higher rate only needy people will take......At present the Repo Rate is 7.75%(as on 29/01/13)

2. What is Reverse Repo Rate?
A: This is exact opposite of Repo rate. Reverse Repo rate is the rate at which Reserve Bank of India (RBI) borrows money from banks. RBI uses this tool when it feels there is too much money floating in the banking system. Banks are always happy to lend money to RBI since their money is in safe hands with a good interest. An increase in Reverse repo rate can cause the banks to transfer more funds to RBI due to this attractive interest rates.
Banks are happy to lend to RBI because risk factor is negligible .....means if they lend to other parties then there is a possibility of repayment failure
so this is also a tool to control flow of funds in economy. Reverse Repo Rate at present is 6.75%(as on 29/01/13)

3. What is CRR Rate?
A: Cash reserve Ratio (CRR) is the amount of funds that the banks have to keep with RBI. If RBI decides to increase the percent of this, the available amount with the banks comes down. RBI is using this method (increase of CRR rate), to drain out the excessive money from the banks.CRR --- 4%

4. What is SLR Rate?
A:SLR (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. Current SLR- 23 %
SLR rate is determined and maintained by the RBI (Reserve Bank of India) in order to control the expansion of bank credit. SLR is determined as the percentage of total demand and percentage of time liabilities. Time Liabilities are the liabilities a commercial bank liable to pay to the customers on their anytime demand. SLR is used to control inflation and propel growth. Through SLR rate tuning the money supply in the system can be controlled efficiently.

5. What is Bank Rate?
A: Bank rate, also referred to as the discount rate, is the rate of interest which a central bank charges on the loans and advances that it extends to commercial banks and other financial intermediaries. Changes in the bank rate are often used by central banks to control the money supply.At present Bank Rate is 8.75%

6. RTGS ?
What is it: It’s a fund transfer mechanism that enables money to move from one bank to another on a real time and gross basis. Simply put, real time means the transaction is settled instantly without any waiting period and gross means that it is not bunched with any other transaction.
You can transfer a minimum of Rs 2 lakh through RTGS; there is no upper ceiling though. The bank will charge you Rs25-Rs50 for an outward RTGS transaction, inward transactions are free. RTGS is the fastest inter-bank money transfer facility available through secure banking channels in India. But not all branches in India are RTGS enabled. Visit the Reserve Bank of India’s (RBI) website for a list of branches where you will get this facility. The RTGS customer service window for customers is available from 9.00 hours to 16.30 Monday to Friday and 9.00 to 13.30 on Saturdays.

When do you need it: This facility would be handy during an emergency, when you need to transfer funds quickly, imagine an ill child studying in another city or a parent in an emergency situation and needing money at once. You would be able to use this facility if you use Internet banking as a channel.
It is mostly used by high networth individuals and businessmen, who have at least Rs2 lakh to be transferred business associates or clients.

7. NEFT ?
National electronic funds transfer
What is it: NEFT enables funds transfer from one bank to another but works a bit differently than RTGS since the settlement takes place in batches rather than individually, making NEFT slower than RTGS.
The transfer is not direct and RBI acts as the service provider to transfer the money from one account to another. You can transfer any amount through NEFT, even a rupee.
You won’t have to pay any fee for inward transfer of funds, but for outward transactions the charges can be from Rs5-Rs25 depending on the amount transferred.NEFT can be done 9.00hours to 19.00 hours on weekdays and on Saturdays 9.00 hours to 13.00 hours.
When do you need it: You can use this facility if you want to transfer funds online in a day or two.
NEFT can make life easier for those who need to send money to their parents or children living in another city. It cuts the trouble of issuing a cheque or draft and posting it.
NEFT, too, can be done only through Internet banking. Visit RBI website for a list of branches where you will get this facility.

8. Cheque ?
A: Cheque is a legal instrument to transfer money in writing signed by the person who deposited , addressed to the banker for paying money when demand arises ....
Now there are various types of cheques---

BANKING TERM

a-- Bearer Cheque---when the words or to the bearer is not cancelled on the cheque then it becomes bearer cheque ....it is very risky as anyone having a cheque can ask for payment.

b-- Order cheque-- when word bearer is cancelled ....then payment be made to the party mentioned in cheque .

c--Crossed Cheque-- when two parllel lines are drawn on cheque and word "Account Payee " is written then its crossed cheque and the payment of these cheques cannot be obtained from counter of the bank they are deposited in account only

9. Difference between repo rate and bank rate ?
A. DIFFERENCE BETWEEN BANK RATE AND REPO RATE

BANK RATE ---- IT IS FOR M LONG TERM ..... AND IS THE OUTCOME OF MONETARY POLICY........BANK RATE DECIDES THE RATE AT WHICH COMMERCIAL BANKS LEND TO CUSTOMER AS IF BANK RATE INCREASES MEANS BORROWING FROM RBI BECOMES COSTLY

REPO RATE---- IT IS FOR SHORT TERM...... BASICALLY TO MATCH THE WORKING CAPITAL NEEDS OF BANKS.......IN THIS COMMERCIAL BANKS SELL THEIR SECURITIES TO RBI WITH AN AGREEMENT TO REPURCHASE THEM AGAIN AT PRE SETERMINED RATE.

10. Devaluation ie. decrese of value of rupees against dollar ?
A. suppose 1$==rs 50
means for purchasing every dollar u have to pay rs 50
now is this ratio becomes 1$==rs 55
then this means u have to pay more
now its impact..........
export sector will be benefited as when they export they get money in dollars and when they exchange it for rupee then they get more money ....
import will be discouraged as if u purachse something u have to pay in dollars and for this u have to first change your currency in dollars and as rate is more so have to pay more so
this is called the situation of devaluation where export is promoted and import is curatiled...

11. Inflation, Deflation and Recession ?
A. Inflation is as an increase in the price of bunch of Goods and services that projects the Indian economy. An increase in inflation figures occurs when there is an increase in the average level of prices in Goods and services. Inflation happens when there are fewer Goods and more buyers; this will result in increase in the price of Goods, since there is more demand and less supply of the goods.
Deflation is the continuous decrease in prices of goods and services. Deflation occurs when the inflation rate becomes negative (below zero) and stays there for a longer period.
A true economic recession can only be confirmed if GDP (Gross Domestic Product)growth is negative for a period of two or more consecutive quarters

suppose u r a manufacturer of pen
u mark ur pen cost price is rs 10
if u get 12 on selling it is called inflation
if u get exactly ur cost price ie 10 then its deflation
and if u get below ur cost price ie rs 8 then its recession
so inflation is a situation when demand exceeds supply and hence producers charge more
recession is a situtaion when producers are not even able to get their cost price and hence after some time forced to shut down their loss making company..

12. Merchant Banking ?

A. Merchant banking is concerned with ipo and fpo for issuing shares in market company has to appoint a merchant banker who is responsible for all types approvals ,communications like from sebi, rbi etc and merchant banker have to fulfill all roc (registrar of companies) filling also.....

13. Money Laundering ?

A. basically it means converting black money into white money by depositing it into bank........now what happens is the money earned by drug trafficking or by some other such kind of process are referred as black money ....so money launderers deposit this amount in banks ....now there are chances that they may be caught by banks as amount involved is too much...........so they deposit money in small amounts and later on withdraw the same or they invest in some small investment schemes......

for getting rid of this KYC NORMS came into play .... which means know your customer ....in this customer ahve to deposit their verification ids and some like details with banks............

14. SEBI--SECURITIES AND EXCHANGE BOARD OF INDIA its functions ?

A. SEBI is a capital market regulator means all the capital transactions are goverened by sebi----

its major functions are---

a---protecting the interest of investor in securities market

b--promoting development of securities market

c---regulating the securities market......

15. IRDA---INSURANCE REGULATORY DEVELOPMENT AUTHORITY its functions ?

A. IRDA is the regulatory authority of insurance business

its functions are

a--protectinginterest of policy holders

b--specifing proper training,qualification etc to insurance people

c--levying fees ,commision etc for conducting insurance business

d--specifing the manner in which insurance company maintain their books of accounts

e--specifing margin of solvency

f--specifing general and life insurance business which company can take

16.Shadow Banking ?

A.shadow banking means those financial transactions which are not regulated ..... hence the risk involoved in these are very high..........shadow banking deals in money market instruments......and hence need money for early repayment .... now what happens is they invest for long term .....and borrow for short term.......so this match creates problem coz of lack of liquidity...........and second thing as they are not regulated so they cant take help from any other organisation like for eg central banks.........the crisis which world faced during was coz of shadow banking also.

17. Shadow clearance ?

A. m explaining it by way of example

suppose sbi got 5 cheques from its customers for clearance and these cheques are of uco bank ....no what sbi will do is they make a bundle of these cheques and send it to uco bank for clearance ......meanwhile sbi will make entry in their customer account that cheques are being sent for clearance and this entry is termed as shadow clearance..............and when uco bank makes payment then sbi will regularise this shadow clearance and transfer the payment in customer's account........

18. types of bank audit and appointment of auditor ?

A. broadly banks have 3 types of audit---

1--internal audit

2--external audit

3--audit conducted by banks when some person takes loan to check whether he actually own the property which he is going to mortgage or not

now coming to their appointment

external auditors or u can say statutory auditors are appointed by banks itself but there is some process means banks have to get the list of auditors from CAG and then have to get consent from auditors whether they are willing to work or not and they must not be disqualified to act as such ....and once they get consent banks have to send their names to rbi for approval .....

in case of RRB bank have to get approval from central government
internal auditors are appointed by board of directors........

19. Double taxation avoidance agreement ?
A. double taxation aviodance agreement ie dtaa is concerned with international taxation
for eg--- a person from india wants to setup his induatry in mauritus so now he have to pay tax as per indian law and as per mauritus law ..... so he is paying tax twice ..... so to avoid this double taxation dtaa is signed by various countries......now he dont have to pay tax to the tax twice for same income....

20. Hedging ?
A. hedging is a tool by which risk can be minimised in forex market........ by taking money from low interest rate country and investing where interest rate is high...........for eg---- suppose mr.a wants a loan of 1 lkh and in india he is getting loan at 5% and in america at 7% ...... so what he will do is he will take loan from india and invest in america...... by this he will minimise risk and make profit

21. MAT(Minimum Alternate Tax)
A. MAT(minimum alternate tax) is a tax which industries have to pay even if they are operating in tax free zone.........this concept came due to reliance........... what relaince do is they setup their industries in tax free zone and enjoy whole profits without spending a penny on tax........... so govt made provisions under which industries have to pay a minimum tax on their profit......

22. Inflationary gap ?
A. inflationary gap means difference between supply and demand above full employment ....means if demand exceeds supply which country can produce at its extreme ..... then this gap is called inflationary gap............. for eg ---- suppose country demands 10 units while its supply could only be 5 units .... so the gap of 5 units is inflationary gap

23.fiat money
a. the money which is not backed by gold or such kind of reserves...... these are declared by govt thats y they circulate in market ....

24. **Offshore banking**
is a type of banking conducted at an offshore bank, which is a bank located outside the depositor's own country, usually in an area where the taxes are low, and there are other financial and legal benefits. These benefits include, but are not limited to greater privacy due to bank secrecy, easy access to deposits and protection against local economic, financial, or political risks.

25.Online banking
allows bank clients to keep track of their finances whenever they find it convenient. Financial transactions can be conducted through a secure website owned and operated by a bank, virtual bank, building society, or credit union. Online banking services have some common features, which generally fall into several categories. Transactional features pertain to the carrying out of financial transactions such as opening new accounts, applying for loans, wire transfers, bill payments, etc. Payments can be made to third parties, such as telegraphic transfers and bill payments. Non-transactional features are related to cobrowsing, check links, online statements, etc. These encompass viewing paid checks, downloading bank statements, and viewing transactions. Other features relate to the transaction approval process, management of multiple account users, and administration.
Online banking services allow bill payment and other banking transactions over the Internet. With Internet and other advanced technology, bank customers do not have to go the nearest branch any longer. They can communicate and shop online and even do their banking. A major benefit of online banking is that clients do not have to wait for their statements to arrive so that they can check the account balance. This can be done every day by reviewing the online account. Clients can check transactions and balances and look for discrepancies so that they can deal with these promptly. With access to

Internet, online banking can be used practically anywhere. Moreover, since monthly bills are paid over the Internet, bank clients do not have to write checks and post payments. After one enters the amount and the payee, the money is deducted from the client's account automatically. Then, the good news is that if you want to go green, this is an opportunity to part with paper statements.

Since it costs less to process transactions, clients pay less in many cases. Online banking is typically offered for a small fee, which can be very low. Bank clients even save on ATM fees and postage. Online banking is not only convenient but with some banks, it is included in one's account plan. Clients may also have access to Western Union money transfers over the Internet and through mobile banking.
Some customers worry that online statements are not as secure as paperless ones. However, reputable banks make it clear that their online statements are completely secure as they use sophisticated security tools and advanced security systems. In general, protection for the online account is secured through password authentication. Other security methods have been developed as well. One security method is the PIN/TAN system in which the TAN represents a one-time password serving to authenticate transactions. The PIN is used for login the same way as in other places. TANs are often sent to bank customers in the form of a list and by postal letter. Another security method is the so called signature-based online banking. Every transaction is signed and encrypted in a digital form. The keys to generate and encrypt signatures may be stored on a memory medium or a smartcard, depending on the type of implementation.

With regard to attacks on online banking services, one way involves stealing valid TANs and login information by deceiving bank clients. Pharming and phishing are two ways to steal user's information. Trojan horses and cross-site scripting are other ways to steal account information. Signature-based online banking is also vulnerable to attacks. Here, the user's software is manipulated so that the system shows correct transactions on the screen while cons hide fake transactions in the background. Unfortunately, in most cases, the source of intrusion remains unknown.

26 Overdrafts
occur when bank customers withdraw cash from their account, with the balance going below zero. An overdraft is basically a form of credit extended by a creditor when the account balance reaches zero. Overdrafts allow bank clients to withdraw money even when there are no funds in the account. In other words, banks allow their clients to borrow certain amount of money. With overdraft accounts, financial institutions cover checks to prevent them from bouncing. Given that overdrafts are a type of loan, bank clients pay interest on the overdraft's loan balance. On the other hand, the interest rate is often lower compared to credit cards.

Overdrafts may occur for various reasons, among which not maintaining proper account register, merchant error, unexpected electronic withdrawals, and more. When the accountholder fails to maintain his account register well, overspending is due to negligence. Another reason for overdraft is, in fact, the possibility to overdraw money using an ATM. Some ATMs and banks allow withdrawals even when cash is insufficient in the account. ATMs are sometimes unable to communicate with the bank of the accountholder, with this resulting in automatic authorization of withdrawals. With temporary deposit holds, banks can put on hold a deposit that has been made to an account. Bank policies or Regulation CC may be responsible for that. Given that money is not immediately available, this will result in overdraft fees. Unexpected electronic withdrawals are yet another reason for overdrafts. This may occur when the trial period of some recurring service ends. Overdrafts may also occur due to direct deposit chargeback, recovering overpayment, or wage garnishment. Finally, overdraft may occur due to merchant error, with a merchant wrongly debiting a client's account.

On the other hand, it can be said that an overdraft acts like a safety net on one's account. Clients are allowed to borrow up to a specified limit whenever they do not have money in the account. This is useful in covering short-term financial problems. Keep in mind that some bank accounts come with an overdraft facility, but this is not necessarily true for all accounts. If your account doesn't, you need to ask your banking institution for an overdraft facility. The bank's decision will depend on the client's record, and he may be required to pay a fee for setting it up. You will not have to use it unless you need an overdraft. Moreover, you will not be required to pay additional charges in case of accidentally overdrawing. Naturally, clients have to pay the overdraft and interest charges. Rates depend on the bank and can be variable and fixed. In addition, a monthly charge and arrangement fee may apply. If you don't have the bank's authorization to overdraw, the charges may be quite high. Your financial institution may not pay direct debits, bounce checks, and charge a fee for all refused transactions. Administration fees may be set in place as well.

27. Private banking

A. is a term that encompasses different financial, investment, and banking services offered to high net worth individuals. Banks provide personalized services to individuals with sizeable assets through bank advisors. With regard to wealth management, high net worth individuals have more wealth than regular bank customers and enjoy access to a large array of alternative and conventional investment instruments. Private banking aims to offer such clients the best products and services, suited to their individual requirements.

Bank advisors provide investment-related advice, customized financial solutions, credit and liquidity management, estate and tax planning, retirement planning, and much more. Banking teams operate on the domestic and international markets to provide investment and banking solutions to persons from diverse backgrounds. Structured products are featured with returns linked to currencies, basket of stocks, single stocks, equity indices, interest rates, etc. Investment protection is also designed to fit the requirements of individual clients – from 0 percent to 100 percent. In addition, investment products may be offered with terms from 1 month to 10 years. Private banking also encompasses alternative investment products which are not associated with traditional asset classes such as bonds and equities. High net worth individuals enjoy access to private real estate and equity funds and hedge funds. Bank advisors also offer a large selection of financial planning services, including business and family protection, pension consolidation, saving for retirement, and income planning. Business and family protection services are designed to protect high net worth individuals and their families from financial hardship. Income planning aims at income generation through developing and implementing a personalized investment strategy. Pension consolidation is a service intended for persons with multiple pension plans. Bank advisors help high net worth individuals avoid lost opportunities and problems by consolidating pension plans into a single one. Finally, those who are saving for retirement are offered help in designing a plan to build up their wealth and enjoy it post retirement.

28. stop payment

A. occurs when an accountholder asks their bank not to honor some payment. Stop payments can be made before the receiving party cashes a check and after the latter is delivered. Stop payment orders are mainly governed by banking regulations and state laws, and they can vary by bank and state. Banking institutions usually charge a fee to issue a stop payment. If the check is issued to pay back a legitimate debt, stopping payment may be regarded as an act of fraud. State fraud laws determine if this is considered a criminal act, and laws differ from one state to another.

29.Wire transfer

A. also known as credit transfer, refers to a method of transferring funds electronically from one institution or person to another. Wire transfers are made in two different ways. Cash can be transferred at a cash office or from one bank account to another. Compared to bulk payments, wire transfer systems are intended to offer individualized transactions. Examples of such systems are Check21 and ACH. ACH stands for Automated Clearing House, which functions as an electronic network for making transactions in the US. This system processes debit and credit transactions in batches and in large volumes. Credit transfers encompass vendor payments and direct deposits. Direct debit transfers include, on the other hand, mortgage loans, insurance premiums' consumer payments, and other types of bills. Check21 is another name for Check Clearing for the 21st Century Act, which was enacted in 2004. Under this law, recipients are allowed to create digital versions of paper checks, which are known as substitute checks. In this way, further processing of the physical document is not necessary. The effects of this become visible to consumers when some checks no longer come with their monthly statements. At the same time, others are returned. In addition, under this law, mobile phones and computer scanners cannot be used to capture checks' images with the purpose of depositing them electronically. This is called remote deposit.

Basically, wire transfers are transfers of money done by a bank, and both recipients and senders do not touch the funds. It is not difficult to make a wire transfer, and the first step is to contact your financial institution online or by phone and provide the required information. This includes the name of the company or person to have the money wired to, the routing number of the bank, together with the phone number and address of the latter, the account number of the recipient, and the contact details of a person to whom questions can be presented, if needs be. The next step is to determine the sum of money to be wired and when the recipient needs to have it sent. The transaction is to be completed through your banking institution. Some banks allow clients to make transactions over the Internet, but other entities require that clients contact them by fax or phone. Finally, you have to confirm that the wire transfer took place. Request a transfer confirmation to be emailed or faxed or call the receiving bank and ask for confirmation.

Wire transfers are a popular payment method, along with personal account management, balance transfers, and credit cards. With account management, clients can transfer money between savings and checking accounts. In fact, by swiping an ATM card, bank clients authorize a wire transfer from their bank accounts. At point of sale, transfers are free-of-charge for customers, but a fee may be charged for other types of transfer. For example, it will be based on percentage of the amount to be transferred, or it can be a flat amount. This is oftentimes the case with credit card balance transfers.

Western Union and some other companies feature an anonymous type of wire transfer. Customers can go to Western Union, for example, and send certain amount of money to a branch of Western Union in Jamaica. Even if the office they visit is in Chicago, they will send cash and pay all applicable fees. The wire transfer will be made electronically.

Wire transfers have advantages and disadvantages. They are handy in case you do not have a bank account. However, if you make a wire transfer to buy something from a private seller, they may provide wrong or false information.

30.What is PLR?
A: The Prime Interest Rate is the interest rate charged by banks to their most creditworthy customers (usually the most prominent and stable business customers). The rate is almost always the same amongst major banks. Adjustments to the prime rate are made by banks at the same time; although, the prime rate does not adjust on any regular basis. The Prime Rate is usually adjusted at the same time and in correlation to the adjustments of the Fed Funds Rate. The rates reported below are based upon the prime rates on the first day of each respective month. Some banks use the name "Reference Rate" or "Base Lending Rate" to refer to their Prime Lending Rate.

31. What is Deposit Rate?

A: Interest Rates paid by a depository institution on the cash on deposit.

32. What is FII?
A: FII (Foreign Institutional Investor) used to denote an investor, mostly in the form of an institution. An institution established outside India, which proposes to invest in Indian market, in other words buying Indian stocks. FII's generally buy in large volumes which has an impact on the stock markets. Institutional Investors includes pension funds, mutual funds, Insurance Companies, Banks, etc.

33. What is FDI?
A: FDI (Foreign Direct Investment) occurs with the purchase of the "physical assets or a significant amount of ownership (stock) of a company in another country in order to gain a measure of management control" (Or) A foreign company having a stake in a Indian Company.

34. What is IPO?
A: IPO is Initial Public Offering. This is the first offering of shares to the general public from a company wishes to list on the stock exchanges.

35. What is Disinvestment?
A: The Selling of the government stake in public sector undertakings.

36. What is Fiscal Deficit AND Revenue deficit?
A: It is the difference between the government's total receipts (excluding borrowings) and total expenditure.
Revenue deficit defines that, where the net amount received (by taxes & other forms) fails to meet the predicted net amount to be received by the government.

37. What is GDP,GNP,Per Capita Income AND National Income?
A: The Gross Domestic Product or GDP is a measure of all of the services and goods produced in a country over a specific period; classically a year. GDP during 2008-09 is 6.7%.
Gross National Product is measured as GDP plus income of residents from investments made abroad minus income earned by foreigners in domestic market.
National Income is the money value of all goods and services produced in a country during the year.
The national income of a country, or region, divided by its population. Per capita income is often used to measure a country's standard of living.Per capita income during 2008-09 estimated by CSO: Rs.25, 494.

BANKING TERM

Indicators of Growth

Gross Domestic Product (GDP): It is the sum total of the market value of the final goods and services produced within the geographical boundary of a country during an accounting year.

Gross National Product (GNP): GNP = GDP + Net factor income from abroad.

Net factor income = X – M, [X = Income earned and received by nationals in foreign countries; M=Income earned by foreign nationals in a country.]

It better indicates the production potential of the nationals as against GDP. In India's case, GNP is less than GDP. In other words, net factor income is negative in India.

Net National Product (NNP): NNP = GNP – Depreciation

Depreciation is consumption of fixed capital in the process of production.

National Income: When NNP is calculated at factor cost, it is known as National Income. In other words, it can be represented as,

National Income = NNP at market prices – Indirect taxes + subsidies

38. What is Vote on Account?

A: A vote-on account is basically a statement ,where the government presents an estimate of a sum required to meet the expenditure that it incurs during the first three to four months of an election financial year until a new government is in place, to keep the machinery running.

39. Difference between Vote on Account and Interim Budget?

A:Vote-on-account deals only with the expenditure side of the government's budget, an interim Budget is a complete set of accounts, including both expenditure and receipts.

40. What is SDR?

A: The SDR (Special Drawing Rights) is an artificial currency created by the IMF in 1969. SDRs are allocated to member countries and can be fully converted into international currencies so they serve as a supplement to the official foreign reserves of member countries. Its value is based on a basket of key international currencies (U.S. dollar, euro, yen and pound sterling).

41. What is SEZ?

A: SEZ means Special Economic Zone is the one of the part of government's policies in India. A special Economic zone is a geographical region that economic laws which are more liberal than the usual economic laws in the country. The basic motto behind this is to increase foreign investment, development of infrastructure, job opportunities and increase the income level of the people.

42. What is corporate governance?

The way in which a company is governed and how it deals with the various interests of its customers, shareholders, employees and society at large. Corporate governance is the set of processes, customs, policies, laws, and institutions affecting the way a corporation (or company) is directed, administered or controlled.Is defined as the general set of customs, regulations, habits, and laws that determine to what end a firm should be run.

43. Functions of RBI?

A. The Reserve Bank of India is the central bank of India, was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934. The Reserve Bank of India was set up on the recommendations of the Hilton Young Commission. The commission submitted its report in the year 1926, though the bank was not set up for nine years.To regulate the issue of Bank Notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage." Banker to the Government: performs merchant banking function for the central and the state governments; also acts as their banker.Banker to banks: maintains banking accounts of all scheduled banks

44. What is monetary policy?

A Monetary policy is the process by which the government, central bank, of a country controls (i) the supply of money, (ii) availability of money, and (iii) cost of money or rate of interest, in order to attain a set of objectives oriented towards the growth and stability of the economy.

45. What is Fiscal Policy?
Fiscal policy is the use of government spending and revenue collection to influence the economy. These policies affect tax rates, interest rates and government spending, in an effort to control the economy. Fiscal policy is an additional method to determine public revenue and public expenditure.

46. What is Core Banking Solutions?
Core banking is a general term used to describe the services provided by a group of networked bank branches. Bank customers may access their funds and other simple transactions from any of the member branch offices. It will cut down time, working simultaneously on different issues and increasing efficiency. The platform where communication technology and information technology are merged to suit core needs of banking is known as Core Banking Solutions.

47. What is bank and its features and types?
A bank is a financial organization where people deposit their money to keep it safe.Banks play an important role in the financial system and the economy. As a key component of the financial system, banks allocate funds from savers to borrowers in an efficient manner.

1. **Regional Rural Banks** were established with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. The RRBs mobilize financial resources from rural / semi-urban areas and grant loans and advances mostly to small and marginal farmers, agricultural labourers and rural artisans.The area of operation of RRBs is limited to the area as notified by GoI covering one or more districts in the State.
2. Banking services for individual customers is known as **retail banking**.
3. **Merchant Bank** that deals mostly in but international finance, long-term loans for companies and underwriting. They do not provide regular banking services to the general public.
4. **Online Banking (or Internet Banking)** allows customers to conduct financial transactions on a secure website operated by their retail or virtual bank.
5. **Mobile Banking** is a service that allows you to do banking transactions on your mobile phone without making a call , using the SMS facility. It is a term used for performing balance checks, account transactions, payments etc. via a mobile device such as a mobile phone.
6. **Traditional Banking** is the normal bank accounts we have. Like, put your money in the bank and they act as a security and you will get only the normal interests (decided by RBI in our case, FED bank in US).
7. **Investment Banking is** entirely different. Here, people who are having so much money (money in excess which will yield only less interest if in Banks) will invest their money and get higher returns. For example, If i have more money instead of taking the pain of investing in share market, buying properties etc. I will give to investment banks and they will do the money management and give me higher returns when compared to traditional banks.

48. What is E-Governance?
E-Governance is the public sector’s use of information and communication technologies with the aim of improving information and service delivery, encouraging citizen participation in the decision-making process and making government more accountable, transparent and effective.

49. What is Right to information Act?
The Right to Information act is a law enacted by the Parliament of India giving citizens of India access to records of the Central Government and State governments. The Act applies to all States and Union Territories of India, except the State of Jammu and Kashmir - which is covered under a State-level law. This law was passed by Parliament on 15 June 2005 and came fully into force on 13 October 2005.

50. Credit Rating Agencies in India?
The credit rating agencies in India mainly include ICRA and CRISIL. ICRA was formerly referred to the Investment Information and Credit Rating Agency of India Limited. Their main function is to grade the different sector and companies in

terms of performance and offer solutions for up gradation. The credit rating agencies in India mainly include ICRA and CRISIL (Credit Rating Information Services of India Limited).

51. What is demand Draft?

A demand draft is an instrument used for effecting transfer of money. It is a Negotiable Instrument. Cheque and Demand-Draft both are used for Transfer of money. You can 100% trust a DD. It is a banker's check. A check may be dishonored for lack of funds a DD can not. Cheque is written by an individual and Demand draft is issued by a bank. People believe banks more than individuals.

52. What is a NBFC?

A non-banking financial company (NBFC) is a company registered under the Companies Act, 1956 and is engaged in the business of loans and advances, acquisition of shares/stock/bonds/debentures/securities issued by government, but does not include any institution whose principal business is that of agriculture activity, industrial activity, sale/purchase/construction of immovable property.NBFCs are doing functions akin to that of banks; however there are a few differences:

(i)A NBFC cannot accept demand deposits (demand deposits are funds deposited at a depository institution that are payable on demand -- immediately or within a very short period -- like your current or savings accounts.)

(ii) it is not a part of the payment and settlement system and as such cannot issue cheques to its customers; and

(iii) Deposit insurance facility of DICGC is not available for NBFC depositors unlike in case of banks.

53. What is NASSCOM ?

The National Association of Software and Services Companies (NASSCOM), the Indian chamber of commerce is a consortium that serves as an interface to the Indian software industry and Indian BPO industry. Maintaining close interaction with the Government of India in formulating National IT policies with specific focus on IT software and services maintaining a state of the art information database of IT software and services related activities for use of both the software developers as well as interested companies overseas.

54. What is ASSOCHAM?

The Associated Chambers of Commerce and Industry of India (ASSOCHAM), India's premier apex chamber covers a membership of over 2 lakh companies and professionals across the country. It was established in 1920 by promoter chambers, representing all regions of India. As an apex industry body, ASSOCHAM represents the interests of industry and trade, interfaces with Government on policy issues and interacts with counterpart international organizations to promote bilateral economic issues.

55. What is NABARD?

NABARD was established by an act of Parliament on 12 July 1982 to implement the National Bank for Agriculture and Rural Development Act 1981. It replaced the Agricultural Credit Department (ACD) and Rural Planning and Credit Cell (RPCC) of Reserve Bank of India, and Agricultural Refinance and Development Corporation (ARDC). It is one of the premiere agency to provide credit in rural areas. NABARD is set up as an apex Development Bank with a mandate for facilitating credit flow for promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts.

56. What is SIDBI?

The Small Industries Development Bank of India is a state-run bank aimed to aid the growth and development of micro, small and medium scale industries in India. Set up in 1990 through an act of parliament, it was incorporated initially as a wholly owned subsidiary of Industrial Development Bank of India.

57. What is SENSEX and NIFTY?

SENSEX is the short term for the words "Sensitive Index" and is associated with the Bombay (Mumbai) Stock Exchange (BSE). The SENSEX was first formed on 1-1-1986 and used the market capitalization of the 30 most traded stocks of BSE. Where as NSE has 50 most traded stocks of NSE.SENSEX IS THE INDEX OF BSE. AND NIFTY IS THE INDEX OF NSE.BOTH

WILL SHOW DAILY TRADING MARKS. Sensex and Nifty both are an "index”. An index is basically an indicator it indicates whether most of the stocks have gone up or most of the stocks have gone down.

58. What is SEBI?
SEBI is the regulator for the Securities Market in India. Originally set up by the Government of India in 1988, it acquired statutory form in 1992 with SEBI Act 1992 being passed by the Indian Parliament. Chaired by C B Bhave.

59. What is Mutual funds?
Mutual funds are investment companies that pool money from investors at large and offer to sell and buy back its shares on a continuous basis and use the capital thus raised to invest in securities of different companies. The mutual fund will have a fund manager that trades the pooled money on a regular basis. The net proceeds or losses are then typically distributed to the investors annually.

60. What is Asset Management Companies?
A company that invests its clients' pooled fund into securities that match its declared financial objectives. Asset management companies provide investors with more diversification and investing options than they would have by themselves. Mutual funds, hedge funds and pension plans are all run by asset management companies. These companies earn income by charging service fees to their clients.

61. What are non-perfoming assets?
Non-performing assets, also called non-performing loans, are loans,made by a bank or finance company, on which repayments or interest payments are not being made on time. A debt obligation where the borrower has not paid any previously agreed upon interest and principal repayments to the designated lender for an extended period of time. The nonperforming asset is therefore not yielding any income to the lender in the form of principal and interest payments.

62. What is foreign exchange reservers?
Foreign exchange reserves (also called Forex reserves) in a strict sense are only the foreign currency deposits and bonds held by central banks and monetary authorities.However, the term in popular usage commonly includes foreign exchange and gold,SDRs and IMF reserve positions.

63. What is Open Market operations(OMO)?
The buying and selling of government securities in the open market in order to expand or contract the amount of money in the banking system by RBI. Open market operations are the principal tools of monetary policy.

64. What is Micro Credit?
It is a term used to extend small loans to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families.

65. What is Liquidity Adjustment Facility(LAF)?
A tool used in monetary policy that allows banks to borrow money through repurchase agreements. This arrangement allows banks to respond to liquidity pressures and is used by governments to assure basic stability in the financial markets.

66. What is Bancassurance?
It is the term used to describe the partnership or relationship between a bank and an insurance company whereby the insurance company uses the bank sales channel in order to sell insurance products.

67. What is Wholesale Price Index AND Consumer price Index(CPI) ?
The Wholesale Price Index (WPI) is the index used to measure the changes in the average price level of goods traded in wholesale market. A total of 676 commodity prices make up the index. It is available on a weekly basis. It is generally taken as an indicator of the inflation rate in the Indian economy. The Indian Wholesale Price Index (WPI) was first published in 1902, and was used by policy makers until it was replaced by the Producer Price Index (PPI) in 1978.

CPI: It is a measure estimating the average price of consumer goods and services purchased by households.

68. What is Venture Capital?
Venture capital is money provided by an outside investor to finance a new, growing, or troubled business. The venture capitalist provides the funding knowing that there's a significant risk associated with the company's future profits and cash flow. Capital is invested in exchange for an equity stake in the business rather than given as a loan, and the investor hopes the investment will yield a better-than-average return.

69. What is a Treasury Bills?
Treasury Bills (T-Bills) are short term, Rupee denominated obligations issued by the Reserve Bank of India (RBI) on behalf of the Government of India. They are thus useful in managing short-term liquidity. At present, the Government of India issues three types of treasury bills through auctions, namely, 91-day, 182-day and 364-day. There are no treasury bills issued by State Governments.

70. What is Banking Ombudsmen Scheme?
The Banking Ombudsman Scheme enables an expeditious and inexpensive forum to bank customers for resolution of complaints relating to certain services rendered by banks.The Banking Ombudsman is a senior official appointed by the Reserve Bank of India to redress customer complaints against deficiency in certain banking services.The Banking Ombudsman Scheme was first introduced in India in 1995, and was revised in 2002. The current scheme became operative from the 1 January 2006, and replaced and superseded the banking Ombudsman Scheme 2002.

71. What is Subsidy?
A subsidy is a form of financial assistance paid to a business or economic sector. Most subsidies are made by the government to producers or distributors in an industry to prevent the decline of that industry or an increase in the prices of its products or to encourage it to hire more labor.

72. What is a Debenture? How many types of debentures are there? What are they?
A debenture is basically an unsecured loan to a corporation. A type of debt instrument that is not secured by physical asset. Debentures are backed only by the general creditworthiness and reputation of the issuer.
i)Convertible Debentures: Any type of debenture that can be converted into some other security or it can be converted into stock..
ii) Non-Convertibility Debentures(NCB): Non Convertible Debentures are those that cannot be converted into equity shares of the issuing company, as opposed to Convertible debentures. Non-convertible debentures normally earn a higher interest rate than convertible debentures do.

73. What is a hedge fund?
'Hedge' means to reduce financial risk. A hedge fund is an investment fund open to a limited range of investors and requires a very large initial minimum investment. It is important to note that hedging is actually the practice of attempting to reduce risk, but the goal of most hedge funds is to maximize return on investment.

74. What is FCCB?
A Foreign Currency Convertible Bond (FCCB) is a type of convertible bond issued in a currency different than the issuer's domestic currency. In other words, the money being raised by the issuing company is in the form of a foreign currency. A company may issue an FCCB if it intends to make a large investment in a country using that foreign currency.

75. What is Capital Account Convertibility(CAC)?
It is the freedom to convert local financial assets into foreign financial assets and vice versa at market determined rates of exchange. This means that capital account convertibility allows anyone to freely move from local currency into foreign currency and back.The Reserve Bank of India has appointed a committee to set out the framework for fuller Capital Account Convertibility.Capital account convertibility is considered to be one of the major features of a developed economy. It helps attract foreign investment. capital account convertibility makes it easier for domestic companies to tap foreign markets.

76. What is Current Account Convertibility?

It defines at one can import and export goods or receive or make payments for services rendered. However, investments and borrowings are restricted.

77. What is Arbitrage?
The opportunity to buy an asset at a low price then immediately selling it on a different market for a higher price.

78. What is Capitalism AND Socialism??
Capitalism as an economy is based on a democratic political ideology and produces a free market economy, where businesses are privately owned and operated for profit; in capitalism, all of the capital investments and decisions about production, distribution, and the prices of goods, services, and labor, are determined in the free market and affected by the forces of supply and demand.
Socialism as an economy is based on a collectivist type of political ideology and involves the running of businesses to benefit the common good of a vast majority of people rather than of a small upper class segment of society.

79. Types of Banks in India -
What is a Bank?
A Bank is a financial organization which accepts deposits that can be withdrawn on demand and also lends money to individuals and business houses that need it.
Structure of banking sector in India:
What is RBI?
The RBI is India's central bank. The Reserve Bank of India was established on April 1, 1935 in accordance with the provisions of the Reserve Bank of India Act, 1934.
RBI acts as a banker to the Government and Banks.
The Central Bank maintains record of Government revenue and expenditure under various heads. It maintains deposit accounts of all other banks and advances money to other banks, when needed.
Another important function of the Central Bank is the issuance of currency notes, regulating their circulation in the country by different methods.

Scheduled Bank?
All banks which are included in the Second Schedule to the Reserve Bank of India Act, 1934 are scheduled banks.
These banks comprise Scheduled Commercial Banks and Scheduled Cooperative Banks. The type of banks comes under these Scheduled Commercial Banks and Scheduled Cooperative Banks can be seen in the above figure.
All most all banks are Scheduled banks in India.
Commercial Banks?
Commercial banks may be defined as, any banking organization that deals with the deposits and loans of business organizations
Commercial banks issue bank checks and drafts, as well as accept money on term deposits. Commercial banks also act as moneylenders, by way of installment loans and overdrafts.
Commercial banks also allow for a variety of deposit accounts, such as checking, savings, and time deposit. These institutions are run to make a profit and owned by a group of individuals.

Types of Loans offered by Commercial banks:
1)Secured Loan: A secured loan is one where the borrower provides a certain property or asset as collateral against the loan. The main condition of these loans is that if the loan remains unpaid, the bank has the right to use the property in any way they like to realize the outstanding amount.
2)Unsecured Loan: Unsecured loans have no collateral and therefore command higher interest rates. There are a variety of unsecured loans available today and these include credit cars, credit facilities such as a lines of credit, corporate bonds, and bank overdrafts.
3)Mortgage Loans: Mortgage loans that are provided by commercial banks are similar to secured loans but are used specifically to buy real estate property for commercial purposes. In most of these cases, the banks hold a lien on the title to the particular property purchased with the loan. If the borrower is unable to pay the loan back, the bank leverages this item against the loan to generate funds or recover the principal.

Public Sector Banks?

These are banks where majority stake is held by the Government of India.
Examples of public sector banks are: SBI, Bank of India, Canara Bank, etc.

Private Sector Banks?
These are banks majority of share capital of the bank is held by private individuals. These banks are registered as companies with limited liability.
Examples of private sector banks are: ICICI Bank, Axis bank, HDFC, etc.

Foreign Banks?
These banks are registered and have their headquarters in a foreign country but operate their branches in our country.
Examples of foreign banks in India are: HSBC, Citibank, Standard Chartered Bank, etc.

Regional Rural Banks?
Regional Rural Banks were established under the provisions of an Ordinance promulgated on the 26th September 1975 and the RRB Act, 1976 with an objective to ensure sufficient institutional credit for agriculture and other rural sectors. The area of operation of RRBs is limited to the area as notified by GoI covering one or more districts in the State.
RRBs are jointly owned by GoI, the concerned State Government and Sponsor Banks (27 scheduled commercial banks and one State Cooperative Bank); the issued capital of a RRB is shared by the owners in the proportion of 50%, 15% and 35% respectively.
Prathama bank is the first Regional Rural Bank in India located in the city Moradabad in Uttar Pradesh.

Cooperative Banks?
A co-operative bank is a financial entity which belongs to its members, who are at the same time the owners and the customers of their bank. Co-operative banks are often created by persons belonging to the same local or professional community or sharing a common interest. Co-operative banks generally provide their members with a wide range of banking and financial services (loans, deposits, banking accounts, etc).
They provide limited banking products and are specialists in agriculture-related products.
Cooperative banks are the primary financiers of agricultural activities, some small-scale industries and self-employed workers.
Co-operative banks function on the basis of "no-profit no-loss".
Anyonya Co-operative Bank Limited (ACBL) is the first co-operative bank in India located in the city of Vadodara in Gujarat.

How Bank gets Money?
Banks make money by lending your money out at interest and by charging you for services provided. Banks keep on lending money.
The other big revenue items generated by banks are the fees they charge. Bank charge for every service, whether it is for an electronic transaction, or permitting a transfer through the Internet banking system.
When banks get profits they invest in other companies and in return they will get money

80. Diff between banking & Finance?
A. Finance is generally related to all types of financial, this could be accounting, insurances and policies. Whereas banking is everything that happens in a bank only.The term Banking and Finance are two very different terms but are often associated together. These two terms are often used to denote services that a bank and other financial institutions provide to its customers.

81. Who are forensic accountants?
Forensic accountants are trained to detect evidence of frauds in financial statements. They go beyond the numbers and attempt to analyze 100% of the data as against the sampling procedure adopted by auditors. When the extended procedures are invoked, cases like the overvaluation of the sales or the debtors become easy to investigate. In India there is an urgentneed of large number of forensic accountants in view of the preponderance of corporate frauds.

82. What do you mean by Financial Inclusion?
Financial inclusion means providing to the large unbanked population of India access to financial products and services like:Bank accounts, immediate credit, savings products, remittance and payment services, insurance, mortgage,

entrepreneurial credit, financial advisory services.Steps taken so far for promotion of financial inclusion have been – the cooperative movement, setting up of State Bank of India, nationalization of banks, lead bank scheme, regional rural banks, service area approach, self help groups.Out of 611 districts in the country, only 68 districts have been covered by so called financial inclusion (as of July 2009).

83. What do you mean by Capital adequacy ratio?
CRAR is the acronym for capital to risk weighted assets ratio, a standard metric to measure balance sheet strength of banks.BASEL I and BASEL II are global capital adequacy rules that prescribe a minimum amount of capital a bank has to hold given the size of its risk weighted assets. The old rules mandate banks to back every Rs. 100 of commercial loans with Rs. 9 of capital irrespective of the nature of these loans. The new rules suggest the amount of capital needed depends on the credit rating of the customer.

84. What are Banking Codes and Standards Board of India BCSBI?
BCSBI is an independent and autonomous body set up by RBI to ensure that comprehensive code of conduct for fair treatment of customers was evolved and adhered to. In substance the board has been set up to ensure that the common consumer of banking services is in no way in a disadvantageous position and really gets what he has been promised by the banks.Member banks of the board have voluntarily agreed to abide by the provisions enumerated in the codes which have been drawn up for the benefit of customers. These are:Code of Bank's Commitment to Customers, andCode of Bank's Commitment to Micro and Small Enterprises.

85. **Overseas Banking Units (OBUs)**: The exim policy 2002-07 permitted registered Indian Banks to set up OBUs in the SEZs. Through these OBUs exporters in SEZs will have access to finances at international costs. This is because OBUs would be exempted from CRR, SLR and priority sector lending requirements which would permit them to operate at par with their overseas branches. These units have been permitted to accept funds from NRIs and individuals and so they can raise foreign currency funds from international markets at global interest rate. These banks should have a minimum capital of $10 million, to set up OBUs. Recently SBI opened the first OBU in Mumbai.

86.**MICR: Magnetic ink char acter recognition**
What is it: MICR code (pronounced my-ker) is a nine-digit number printed on banking instruments such as a cheque or a demand draft using a special type of ink made of magnetic material. The first three digits denote the city. The fourth to sixth digits denote the bank, while the last three digits denote the branch number. The code is read by a machine, minimizing the chances of error in clearing of cheques, thereby making funds transfer faster. For example, in the MICR code 400240019, 400 denotes Mumbai, 240 denotes HDFC Bank Ltd and 019 denotes the Colaba branch of the bank.
You will find the number on the right of the cheque number at the bottom of the cheque leaf.
When do you need it: MICR code allows money to drop directly into your bank account for payments such as salaries and dividends. Your tax refund will come to you faster if you remember to mention this on the refund form. Refunds of unwanted money in initial public offers, too, drop back if you put down your code on the application form.

87. IFSC: India financial system code
What is it: An 11-digit alphanumeric (letters and numbers) code that helps identify bank branches. The first four numbers represent the bank's code (alphabetic), the fifth number is a control character (0), and the next six numbers denote a bank branch. For example, the IFSC for HDFC Bank Ltd's Colaba branch in Mumbai reads as HDFC0000085. This code is mentioned on your cheque. Different banks mention it at different places on the cheque.
When do you need it: When sending money through RTGS or NEFT, you need to know the IFSC of the receiving branch.
CVV: Card verification value
What is it: CVV is an anti-fraud security feature that helps verify that you are in possession of your credit card and making the transaction. CVV is usually a three-digit number printed on the signature panel at the back of your credit card.
When do you need it: You need this number when shopping online or over the phone. You need to be careful with this number as it can make you a victim of fraud. It's best to remember this number and blacken it off from your card.
PAP: Payable at par or MCC: Multi-city cheques
What is it: PAP or MCC cheques can be encashed anywhere in India, irrespective of the city they were issued in. They are treated as local clearing cheques across the country. The amount is credited in the account the same day and there are no inter-city collection charges associated with a normal cheques being encashed in another city.
A cheque issued at a branch in Chennai, can be encashed at a branch in Dibrugarh as if it were a local cheque.

BANKING TERM

There would be a notation on the top or the bottom of a cheque indicating its status as as PAP or MCC cheque.
When do you need it: By issuing a PAP or MCC cheque, you can save demand draft or cheque clearing costs. Usually, these cheques are issued by companies to disburse dividends or redemption amounts.

NO FRILLS ACCOUNT

No frill account is a type of bank account, with low / Zero balance requirement with extra-features removed.

In simple words it: If a company makes its service/product cheaper by removing the extra features, that is no frill.
eg. Dish TV package without 100 sports channels.

RBI came up with this No-frill concept, because poor people cannot open regular bank accounting having requirements like Rs.5000/- minimum balance etc.

So there are no frill accounts for them. So that poor people can open bank accounts and take loans, that'll save them from the 36% interest rate charged by the evil money lenders.

- Account can be opened with a minimum initial deposits of Rs.5/- and maintained at the minimum balance of Rs 5, no penalty charges will be deducted in case the minimum balance reaches zero.
- The Account holders will not be eligible for Cheque Book and ATM card facilities
- Maximum numbers of withdrawals are restricted to 30 every 6 months.
- Duplicate passbook may be issued to the account holder with a charge of Rs.10/-

As you can see above, it doesn't have the extra-features like Cheque book and ATM etc. So it is no-frill (because extra-features removed).

Advantages
· Rural women can put their hard earned money in it, less chances of theft or husband spending it on Desi liquor.
· Can get easy loans, saved from the clutches of moneylenders.
· Some banks even offer free of charge DD (demand drafts) like 2 per month.
· No frill account holder can convert his/her account to regular saving account later.

now no frill accounts have been replaced by BASIC SAVING BANK ACCOUNT.

SARFAESI ACT 2002
Securitisation and reconstruction of financial asset and enforcement of security interest act 2002
it enables banks and other financial institution to auction the the properties against loans of the borrowers, if they fail to repay the loan. it helps in reducing NPA.

1. bank can buy the property if one else buys it in the auction.
2. difficult for borrowers to get stay order on sale of property.
3. bank can sell the property to asset reconstruction company (ARC).

NOW IF BANKS CAN BUY THE PROPERTY IN AUCTION THEN WHAT IS THE NEED OF ARC?
If the land was in good urban area, SBI could open a new branch office there (or housing for its

employees).
But if plot/factory/house is in some remote area= useless for SBI's personal business.
Under the Banking regulation Act, a bank cannot keep such immovable property beyond 7 years, (max 12 years with RBI's permission).

ARC buy bad loans from the banks and convert them in profit. they must be registered with RBI.
eg. ARCIL (India's first and largest asset reconstruction company (ARC))
Reliance Asset Reconstruction Company Limited by Anil Ambani

arc arranges money from qualified institutional buyers.

now how ARC can convert bad loans into a profitable one?
Auction the assets fully or partially. (sell the machinary now, rent the building and wait for land prices to go up for two years and then sell it.)
Sell the property in combination with other NPA properties of other defaulter giving discount.
Change the Management of that asset, appoint its own directors/officers.
outsource or lease the business to a another company.
ARC can convert the debt into equity.

FII and QFI
Foreign institutional investor-
any foreign player can invest money in stock market. The foreigners have to open a sub account with already registered FII (eg. Maxwell Assets Manager, BNP PARIBAS, MORGAN STANLEY) with the SEBI.

invest a minimum net worth of $50 million (about Rs. 260 crore) to get a license from SEBI.

note- investment under FII are very vulnerable as a slight change in the market result in the out flow of investment from the country and datsy it is called as HOT MONEY- was responsible for 1997 Asian financial crisis.

QUALIFIED FOREIGN INVESTORS
It means a foreign individual, group or foreign firm can directly invest in Indian stock-market like any normal Indian citizen, without requiring the sub-account with FII. This should bring in some more investors, who're interested in investing in India but feel turned off because of this sub-account and strict High Net-worth rules.

Requirements for QFI
1. DEMAT account
2.trade account with a depository participants.

what is demat account?
When you purchase shares, you don't get paper certificates, but those shares get electronically transferred to your demat account in the Depositary. Meaning your shares are not in physical paper (material) form but electronic format. De-materializied= De-mat. No fear of theft, misplacement, delay in transfer etc.

what is depository?

BANKING TERM

A Depository is like a bank locker where securities (shares) are held in electronic (dematerialised) form. In India, there are only two Depositories -National Securities Depositories Limited (NSDL) and Central Depository Services Limited (CDSL).

What is Depository Participants (DP)?
DP's are like bank branches where shares in physical (paper) form need are deposited for converting them in electronic (demat) form and email it to the Depositary.
Examples of Depository Participants (DP) :ICICI, SBI, HDFC etc. You've to open a Demat Account with any one DP.

important points

QFI is an individual, group or association resident in a foreign country that adheres to anti-money laundering and anti-terrorist financing guidelines as defined by the financial action task force (FATF), a multi-lateral body.
The QFIs do not include FII/sub-accounts.
QFIs can own up to 5% of Indian companies while their cumulative investments are capped at 10%. These limits are over and above the FII and NRI investment ceilings prescribed under the portfolio investment route for foreign investment in India
The QFIs shall be allowed to invest through the SEBI-registered Qualified Depository Participant (DP), with the QFI required to open only one demat account and a trading account with any of the qualified DP and make purchase and sale of equities (shares) through that DP only.

The Co operative banks in India started functioning almost 100 years ago. The Cooperative bank is an important constituent of the Indian Financial System, judging by the role assigned to co operative, the expectations the co operative is supposed to fulfil, their number, and the number of offices the cooperative bank operate. Though the co operative movement originated in the West, but the importance of such banks have assumed in India is rarely paralleled anywhere else in the world. The cooperative banks in India plays an important role even today in rural financing. The businessess of cooperative bank in the urban areas also has increased phenomenally in recent years due to the sharp increase in the number of primary co-operative banks.

Co operative Banks in India are registered under the Co-operative Societies Act. The cooperative bank is also regulated by the RBI. They are governed by the Banking Regulations Act 1949 and Banking Laws (Co-operative Societies) Act, 1965.

Cooperative banks in India finance rural areas under:

- Farming
- Cattle
- Milk
- Hatchery
- Personal finance

Cooperative banks in India finance urban areas under:

- Self-employment
- Industries
- Small scale units
- Home finance
- Consumer finance
- Personal finance

Some facts about Cooperative banks in India

- Some cooperative banks in India are more forward than many of the state and private sector banks.

- According to NAFCUB the total deposits & lendings of Cooperative Banks in India is much more than Old Private Sector Banks & also the New Private Sector Banks.

- This exponential growth of Co operative Banks in India is attributed mainly to their much better local reach, personal interaction with customers, their ability to catch the nerve of the local clientele.

Heads of governmental departments

1 Deputy Chairman of the Planning Commission— Montek Singh Ahluwalia
2 Chief Election Commissioner of India— V. S. Sampath
3 Chairperson, National Human Rights Commission— Justice K.G. Balakrishnan
4 Chief Commissioner, Central Information Commission— Shri Satyananda Mishra
5 Chairman, National Commission for Minorities— Wajahat Habibullah
6 Chairman, National Commission for SC— P.L.Punia
7 Chairman, National Commission for ST— Dr Rameshwar Oraon
8 Chairperson, National Commission for Women— Ms. Mamta Sharma
9 Chairman, Atomic Energy Commission— Ratan Kumar Sinha
10 Chairman, ISRO— K. Radhakrishnan
11 Chairman, Union Public Service Commission— D P Agrawal
12 Chairman, National Knowledge Commission— Sam Pitroda
13 Chairman, University Grants Commission— Prof. Ved Prakash
14 Chairman, National Commission for Backward Classes— Justice M.N.Rao
15 Chairman, National Commission for Protection of Child Rights— Dr. Shantha Sinha