



SBI CLERK FINANCIAL AWARENESS CAPSULE

- **Welcome to MockBank.**
- **SBI Clerk Mains Exam is scheduled on 25th and 25th June 2016.**
- **Financial Awareness section will be the deciding Section in the SBI Clerk Mains Exam.**
- **In this pdf capsule, we are providing a gist for your quick revision**

Important Banking Terminologies:

ATM (Automatic Teller Machines):

Machines that dispense cash and give balance details and mini statements to the customers through Computer network

Bancassurance:

Distribution of insurance products and policies of insurance companies by banks as agents through their branches.

Bouncing of a cheque:

When an account has insufficient funds, cheque is not payable and is thus returned by the bank with a reason "funds insufficient".

Bank Rate:

Rate of interest charged by the central bank to the commercial banks on the advances and the loans they extend.

Call Money:

Loan made for a very short period of only a few days.

Cheque:

Written by an individual to withdraw or transfer amount between two accounts of the same or different bank and the money is withdrawn from the account.

Core Banking Solutions (CBS):

All the branches of the bank are connected together so that the customer can access his/her funds or transactions from any branch.

CRR (Cash Reserve Ratio):

The amount of funds that a bank keeps with RBI. If the percentage of CRR increases then the amount with the bank comes down.

Current Account:

Account opened generally for business purposes with no restrictions on withdrawals and no interest paid

Debit Card:

Card issued by the bank so the customers can withdraw their money from their account electronically.

E-Banking:

Banking in which we can conduct financial transactions electronically. NEFT, RTGS, Online Banking etc come under this category.

Fiscal Deficit:

Amount of Funds borrowed by the government to meet the expenditures.

Inflation:

Increase in the quantity of money in circulation without any corresponding increase in goods thus leading to an abnormal rise in the price level

Liquidity:

Ability of converting an investment quickly into cash with no loss in value.

Market Capitalization:

The product of the share price and number of the company's outstanding ordinary shares.

Mortgage:

Security which one offers for taking an advance or loan from someone.

Mutual Fund:

Investment scheme that pools money from various investors in order to purchase securities.

Monetary Policy:

Central Government policy with respect to the quantity of money in the economy, the rate of interest and the exchange rate

Non-performing Assets (NPAs):

NPA or non-performing loans are loans given by a bank on which repayments or interest payments are not being made on time

Permanent Account Number (PAN):

PAN is a number issued by the Income Tax Department to their tax payers.

Plastic Money:

Name given to Credit cards, Debit cards, and Other Such Cards issued by banks

Point of Sale (PoS):

PoS refers to a location at which a payment of a card transaction occurs.

Prime Lending Rate (PLR):

Rate of interest at which a bank gives loan to its most reliable customer (customer with 'zero risk')

Pass Book:

Book given to customers, where all the bank transactions are recorded.

Repo Rate:

Commercial banks borrow funds by the RBI if there is any shortage in the form of rupees. If this rate increases it becomes expensive to borrow money from RBI and vice versa.

Reverse Repo Rate:

Exact opposite of repo rate. It is the rate at which RBI borrows money from banks when it feels there is too much money floating in the banking system

SLR (Statutory Liquidity Ratio):

Amount that a commercial bank should have before giving credits to its customers which should be either in the form of gold, money or bonds.

Teller:

Staff member of the bank who cashes cheques, accepts deposits and perform different banking services for the customers.

Virtual Banking:

Internet banking is sometimes known as virtual banking (as it has no bricks and boundaries)

White labeled ATM:

An ATM or cash machine that does not prominently display a bank's name or logo. A fee will be charged for cash withdrawals in these ATMs and they don't accept deposits

Wholesale Banking:

Banking that mainly focuses on the financial needs of the institutional clients and the industry.

Zero Coupon Bond:

Bond that is sold at good discount as it has no coupon.

First among the banks:

- First Bank in India – **Bank of Hindustan**
- First Governor of RBI – **Osborne Smith**
- First Indian governor of RBI – **C D Deshmuk**
- First Bank to Introduce ATM in India – **HSBC**
- First Bank to introduce saving Bank in India – **Presidency bank in 1830**
- First Bank to Introduce Cheque system in India – **Bengal Bank 1784**
- First Bank to introduce Internet Banking – **ICICI BANK**
- First Bank to introduce Mutual Fund – **State Bank of India**
- First Bank to introduce Credit Card in India – **Central Bank of India**
- First Foreign Bank in India – **Comptoire d'Escompte de Paris of France in 1860**
- First Joint Stock Bank of India – **Allahabad Bank**
- First Indian bank to open branch outside India in London in 1946 – **Bank of India**
- First Indian Bank started with Indian capital – **Punjab National Bank**
- First Regional Rural Bank name Prathama Grameen Bank was started by – **Syndicate Bank**
- First Universal Bank in India – **ICICI Bank**
- First bank in India listed in New York Stock Exchange (NYSE) – **ICICI Bank**
- First Bank in India to launch Talking ATMs for differently - able person – **Union Bank of India**
- First Bank in India to launch its own Payment Aggregators – **State Bank of India. (SBIEPay)**
- Country's first all woman bank – **Bhartiya Mahila Bank**
- First India bank Got ISO – **Canara Bank**

Important Acts related to Banking:

Banking Regulation Act,1949

- As per Section 5(b) Banking is defined.
- As per Section 8, Trading of goods by a Banking Company is restricted.
- As per Section 17 every banking company incorporated in India is required to transfer each year to Reserve Fund a sum equivalent to not less than 20% of profit before declaration of dividend
- As per Section 24, SLR is to be maintained.
- As per Section 45(Z) Nomination facility has been granted for bank deposits.
- As per Section 35A ,RBI has prohibited stapling of currency notes.

Reserve Bank of India Act,1934 Scheduled Bank-

- As per Section 2(e) a Scheduled Bank is one whose name is included in the Second Schedule to RBI Act, 1934.
- Section 17(4) enables RBI to grant loans and advances to Scheduled Banks
- Section 20 empowers RBI to act as Banker to the Govt.
- Section 22 gives right to issue Bank Notes.
- As per Section 29, Bank note shall be exempted from stamp duty under Indian Stamp Act.
- Section 31 prohibits issue of notes payable to bearer by any person in India other than RBI.
- As per Section 38 RBI is the sole authority to issue currency in the country except for one rupee note or coins(which is issued by Central Govt.)
- As per Section 42(1) all scheduled banks are required to maintain CRR in the form of cash.

- As per Section 45B RBI collects credit information from all banking companies and furnish consolidated credit information to any banking company.

National Bank for Agriculture and Rural Development Act,1981

- As per Section 3 NABARD was established.
- As per Section 4, capital shall be Rs.100 crore which may be increased to Rs.5000 crore by Central Govt. in consultation with RBI.
- Provides refinance facilities for credit to agriculture, small and village and cottage industries and Co-operative Banks.

Banking Ombudsman Scheme,2006

- As per Section 4, RBI appoints one or more of its officers in the rank of Chief General Manager or General Manager to be known as Banking Ombudsman.
- If a complaint on deficiencies in banking services is not responded by the concerned Bank within one month or the reply has not satisfied the complainant, the Banking Ombudsman whose jurisdiction covers the Bank Branch may be approached.
- The complaint should be made before expiry of one year after the cause of action has arisen. Complaint can be filed simply by writing on a plain paper.
- Complaint can be filed by authorized representative (other than an advocate) of the complainant.
- No fees are charged for resolving a complaint.
- Complaint may be settled by agreement within a period of one month.
- In case it is not settled by agreement, Banking Ombudsman may pass an award by giving reasonable opportunity to both sides.
- The award is on compensation, not more than actual loss suffered on account of the act of omission or commission by the bank or Rs.10 lac whichever is lower.

- In case Award is not acceptable, the party not accepting the award may approach the appellate authority i.e. Deputy Governor of RBI within 30 days from the date of receipt of the award. The complainant has also the recourse before Court.

Prevention of Money Laundering Act, 2002

- Records of cash transactions above Rs.10 lac or its equivalent in foreign currency have to be maintained. Records of series of cash transactions connected to each other of below Rs 10 lac or its equivalent in foreign currency within a month and the aggregate value of such transactions exceeds Rs.10 lac have to be maintained.
- Records of Cash transactions in forged or counterfeit currency notes or bank notes and where forgery of any valuable security has taken place have to be maintained.
- Records of Suspicious transactions in cash or otherwise have to be maintained. Records of transactions, both domestic and international, between the bank and the client need be preserved for at least 10 years from the date of cessation of transaction.
- Cash Transactions Report (CTR) for transactions of above Rs.10 lac in a month have to be submitted to Financial Intelligence Unit-India (FIU-IND) within 15 days of close of the month.
- Suspicious Transactions Report(STR) of a transaction ,in cash or non-cash, or a series of transactions integrally connected have to be reported within 7 days of arriving at the conclusion.

Indian Stamp Act,1989

- As per section 17 of Indian Stamp Act,1989 all instruments/documents chargeable with duty and executed by any person in India shall be stamped before or at the time of execution.
- The Stamp Act extends to whole of India except J&K. Stamp duty on Demand Promissory Note, Bill of Exchange payable otherwise than on

demand, money receipts, proxies and transfer of shares comes under Central List.

- Powers to reduce or remit the duty on these instruments are vested with the Central Govt. For other instruments stamp duty rates are prescribed by the respective State Govts.
- In case of Usance Bills, arising out of bonafide commercial or trade transaction, of not more than 3months usance after date or sight drawn on or made by or in favour of a Commercial Bank/Co-operative Bank stamp duty is remitted.
- Documents under Central list are not admissible in evidence if unstamped or understamped and are nullified.

Stamps are of three types:

- **Postage stamps-** These are covered under India Post Office Act for postal charges.
- **Judicial stamps-** These are used in connection with filing suit, court fees and other judicial matters as per provisions of Court Fees Act.
- **Non-judicial stamps-** These are used as per provisions of Stamp Act for commercial transactions.

Non-judicial stamps are of three kinds:

- **Adhesive stamps-** Adhesive stamps are those which are affixed by adhesive. There are many varieties of adhesive stamps such as revenue stamp, foreign bill stamp, share transfer stamp, insurance stamp, notary stamp, attorney stamp, consular stamp. These stamps are used for transaction.
- **Embossed or Impressed stamps-** Impressed stamps are Hundi papers(on which Hundis are to be drawn) or Non-judicial stamp papers(on which stamps are already printed). These are mostly used for execution of agreement such as hypothecation, pledge & lien

agreements, letter of continuity, letter of guarantees, mortgage deed etc.

- **Special adhesive stamps-** These stamps are substitutes for non-judicial stamp papers. It is convenient to use them in printed agreements. Special adhesive stamps are to be affixed and cancelled by proper officer notified under the stamp rules.

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI)

In the event of default by a borrower, the bank have the powers to

1. Take possession, sell or lease the secured assets
 2. Take over the management of the business of the borrower
 3. Appoint a Manager(not below Scale-IV Officers)
 4. Recover money from the debtor of the borrower Loans outstanding of Rs.1 lac & above are covered by the Act. Agri. Loans and where 80% recovery has been done are exempted.
- U/s. 13(2) of the Act, secured creditor has to serve 60 days' notice before taking any of the measures under Section 13(4) of the Act.
 - After service of notice if the borrower makes a representation or raises any objection, the secured creditor shall consider such representation or objection and if the same is acceptable or tenable, the reasons of non-acceptance have to be communicated within one week of receipt.

Central Registry under SARFAESI Act,2002 (CERSAI)

- Central Registry of Securitization, Asset Reconstruction and Security Interest of India(CERSAI in short), a Government Company, licensed under Section 25 of the Companies Act, 1956 has been incorporated CERSAI has become operational from 31.3.2011.

Section 20 of the SARFAESI Act, 2002 provides for setting up of a Central Registry for the purpose of registration of transactions of securitisation, asset reconstruction and security interest under the SARFAESI Act.

It contains the following Four Forms:

- **FORM-I** – To be used for filing Particulars of Creation or Modification of Security Interest in favour of Secured Creditors Fee: For a loan upto Rs.5 lac : Rs. 250/- for both creation and modification of security interest For a loan above Rs. 5.00 lakh: Rs. 500/- for creation and for any subsequent modification of security interest in favour of a secured creditor.
- **FORM-II** – To be used for filing Satisfaction of any existing Security Interest Fee – Rs. 250/-
- **FORM-III** – To be used for filing Particulars of Securitisation or Reconstruction of Financial Assets Fee – Rs. 1000/- **FORM-IV** – To be used for filing Particulars of Satisfaction of Securitisation or Reconstruction transactions Fee – Rs. 250/- The particulars of every transaction referred to above shall have to be filed with Central Registrar within a period of thirty days from the date of such transaction. In case of delay in filing, the Central Registrar may on an application being made stating the reasons for delay not exceeding thirty days, allow filing of particulars on payment of additional fees, as specified in the SARFAESI (Central Registry) Rules.-.

Friends this is it regarding Financial Awareness Capsule for SBI Clerk Mains Exam. We wish you all the Best for your Exam.