BANKING LEGENDS

BANKING AWARENESS MASTER CAPSULE

2026 ENGLISH MASTER EDITION - MODULES 01-32

UNDERSTAND FIRST.
REMEMBER THROUGH CONNECTION.

For SBI | IBPS | RRB PO & Clerk Mains

32 modules | 600 core questions + 100 Mains Application questions

Permanent concepts | live rules | changed-rule traps | PYQ intelligence

CONTENT VERIFIED UP TO: 16 AUGUST 2026

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Accuracy, live rules and examination use

This capsule combines permanent banking concepts with date-controlled regulatory and current banking facts. Rates, limits, institutional counts, office-holders, scheme terms and regulatory rules can change. Where a fact is live or changed, use the verification date and Module 32 before a major mains exam.

HOW TO READ CHANGING RULES

PERMANENT -> learn the mechanism. LIVE -> learn with a verification date. CHANGED RULE -> learn current rule + effective date + old PYQ-era trap. A remembered old answer never outranks the current regulator, law or official notification.

A NOTE FROM THE AUTHOR

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Founder - Banking Legends | Banking Exam Educator & Mentor

Banking Awareness becomes difficult when students are asked to memorise hundreds of disconnected facts. This master was built with the opposite approach: first understand what a bank, regulator, payment system, law or financial institution is trying to do; then connect the rule, number, exception and exam trap to that mechanism.

I have taught banking aspirants for more than eight years and was selected as SBI Probationary Officer in 2015, 2016 and 2017. Students retain more when a fact has a reason, a relationship and a place inside the larger system. That is why this edition separates permanent concepts, live facts and changed rules.

Use the questions after each module as diagnosis. When you miss a question, identify whether the error came from concept, confusion between similar terms, an outdated PYQ-era rule, or a current-affairs gap. Before a major mains exam, revise the permanent framework from this master and refresh the date-sensitive layer through Module 32 and Banking Legends daily updates.

STAY CURRENT - DAILY GA & BANKING AWARENESS

Banking Legends publishes regular Daily General Awareness (GA) and Banking Awareness (BA) updates on Telegram, the website and the Banking Legends app. Use these for new RBI/regulatory changes, appointments, reports, schemes and other date-sensitive exam facts.

Website: bankinglegends.com

Telegram: t.me/bankinglegends01

App: Banking Legends App - Google Play

YouTube: youtube.com/@bankinglegends

Instagram: instagram.com/bankinglegends1

HOW TO USE THIS MASTER

This master is one connected learning system across all 32 modules. Read the idea and mechanism first; memorise a number only after you know whether it is permanent, statutory, or live.

Layer	What belongs here	Student rule
PERMANENT	Mechanism, legal architecture, role, definition, relationship.	Understand once; revise through connections.
LIVE	Rates, limits, counts, appointments, current scheme terms and dated reports.	Learn only with a verification date.
CHANGED RULE	Current rule + effective date + earlier/PYQ-era rule + what changed.	Never let an old PYQ answer silently become the current answer.

STUDENT CHECKPOINTS

- Questions are distributed across modules to reinforce concepts without unnecessary repetition.
- Terminology: full form before first acronym; similar terms are compared rather than memorised as isolated definitions.
- Date-sensitive revision: use Modules 30 and 32 as the near-exam checkpoint for live facts.
- Source guidance: live facts are linked to primary official sources; re-check Module 32 before every major mains exam.

HOW TO USE THIS EDITION

EXAM NAVIGATION MATRIX

One master, different revision emphasis by exam

SBI PO MAINS	Core banking + current RBI/regulatory + digital payments + schemes. Pair the master with the most recent current affairs.
IBPS PO MAINS	Concept/regulation depth + statement-combination practice + current banking. Give Modules 5, 9-14, 16, 18-22 and 26 extra attention.
SBI CLERK MAINS	Broader current affairs + strong banking fundamentals. Use the core for concepts and daily/monthly GA for event breadth.
RRB PO / CLERK MAINS	Give extra weight to Modules 15-18, 25 and 31, while retaining broad banking + static/current awareness.
FINAL 48 HOURS	30-Second Recalls -> Confusing Pairs -> Changed Rules -> Live Numbers -> Module 32 -> latest Daily/Weekly GA revision.

LIVE CHECKPOINT RULE

Whenever a module contains a current rate, count, office-holder, operating limit or changed regulatory rule, Module 32 and the latest official source control the near-exam answer.

EXAM-FOCUSED PRACTICE

PYQ INTELLIGENCE + MAINS APPLICATION

Use patterns to decide how deeply to revise a concept

What this edition includes

- 100 Mains Application questions across 20 high-value modules, alongside 600 core questions.
- More I-II-III combinations, scenario/application questions, current + static hybrids, route-selection and changed-rule traps.
- PYQ Signature boxes show the recurring cognitive demand: direct fact, statement testing, application, timeline or current-rule trap.
- Eight visual bridges connect mechanisms that students often memorise separately: monetary transmission, DICGC, NPA ageing, SARFAESI/IBC, Basel, payments, PSL and MSME/TReDS.
- A dedicated 48-Hour Revision Pack at the end compresses changing rules, live numbers, confusing pairs and statutory anchors.

How to read the PYQ Signature

DIRECT	Definition / full form / authority / exact current number.
STATEMENT	Multiple facts placed together; one stale or category-mismatched statement is the trap.
APPLICATION	A short banking situation asks which rule, institution or legal route applies.
CURRENT + STATIC	A permanent mechanism is mixed with a new circular, threshold, appointment or operating limit.
TIMELINE	45/30/15, 60/15/45, ageing buckets, validity periods and effective dates.

IMPORTANT

PYQ signature is a trend guide based on memory-based reviews of recent bank Mains papers; it is not an official reconstructed question paper. Use it to prioritise practice, not to predict an exact question.

MODULE MAP — 01–16

Core modules build the system. Booster modules compress static breadth and isolate fast-changing facts.

No.	Module	Layer
01	How a Bank Actually Works	CORE
02	Banking History, Reforms & Major Committees	CORE
03	Indian Banking Structure & Licensing	CORE
04	RBI: Act, Structure, Board & Functions	CORE
05	Monetary Policy, Liquidity & Benchmarks	CORE
06	Deposits & Customer Banking	CORE
07	Deposit Insurance, Unclaimed Deposits & Bank Failure	CORE
08	Lending & Credit Fundamentals	CORE
09	NPA, SMA, IRAC, Provisioning & CRILC	CORE
10	Recovery & Resolution	CORE
11	Capital, Basel & Bank Risk	CORE
12	Digital Payment Architecture	CORE
13	Cards, Tokenisation, Mandates & Payment Safety	CORE
14	Cheques & Negotiable Instruments	CORE
15	Financial Inclusion & Lead Bank Mechanism	CORE
16	Priority Sector Lending	CORE

MODULE MAP — 17–32

Core modules build the system. Booster modules compress static breadth and isolate fast-changing facts.

No.	Module	Layer
17	Rural & Agricultural Banking	CORE
18	MSME Finance & Development Institutions	CORE
19	NBFCs, HFCs & Specialised Institutions	CORE
20	Money Market, G-Secs & RBI Retail Direct	CORE
21	Capital Markets & SEBI	CORE
22	Forex, FEMA, External Sector & Trade Finance	CORE
23	Insurance Awareness	CORE
24	Pension & Retirement Products	CORE
25	Government Financial & Small-Savings Schemes	CORE
26	KYC, AML, FIU & Customer Protection	CORE
27	Currency Management, Notes, Printing & Minting	CORE
28	RBI/NABARD Reports, Indices & Surveys	CORE
29	International Financial Institutions & Assessments	CORE
30	Dynamic Banking Ecosystem	LIVE BOOSTER
31	RRB / Clerk Static Banking Booster	BOOSTER
32	Current Regulatory Update Layer	LIVE BOOSTER

MODULE 1 — HOW A BANK ACTUALLY WORKS

Before CRR, SLR, Repo, NPA or Basel, understand the machine they are trying to regulate.

Start with one idea

A bank is not simply a locker that stores everyone's cash. It is a financial intermediary with a balance sheet: it owes money to some people, has claims on other people, earns income, takes risk and must remain able to meet withdrawals.

1. Why does a bank exist?

Imagine two people. Asha has ₹10,000 that she does not need today. Ravi needs ₹8,000 to buy equipment for a small business. If they had to find each other, check trust, decide a rate, collect repayment and handle risk on their own, finance would be slow and unsafe.

A bank stands between thousands of savers and thousands of borrowers. It accepts money from depositors, provides payment and safekeeping services, and deploys funds into loans and investments. This process is called financial intermediation.

Plain-language meaning

A bank connects people who have money available today with people and businesses that can use money productively, while managing payment, liquidity and credit risk.

2. The most important perspective shift: whose asset is it?

The same ₹10,000 can be an asset for one person and a liability for another. Banking questions often become easy once you ask: "From whose point of view?"

Transaction	Customer's view	Bank's view
Asha deposits ₹10,000	A claim on the bank — an asset for Asha	The bank owes Asha ₹10,000 — a liability for the bank
Bank gives Ravi an ₹8,000 loan	Ravi owes the bank — a liability for Ravi	The bank has a claim on Ravi — an asset for the bank
Bank buys a Government security	Not Asha's personal asset	An investment asset for the bank

Exam Trap — Deposit

"Deposit is an asset" can be correct for the depositor but incorrect for the bank. For the bank, customer deposits are liabilities because the bank has an obligation to repay them.

3. A simplified bank balance sheet

A balance sheet is a snapshot of what an entity owns/has claims on (assets) and what it owes (liabilities), together with its own capital. For learning purposes, picture a bank like this:

BANK ASSETS — money/claims working for the bank	BANK LIABILITIES & CAPITAL — sources of funding
Loans to households and businesses	Customer deposits
Investments such as Government securities	Borrowings from other institutions / markets
Cash and balances held with the central bank	Bank's own capital and reserves

This is intentionally simplified. Real bank balance sheets contain many more items. The purpose here is to build the mental model that later explains liquidity, capital adequacy, NPA and monetary-policy rules.

4. How does a bank earn?

A bank typically earns interest on loans and investments and pays interest on many deposits and borrowings. The difference between what the bank earns on interest-bearing assets and what it pays for funds is one important source of banking income. Banks also earn non-interest income from permitted services and fees.

Do not reduce banking to “borrow low, lend high”

That phrase is useful as a starting intuition, but real banking also involves operating costs, defaults, liquidity needs, regulation, capital, technology, fraud risk and market risk.

5. Liquidity and profitability pull in different directions

Suppose a bank keeps nearly every rupee as cash. It can meet withdrawals easily, but it earns very little. Suppose it locks nearly every rupee into long-term or illiquid assets. Earnings may improve, but a sudden wave of withdrawals can create trouble.

So a bank must continuously balance two needs: earn a return on assets and remain liquid enough to meet payment and withdrawal obligations.

Liquidity

Ability to meet cash/payment obligations when they fall due.

Solvency

Ability of the institution’s assets and capital position to absorb losses and remain financially viable over time. A bank can face a liquidity problem without being fundamentally insolvent, and vice versa.

6. Why does a bank need its own capital?

Deposits are money the bank owes to customers. Capital is different. Capital belongs to the owners/shareholders and acts as a cushion against losses. If some loans go bad, losses should first be absorbed by the bank’s earnings and capital rather than simply being passed to depositors.

Simple loss example

If a bank has ₹100 of assets and ₹8 of capital, a loss reduces that ₹8 cushion before it threatens the value available to other claimants. This is why regulators care about capital adequacy and risk-weighted assets.

Do not confuse

Capital ≠ deposits. Capital ≠ CRR. Capital ≠ “cash lying in the branch”. These are different ideas and will be developed separately later.

7. The four risk families you should recognise now

Risk	Beginner meaning	Small example
Credit risk	Borrower may not repay	A business loan defaults
Liquidity risk	Bank may struggle to meet cash/payment needs on time	Large withdrawals occur while funds are tied up
Market risk	Market prices/rates can move against the bank	Value of a traded security changes
Operational risk	People, process, systems or external events can fail	Fraud, process error or technology disruption

8. Now the later chapters start making sense

Once you understand the bank as a balance sheet, many "separate" banking topics become connected:

Future topic	What problem is it trying to address?
Cash Reserve Ratio / liquidity tools	Banking-system liquidity and monetary control
Statutory Liquidity Ratio	Liquidity and statutory holdings of specified liquid assets
Capital adequacy / Basel	Loss-absorbing capacity relative to risk
NPA / provisioning	Recognition and cushioning of credit losses
Deposit insurance	Protection of eligible small depositors if an insured bank fails
RBI supervision	Confidence, stability, depositor protection and sound banking operations

Connection to the Reserve Bank of India

RBI describes itself, among other roles, as the monetary authority and regulator/supervisor of the financial system, with objectives including price stability, public confidence and protection of depositors' interests. Those roles make much more sense once you see the risks inside a bank balance sheet.

9. Exam Trap Board

If the exam says…	Think…
"Deposit is a liability"	Whose perspective? For the bank, yes.
"Capital is money collected from depositors"	Wrong mental model. Capital is the bank's own loss-absorbing funding.
"A profitable bank can never face liquidity stress"	Profitability and liquidity are different.
"Every bank asset is cash"	Loans and investments are also assets.
"Loan given by bank is a bank liability"	For the bank, the loan receivable is an asset.

30-Second Recall — Module 1

Recall chain

Depositor gives money → Bank owes depositor (liability) → Bank makes loan/investment (asset) → Asset earns return but carries risk → Bank must stay liquid → Capital absorbs losses → Regulation tries to keep the system stable.

Check Yourself — 9 Questions

1. A customer places ₹50,000 in a savings account. From the bank's perspective, this amount is primarily a:

A. Capital reserve
B. Liability
C. Fixed asset
D. Operating expense
E. Contingent asset

2. A bank gives a term loan to a manufacturer. From the bank's perspective, the outstanding loan is primarily a:

A. Liability
B. Equity contribution
C. Asset
D. Deposit
E. Operating expense

3. Which statement best describes bank capital?
- A. Money the bank must repay to every depositor on demand
- B. A loss-absorbing cushion provided by owners and retained resources
- C. Cash Reserve Ratio maintained with RBI
- D. Interest payable on deposits
- E. A type of customer savings account

4. Which risk is most directly involved when a borrower fails to repay a loan?
- A. Market risk
- B. Liquidity risk
- C. Credit risk
- D. Settlement risk only
- E. Currency-issue risk

5. A bank has many good long-term assets but suddenly struggles to meet immediate withdrawals. This most directly illustrates:
- A. Liquidity risk
- B. Credit risk
- C. Capital gain
- D. Deposit insurance
- E. Foreign-exchange appreciation

6. Which pair is correctly matched?
- A. Customer deposit — bank asset
- B. Bank loan to borrower — bank liability
- C. Bank capital — customer deposit
- D. Customer deposit — bank liability
- E. Operational loss — bank asset

7. Why can keeping all funds as idle cash be unattractive for a bank?
- A. It automatically creates NPA
- B. It can reduce the bank's ability to earn returns
- C. It converts deposits into capital
- D. It removes liquidity completely
- E. It makes every loan unsecured

8. Which statement is correct?
- A. Liquidity and solvency are exactly the same concept
- B. A bank can never be profitable and illiquid at the same time
- C. Capital and deposits are identical sources of funds
- D. A bank must balance earning assets with the ability to meet obligations
- E. Every liability of a bank is a loss

9. What is the strongest reason for learning the bank balance-sheet view before topics such as Basel and NPA?
- A. It eliminates the need to learn regulations
- B. It shows how assets, liabilities, risk, losses and capital are connected
- C. It proves all banks have the same business model
- D. It converts every banking question into arithmetic
- E. It makes current affairs unnecessary

Answers & Connected Explanations

Q	Answer	Why
1	B — Liability	The bank owes the deposited money to the customer. The same deposit is an asset/claim from the customer's perspective.
2	C — Asset	The bank has a contractual claim on the borrower for principal and interest.

Q	Answer	Why
3	B	Capital is the bank’s own loss-absorbing cushion; it is not the same as deposits or CRR.
4	C — Credit risk	Credit risk is the possibility that a borrower or counterparty fails to meet its obligation.
5	A — Liquidity risk	The problem is timing/availability of funds, even though the long-term assets may still be valuable.
6	D	Customer deposits are liabilities for a bank because they represent repayment obligations.
7	B	Banks need liquidity, but excessive idle cash can reduce earnings; banking requires a balance.
8	D	A bank must earn on its assets while still being able to honour payments and withdrawals.
9	B	Basel, NPA, provisioning and liquidity rules all become easier when seen as responses to balance-sheet risks.

MODULE 2 — BANKING HISTORY, REFORMS & MAJOR COMMITTEES

Do not memorise history as dates. Learn the problem that each reform was trying to solve.

Start with one idea

Indian banking did not move in one straight line. It moved through distinct needs: building a formal system → expanding banking to development and rural areas → improving prudential strength and competition → widening inclusion through new bank models and technology.

1. Why should an exam student study banking history?

History explains why today's structure contains public sector banks, Regional Rural Banks, priority-sector lending, prudential norms, differentiated banks and large consolidated institutions. Without that story, these can look like unrelated facts.

Use history as a cause-and-effect map

Problem → Policy/Committee → Institutional change → Today's banking concept. This is more retainable than memorising twenty dates in isolation.

2. The essential timeline

Year / Date	Why it matters
1921	Three Presidency Banks were amalgamated to form the Imperial Bank of India.
1 Apr 1935	Reserve Bank of India began operations under the Reserve Bank of India Act, 1934.
1949	RBI was nationalised and became fully owned by the Government of India.
1 Jul 1955	State Bank of India was constituted as successor to the Imperial Bank of India.
19 Jul 1969	14 major scheduled commercial banks were nationalised.
Dec 1969	Lead Bank Scheme was introduced to address area-based credit gaps.
1975	Regional Rural Banks were set up to combine local rural orientation with organised banking.
15 Apr 1980	Six more private-sector banks were nationalised.
12 Jul 1982	NABARD was established to support agriculture and rural development finance.
1991	Narasimham Committee I: major shift toward financial-sector and prudential reform.
1998	Narasimham Committee II: second-stage banking-sector reform and strengthening.
2014	RBI issued final licensing guidelines for Small Finance Banks and Payments Banks on 27 November.

Year / Date	Why it matters
2015	RBI granted in-principle approvals for new Payments Banks and Small Finance Banks.
2017 onward	A stronger phase of bank consolidation; SBI absorbed its associate banks and Bharatiya Mahila Bank from 1 April 2017, followed by other PSB mergers.

Do not over-learn the timeline

The exam value is not the ability to recite every year. The value is to connect each milestone to the structure we have today.

3. Phase I — Building institutions

The Imperial Bank of India, formed in 1921, performed major commercial-banking functions and had earlier quasi-central-banking roles. RBI's establishment in 1935 separated the central-bank role from the commercial-bank role. RBI's Central Office was initially in Kolkata and was permanently moved to Mumbai in 1937; RBI was nationalised in 1949.

The State Bank of India was constituted on 1 July 1955 as successor to the Imperial Bank of India. SBI's own history links this shift to the need for a state-supported institution that could serve planned economic development and rural areas more actively.

Exam connection

RBI and SBI are both public institutions today, but they perform fundamentally different roles: RBI is the central bank/regulator; SBI is a commercial bank.

4. Phase II — Social banking and geographic expansion

By the late 1960s, policy focused on aligning bank credit more closely with development priorities. RBI's historical chronology records the nationalisation of 14 major banks on 19 July 1969, followed by the Lead Bank Scheme in December 1969. Six more private-sector banks were nationalised in April 1980.

The logic was broader than ownership. The banking network was expected to expand its reach and direct more credit toward sectors and regions that had historically received less formal finance.

The structural outcome

This period helps explain branch expansion, priority-sector thinking, district-level banking coordination, rural credit institutions and the later creation of Regional Rural Banks and NABARD.

5. RRBs and NABARD — two different answers to the rural-credit problem

Institution	Why it was created	Think of it as…
Regional Rural Bank (RRB)	To provide organised banking and credit with a rural/local focus	A banking institution that operates and lends
NABARD	To support, refinance and develop agriculture/rural finance and rural institutions	A development financial institution / apex rural-finance institution

Exam Trap

RRB and NABARD both belong to the rural-finance story, but they are not the same type of institution. NABARD is not simply "another rural commercial bank".

6. Phase III — 1991 onward: from expansion to prudential strength

The 1991 balance-of-payments crisis and wider economic reforms changed the policy environment. Banking reform increasingly focused on transparency, competition, capital strength, recognition of bad loans and professional management.

Narasimham Committee I — Committee on the Financial System, 1991

The first Narasimham Committee is associated with the move toward modern prudential banking. RBI later implemented, in phases, objective norms for income recognition, asset classification and provisioning, and introduced capital-adequacy requirements in line with reform recommendations.

- Capital adequacy: banks should hold a meaningful capital cushion relative to risk.
- Prudential recognition: income and bad loans should be recognised more objectively instead of being hidden by subjective accounting.
- Lower pre-emption / greater operational freedom: reform sought a more market-oriented and competitive banking system.
- Directed credit review: the Committee proposed a narrower definition of priority sector and lower target; that specific recommendation was not accepted.

What you should remember

Narasimham I = the beginning of modern prudential reform: capital, asset quality, transparency, competition and reduced rigid controls.

Narasimham Committee II — Committee on Banking Sector Reforms, 1998

The second committee asked how to make the reformed banking system stronger. RBI and Government documents connect it with higher capital adequacy, better recognition/resolution of weak assets, stronger systems and a more efficient banking structure. RBI's subsequent introduction/strengthening of measures such as a liquidity-adjustment framework also drew on reform recommendations of the period.

Easy distinction

Narasimham I (1991): create the reform architecture. Narasimham II (1998): strengthen and deepen it.

7. P.J. Nayak Committee, 2014 — governance, not MSME lending

The Committee to Review Governance of Boards of Banks in India, chaired by P.J. Nayak, focused strongly on bank-board governance, especially public-sector bank governance. Government discussion of its recommendations highlighted ideas such as more independent professionals on boards, greater board empowerment, separating the Chairman and Chief Executive roles, longer CEO tenures and a holding-company approach for Government shareholding.

High-value confusion trap

P.J. Nayak Committee (2014) = bank-board governance. P.R. Nayak Committee (1991) = adequacy of institutional credit to the SSI/MSE sector. Similar surname; completely different exam context.

8. Phase IV — differentiated banks: one bank model cannot solve every problem

RBI issued final licensing guidelines for both Small Finance Banks and Payments Banks on 27 November 2014. The idea was to use differentiated banks for specific inclusion and payment/credit needs rather than require every new institution to look like a conventional universal bank.

Model	Problem it was designed to address	Core intuition
Small Finance Bank	Need for savings plus credit to underserved households, small businesses, small/marginal farmers and similar segments	A bank that can accept deposits and lend, with a financial-inclusion focus
Payments Bank	Need for deposits, payments and remittance access, especially for underserved users	A payments/deposit-focused bank with restricted lending powers

Do not memorise old operating limits here

Specific capital, priority-sector or balance limits have changed over time. Module 3 and the Current Regulatory Update Layer will carry the live rules.

9. Consolidation — why mergers became a policy theme

As the system matured, another objective became scale and operational strength. Government documents note that committees including Narasimham II and P.J. Nayak recommended consolidation of public-sector banks because of potential synergies. The SBI associate-bank merger from April 2017 was followed by additional public-sector bank consolidation.

Exam approach

Remember the reform logic first: consolidation aims to create larger institutions with potential scale, efficiency and risk-management benefits. Exact current bank counts belong in the dynamic module, not permanent history notes.

10. Put the full story in one line

Indian banking evolution

Institution building → Social banking & geographic expansion → Rural-credit architecture → Prudential/competitive reform → Governance reform → Differentiated banks & technology → Consolidation & scale.

30-Second Recall — Module 2

Anchor	Recall
1935	RBI begins operations
1949	RBI nationalised
1955	SBI constituted
1969	14 banks nationalised + Lead Bank Scheme
1975 / 1982	RRBs / NABARD
1991 / 1998	Narasimham I / Narasimham II
2014 / 2015	Differentiated-bank guidelines / approvals
P.J. Nayak 2014	Bank-board governance

Check Yourself — 10 Questions

1. Which event occurred first?

A. Nationalisation of 14 major banks
B. Establishment of NABARD
C. Constitution of State Bank of India

D. Establishment of Regional Rural Banks
E. Narasimham Committee I

2. The Reserve Bank of India began operations in:

A. 1921
B. 1934
C. 1935
D. 1949
E. 1955

3. Which development is correctly matched?

A. 1969 — NABARD established
B. 1975 — Regional Rural Banks set up
C. 1980 — Lead Bank Scheme introduced
D. 1991 — State Bank of India constituted
E. 2014 — RBI nationalised

4. The first Narasimham Committee is most closely associated with:

A. Modern prudential and financial-sector reform
B. Creation of Payments Banks in 2014
C. Nationalisation of RBI in 1949
D. Creation of SBI in 1955
E. Insurance-sector liberalisation only

5. Which statement best distinguishes Narasimham Committee I and II?

A. I dealt with rural banks; II dealt only with insurance
B. I began the modern banking-reform architecture; II focused on strengthening/deepening reforms
C. I was in 1998; II was in 1991
D. Both were formed to create Payments Banks
E. There is no meaningful distinction

6. P.J. Nayak Committee (2014) is primarily remembered in banking awareness for:

A. MSME working-capital formula
B. Bank-board and public-sector bank governance
C. Kisan Credit Card design
D. Creation of NABARD
E. Payment-system settlement limits

7. Which pair should NOT be confused?

A. RBI and central bank
B. SBI and commercial bank
C. P.J. Nayak Committee 2014 and P.R. Nayak Committee 1991
D. RRB and rural banking
E. NABARD and rural development finance

8. Why were Small Finance Banks and Payments Banks introduced as differentiated banks?

A. To make every bank perform exactly the same activities
B. To address specific inclusion, payment and credit needs with different business models
C. To replace RBI
D. To abolish commercial banking
E. To eliminate the need for bank regulation

9. Which statement about the 1969 reform phase is correct?

A. It only changed bank names and had no development objective
B. Fourteen major banks were nationalised and the Lead Bank Scheme followed in the same year
C. RBI was nationalised in 1969
D. NABARD was established before the bank nationalisation
E. Small Finance Banks were licensed in 1969

10. What is the best way to study banking history for mains exams?

A. Memorise every date without context
B. Learn only present-day bank counts
C. Connect problem → reform/committee → structural change → present banking concept
D. Ignore committees completely

E. Treat every historical recommendation as a current rule

Answers & Connected Explanations

Q	Answer	Why
1	C — Constitution of SBI	SBI was constituted in 1955; the other listed developments came later.
2	C — 1935	RBI was established under the RBI Act, 1934 and began operations on 1 April 1935.
3	B — 1975 RRBs	RRBs were set up in 1975; NABARD followed in 1982 and the Lead Bank Scheme began in 1969.
4	A	Narasimham I is the key anchor for prudential reform, capital adequacy, asset-quality transparency and a more market-oriented banking framework.
5	B	Think: 1991 builds the reform framework; 1998 asks how to strengthen/deepen it.
6	B	P.J. Nayak's 2014 committee focused on governance of bank boards, especially PSB governance.
7	C	P.J. Nayak 2014 and P.R. Nayak 1991 are different committees with different subjects.
8	B	Differentiated banks were designed to serve specific inclusion/payment/credit needs rather than copy one universal model.
9	B	RBI's chronology records nationalisation of 14 major banks in July 1969 and introduction of the Lead Bank Scheme in December 1969.
10	C	Cause-and-effect learning helps both direct and statement-based questions and prevents obsolete recommendations from being memorised as live rules.

MODULE 03

INDIAN BANKING STRUCTURE & LICENSING

A bank is not one category. First learn the map; then learn what each category is allowed to do.

Coverage: 6 pages of theory + 18 practice MCQs | High-priority PYQ cluster

3.1 Start with the map: “bank” is an umbrella word

When a question says bank, the first mental step should be: Which kind of bank? The legal status, ownership, customer group and permitted activities can be very different.

Layer	Question to ask	Examples
Legal / schedule status	Is the bank included in the Second Schedule to the Reserve Bank of India Act, 1934?	Scheduled vs non-scheduled
Business / institutional form	What kind of banking institution is it?	Commercial, co-operative, Regional Rural Bank
Ownership	Who owns or controls it?	Public sector, private sector, foreign
Specialised licence / mandate	Was it designed for a narrower inclusion or payment purpose?	Small Finance Bank, Payments Bank, Local Area Bank

CORE MENTAL MODEL

Do not memorise categories as a flat list. A single institution can carry more than one description. For example, a Small Finance Bank is also a banking company and becomes a scheduled bank when it commences operations under the current licensing framework.

3.2 Scheduled bank vs non-scheduled bank

The word scheduled does not mean government-owned, large, safe, old or nationalised. It is a legal classification linked to the Second Schedule of the Reserve Bank of India Act, 1934.

SCHEDULED BANK	NON-SCHEDULED BANK
A bank included in the Second Schedule to the RBI Act.	A banking institution not included in that Schedule.

Section 42(6) of the RBI Act contains statutory conditions for inclusion. One condition is aggregate paid-up capital and reserves of at least Rs 5 lakh, and RBI must also be satisfied that the bank is not conducting its affairs in a manner detrimental to depositors.

EXAM TRAP - RS 5 LAKH

Rs 5 lakh is a statutory Second Schedule criterion in the RBI Act. It is NOT the present-day capital required to start a new commercial bank or Small Finance Bank. Mixing “scheduled-bank condition” with “bank licensing capital” is a classic category error.

3.3 Commercial banks, co-operative banks and Regional Rural Banks

Institution	Simple idea	What to remember now
Commercial bank	A bank carrying on mainstream deposit, payment and lending business.	Public, private and foreign banks sit here; specialised commercial-bank models such as SFBs also operate under banking law.
Co-operative bank	A banking institution built around co-operative ownership/governance.	Urban co-operative banks and rural co-operative credit institutions should not be confused with RRBs. Rural structure is taught deeply in Module 17.
Regional Rural Bank (RRB)	A bank created under the Regional Rural Banks Act, 1976 to serve rural areas, with a Sponsor Bank support relationship.	Initial statutory subscription is 50% Central Government, 15% State Government and 35% Sponsor Bank; the Act also allows later capital raising and changes in shareholding limits.

RRB NUANCE

The familiar 50:15:35 ratio is the initial statutory subscription formula. Since the 2015 amendment, an RRB can raise capital from other sources; in that case the Central Government and Sponsor Bank together must not fall below 51%, subject to the Act and notified changes. Learn the mechanism, not an over-simplified “ownership is always fixed forever” line.

3.4 Ownership: public, private and foreign banks

Category	Ownership lens	Examples / structure
Public sector banks	Government is the controlling/public-sector owner.	State Bank of India and the nationalised banks.
Domestic private sector banks	Privately owned/controlled Indian banking companies.	Examples include HDFC Bank, ICICI Bank, Axis Bank and others on RBI’s current list.
Foreign banks in India	Foreign-headquartered banking groups operating in India.	They may operate through branches or a wholly owned banking subsidiary structure.

DO NOT CONFUSE

“Private sector bank” tells you about ownership. “Scheduled bank” tells you about Second Schedule status. “Small Finance Bank” tells you about a specialised licensing/mandate model. These labels answer different questions.

3.5 Small Finance Bank (SFB): a full bank with an inclusion focus

Think of a Small Finance Bank as a real bank whose licence is designed around financial inclusion and small borrowers - not as a “mini bank” with only payment functions.

What the current 2025 RBI licensing framework says	Student-friendly meaning
Licensed under Section 22 of the Banking Regulation Act, 1949; scheduled status after commencement of operations.	It is a bank, not an NBFC product.
Primary activities include accepting deposits and lending to unserved/underserved sections, small businesses, small/marginal farmers, micro and small industries and other unorganised-sector entities.	It can take deposits AND make loans.
Minimum paid-up voting equity capital / net worth: Rs 300 crore for a new SFB.	Do not reuse the older Rs 200 crore PYQ-era figure as current.
At least 25% of banking outlets must be in unbanked rural centres (population up to 9,999 as per latest census) within one year of commencement.	Its inclusion mandate affects physical outreach too.
Priority Sector Lending target: 60% of ANBC or CEOBE, whichever is higher.	Older notes showing 75% for SFBs are now stale.
At least 50% of the loan portfolio must consist of loans/advances up to Rs 25 lakh, borrower-wise.	The “small borrower” focus is built into the portfolio.

CURRENT RULE - VERIFIED 15 AUGUST 2026

RBI's Small Finance Banks - Licensing Guidelines, 2025 prescribe Rs 300 crore minimum capital/net worth for a new SFB, 60% PSL, the 25% unbanked-rural-outlet condition and the 50% portfolio condition for loans up to Rs 25 lakh. Treat these as live rules and reverify before a future edition.

OLD PYQ TRAP

An older exam or book may correctly show 75% as the SFB Priority Sector Lending target for that time. The current RBI framework is 60%. Old answer then; new answer now.

3.6 Payments Bank (PB): payments and deposits, not normal lending

A Payments Bank solves a different problem from an SFB. It is designed around small deposit accounts, payments, remittances and financial inclusion. The defining exam distinction is that a Payments Bank is not permitted to carry on normal lending to customers.

Payments Bank can / does	Payments Bank cannot / does not
Accept permitted savings/current-account deposits within RBI's ceiling.	Undertake normal customer lending.
Provide payment and remittance services within its permitted framework.	Be treated as a Small Finance Bank merely because both focus on inclusion.
Operate as a bank under RBI's specialised framework.	Ignore RBI's restrictions on how deposit funds are deployed.

CURRENT RULE - VERIFIED 15 AUGUST 2026

The ceiling prescribed for a Payments Bank is Rs 2 lakh per individual customer at the end of the day. RBI increased it from Rs 1 lakh to Rs 2 lakh in 2021. If a PYQ shows Rs 1 lakh, check the paper date before judging the answer.

3.7 Small Finance Bank vs Payments Bank vs Regional Rural Bank

Feature	Small Finance Bank	Payments Bank	Regional Rural Bank
Main idea	Full banking with inclusion/small-borrower focus	Deposits + payments/remittances; no normal lending	Rural banking institution created under RRB Act
Can accept deposits?	Yes	Yes, within specialised framework	Yes
Can make normal loans?	Yes	No	Yes
Key exam identity	Specialised commercial-bank licence	Payment/deposit specialised bank	Rural bank + Sponsor Bank relationship
Current dynamic fact	60% PSL; Rs 300 crore new-SFB capital	Rs 2 lakh end-of-day balance ceiling	28 RRBs on RBI current list; count can change through amalgamation

3.8 Local Area Banks and a quick Bank vs NBFC preview

A Local Area Bank (LAB) is a small private-sector banking model with a geographically local focus. RBI's current list shows two LABs: Coastal Local Area Bank Ltd. and Krishna Bhima Samruddhi Local Area Bank Limited. The category is small, but it is still testable because it sits beside SFBs and PBs in the banking structure.

Bank	NBFC - preview only
Can accept demand deposits when permitted by its banking licence.	An NBFC generally cannot accept demand deposits.
Forms part of the banking/payment architecture under banking law.	Financial company regulated under an NBFC framework; detailed categories come in Module 19.
Banking licence is not the same thing as NBFC registration.	Do not call an NBFC a bank simply because it gives loans.

3.9 What does "on tap licensing" mean?

In ordinary language, "on tap" means applications can be made on an ongoing basis rather than only during one short licensing window. It does NOT mean the applicant automatically receives a banking licence. RBI still tests eligibility, fit-and-proper status, capital, business plan, governance and regulatory conditions.

LICENSING ANCHOR

A Small Finance Bank is licensed under Section 22 of the Banking Regulation Act, 1949. "Scheduled" status and "licensed as a bank" are related but not identical concepts: one concerns the banking licence; the other concerns inclusion in the Second Schedule to the RBI Act.

3.10 Current bank-category snapshot - not a permanent fact

The table below is deliberately date-stamped. Bank counts can change through mergers, conversions, licensing or cancellation.

Category	Current RBI listing checked 15 Aug 2026	Memory rule
Public sector banks	12 (SBI + 11 nationalised banks)	Count is dynamic; structure is permanent.
Domestic private sector banks	21	Do not memorise from an old coaching table.
Small Finance Banks	11	Can change through conversion/licensing.
Payments Banks	5 operating names in RBI address list: Airtel, India Post, Fino, Jio, NSDL; Paytm is separately marked licence cancelled.	Remember names only in the dynamic layer.
Local Area Banks	2	Very small category, therefore easy exam trap.
Regional Rural Banks	28	Amalgamation can change the count.

WHY WE DATE-STAMP COUNTS

The RBI list itself reflects licence actions and amalgamations. A "current number of banks" question is current affairs wearing a static-banking costume.

3.11 Exam Trap Board

Trap	Correct mental response
Scheduled = public sector	Wrong. Scheduled is Second Schedule status; public/private is ownership.
Rs 5 lakh = capital needed to start a bank today	Wrong. It is a statutory Second Schedule criterion in the RBI Act.
SFB and PB are basically the same	Wrong. SFB lends; PB cannot undertake normal lending.
SFB PSL is 75% because an old PYQ says so	Date trap. Current SFB target is 60%.
RRB ownership is forever exactly 50:15:35	Too simplistic. That is the initial statutory subscription formula; the amended Act permits other capital and altered limits.
A bank count is a static fact	Wrong. Counts belong in a dated current snapshot.

3.12 30-Second Recall

- Scheduled bank = included in the Second Schedule to the RBI Act, 1934.
- Ownership labels (public/private/foreign) and licence labels (SFB/PB) answer different questions.
- SFB = deposits + lending + inclusion focus; current new-SFB minimum capital/net worth Rs 300 crore.
- Current SFB PSL target = 60%; at least 50% loan portfolio up to Rs 25 lakh borrower-wise.
- PB = deposits/payments/remittances; no normal customer lending; current end-of-day ceiling Rs 2 lakh per individual.
- RRB = rural bank under RRB Act with Sponsor Bank relationship; initial capital subscription 50:15:35.
- Bank counts are dynamic - date-stamp them.

MODULE 3 - CHECK YOUR UNDERSTANDING (18 MCQs)

1. Which statement best defines a scheduled bank in India?

A. A bank owned by the Central Government
B. A bank included in the Second Schedule to the RBI Act, 1934
C. A bank with more than 1,000 branches
D. A bank listed on a stock exchange
E. A bank authorised to operate only in rural areas

2. The Rs 5 lakh paid-up capital and reserves figure in Section 42(6) of the RBI Act is best understood as:

A. The current capital required to start a universal bank
B. The current minimum capital of a Small Finance Bank
C. A statutory criterion linked to inclusion in the Second Schedule
D. The minimum net worth of every Payments Bank
E. The minimum deposit insurance fund of a bank

3. Which pair describes two different classification lenses rather than mutually exclusive categories?

A. Scheduled bank and public sector bank
B. Payments Bank and Payments Bank
C. Regional Rural Bank and Regional Rural Bank
D. Private sector bank and private sector bank
E. Foreign bank and foreign bank

4. Under the current RBI Small Finance Bank licensing framework, a new SFB must have minimum paid-up voting equity capital/net worth of:

A. Rs 100 crore
B. Rs 200 crore
C. Rs 300 crore
D. Rs 500 crore
E. Rs 1,000 crore

5. Which statement correctly distinguishes an SFB from a Payments Bank?

A. Only a Payments Bank can accept deposits
B. Only an SFB can provide payment services
C. An SFB can undertake lending; a Payments Bank cannot undertake normal customer lending
D. A Payments Bank must lend 60% to priority sectors
E. An SFB is not licensed under banking law

6. The current total Priority Sector Lending target for Small Finance Banks is:

A. 40%
B. 50%
C. 60%
D. 75%
E. 80%

7. At least what share of an SFB's loan portfolio should consist of loans and advances up to Rs 25 lakh, borrower-wise?

A. 25%
B. 40%
C. 50%
D. 60%
E. 75%

8. Under the current SFB licensing framework, at least 25% of banking outlets must be opened in:

A. Metro centres with population above 10 lakh
B. Unbanked rural centres with population up to 9,999
C. State capitals only
D. Industrial corridors only
E. District headquarters with no population condition

9. The current Payments Bank end-of-day balance ceiling per individual customer is:

A. Rs 50,000
B. Rs 1 lakh
C. Rs 2 lakh
D. Rs 5 lakh
E. Rs 10 lakh

10. Which activity is NOT permitted as normal business for a Payments Bank?

A. Accepting permitted deposit accounts
B. Providing payment/remittance services
C. Normal lending to customers
D. Participating in the payment ecosystem
E. Serving small merchants under its permitted model

11. The initial statutory subscription of RRB issued capital is:

A. Central 40%, State 20%, Sponsor 40%
B. Central 50%, State 15%, Sponsor 35%
C. Central 51%, State 24%, Sponsor 25%
D. Central 60%, State 10%, Sponsor 30%
E. Central 35%, State 15%, Sponsor 50%

12. Which statement about the 50:15:35 RRB ratio is most accurate today?

A. It can never change under any circumstance
B. It is the initial statutory subscription formula, but the amended Act permits other capital raising and altered shareholding limits
C. It applies only to Small Finance Banks
D. It was abolished before the RRB Act came into force
E. It is a Priority Sector Lending target

13. Which current RBI category has only two institutions in its list?

A. Public sector banks
B. Domestic private sector banks
C. Small Finance Banks
D. Local Area Banks
E. Regional Rural Banks

14. "On tap" licensing means:

A. Every applicant automatically receives a licence
B. Applications can be made on an ongoing basis, subject to RBI approval and conditions
C. Only existing public sector banks may apply
D. The bank may operate without a Banking Regulation Act licence
E. RBI issues a licence without checking promoters

15. Which statement is correct about scheduled status and a banking licence?

A. They are exactly the same legal concept
B. A banking licence concerns permission to conduct banking; scheduled status concerns inclusion in the Second Schedule
C. Only non-scheduled banks need a licence
D. Every NBFC is automatically a scheduled bank
E. Scheduled status is based only on government ownership

16. RBI's current list checked on 15 August 2026 shows how many Regional Rural Banks?

A. 21
B. 24
C. 26
D. 28
E. 30

17. Which of the following is shown as an operating Payments Bank in RBI's current address list?

A. Jio Payments Bank
B. Paytm Payments Bank with active licence
C. Unity Small Finance Bank
D. Coastal Local Area Bank
E. Jana Small Finance Bank

18. Which sentence best captures the purpose of date-stamping bank counts?

A. Bank counts are fixed by the Constitution
B. Counts can change through amalgamation, conversion, licensing and cancellation
C. Only foreign-bank counts can change
D. RBI never updates its bank list
E. Counts are irrelevant to bank exams

MODULE 3 - ANSWERS & CONNECTED EXPLANATIONS

Q / Ans	Connected explanation	Q / Ans	Connected explanation
1. B	Correct: Second Schedule to RBI Act. Scheduled status is a statutory classification under the RBI Act, not an ownership label.	10. C	Correct: Normal customer lending. The defining Payments Bank restriction is no normal lending to customers.
2. C	Correct: Second Schedule criterion. The Rs 5 lakh figure belongs to the statutory schedule-inclusion test. Modern licensing capital is a separate question.	11. B	Correct: 50:15:35. Initial issued capital: 50% Central Government, 15% State Government, 35% Sponsor Bank.
3. A	Correct: Scheduled + public sector. A public-sector bank can also be scheduled; one label describes schedule status, the other ownership.	12. B	Correct: Initial formula with amendment nuance. The Act now permits other capital raising and possible changes to shareholding limits subject to statutory conditions.
4. C	Correct: Rs 300 crore. RBI’s 2025 SFB licensing guidelines prescribe Rs 300 crore for a new SFB.	13. D	Correct: Local Area Banks. RBI’s current list shows Coastal LAB and Krishna Bhima Samruddhi LAB.
5. C	Correct: SFB lends; PB does not normally lend. Both support inclusion, but their permitted business models are fundamentally different.	14. B	Correct: Ongoing application window. “On tap” changes the application window, not RBI’s licensing scrutiny.
6. C	Correct: 60%. Current RBI PSL Directions / SFB licensing framework use 60%. Older 75% material is a change trap.	15. B	Correct: Licence vs schedule status. These concepts are connected but legally distinct.
7. C	Correct: 50%. At least half of the SFB loan portfolio must be loans/advances up to Rs 25 lakh, borrower-wise.	16. D	Correct: 28. RBI’s current bank list shows 28 RRBs. This count is dynamic.
8. B	Correct: Unbanked rural centres up to 9,999. The rural-outlet condition is part of the SFB inclusion mandate.	17. A	Correct: Jio Payments Bank. RBI’s address list includes Jio Payments Bank; Paytm is separately marked as licence cancelled.
9. C	Correct: Rs 2 lakh. RBI raised the Payments Bank ceiling from Rs 1 lakh to Rs 2 lakh in 2021.	18. B	Correct: Counts can change. A merger, conversion, new licence or cancellation can make an old static table wrong.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 03 - INDIAN BANKING STRUCTURE & LICENSING

PYQ SIGNATURE

Classification lenses, differentiated banks, current licensing conditions and old-vs-current rule traps.

LIVE CHECKPOINT -> Current bank counts, licensing actions and UCB licensing developments -> re-check Module 32.

5 Mains Application Questions

Q1. Which combination is correct? I. Scheduled status refers to inclusion in the Second Schedule to the RBI Act. II. Public/private is an ownership lens. III. Every scheduled bank is Government-owned.

A. Only I
B. Only II
C. I and II only
D. II and III only
E. I, II and III

Q2. Under the current SFB framework, which set is correct?

A. Rs 200 cr capital; 75% PSL; 25% portfolio up to Rs 25 lakh
B. Rs 300 cr capital; 60% PSL; at least 50% portfolio up to Rs 25 lakh
C. Rs 300 cr capital; 40% PSL; no small-ticket condition
D. Rs 500 cr capital; 75% PSL; at least 50% small-ticket
E. Rs 100 cr capital; 60% PSL; 75% small-ticket

Q3. A Payments Bank customer asks for a normal term loan from the same Payments Bank. What is the best response?

A. Allowed because every bank may lend
B. Allowed only above Rs 2 lakh
C. Not permitted as normal customer lending under the Payments Bank model
D. Automatically converted into SFB lending
E. Allowed only through DICGC

Q4. The familiar RRB 50:15:35 ratio should be read as:

A. A permanent ownership ratio that can never change
B. The initial statutory subscription formula, with later capital-raising nuance under the amended Act
C. The current PSL target split
D. A deposit insurance sharing ratio
E. The Sponsor Bank reserve ratio

Q5. Which is the safest August 2026 reading of the UCB licensing development?

A. Every eligible society is automatically a UCB
B. RBI has moved to resume/on-tap licensing, while detailed eligibility should be treated as a current draft/watch item until final operative guidelines are confirmed
C. The Rs 300 crore / Rs 10,000 crore screen is a timeless statutory rule
D. UCB licensing was permanently abolished
E. Only PSBs may apply

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 03 - INDIAN BANKING STRUCTURE & LICENSING

Q1 - C I and II use different classification lenses; scheduled status does not imply Government ownership.

Q2 - B The master uses Rs 300 crore minimum capital/net worth for a new SFB, 60% total PSL and the 50% borrower-wise portfolio condition up to Rs 25 lakh.

Q3 - C Payments Banks are deposit/payment/remittance-focused and cannot undertake normal customer lending.

Q4 - B The master explicitly warns that 50:15:35 is the initial statutory subscription formula, not an immutable forever ratio.

Q5 - B The August 2026 development is high-value current awareness. Keep the resumption/on-tap direction, but treat detailed eligibility as draft/watchlist until the final RBI guideline controls.

MAINS TAKEAWAY

Do not ask only "Do I know this fact?" Ask: Is it permanent or live? Which institution/category does it belong to? What older answer could the examiner use as a distractor?

MODULE 04

RBI: ACT, STRUCTURE, BOARD & FUNCTIONS

Do not memorise RBI as a list of functions. Understand why a central bank must perform each role.

Coverage: 5 pages of theory + 16 practice MCQs | Very high priority

4.1 Why does a country need a central bank?

A commercial bank manages its own customers, deposits, loans and profitability. A central bank must think about the stability of the entire monetary and financial system. That is why the Reserve Bank of India is not simply “another bank”.

System problem	Why RBI is needed
Money and inflation need a policy anchor	RBI formulates, implements and monitors monetary policy.
Banks hold public deposits and can create systemic risk	RBI regulates/supervises banking and parts of the financial system.
Payments must remain safe and reliable	RBI regulates and supervises payment and settlement systems.
India needs an orderly foreign-exchange market	RBI administers/manages the FEMA framework for foreign exchange.
Government and banks need a central banking counterparty	RBI acts as banker to Government and banker to banks.
Currency must be issued and managed consistently	RBI performs the banknote/currency-management role, with Government roles for coins and the one-rupee note covered later.

START WITH THE IDEA

RBI is the system-level institution. A commercial bank asks, “Is this customer loan profitable and safe?” RBI asks, “Is the banking, monetary and payment system stable and functioning in the public interest?”

4.2 Legal birth: RBI Act, 1934 -> operations from 1 April 1935

The Reserve Bank of India was established on 1 April 1935 under the Reserve Bank of India Act, 1934. Its Central Office was initially in Kolkata and moved permanently to Mumbai in 1937. RBI was originally privately owned and became fully owned by the Government of India after nationalisation in 1949.

Anchor	Remember it as
Reserve Bank of India Act, 1934	The statute that creates and governs the central bank framework.
1 April 1935	RBI commenced operations / was established.
1937	Central Office permanently moved to Mumbai.
1949	RBI became fully owned by Government of India after nationalisation.

STATUTORY FACT - NOT A BALANCE-SHEET FACT

Section 4 of the RBI Act states that the capital of the Bank shall be Rs 5 crore. Do not confuse this statutory capital figure with RBI’s reserves, assets, surplus transfer or total balance-sheet size.

4.3 Section 7: who manages RBI?

The RBI Act separates Government direction in public interest from the day-to-day institutional management of the Bank. Under Section 7, the Central Government may give directions to RBI after consultation with the Governor when it considers such directions necessary in the public interest. Subject to that, general superintendence and direction of RBI's affairs and business are entrusted to the Central Board of Directors.

DO NOT REDUCE THIS TO "RBI IS INDEPENDENT" OR "GOVERNMENT CONTROLS RBI"

The legal relationship is more precise: RBI is a statutory central bank fully owned by Government of India, with governance and powers defined by the RBI Act. Exam questions can test the statutory structure rather than political slogans.

4.4 Central Board: learn the statutory composition

Component under Section 8	Maximum / number	Who appoints or nominates?
Governor	1	Central Government
Deputy Governors	Not more than 4	Central Government
Directors from Local Boards	4 - one from each Local Board	Nominated by Central Government
Other nominated Directors	10	Nominated by Central Government
Government officials	2	Nominated by Central Government

The Governor and Deputy Governors are full-time official directors. The RBI Act provides that a Governor or Deputy Governor may be appointed for a term not exceeding five years and may be eligible for re-appointment.

CENTRAL BOARD MEETING RULE

The RBI Act requires Central Board meetings at least six times in each year and at least once in each quarter. This is a clean static fact and a good five-option MCQ target.

4.5 Local Boards: four regions, advisory role

Feature	RBI framework
Areas	Western, Eastern, Northern and Southern
Members	Five members in each Local Board
Appointment	Members appointed by the Central Government
Term	Four years
Function	Advise the Central Board on local matters and represent territorial/economic interests, including interests of local co-operative and indigenous banks

EXAM TRAP

Local Boards are advisory/local-representation bodies. They are not four separate central banks, and they do not replace the Central Board.

4.6 Current leadership snapshot - verified 15 August 2026

Office	Current holder
Governor	Sanjay Malhotra
Deputy Governor	Swaminathan J
Deputy Governor	Dr. Poonam Gupta
Deputy Governor	Shirish Chandra Murmu
Deputy Governor	Rohit Jain

DYNAMIC FACT

Names of office-holders belong in the live layer. The statutory rule "Governor + not more than four Deputy Governors" is durable; the people occupying those offices can change.

4.7 RBI functions as one connected map

RBI role	What it actually means	Deep module later
Monetary Authority	Formulates, implements and monitors monetary policy; price stability with growth in mind.	Module 5
Regulator & Supervisor	Prescribes broad banking/financial-system parameters to protect confidence and depositors.	Modules 3, 9, 11, 19
Manager of Foreign Exchange	Manages the Foreign Exchange Management Act, 1999 framework and orderly forex market.	Module 22
Issuer / manager of currency	Issues/exchanges/destroys banknotes and puts Government-minted coins into circulation.	Module 27
Payment & Settlement Regulator	Regulates/supervises payment systems for safety and efficiency.	Modules 12-13
Banker to Government	Performs banking/merchant-banking functions for Central and State Governments.	Module 5 / G-Secs
Banker to banks	Maintains banking accounts of scheduled banks and provides central banking facilities.	Modules 5-7
Developmental role	Supports financial inclusion and other national financial-system objectives.	Modules 15-18

4.8 RBI vs other financial regulators

Question area	Primary regulator / institution to think of	Do not confuse with
Banking, many NBFC activities, monetary policy	Reserve Bank of India	SEBI
Securities / capital market	Securities and Exchange Board of India (SEBI)	RBI's banking role
Insurance	Insurance Regulatory and Development Authority of India (IRDAI)	RBI
Pension / National Pension System	Pension Fund Regulatory and Development Authority (PFRDA)	RBI
Many retail payment rails such as UPI - operations	National Payments Corporation of India (NPCI) operates the rail; RBI provides the regulatory/oversight framework	Operator vs regulator

RBI VS NPCI

If an exam asks "Who operates UPI?" think NPCI. If it asks about the statutory payment-system regulator/oversight authority, think RBI. Operator and regulator are not the same role.

4.9 Banker to Government vs banker to banks

BANKER TO GOVERNMENT

RBI performs banking and merchant-banking functions for the Central and State Governments and is closely connected with public debt management.

BANKER TO BANKS

RBI maintains banking accounts of scheduled banks and stands at the centre of the banking liquidity/reserve system.

These two roles explain why RBI sits at the centre of the financial system even though ordinary customers do not use it like a commercial retail bank.

4.10 The best way to remember RBI

ONE-LINE CHAIN
MONEY -> BANKS -> PAYMENTS -> FOREX -> CURRENCY -> GOVERNMENT -> SYSTEM STABILITY. RBI has a role at each system-level junction, but the detailed mechanisms are distributed across later modules.

4.11 Exam Trap Board

Trap	Correct mental response
RBI is a commercial bank owned by Government	Wrong. It is India's statutory central bank, fully owned by Government of India.
RBI capital Rs 5 crore means RBI is a Rs 5 crore institution	Wrong. That is statutory capital, not balance-sheet size.
Central Board = Governor + four DGs only	Incomplete. The Act also provides nominated directors and Government officials.
Local Boards make national monetary policy	Wrong. They are advisory/local representation bodies.
RBI operates UPI	Wrong framing. NPCI operates UPI; RBI is the payment-system regulator/oversight authority.
Current Governor name is permanent static banking	Wrong. Office-holder names are dynamic and must be date-stamped.

4.12 30-Second Recall

- RBI established 1 April 1935 under RBI Act, 1934; fully Government-owned since nationalisation in 1949.
- Section 4 statutory capital = Rs 5 crore - do not confuse with reserves or balance-sheet size.
- Central Board: Governor + up to 4 DGs + 4 Local Board directors + 10 nominated directors + 2 Government officials.
- Central Board meets at least 6 times a year and at least once each quarter.
- Four Local Boards: Western, Eastern, Northern, Southern; five members each; advisory role.
- Current Governor (15 Aug 2026): Sanjay Malhotra; DGs: Swaminathan J, Poonam Gupta, Shirish Chandra Murmu, Rohit Jain.
- RBI functions connect monetary policy, banking regulation, forex, currency, payment-system oversight, Government banking and banker-to-banks roles.

MODULE 4 - CHECK YOUR UNDERSTANDING (16 MCQs)

1. The Reserve Bank of India commenced operations on:

A. 1 April 1934
B. 1 April 1935
C. 1 January 1949
D. 1 July 1955
E. 1 April 1969

2. Which law provides the principal statutory foundation for the Reserve Bank of India?

A. Banking Regulation Act, 1949
B. Reserve Bank of India Act, 1934
C. Companies Act, 2013
D. Payment and Settlement Systems Act, 2007
E. FEMA, 1999

3. Section 4 of the RBI Act states RBI's capital as:

A. Rs 1 crore
B. Rs 5 crore
C. Rs 100 crore
D. Rs 500 crore
E. Rs 1,000 crore

4. The statutory Rs 5 crore RBI capital should NOT be confused with:

A. RBI's legal capital provision
B. A figure stated in the RBI Act
C. RBI's total balance sheet, reserves or surplus
D. A historical statutory fact
E. A central-bank legal provision

5. Under the RBI Act, the Central Board includes how many Deputy Governors at most?

A. Two
B. Three
C. Four
D. Five
E. Six

6. How many directors are nominated to the Central Board, one from each Local Board?

A. Two
B. Three
C. Four
D. Five
E. Ten

7. How many other directors are nominated by the Central Government under Section 8(1)(c)?

A. Four
B. Six
C. Eight
D. Ten
E. Twelve

8. How many Government officials are provided for in the Central Board composition?

A. One
B. Two
C. Three
D. Four
E. Five

9. The Central Board must meet at least:

A. Four times a year with no quarterly condition
B. Six times a year and at least once each quarter
C. Eight times a year and twice each quarter
D. Twelve times a year only
E. Once every six months

10. Each RBI Local Board consists of:

A. Three members
B. Four members
C. Five members
D. Seven members
E. Ten members

11. Which is NOT one of the four RBI Local Board areas?

A. Western
B. Eastern
C. Northern
D. Central
E. Southern

12. Who is the RBI Governor in the current snapshot verified on 15 August 2026?

A. Swaminathan J
B. Sanjay Malhotra
C. Poonam Gupta
D. Shirish Chandra Murmu
E. Rohit Jain

13. Which of the following is a current Deputy Governor of RBI in the 15 August 2026 snapshot?

A. Rohit Jain
B. Madhabi Puri Buch
C. Debasish Panda
D. Ajay Tyagi
E. Tuhin Kanta Pandey

14. Which pairing is correct?

A. UPI operator - RBI; payment-system regulator - NPCI
B. UPI operator - NPCI; payment-system regulator/oversight - RBI
C. UPI operator - SEBI; regulator - RBI
D. UPI operator - PFRDA; regulator - NPCI
E. UPI operator - IRDAI; regulator - SEBI

15. Which RBI role is most directly connected with FEMA, 1999?

A. Manager of Foreign Exchange
B. Insurance regulator
C. Pension regulator
D. Stock exchange operator
E. Mutual fund trustee

16. Which statement best describes RBI's legal-management structure?

A. RBI has no statutory relationship with Government
B. Central Government may issue public-interest directions after consultation with Governor; general superintendence is entrusted to Central Board subject to the Act
C. RBI is managed by SEBI
D. Local Boards alone exercise national superintendence
E. RBI is a department of a commercial bank

MODULE 4 - ANSWERS & CONNECTED EXPLANATIONS

Q / Ans	Connected explanation	Q / Ans	Connected explanation
1. B	Correct: 1 April 1935. RBI was established/commenced operations on 1 April 1935 under the RBI Act, 1934.	9. B	Correct: Six + once each quarter. Both conditions apply together.
2. B	Correct: RBI Act, 1934. The RBI Act creates the statutory central-bank framework; other laws govern specific areas.	10. C	Correct: Five. Each of the four Local Boards consists of five members.
3. B	Correct: Rs 5 crore. Section 4 is a statutory capital provision.	11. D	Correct: Central. The four are Western, Eastern, Northern and Southern.
4. C	Correct: Balance sheet / reserves / surplus. Legal capital and the economic size of RBI's balance sheet are different concepts.	12. B	Correct: Sanjay Malhotra. This is a live office-holder fact, verified for this review on 15 August 2026.
5. C	Correct: Four. Section 8 provides a Governor and not more than four Deputy Governors.	13. A	Correct: Rohit Jain. The current RBI leadership page lists Rohit Jain among the four Deputy Governors.
6. C	Correct: Four. One director is nominated from each of the four Local Boards.	14. B	Correct: NPCI operates; RBI regulates/oversees. Do not confuse the operator of a retail payment rail with the statutory payment-system regulator.
7. D	Correct: Ten. Section 8(1)(c) provides ten nominated directors.	15. A	Correct: Manager of Foreign Exchange. RBI manages the FEMA framework and promotes orderly development of the foreign-exchange market.
8. B	Correct: Two. The Act provides two Government officials nominated by the Central Government.	16. B	Correct: Government direction + Central Board framework. This is the precise Section 7 structure; avoid oversimplified slogans about control or independence.

MODULE 5

MONETARY POLICY, LIQUIDITY & BENCHMARKS

Think of monetary policy as a control system, not a list of rates.

5.1 Start with the idea: what is RBI trying to influence?

The Reserve Bank of India does not change the repo rate because a number 'looks high' or 'looks low'. Monetary policy is used to influence financial conditions so that inflation is kept aligned with the target while the objective of growth is kept in mind.

Prices / Inflation -> **MPC Decision** -> **Money-Market Rates** -> **Bank Funding** -> **Loans & Deposits** -> **Demand** -> **Inflation / Growth**

SIMPLE EXAMPLE
Suppose inflation pressure is becoming broad-based. If monetary conditions are tightened, borrowing usually becomes less attractive at the margin, saving becomes relatively more attractive, and demand pressure may cool. The transmission is not instant and not one-for-one, but the direction is the key idea.

Flexible inflation targeting

India's monetary policy framework is centred on headline Consumer Price Index (CPI) inflation. The familiar exam framework uses a 4% inflation target with a tolerance band of 2 percentage points on either side - 2% to 6%. The August 2026 Monetary Policy Committee resolution again refers to aligning inflation with the target.

DO NOT CONFUSE
Inflation target is not the same thing as the policy repo rate. One is the macroeconomic objective; the other is a policy instrument used to influence financial conditions.

Primary source: RBI Monetary Policy Statement, 5 August 2026 Official source

5.2 Monetary Policy Committee: who decides the policy rate?

The Monetary Policy Committee (MPC) is a six-member statutory committee under the Reserve Bank of India Act, 1934.

Seat	Member type	Exam idea
1	RBI Governor	Chairperson of MPC
2	Deputy Governor in charge of Monetary Policy	RBI member
3	One RBI officer nominated by the Central Board	RBI member
4-6	Three members appointed by the Central Government	External members

- Each member has one vote.
- Decisions are by majority.
- If votes are tied, the Governor has a second or casting vote.
- The quorum is four members and must include the Governor or, in the Governor's absence, the MPC-member Deputy Governor.
- The Act requires at least four MPC meetings in a year.
- Minutes are published on the fourteenth day after the meeting.

EXAM TRAP
Six members does not mean six RBI officials. Three seats are RBI-side and three are Government-appointed external members.

Primary law: Reserve Bank of India Act, 1934 - MPC provisions Official source

5.3 The policy corridor: see the positions before the definitions

The easiest way to remember the standing facilities is to place them around the policy repo rate.

Facility / Rate	Current rate	Position / job	What happens?
Standing Deposit Facility (SDF)	5.00%	Floor of current LAF corridor	RBI absorbs surplus liquidity without collateral.
Policy Repo Rate	5.25%	Centre / policy anchor	RBI provides liquidity against eligible collateral through repo operations.
Marginal Standing Facility (MSF)	5.50%	Upper standing facility	Eligible banks can obtain overnight marginal liquidity from RBI.
Bank Rate	5.50%	Linked reference / penal rate role	Not the same thing as the daily repo operation.
Fixed Reverse Repo Rate	3.35%	Retained in RBI toolkit	It exists, but it is not the current corridor floor.

LIVE SNAPSHOT - 15 AUGUST 2026

RBI's current-rates page shows Policy Repo 5.25%, SDF 5.00%, MSF 5.50%, Bank Rate 5.50%, Fixed Reverse Repo 3.35%, CRR 3.00% and SLR 18.00%. The page states the market/current-rate snapshot as at 1:00 pm on 14 August 2026.

Live source: RBI Current Rates page Official source

Why SDF matters

The Standing Deposit Facility (SDF) was introduced in April 2022 as the floor of the Liquidity Adjustment Facility corridor. Its special feature is that RBI can absorb deposits without providing collateral. The SDF was placed 25 basis points below repo, while MSF remained 25 basis points above repo.

OLD PYQ TRAP

Older notes may teach 'reverse repo = lower bound of the corridor'. That was historically correct in the earlier framework. In the current corridor, SDF is the floor. The fixed reverse repo remains in the toolkit but is not the floor.

Primary source: RBI statement introducing SDF as the LAF floor, 8 April 2022 Official source

5.4 Repo, SDF, MSF and LAF - one system

Term	Think of it as	Liquidity direction	Collateral?
Repo operation	Temporary RBI funding against eligible securities	RBI -> banking system	Yes
SDF	Standing parking facility for surplus bank funds	Banking system -> RBI	No collateral required
MSF	Standing marginal overnight borrowing facility	RBI -> eligible banks	Against eligible securities / permitted framework
LAF	The operating liquidity-management framework	Can inject or absorb	Depends on facility

DO NOT CONFUSE

LAF is not simply 'another interest rate'. It is the liquidity-management framework within which facilities and operations help keep short-term market rates aligned with the policy stance.

5.5 CRR and SLR: both are reserves, but not the same reserve

Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) are easy to confuse because both are stated as percentages of banking liabilities. The location and form of the reserve are the easiest memory anchors.

Point	CRR	SLR
Full form	Cash Reserve Ratio	Statutory Liquidity Ratio
Core idea	Cash balance maintained with RBI	Prescribed liquid assets maintained by the bank
Current rate - 15 Aug 2026	3.00%	18.00%
Interest / return idea	RBI does not pay interest on CRR balances	Eligible assets may themselves earn return depending on the asset
Liquidity effect if ratio rises	More cash locked with RBI; lendable liquidity generally falls	More balance sheet allocated to liquid assets
Law	RBI Act, 1934 - Section 42 framework	Banking Regulation Act, 1949 - Section 24 framework

STATUTORY CEILING VS LIVE RATE

A PYQ can ask the legal ceiling in the Banking Regulation Act while another question asks the current operating SLR. The statutory ceiling is 40%, but the current SLR shown by RBI is 18%. Never substitute one for the other.

Primary law: Banking Regulation Act, 1949 Official source

5.6 Open Market Operations: outright buying and selling

Open Market Operations (OMOs) are RBI purchases or sales of government securities in the market. When RBI buys securities, it pays money into the system and injects liquidity. When it sells securities, money moves to RBI and liquidity is absorbed.

Action	RBI does	Typical liquidity effect
OMO purchase	Buys government securities	Injects system liquidity
OMO sale	Sells government securities	Absorbs system liquidity
Repo	Lends temporarily against securities with repurchase	Temporary/fine-tuning injection

REPO VS OMO

Repo is a collateralised temporary liquidity operation with repurchase. An outright OMO purchase changes ownership of the security and is normally used as a more durable system-liquidity action.

5.7 Ways and Means Advances: related to RBI, but not a monetary-policy rate

Ways and Means Advances (WMA) are temporary advances from RBI to governments to bridge temporary mismatches in receipts and payments. The concept belongs to RBI's banker-to-government role. The numerical limits are period-specific and should be checked from the latest RBI/Government communication.

MEMORY-PAPER WARNING

A recalled 2025 question circulated with an implausible WMA unit. We do not teach that number. Learn the mechanism; treat the live limit as a dated current-affairs fact.

5.8 WACR and SORR: policy rate vs market benchmark

Weighted Average Call Rate (WACR)

The Weighted Average Call Rate (WACR) is the operating target of monetary policy in the overnight unsecured call money market. Liquidity operations are used so that overnight money-market conditions remain aligned with the policy stance.

Primary source: RBI statement identifying WACR as the operating target [Official source]

Secured Overnight Rupee Rate (SORR)

The Secured Overnight Rupee Rate (SORR) is a market benchmark, not a rate decided by the MPC. Financial Benchmarks India Private Limited began publishing SORR from 7 July 2025 using actual secured overnight transactions in the TREP market and basket repo trades.

DO NOT CONFUSE

Repo rate = policy rate decided by the MPC. WACR = operating target in overnight call money. SORR = transaction-based secured overnight benchmark. They can move in the same monetary ecosystem, but they are not interchangeable.

Primary benchmark source: FBIL press release on SORR publication from 7 July 2025 [Official source]

5.9 Monetary transmission: how a policy decision reaches the economy

MPC changes policy rate -> **Overnight / money-market rates** -> **Bank funding & benchmark rates** -> **Loan / deposit pricing** -> **Spending & investment** -> **Inflation & growth**

Transmission takes time. Banks differ in deposit mix, funding cost, loan contracts and competitive conditions, so a 25-basis-point repo change does not mechanically create a 25-basis-point change in every loan or deposit rate.

Policy / liquidity move	All else equal, what direction should you expect?
Repo rate increases	Tighter financial conditions; borrowing-cost pressure tends to rise.
Repo rate decreases	Easier financial conditions; borrowing-cost pressure tends to ease.
CRR increases	Lendable banking-system liquidity generally falls.
CRR decreases	Lendable banking-system liquidity generally rises.
OMO purchase	System liquidity increases.
OMO sale	System liquidity decreases.
SDF usage	Surplus liquidity is absorbed / parked with RBI.
MSF usage	Marginal overnight liquidity is obtained from RBI.

5.10 Exam Trap Board

Trap	Correct mental answer
Reverse repo is always the corridor floor	No. SDF is the current LAF corridor floor.
Repo rate and SORR are both policy rates	No. Repo is the policy rate; SORR is a market benchmark.
CRR and SLR are both cash with RBI	No. CRR is cash with RBI; SLR is prescribed liquid assets maintained by the bank.
Current SLR is 40%	No. 40% is a statutory ceiling; current SLR is 18% in the verified snapshot.
WMA is a monetary policy rate	No. It is temporary government financing under RBI's banker-to-government role.
LAF is just one rate	No. It is a liquidity-management framework.

30-SECOND RECALL

SDF absorbs -> Repo anchors -> MSF provides marginal liquidity. WACR is the operating target. CRR = cash with RBI. SLR = liquid assets with bank. OMO purchase injects; OMO sale absorbs. SORR is a secured transaction-based benchmark. WMA is for temporary government cash mismatch.

MODULE 5

PRACTICE CHECK

16 five-option questions - concept + current rule + application

Q1. How many members constitute the Monetary Policy Committee under the RBI Act?
(A) 4 (B) 5 (C) 6 (D) 7 (E) 8

Q2. Which facility currently forms the floor of the Liquidity Adjustment Facility corridor?
(A) Fixed Reverse Repo (B) Standing Deposit Facility (C) Marginal Standing Facility (D) Bank Rate (E) Open Market Operation

Q3. Which ordering correctly represents the verified 15 August 2026 corridor rates?
(A) MSF < Repo < SDF (B) Repo < SDF < MSF (C) SDF < Repo < MSF (D) SDF < MSF < Repo (E) Repo = SDF = MSF

Q4. Which feature most clearly distinguishes SDF from a conventional collateralised repo operation?
(A) It is decided by SEBI (B) It absorbs liquidity without RBI providing collateral (C) It is available only to the Government (D) It is a long-term bond rate (E) It is the same as CRR

Q5. A repo operation is best understood as:
(A) An outright sale of government securities by RBI (B) Temporary liquidity provided by RBI against eligible collateral with repurchase (C) A compulsory cash reserve (D) A deposit insurance premium (E) A capital-market issue

MODULE 5 PRACTICE - CONTINUED

Q6. If RBI purchases government securities outright through an OMO, the most direct liquidity effect is:

(A) Liquidity is injected (B) Liquidity is absorbed (C) CRR automatically rises (D) SLR becomes zero (E) The MPC is dissolved

Q7. Which statement correctly distinguishes CRR and SLR?

(A) Both are kept entirely as cash with RBI (B) CRR is cash with RBI; SLR is prescribed liquid assets maintained by the bank (C) SLR is cash with RBI; CRR is only government securities (D) Both are SEBI requirements (E) CRR applies only to NBFCs

Q8. Which pair is correct for SLR in the current verified snapshot?

(A) Current SLR 40%; statutory ceiling 18% (B) Current SLR 18%; statutory ceiling 40% (C) Current SLR 3%; statutory ceiling 18% (D) Current SLR 5.25%; statutory ceiling 40% (E) Both are 40%

Q9. The operating target of monetary policy in the overnight call money market is commonly identified by RBI as:

(A) WACR (B) CPI (C) CRAR (D) CASA (E) NAV

Q10. Which description of SORR is correct?

(A) A policy rate voted by MPC (B) A secured overnight benchmark derived from actual market transactions (C) A deposit insurance rate (D) A statutory reserve ratio (E) A government small-savings rate

MODULE 5 PRACTICE - CONTINUED

Q11. Ways and Means Advances are primarily meant to:

(A) Finance temporary government cash-flow mismatches (B) Set mutual fund NAV (C) Insure bank deposits (D) Determine card interchange fees (E) Calculate CPI inflation

Q12. Which statement about the fixed reverse repo rate is correct in the current framework?

(A) It no longer exists in any RBI toolkit (B) It is the current floor of the LAF corridor (C) It is retained in the toolkit, but SDF is the current floor (D) It is identical to MSF (E) It is fixed by SEBI

Q13. All else equal, an increase in the policy repo rate is most likely intended to create which broad effect?

(A) Easier borrowing conditions immediately everywhere (B) Tighter financial conditions and lower demand pressure (C) Automatic fall in CRR to zero (D) Automatic increase in bank capital (E) Abolition of inflation

Q14. If MPC votes are equally divided, who has a second or casting vote?

(A) Finance Secretary (B) RBI Governor (C) SEBI Chairperson (D) Cabinet Secretary (E) Deputy Governor for Supervision

Q15. Which statement about MPC transparency is correct?

(A) Minutes are never published (B) Minutes are published on the fourteenth day after the meeting (C) Minutes are published only once a year (D) Only the Finance Ministry can publish minutes (E) The MPC is not required to meet

Q16. What was the policy repo rate in the RBI current-rate snapshot verified for this edition?

(A) 4.50% (B) 5.00% (C) 5.25% (D) 5.50% (E) 6.00%

MODULE 5 - ANSWERS & TEACHING EXPLANATIONS

Q1 - C
The MPC has six members: three RBI-side members and three members appointed by the Central Government.

Q2 - B
The Standing Deposit Facility (SDF) is the floor of the current LAF corridor. The fixed reverse repo remains in RBI's toolkit but is not the floor.

Q3 - C
The verified rates are SDF 5.00%, Repo 5.25% and MSF 5.50%, so SDF < Repo < MSF.

Q4 - B
SDF allows RBI to absorb liquidity without collateral. Repo operations are collateralised liquidity-injection operations.

Q5 - B
Repo is a collateralised temporary liquidity operation with an agreement to repurchase.

Q6 - A
RBI pays for the securities, so money enters the banking/financial system. An OMO sale works in the opposite direction.

MODULE 5 ANSWERS - CONTINUED

Q7 - B

Location and form are the easiest anchors: CRR is cash balance with RBI, while SLR is maintained in prescribed liquid assets by the bank.

Q8 - B

The current RBI snapshot shows SLR at 18%, while the Banking Regulation Act retains a statutory ceiling of 40%.

Q9 - A

WACR means Weighted Average Call Rate. RBI has described it as the operating target of monetary policy.

Q10 - B

SORR is a transaction-based secured overnight market benchmark published by FBIL; it is not the MPC's policy rate.

Q11 - A

WMA belongs to RBI's banker-to-government role and bridges temporary mismatches in receipts and payments.

Q12 - C

The old lower-bound association is a classic trap. Fixed reverse repo remains in the toolkit; SDF is the current floor.

MODULE 5 ANSWERS - CONTINUED

Q13 - B

A higher policy rate generally tightens financial conditions. The effect transmits with lags and is not one-for-one across every bank product.

Q14 - B

Under the RBI Act, the Governor has a second or casting vote in the event of equality of votes.

Q15 - B

The RBI Act provides for publication of MPC meeting proceedings/minutes on the fourteenth day after every meeting.

Q16 - C

The RBI current-rates page showed policy repo at 5.25% as at 1:00 pm on 14 August 2026.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 05 - MONETARY POLICY, LIQUIDITY & BENCHMARKS

PYQ SIGNATURE

Tool purpose, corridor logic, benchmark distinctions and transmission rather than rate memorisation alone.

LIVE CHECKPOINT -> Policy rate and current operating details are live facts -> re-check Module 32 / latest MPC material.

5 Mains Application Questions

Q1. Which statement set is correct? I. Repo is the policy rate. II. WACR is the operating target in the overnight call market. III. SORR is a transaction-based secured overnight benchmark.

A. I only
B. I and II only
C. II and III only
D. I, II and III
E. III only

Q2. Which pairing is correct?

A. CRR - prescribed liquid assets held by the bank; SLR - cash with RBI
B. CRR - cash reserve with RBI; SLR - prescribed liquid assets maintained by the bank
C. CRR - bank capital; SLR - customer deposits
D. Both are forms of CET1
E. Both are policy interest rates

Q3. RBI wants to absorb surplus liquidity without providing collateral. Which tool best fits the core description?

A. MSF
B. SDF
C. Bank Rate only
D. DICGC premium
E. CRAR

Q4. A 25-bps repo increase occurs. Which conclusion is exam-safe?

A. Every loan rate must immediately rise exactly 25 bps
B. It generally tightens financial conditions, but transmission is neither instant nor one-for-one
C. It automatically reduces CRR
D. It guarantees lower inflation the next day
E. It converts WACR into SORR

Q5. Which direction is correct, all else equal?

A. OMO purchase absorbs liquidity; OMO sale injects
B. Both always inject
C. OMO purchase injects liquidity; OMO sale absorbs liquidity
D. OMO changes only bank capital
E. OMO is a DICGC tool

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 05 - MONETARY POLICY, LIQUIDITY & BENCHMARKS

Q1 - D The three belong to the same monetary ecosystem but perform different roles.

Q2 - B CRR and SLR are liquidity/statutory reserve concepts, not bank capital.

Q3 - B Standing Deposit Facility absorbs liquidity without collateral and forms the floor-side tool in the current framework.

Q4 - B Monetary transmission works through market/funding/benchmark channels and differs across banks and contracts.

Q5 - C When RBI purchases securities it pays money into the system; a sale withdraws liquidity.

VISUAL BRIDGE

MPC / Repo → **Overnight market** → **Bank funding / benchmarks** → **Loans & deposits** → **Demand** → **Inflation / growth**

Transmission is directional, not instant or mechanically one-for-one.

MODULE 6

DEPOSITS & CUSTOMER BANKING

Choose the product by access, purpose and time - then learn the rule.

6.1 First decision: do you need the money on demand or after a period?

Deposit products become much easier when you start with one question: Does the customer need the money to be withdrawable on demand, or is the customer willing to place it for an agreed period in return for term-deposit interest?

Need frequent / on-demand access -> Demand Deposit -> Savings / Current

Can park money for a period -> Term Deposit -> FD / RD / Reinvestment-style products

Deposit type	Core idea	Interest idea	Typical use
Current Account	Non-interest-bearing demand deposit; withdrawals can be frequent	No interest under current commercial-bank directions	Business / transaction-heavy use
Savings Deposit	Interest-bearing demand deposit	Interest calculated on daily product basis	Household / personal saving and transactions
Term Deposit / FD	Interest-bearing deposit for a fixed period	Rate depends on tenor and permitted differentiation	Parking funds for a period
Recurring Deposit	Regular instalment-based term deposit	Included within RBI's term-deposit definition	Disciplined periodic saving

PERSPECTIVE CHECK
A deposit is the customer's financial asset but the bank's liability. Module 1 gave you the balance-sheet perspective; Module 6 now tells you how the customer chooses among deposit liabilities.

6.2 Demand deposit, savings deposit and CASA

A demand deposit is withdrawable on demand. A savings deposit is an interest-bearing form of demand deposit. A current account is a non-interest-bearing form of demand deposit under RBI's current commercial-bank deposit directions.

CASA means Current Account Savings Account deposits. Banks track CASA because current and savings deposits are important parts of their funding mix and are generally lower-cost than term deposits.

DO NOT CONFUSE
Demand deposit is a category. Savings account and current account are forms within that category. A term deposit is different because the money is accepted for a fixed period.

6.3 Savings interest: the exam should test the rule, not a bank's advertised rate

- Interest on domestic rupee savings deposits is calculated on a daily product basis - on the end-of-day balance.
- A uniform rate is set on balance up to Rs 1 lakh.
- A bank may provide differential rates for end-of-day savings balances exceeding Rs 1 lakh.
- Savings interest is credited at quarterly or shorter intervals.
- The actual savings interest rate is a bank's published rate, not one universal RBI-prescribed percentage.

Primary source: RBI Commercial Banks - Interest Rate on Deposits Directions, 2025, updated 17 June 2026 Official source

6.4 Term deposits: understand tenor, size and premature withdrawal

Rule	Current commercial-bank position	Why it matters in an exam
Minimum tenor	7 days	A domestic term deposit cannot be offered for a shorter tenor under these Directions.
Bulk deposit	Single rupee term deposit of Rs 3 crore and above	It is one deposit, not the customer's aggregate FD balance.
Non-callable / no-premature option	Banks may offer term deposits without premature withdrawal	But individual term deposits of Rs 1 crore and below must have premature withdrawal facility.
Premature withdrawal interest	Rate for the amount and period actually stayed, not the original contracted maturity rate	The promised maturity rate is not automatically paid after early exit.
Penalty	As per Board-approved policy disclosed to depositor	If components were not disclosed at acceptance, penalty cannot be levied under the Directions.
Matured but unpaid TD	Savings rate or contracted rate on matured TD, whichever is lower	Classic current-static trap.

BULK DOES NOT MEAN TOTAL RELATIONSHIP
If a customer has four separate FDs of Rs 1 crore each, that does not automatically make each one a 'bulk deposit'. The current definition is a single rupee term deposit of Rs 3 crore and above.

SENIOR CITIZEN TRAP
RBI permits banks, at their discretion, to formulate term-deposit schemes offering higher fixed rates to resident Indian senior citizens. Do not memorise one universal 'extra X basis points' as an RBI rule; the actual differential is bank/product specific.

6.5 Floating-rate deposits

If a commercial bank offers a floating-rate domestic term deposit, the rate must be linked to a directly observable and transparent market-determined external benchmark. The idea is transparency: the customer should be able to understand what moves the deposit rate.

CONNECTION TO MODULE 5
Benchmarks matter on both sides of a bank's balance sheet. Module 5 introduced market benchmarks such as SORR; Module 6 shows why transparent external benchmarks can also matter in deposit pricing.

6.6 Important scope note

The live numerical rules above are quoted from the Reserve Bank of India (Commercial Banks - Interest Rate on Deposits) Directions, 2025. Those Directions define 'Commercial Banks' for their own applicability and exclude Small Finance Banks, Payments Banks, Regional Rural Banks and Local Area Banks. Do not blindly apply every commercial-bank deposit threshold to a different bank category without checking that category's current Direction.

EXAM HABIT
Before memorising a live deposit limit, ask: Which bank category does this Direction apply to?

6.7 Basic Savings Bank Deposit Account (BSBDA): inclusion, not a 'poor person's limited account'

The Basic Savings Bank Deposit Account (BSBDA) is a normal banking service designed to provide minimum basic facilities without requiring a minimum balance.

BSBDA feature	Current learning point
Minimum balance	No minimum-balance requirement.
Deposits	No limit on the number and value of deposits in a month under the minimum-facility framework.
Withdrawals	Minimum of four withdrawals in a month are provided as part of the minimum free facilities.
Card	ATM card or ATM-cum-debit card is part of the minimum facilities.
Extra services	Banks may offer additional services; they cannot require minimum balance merely because those extras are offered.
Availability	RBI describes BSBDA as a normal banking service available to all.

OLD-RULE TRAP: MAXIMUM VS MINIMUM

Older material from 2012 used a 'maximum four withdrawals' formulation. RBI revised the framework in 2019. For current preparation, remember that banks must provide at least four withdrawals as part of the minimum free facilities; they may allow additional withdrawals.

A BSBDA holder cannot simultaneously maintain another savings bank deposit account in the same bank. If another savings account already exists in that bank, it should be closed within 30 days after opening the BSBDA.

Primary source: RBI revised BSBDA instructions, 10 June 2019 Official source

6.8 Inoperative account vs unclaimed deposit

Status	Time test	What the time test means
Inoperative account	Over 2 years	No customer-induced transaction in a savings/current account for over two years.
Unclaimed deposit	10 years	Savings/current balance not operated for 10 years, or term deposit not claimed within 10 years from maturity.

Customer-induced transactions include transactions initiated by the customer and certain authenticated non-financial actions such as KYC update under RBI's current framework. Bank-induced entries such as interest or charges do not by themselves make the customer active.

DO NOT CONFUSE

Inoperative after over 2 years is not the same as 'unclaimed for 10 years'. The first is an account-operation classification. The second triggers the separate unclaimed-deposit / Depositor Education and Awareness Fund framework covered in Module 7.

Primary source: RBI KYC FAQs / inoperative-account definition Official source

Primary source: RBI explanation of unclaimed deposits Official source

6.9 Nomination: the 2025 rule change matters

Nomination helps a bank settle the deposit after the depositor's death. From 1 November 2025, the amended banking-law framework allows depositors to nominate up to four persons for deposit accounts.

Mode	How it works	Memory anchor
Simultaneous nomination	Up to four nominees can share the deposit through specified percentage allocation totalling 100%.	Share at the same time
Successive nomination	Nominees are placed in priority order; a later nominee becomes relevant if the earlier nominee is no longer alive/effective.	Priority one after another

IMPORTANT LEGAL NUANCE
Nomination helps the bank identify whom it can pay and gives the bank discharge when it pays according to law. It does not automatically wipe out every succession or beneficial claim that may exist between the recipient and other legal claimants.

Government source: Banking Laws (Amendment) Act, 2025 - nomination provisions effective 1 November 2025 Official source

Primary law: Banking Regulation Act, 1949 - Section 45ZA as amended Official source

6.10 Issued does not mean effective: the July 2026 deposit amendment

RBI issued the Second Amendment Directions on 30 July 2026, but they come into effect only from 1 October 2026. That difference is a perfect exam trap because the circular exists today while the new operating rule is not yet effective on 15 August 2026.

FUTURE EFFECTIVE RULE - NOT YET OPERATIVE ON 15 AUGUST 2026
From 1 October 2026, deposit rates including bulk-deposit rates are to follow the schedule disclosed on the bank's website; bulk-deposit rates are to be disclosed at 10:00 am with a grace period up to 10:10 am on each business day. The amendment also permits differential bulk-deposit pricing with reference to differential run-off rates under the Liquidity Coverage Ratio framework.

EXAM TRAP
Question: 'RBI issued this on 30 July 2026. Is it already the operative rule on 15 August?' Answer: No. Effective date matters: 1 October 2026.

Primary source: RBI Commercial Banks - Interest Rate on Deposits Second Amendment Directions, 2026 Official source

6.11 Deposit decision framework

Need transactions -> **Current / Savings** -> **Need zero-minimum basic banking** -> **BSBDA**

Can lock money -> **Term Deposit** -> **Need periodic saving** -> **Recurring Deposit**

Customer situation	First product family to think about	Then check
Business needs repeated receipts/payments	Current account	Bank charges/services; no interest rule
Household needs access plus interest	Savings deposit	Bank's published rate and service conditions
Customer can park lump sum	Term deposit	Tenor, premature withdrawal, rate and penalty
Customer wants periodic disciplined saving	Recurring deposit	Instalment and maturity structure
Customer wants basic zero-minimum banking	BSBDA	Minimum facilities and same-bank savings-account restriction

6.12 Exam Trap Board

Trap	Correct mental answer
Current account earns normal savings interest	No. Current account is non-interest-bearing under current commercial-bank directions.
Bulk deposit means total FDs of Rs 3 crore	No. It means a single rupee term deposit of Rs 3 crore and above.
BSBDA allows maximum four withdrawals	Old oversimplification. Current minimum-facility rule provides at least four withdrawals; bank may offer more.
Inoperative = unclaimed	No. Over 2 years vs 10-year unclaimed framework.
One nominee only	Outdated. Up to four deposit nominees are allowed under the amended framework.
Circular issued = rule immediately effective	No. Check commencement date; the 30 July 2026 amendment starts 1 October 2026.

30-SECOND RECALL

Current = demand + no interest. Savings = interest-bearing demand deposit. Term = fixed period; minimum commercial-bank tenor 7 days. Bulk = single Rs 3 crore+ term deposit. Individual TD Rs 1 crore and below must allow premature withdrawal. BSBDA = no minimum balance. Inoperative >2 years; unclaimed 10 years. Deposit nomination can be up to four. Always check effective date.

MODULE 6

PRACTICE CHECK

20 five-option questions - product logic + live rules + old-rule traps

Q1. Which is the best definition of a demand deposit?
(A) A deposit withdrawable on demand (B) A deposit that must remain for five years (C) Only a government deposit (D) A bond issued by a bank (E) A deposit available only to companies

Q2. Under the current commercial-bank deposit directions, a current account is:
(A) An interest-bearing term deposit (B) A non-interest-bearing demand deposit (C) A compulsory reserve account (D) A pension account (E) A mutual fund account

Q3. A savings deposit is best described as:
(A) A non-interest-bearing capital account (B) An interest-bearing demand deposit (C) Only a seven-day term deposit (D) A government security (E) An overnight RBI facility

Q4. Interest on domestic rupee savings deposits is calculated by commercial banks on:
(A) Original opening balance only (B) Monthly minimum balance only (C) Daily product / end-of-day balance basis (D) Annual average only (E) Quarter-end balance only

Q5. Savings deposit interest must be credited at:
(A) Only annually (B) Only monthly (C) Quarterly or shorter intervals (D) Once in five years (E) Only when the account is closed

MODULE 6 PRACTICE - CONTINUED

Q6. What is a 'Bulk Deposit' under the current commercial-bank deposit Directions?

(A) Aggregate deposits of Rs 1 crore (B) A single rupee term deposit of Rs 3 crore and above (C) Any current-account balance above Rs 3 crore (D) All deposits of a company (E) Any savings balance above Rs 1 lakh

Q7. What is the minimum tenor of a domestic term deposit under the current commercial-bank Directions?

(A) 1 day (B) 3 days (C) 7 days (D) 15 days (E) 30 days

Q8. Which term deposit must necessarily have a premature-withdrawal facility under the current commercial-bank framework?

(A) Every bulk deposit without exception (B) All individual term deposits held singly/jointly of Rs 1 crore and below (C) Only deposits above Rs 3 crore (D) Only government deposits (E) No term deposit

Q9. If a term deposit is prematurely withdrawn, the interest rate is generally based on:

(A) The original contracted maturity rate regardless of exit date (B) The rate applicable to the amount and actual period the deposit remained with the bank (C) The policy repo rate only (D) The SLR rate (E) The DICGC rate

Q10. CASA refers to:

(A) Cash and Statutory Assets (B) Current Account and Savings Account deposits (C) Capital and Securities Account (D) Credit and Savings Advance (E) Current Assets and Secured Assets

MODULE 6 PRACTICE - CONTINUED

Q11. Which is a core BSBDA feature?

(A) Compulsory Rs 10,000 minimum balance (B) No minimum-balance requirement (C) Only one withdrawal per month (D) Available only to BPL households (E) No ATM/debit card facility

Q12. Which statement correctly reflects the current minimum withdrawal facility in BSBDA?

(A) Maximum four withdrawals are always permitted (B) At least four withdrawals per month are part of the minimum free facilities; banks may offer more (C) Only ATM withdrawal is allowed (D) Unlimited free withdrawals are mandated for every bank (E) Withdrawals are prohibited

Q13. RBI describes BSBDA as:

(A) A loan account for farmers only (B) A normal banking service available to all (C) A deposit only for government employees (D) An investment product for HNIs (E) A foreign-currency deposit

Q14. A customer opens a BSBDA in a bank while already having another savings account in the same bank. What is the current rule?

(A) Both can always continue indefinitely (B) The other savings account should be closed within 30 days (C) The BSBDA must be converted to current account (D) The bank must pay double interest (E) The customer loses nomination rights

Q15. A savings/current account with no customer-induced transaction for over two years is classified as:

(A) Bulk deposit (B) Inoperative account (C) NPA (D) Capital reserve (E) Current liability of RBI

MODULE 6 PRACTICE - CONTINUED

Q16. Which time test is associated with an unclaimed deposit?

(A) 30 days (B) 6 months (C) 2 years (D) 5 years (E) 10 years

Q17. Under the Banking Laws (Amendment) framework effective from 1 November 2025, a depositor may nominate up to:

(A) 1 person (B) 2 persons (C) 3 persons (D) 4 persons (E) 5 persons

Q18. Which statement correctly distinguishes simultaneous and successive deposit nominations?

(A) Both require only one nominee (B) Simultaneous uses percentage allocation; successive uses priority order (C) Successive nominations are prohibited (D) Simultaneous nominations are only for lockers (E) There is no difference

Q19. If a domestic term deposit matures but its proceeds remain unpaid/unclaimed, which rate applies under current commercial-bank Directions?

(A) Always the original FD rate (B) Always the policy repo rate (C) Savings rate or contracted matured-TD rate, whichever is lower (D) No interest at all (E) SLR rate

Q20. RBI issued the Second Amendment Directions on deposit-rate disclosure on 30 July 2026. When do they come into effect?

(A) 30 July 2026 (B) 1 August 2026 (C) 15 August 2026 (D) 1 October 2026 (E) 1 January 2027

MODULE 6 - ANSWERS & TEACHING EXPLANATIONS

Q1 - A
A demand deposit is withdrawable on demand. Savings and current accounts are important forms of demand deposits.

Q2 - B
RBI defines current account as a non-interest-bearing demand deposit with frequent withdrawal access.

Q3 - B
Savings deposit combines on-demand access with interest, subject to account rules.

Q4 - C
The current Directions use the daily product basis, meaning interest is applied to end-of-day balances.

Q5 - C
RBI's current Directions require credit at quarterly or shorter intervals.

Q6 - B
The definition is based on a single rupee term deposit of Rs 3 crore and above, not the aggregate relationship.

MODULE 6 ANSWERS - CONTINUED

Q7 - C
The minimum tenor is seven days.

Q8 - B
Banks may offer non-callable deposits, but individual term deposits of Rs 1 crore and below must have premature withdrawal.

Q9 - B
The current Directions say interest is paid at the rate applicable to the amount and period actually stayed, not at the original contracted maturity rate.

Q10 - B
CASA is the common banking expression for Current Account + Savings Account deposits.

Q11 - B
BSBDA is a normal basic banking service and has no minimum-balance requirement.

Q12 - B
The 2019 revised framework replaced the old 'maximum four' simplification. Minimum four withdrawals must be provided; additional services can be offered.

MODULE 6 ANSWERS - CONTINUED

Q13 - B

BSBDA is a normal banking service available to all; it should not be misunderstood as a special 'poor-only' account.

Q14 - B

The BSBDA framework does not permit another savings bank deposit account in the same bank; the existing savings account should be closed within 30 days.

Q15 - B

The current RBI definition treats it as an inoperative account after over two years without customer-induced transactions.

Q16 - E

A savings/current account not operated for 10 years, or a term deposit not claimed for 10 years after maturity, enters the unclaimed-deposit framework.

Q17 - D

Deposit accounts may have up to four nominees, either simultaneously or successively.

Q18 - B

Simultaneous nominations can divide the deposit through percentages; successive nominations operate in an order of priority.

MODULE 6 ANSWERS - CONTINUED

Q19 - C

The Directions specify the savings-account rate or the contracted rate on the matured TD, whichever is lower.

Q20 - D

The amendment was issued on 30 July but explicitly commences on 1 October 2026. 'Issued' and 'effective' are not the same date.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 07 - DEPOSIT INSURANCE, UNCLAIMED DEPOSITS & BANK FAILURE

PYQ SIGNATURE

Same-right/same-capacity aggregation, set-off, Section 18A timelines and AID-vs-liquidation distinction.

LIVE CHECKPOINT -> Deposit-insurance mechanics are durable; current AID / bank status remains live.

5 Mains Application Questions

Q1. DICGC cover of Rs 5 lakh is best read as:

A. Rs 5 lakh principal plus unlimited interest
B. Rs 5 lakh per branch
C. Maximum principal + accrued interest together per depositor per bank in the same right/capacity
D. Rs 5 lakh per account type
E. Rs 5 lakh only for fixed deposits

Q2. A depositor has Rs 2 lakh savings and Rs 4 lakh FD in different branches of the same bank, same individual capacity. Maximum insured amount is:

A. Rs 2 lakh
B. Rs 4 lakh
C. Rs 5 lakh
D. Rs 6 lakh
E. Rs 10 lakh

Q3. If the depositor also owes applicable dues to the same bank, the claim calculation first uses:

A. Double insurance
B. Right of set-off / netting
C. CRR adjustment
D. PSLC transfer
E. Automatic waiver

Q4. Which sequence correctly represents the Section 18A AID route?

A. 15 + 30 + 45
B. 45 + 30 + 15, subject to overall 90 days
C. 30 + 30 + 30 with no outer cap
D. 60 + 15 + 15
E. Two months only

Q5. Which statement correctly distinguishes liquidation from Section 18A AID?

A. They use the identical claim clock
B. In liquidation, the liquidator prepares the claim list and DICGC pays through the liquidator; the stated payment clock is within two months from receipt of the claim list
C. A depositor always files directly with DICGC in liquidation
D. AID means the bank is already wound up
E. DICGC never applies to liquidation

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 07 - DEPOSIT INSURANCE, UNCLAIMED DEPOSITS & BANK FAILURE

Q1 - C The cap aggregates eligible deposits within the same bank and legal capacity; principal and interest count together.

Q2 - C Branches of the same bank aggregate before the Rs 5 lakh ceiling is applied.

Q3 - B Applicable bank dues are set off before the insurance ceiling is applied to the net eligible claim.

Q4 - B Bank list within 45 days, DICGC verification within 30 days, payment within 15 days after verification; overall cap 90 days.

Q5 - B Liquidation and AID are separate situations with different claim-handling architecture and timelines.

VISUAL BRIDGE

AID / Section 18A

AID imposed → **Bank list 45d** → **Verify 30d** → **Pay 15d**

Overall <= 90 days

LIQUIDATION

Liquidator prepares claim list → **DICGC receives list** → **Pays liquidator within 2 months**

MODULE 7

DEPOSIT INSURANCE, UNCLAIMED DEPOSITS & BANK FAILURE

Protection is depositor-wise and rule-based - not simply account-wise.

7.1 Why deposit insurance exists

When you deposit money, the bank owes that money to you. Most of the time this claim is repaid normally. Deposit insurance is a safety-net mechanism for eligible deposits when an insured bank reaches specified distress or failure situations.

Depositor places money -> **Bank records liability** -> **Bank faces severe distress / failure** -> **Insurance framework activates** -> **Eligible claim is settled**

START WITH THE CORRECT QUESTION
Do not ask: "Is my savings account insured?" Ask: "How much eligible deposit do I hold in this bank in the same right and same capacity after applicable set-off?" That is how the insurance calculation is structured.

7.2 What DICGC covers - and what it does not

Deposit Insurance and Credit Guarantee Corporation (DICGC) insures eligible savings, current, fixed and recurring deposits. The current maximum is ₹5 lakh per depositor per bank for principal plus accrued interest, subject to the same-right and same-capacity rule.

Covered / Excluded	Examples	Exam meaning
Normally covered	Savings, current, fixed and recurring deposits	Principal + interest count together within the ₹5 lakh ceiling.
Excluded	Deposits of foreign Governments; Central/State Governments; inter-bank deposits	Not every balance shown as a "deposit" is insured.
Excluded	Deposits received outside India	Outside the domestic deposit-insurance cover.
Excluded	Any amount specifically exempted by DICGC with prior RBI approval	Residual statutory exclusion.

PREMIUM TRAP
The depositor does not separately pay DICGC premium. The deposit-insurance premium is borne by the insured bank.

Primary source: DICGC Guide to Deposit Insurance - coverage, exclusions and premium Official source

7.3 The ₹5 lakh rule: principal + interest, not ₹5 lakh plus interest

Suppose principal is ₹4.95 lakh and accrued interest is ₹4,000. The insured amount is ₹4.99 lakh. If principal itself is ₹5 lakh, additional accrued interest does not push insurance above ₹5 lakh. The ceiling applies to principal and interest together.

DO NOT CONFUSE
₹5 lakh is not a separate principal limit plus an extra interest allowance. It is the maximum admissible insured amount for principal and interest together in the relevant right/capacity at that bank.

7.4 Same bank, different branches: aggregate first

A depositor cannot multiply insurance merely by spreading identical-ownership deposits across branches of the same bank. Savings, current, fixed and recurring deposits held in the same right and same capacity across branches are aggregated before applying the ₹5 lakh ceiling.

Situation	Insurance treatment
Savings ₹2 lakh + FD ₹4 lakh in same bank, same individual capacity	Aggregate = ₹6 lakh; maximum insured amount = ₹5 lakh.
Deposits in Bank A and Bank B	Insurance ceiling is applied separately to each bank.
Individual account and qualifying different-capacity account in same bank	Can receive separate insurance treatment if genuinely held in different right/capacity.
Sole-proprietorship deposit + same person individual deposit	DICGC clarifies that these are aggregated.

Primary source: DICGC same-right/same-capacity and branch aggregation examples Official source

7.5 Same right and same capacity: the real heart of the calculation

"Same right and same capacity" means the legal/ownership capacity in which the depositor holds the money. A person may hold one deposit personally and another in a distinct legally recognised capacity such as trustee, guardian, partner or qualifying joint-holder arrangement.

JOINT-ACCOUNT TRAP
DICGC treats joint accounts with the same persons appearing in the same order as the same right/capacity for aggregation. Joint accounts with a different combination or different order can be treated separately under the DICGC rules.

For exams, the important idea is not to memorise dozens of examples. First identify the bank, then the depositor identity/capacity, then aggregate all eligible balances that fall into the same bucket.

Which bank? -> **Which legal capacity?** -> **Aggregate eligible deposits** -> **Subtract applicable bank dues / set-off** -> **Apply ₹5 lakh ceiling**

7.6 Set-off comes before deposit insurance

If the depositor also owes dues to the same bank, the bank has a right of set-off in the DICGC claim framework. Deposit insurance is available after netting applicable dues as on the cut-off date.

EXAMPLE
Eligible deposits in the same capacity = ₹5.5 lakh. Dues subject to set-off = ₹1 lakh. Net deposit claim = ₹4.5 lakh. The insurance calculation is then applied to that net claim; it is not ₹5 lakh plus an unpaid loan.

Primary source: DICGC Guide - right of set-off Official source

7.7 All-Inclusive Directions (AID): bank not necessarily liquidated, but access is restricted

RBI may place an insured bank under All-Inclusive Directions (AID) that restrict deposit withdrawals. Since 1 September 2021, Section 18A provides a time-bound insurance-claim route for eligible depositors of such banks.

Step	Statutory / operational timeline
Bank under AID	Restrictions on access to deposits trigger the Section 18A framework if conditions are met.
Insured bank	Depositor list to DICGC within 45 days from imposition of AID.
DICGC verification	Within 30 days from receipt of the list.
Payment	Within 15 days after completion of verification.
Overall cap	Total time from AID to payment should not exceed 90 days.

WHAT THE DEPOSITOR DOES
For AID claims, the depositor approaches the bank CEO/administrator and submits the willingness form plus officially valid KYC documents. DICGC does not treat a social-media rumour as a claim application.

Primary source: DICGC Section 18A / AID claim timeline Official source

7.8 Liquidation is different from AID

Liquidation means the bank is being wound up. In that case the liquidator prepares the depositor-wise claim list. DICGC pays the admissible amount through the liquidator; the depositor does not send a normal liquidation claim directly to DICGC.

Situation	Who prepares / receives claim?	Important timeline
Bank under AID	Bank / administrator submits depositor list; eligible depositor gives willingness/KYC	Overall Section 18A settlement within 90 days, subject to statutory steps.
Bank in liquidation	Liquidator prepares claim list and receives DICGC funds for disbursement	DICGC says payment to liquidator within two months from receipt of claim list.
Reconstruction / amalgamation	Payment adjustment through concerned / transferee bank	DICGC pays admissible difference within two months from receipt of claim list.

7.9 Unclaimed deposit -> DEA Fund: this is not deposit insurance

A deposit can become unclaimed even when the bank is perfectly healthy. Depositor Education and Awareness (DEA) Fund deals with specified amounts that remain continuously inoperative or unclaimed for 10 years. This is a different problem from bank failure.

Deposit becomes unclaimed for 10 years -> **Bank transfers amount + accrued interest to DEA Fund** -> **Customer / legal heir later approaches bank** -> **Bank pays claimant** -> **Bank seeks equivalent refund from DEA Fund**

Banks transfer the specified credit balance to the DEA Fund on the last working day of the month following the month in which the 10-year period is completed. The entire amount, including accrued interest as on transfer date, is transferred.

NO FORFEITURE
Transfer to the DEA Fund does not mean the customer's money has been confiscated. The customer/depositor or legal heir can claim the amount from the bank; the Scheme prescribes no specific time limit for claiming the refund.

Primary source: RBI DEA Fund Scheme FAQs Official source

7.10 UDGAM: search portal, not a settlement portal

UDGAM expands to Unclaimed Deposits - Gateway to Access inforMation. RBI developed it so registered users can search unclaimed deposits/accounts across participating banks in one central place.

EXAM TRAP
UDGAM helps you find the unclaimed deposit and shows the bank's claim process. It does not itself settle the claim. The money is claimed from the respective bank.

The portal uses an Unclaimed Deposit Reference Number (UDRN), a unique Core Banking Solution-generated number assigned to each unclaimed account/deposit transferred to the DEA Fund. The reference helps protect identity and supports claim handling.

Primary source: RBI UDGAM FAQs Official source

7.11 One map: do not mix these four situations

Situation	What went wrong?	Framework
Inoperative account	No customer-induced transaction for over 2 years	Account-operation / customer service rules
Unclaimed deposit	10-year unclaimed/inoperative test reached	DEA Fund + bank claim process
AID bank	RBI restricts access to deposits	DICGC Section 18A time-bound insurance route
Liquidated bank	Bank is wound up / licence cancelled as applicable	Liquidator + DICGC claim settlement

30-SECOND RECALL
DICGC = ₹5 lakh per depositor per bank in the same right and same capacity, principal + interest together. Same-bank branches aggregate. Different banks are separate. Set-off applies before insurance. AID: 45 + 30 + 15, overall 90 days. DEA Fund = unclaimed 10-year framework. UDGAM searches; the bank settles.

MODULE 7

PRACTICE CHECK

15 questions - calculation logic + current rules + failure scenarios

Q1. What is the current maximum DICGC insurance cover for an eligible depositor in one bank in the same right and same capacity?

(A) ₹1 lakh (B) ₹2 lakh (C) ₹3 lakh (D) ₹5 lakh (E) ₹10 lakh

Q2. A depositor has savings of ₹2 lakh and FD of ₹4 lakh in different branches of the same bank, both in the same individual capacity. What is the maximum insured amount?

(A) ₹2 lakh (B) ₹4 lakh (C) ₹5 lakh (D) ₹6 lakh (E) ₹10 lakh

Q3. The same depositor has ₹5 lakh in Bank A and ₹5 lakh in Bank B. Assuming eligible deposits, the insurance treatment is:

(A) ₹5 lakh total across both banks (B) ₹2.5 lakh per bank (C) ₹5 lakh separately in each bank (D) No cover because two banks are used (E) ₹10 lakh only if both banks fail together

Q4. Which deposit is specifically excluded from normal DICGC cover?

(A) Savings deposit of an individual (B) Recurring deposit of an individual (C) Inter-bank deposit (D) Fixed deposit of a resident individual (E) Current deposit of a business customer

Q5. Who bears the deposit-insurance premium?

(A) Depositor only (B) RBI Governor personally (C) Insured bank (D) State Government (E) Borrower

MODULE 7 PRACTICE - CONTINUED

Q6. DICGC insurance of ₹5 lakh refers to:
(A) ₹5 lakh principal plus unlimited interest (B) ₹5 lakh principal and interest together (C) Only interest (D) Only fixed deposits (E) Only savings deposits

Q7. Before determining an insured claim, applicable dues owed by the depositor to the bank are:
(A) Ignored permanently (B) Added to the insurance amount (C) Set off / netted as applicable (D) Paid by DICGC separately (E) Converted into shares

Q8. Under Section 18A for a bank under All-Inclusive Directions, the bank is required to furnish the depositor list within:
(A) 15 days (B) 30 days (C) 45 days (D) 60 days (E) 90 days

Q9. The overall Section 18A timeline from imposition of AID to payment should not exceed:
(A) 30 days (B) 45 days (C) 60 days (D) 90 days (E) 180 days

Q10. In a normal liquidation case, who prepares the depositor-wise claim list for DICGC?
(A) SEBI (B) Liquidator (C) NPCI (D) Depositor Education and Awareness Fund (E) Credit Information Company

MODULE 7 PRACTICE - CONTINUED

Q11. A deposit that has remained unclaimed for the specified 10-year period is primarily associated with:

(A) CRR (B) DEA Fund (C) MSF (D) CERSAI (E) TReDS

Q12. When a bank transfers an eligible unclaimed amount to the DEA Fund, what happens to accrued interest as on transfer date?

(A) It is destroyed (B) It is transferred with the amount (C) It becomes DICGC premium (D) It goes to SEBI (E) It is ignored

Q13. What is UDGAM mainly designed to do?

(A) Settle DICGC claims directly (B) Search unclaimed deposits across participating banks (C) Sanction new loans (D) Calculate CRR (E) Issue debit cards

Q14. Which statement is correct?

(A) Inoperative account and unclaimed deposit always mean the same two-year period (B) UDGAM itself pays the unclaimed amount (C) DEA Fund transfer permanently forfeits the customer's money (D) A customer can claim an eligible DEA Fund amount through the bank even later (E) DICGC covers only fixed deposits

Q15. Which sequence correctly represents the Section 18A timeline?

(A) 15 + 30 + 45 (B) 45 + 30 + 15 (C) 30 + 45 + 15 (D) 45 + 15 + 45 (E) 60 + 15 + 15

MODULE 7 - ANSWERS & TEACHING EXPLANATIONS

Q1 - D
The current maximum is ₹5 lakh for principal and interest together.

Q2 - C
Same-bank branches are aggregated first. The ₹6 lakh aggregate is insured only up to the ₹5 lakh ceiling.

Q3 - C
The insurance ceiling is applied separately to each bank.

Q4 - C
DICGC excludes inter-bank deposits, among other statutory exclusions.

Q5 - C
The insured bank bears the DICGC premium; the depositor does not pay it separately.

Q6 - B
Principal and accrued interest are combined within the maximum ₹5 lakh insurance amount.

MODULE 7 ANSWERS - CONTINUED

Q7 - C
DICGC's framework allows bank dues to be set off before the insurance amount is determined.

Q8 - C
The insured bank has 45 days from imposition of AID to furnish the list.

Q9 - D
The DICGC framework states an overall maximum of 90 days, subject to the statutory steps.

Q10 - B
The liquidator prepares and submits the claim list; DICGC pays through the liquidator.

Q11 - B
The DEA Fund is the RBI framework for specified amounts remaining unclaimed/inoperative for 10 years.

Q12 - B
RBI requires the entire amount, including accrued interest as on transfer date, to be transferred.

MODULE 7 ANSWERS - CONTINUED

Q13 - B
UDGAM is a centralised search facility; claim settlement remains with the respective bank.

Q14 - D
There is no specific time limit in the DEA Fund Scheme for the customer to claim; the claim is made through the bank.

Q15 - B
Bank list within 45 days, DICGC verification within 30 days of receipt, payment within 15 days after verification, with overall 90-day cap.

MODULE 8

LENDING & CREDIT FUNDAMENTALS

A loan is not only "money given" - it is a structured claim with purpose, cash flow, security and risk.

8.1 Start with the bank balance sheet

For the borrower, a loan is a liability. For the bank, the same loan is an asset because it represents a contractual right to receive principal and interest. That simple perspective connects Module 1 directly to lending.

Borrower needs funds -> **Bank appraises risk** -> **Facility is sanctioned** -> **Money / commitment is provided** -> **Borrower repays** -> **Bank earns interest / fees**

THE BANK IS NOT ONLY CHECKING COLLATERAL
A sound credit decision asks whether the borrower can repay from normal cash flow. Security is a secondary protection mechanism, not a substitute for repayment capacity.

8.2 Fund-based vs non-fund-based credit

Type	What bank provides	Typical examples
Fund-based	Bank funds are actually deployed / drawn	Term loan, cash credit, overdraft
Non-fund-based	Bank gives a contingent commitment rather than immediate funded outflow	Bank guarantee, letter of credit

EXAM TRAP
A bank guarantee is a credit exposure even though the bank may not pay cash on day one. If the guarantee is invoked and conditions are met, the bank can become liable to pay.

8.3 Term Loan vs Cash Credit vs Overdraft

Facility	How it works	Typical use / memory anchor
Term Loan	A defined amount is sanctioned/disbursed for a purpose and repaid over an agreed tenor	Asset purchase, project, housing, vehicle, equipment
Cash Credit (CC)	Working-capital limit; drawings normally linked to eligible current assets / drawing power	Inventory and receivables funding for business
Overdraft (OD)	Customer is allowed to draw beyond account credit balance up to sanctioned limit	Short-term liquidity / facility linked to account or security

DO NOT CONFUSE
Cash Credit and Overdraft can look similar because both allow drawing up to a limit. The exam usually distinguishes them by the underlying operating structure: CC is a classic working-capital facility with drawing-power logic; OD is permission to overdraw an account up to a sanctioned limit.

8.4 Working capital vs term finance

Working capital finances the operating cycle - buying inputs, holding inventory, making sales and waiting for receivables. Term finance usually supports longer-life assets or expenditure whose benefit extends beyond the immediate operating cycle.

Cash -> **Raw material / inventory** -> **Sale** -> **Receivable** -> **Cash**

EXAMPLE
A manufacturer buys a machine that will be used for five years: think term loan. The same manufacturer needs funds for inventory and receivables during the month: think working-capital finance such as Cash Credit.

8.5 Secured vs unsecured: security reduces loss risk, but does not create repayment capacity

A secured loan is backed by an enforceable security interest over an asset or right. An unsecured loan does not have that specific asset security. Unsecured does not mean "no contract" and secured does not mean "no credit risk".

Concept	Meaning	Example
Security	Broad asset/right that secures repayment	House mortgage, pledged goods, hypothecated vehicle/inventory
Collateral	Often used for additional/supporting security beyond the primary repayment source or financed asset	Additional property/security offered to strengthen lender protection
Guarantee	A third person promises to discharge the liability if the principal debtor defaults	Personal/corporate guarantee
Margin	Borrower contributes part of the asset/value; lender finances the balance	Asset price ₹10 lakh; bank finances ₹8 lakh; borrower margin ₹2 lakh

LANGUAGE CAUTION
Banking documents sometimes use "security" and "collateral" differently depending on product and law. For exam purposes, treat security as the broad protection and collateral as supporting/additional security unless a specific rule defines it otherwise.

8.6 Pledge, hypothecation and mortgage - use possession and property type

Security form	Property	Possession	Core legal idea
Pledge	Movable goods	Delivered to pawnee / lender or its control	Bailment of goods as security for debt/performance.
Hypothecation	Movable property, existing or future	Possession remains with borrower	Charge on movable property without delivery of possession.
Mortgage	Specific immovable property	Possession may or may not shift depending on mortgage type	Transfer of an interest in immovable property to secure payment.

FAST RECALL
Movable + possession with lender = pledge. Movable + possession with borrower = hypothecation. Immovable property = mortgage.

Primary law: Indian Contract Act, 1872 - Sections 126 and 172 Official source

Primary law: Transfer of Property Act, 1882 - Section 58 Official source

Primary law: SARFAESI Act, 2002 - definition of hypothecation Official source

8.7 Guarantee: three parties, one contingent promise

Under the Indian Contract Act, a contract of guarantee is a promise to perform the promise or discharge the liability of a third person in case of default. The person giving the guarantee is the surety; the person whose default is covered is the principal debtor; the lender is the creditor.

Principal debtor borrows -> Creditor lends -> Surety guarantees -> If debtor defaults -> Guarantee can be enforced subject to law/contract

DO NOT CONFUSE
Guarantor is not the same as a co-borrower. A co-borrower is itself a borrower under the loan contract; a guarantor's liability arises through the guarantee framework.

8.8 Loan-to-Value and margin: inverse ways to see the same financing split

Loan-to-Value (LTV) compares the loan amount with the value of the secured asset. Margin is the portion not financed by the lender. Higher LTV means the lender finances a larger share of the asset value, all else equal.

EXAMPLE
Asset value = ₹10 lakh, loan = ₹8 lakh. LTV = 80%. Borrower-funded margin = ₹2 lakh or 20%. Product-specific maximum LTV rules can change and must be checked in the Live Layer.

8.9 Credit appraisal: the real question is "Will the borrower repay?"

A lender converts information into a credit decision. A useful learning framework is the five Cs: Character, Capacity, Capital, Collateral and Conditions. It is a teaching aid, not an RBI formula.

Question the bank asks	What it is trying to learn
Who is the borrower?	Identity, track record, conduct and willingness to repay
Can cash flow service the debt?	Repayment capacity / debt service
How much borrower money is at risk?	Capital / margin / financial strength
What secondary protection exists?	Security, collateral, guarantees
What external factors matter?	Industry, economy, purpose, regulatory conditions

BEST EXAM HABIT
Collateral is not the first answer to every loan question. A lender first needs an acceptable borrower and viable repayment capacity. Security influences recovery and loss given default; it does not create operating cash flow.

8.10 Credit Information Companies: reduce information asymmetry

Credit Information Companies (CICs) collect credit information from member credit institutions and provide Credit Information Reports (CIRs) to support lending decisions. They are regulated by RBI under the Credit Information Companies (Regulation) Act, 2005.

RBI requires a comprehensive CIR furnished to a credit institution to incorporate available credit information across modules such as consumer, commercial and microfinance, so a lender is not shown only a narrow slice of the borrower history.

SCORE VS REPORT
A credit score is a summary risk indicator. A Credit Information Report contains the broader credit-account history and related information. A bank should not treat a score as the entire credit appraisal.

Primary law: Credit Information Companies (Regulation) Act, 2005 Official source

Primary source: RBI direction on comprehensive Credit Information Reports Official source

8.11 One free full credit report each calendar year

RBI directs Credit Information Companies to provide an individual, on request and after authentication, one free full credit report including the credit score once in a calendar year, if the CIC holds that person's credit history.

EXAM TRAP
"One free report" does not mean a bank must approve one free loan. It is a consumer-information right relating to the credit report.

Primary source: RBI Free Annual Credit Report to Individuals Official source

8.12 Current reporting frequency: keep it in the Live Layer

Credit-information reporting frequency has been tightened over time. Because the reporting interval is a live regulatory rule that can change, this master chapter does not freeze an old monthly or fortnightly number into the permanent concept. For the currently effective reporting frequency, check Module 32 or the latest Banking Legends update before the exam.

WHY THIS MATTERS
This is exactly the type of fact that old PYQs and old coaching PDFs can make stale. Learn the purpose permanently; date-stamp the frequency.

8.13 Responsible lending after repayment: return the property documents

For covered personal loans, RBI requires Regulated Entities to release original movable/immovable property documents and remove registered charges within 30 days after full repayment or settlement. If delay beyond 30 days is attributable to the Regulated Entity, compensation is ₹5,000 per day.

Rule	Current requirement
Return of original documents / charge removal	Within 30 days after full repayment/settlement.
Delay attributable to RE	₹5,000 compensation for each day of delay.
Lost/damaged documents	RE assists with duplicate/certified copies and bears associated costs; an additional 30 days is available before delay compensation is calculated thereafter.
Applicability	Cases where release of original property documents falls due on or after 1 December 2023.

Primary source: RBI Responsible Lending Conduct - release of property documents Official source

8.14 MSME example of responsible credit process

RBI's MSME guidance gives a useful example of credit-process discipline: for MSE loan applications up to ₹25 lakh, the advised credit-decision timeline is not more than 14 working days; banks also use tracking mechanisms and communicate reasons for rejection. Detailed MSME finance is covered later in Module 18.

Primary source: RBI MSME FAQs Official source

8.15 Exam Trap Board

Trap	Correct mental answer
A loan is only a borrower liability	It is borrower liability and bank asset.
Bank guarantee is not credit because no money is initially paid	It is non-fund-based credit exposure / contingent commitment.
Pledge and hypothecation are the same	Pledge involves delivery/possession; hypothecation leaves possession with borrower.
Mortgage means movable goods	Mortgage is security over specific immovable property.
Guarantor = co-borrower	Different contractual roles.
Credit score = complete credit appraisal	Score is only one input; report, cash flow and other appraisal factors matter.
Security means lender need not assess cash flow	Wrong. Repayment capacity remains central.
Loan closed = lender can keep original property papers indefinitely	No. Covered REs have a 30-day release rule.

30-SECOND RECALL
Fund-based: Term Loan, CC, OD. Non-fund-based: guarantee, LC. Working capital funds the operating cycle; term finance funds longer-life needs. Pledge = movable + possession delivered. Hypothecation = movable + possession with borrower. Mortgage = immovable property. CIC report reduces information asymmetry. Property papers: 30 days after full repayment; RE-attributable delay = ₹5,000/day.

MODULE 8

PRACTICE CHECK

18 questions - facility logic + security + credit information + borrower rights

Q1. From the bank's balance-sheet perspective, a performing loan to a customer is primarily a:
(A) Liability (B) Asset (C) Capital reserve (D) Deposit (E) Contingent tax

Q2. Which is a fund-based credit facility?
(A) Bank guarantee (B) Letter of credit (C) Term loan (D) Performance guarantee (E) Standby guarantee

Q3. Which facility is most closely associated with financing inventory and receivables through a sanctioned working-capital limit?
(A) Cash Credit (B) Fixed Deposit (C) Demand Draft (D) DICGC cover (E) NPS Tier I

Q4. Which statement best describes an overdraft?
(A) A bank deposit for seven days (B) Permission to draw beyond the account credit balance up to a sanctioned limit (C) A government security auction (D) A deposit-insurance claim (E) A type of mortgage only

Q5. A business buys a machine expected to be used for five years. Which facility is conceptually more suitable?
(A) Term loan (B) Cash-credit stock statement only (C) SDF (D) Current account (E) DICGC claim

Q6. Which combination is correct?
(A) Pledge - immovable property (B) Hypothecation - movable property without delivery of possession (C) Mortgage - only cash (D) Guarantee - deposit insurance (E) Overdraft - statutory reserve

MODULE 8 PRACTICE - CONTINUED

Q7. In a pledge, the borrower who provides the goods as security is legally called the:
(A) Pawnee (B) Pawnor (C) Mortgagee (D) Surety (E) Creditor

Q8. A mortgage under the Transfer of Property Act relates to:
(A) Specific immovable property (B) Only movable inventory (C) Only a credit score (D) Only a bank guarantee (E) Only a savings deposit

Q9. In a contract of guarantee, the person whose default is covered is the:
(A) Surety (B) Principal debtor (C) Depositor (D) Liquidator (E) Trustee

Q10. Which statement about collateral is most sensible for credit appraisal?
(A) Collateral alone proves ability to repay (B) Collateral is secondary protection; normal repayment capacity remains important (C) Collateral makes every loan risk-free (D) Collateral and capital are identical (E) Collateral is required for every loan by law

Q11. If asset value is ₹10 lakh and loan amount is ₹8 lakh, the LTV is:
(A) 20% (B) 40% (C) 60% (D) 80% (E) 125%

Q12. Which institution regulates Credit Information Companies in India?
(A) RBI (B) SEBI only (C) NPCI (D) DICGC (E) NABARD only

MODULE 8 PRACTICE - CONTINUED

Q13. A comprehensive Credit Information Report furnished to a lender should, under RBI directions, include:

(A) Only the latest credit-card account (B) Only microfinance accounts (C) Available credit information across relevant modules including current and past accounts (D) Only closed accounts (E) Only one bank chosen by the borrower

Q14. How often is an eligible individual entitled to one free full credit report including score under RBI's free-report direction?

(A) Once in a lifetime (B) Once in a calendar year (C) Once every month (D) Only after default (E) Never free

Q15. After full repayment/settlement of a covered personal loan, original property documents should ordinarily be released within:

(A) 7 days (B) 15 days (C) 30 days (D) 60 days (E) 90 days

Q16. If delay in releasing original property documents beyond the allowed period is attributable to the Regulated Entity, compensation is:

(A) ₹100/day (B) ₹500/day (C) ₹1,000/day (D) ₹5,000/day (E) ₹10,000/day

Q17. Which is the best distinction between a credit score and a Credit Information Report?

(A) They are always identical (B) Score is a summary indicator; CIR contains broader account/history information (C) CIR contains only the score (D) Score is issued by DICGC (E) Neither relates to lending

Q18. RBI's MSME FAQ advises that credit decisions for MSE loan applications up to ₹25 lakh should not take more than:

(A) 3 working days (B) 7 working days (C) 10 working days (D) 14 working days (E) 30 working days

MODULE 8 - ANSWERS & TEACHING EXPLANATIONS

Q1 - B
The bank has a contractual right to receive principal and interest, so the loan is an asset of the bank.

Q2 - C
A term loan deploys bank funds. Guarantees and letters of credit are classic non-fund-based facilities.

Q3 - A
Cash Credit is a classic working-capital facility, normally linked to current assets/drawing power.

Q4 - B
An overdraft permits drawings beyond the available balance up to an approved limit.

Q5 - A
Longer-life asset finance is generally associated with term finance rather than day-to-day working capital.

Q6 - B
Hypothecation creates a charge over movable property without delivery of possession.

MODULE 8 ANSWERS - CONTINUED

Q7 - B
Section 172 of the Indian Contract Act uses pawnor for the person who gives the goods and pawnee for the person receiving them in pledge.

Q8 - A
A mortgage is the transfer of an interest in specific immovable property to secure payment.

Q9 - B
The borrower/debtor whose obligation is guaranteed is the principal debtor; the guarantor is the surety.

Q10 - B
Credit should normally be serviced from cash flow. Security/collateral reduces loss risk but does not create repayment capacity.

Q11 - D
Loan-to-Value = loan / asset value = 8/10 = 80%.

Q12 - A
CICs are regulated by RBI under the Credit Information Companies (Regulation) Act, 2005.

MODULE 8 ANSWERS - CONTINUED

Q13 - C
RBI directed CICs to provide comprehensive reports across modules so lenders can see the wider credit history.

Q14 - B
An individual whose history is held by a CIC can request one free full credit report once in a calendar year.

Q15 - C
RBI requires release and charge removal within 30 days.

Q16 - D
The RBI direction prescribes ₹5,000 for each day of RE-attributable delay.

Q17 - B
The score summarises risk; the report contains broader credit-account history and information.

Q18 - D
The RBI FAQ states a maximum advised timeline of 14 working days for credit decisions on MSE loans up to ₹25 lakh.

MODULE 9

NPA, SMA, IRAC, PROVISIONING & CRILC

Stress starts before NPA. Classification starts with the recovery record.

9.1 Start with the due date

The stress ladder begins when an amount becomes due and is not paid on the due date fixed by the bank. Under RBI's prudential framework, that unpaid amount is overdue.

Payment due -> **Not paid on due date** -> **Overdue** -> **SMA monitoring** -> **NPA if test is crossed**

KEY IDEA
NPA is not a description of the borrower's character. It is a prudential classification of a bank asset based mainly on the record of recovery and specified regulatory tests.

9.2 SMA is the early-warning ladder

Category	For loans other than revolving facilities	Memory anchor
SMA-0	Overdue 1-30 days	Early stress
SMA-1	Overdue 31-60 days	Stress deepens
SMA-2	Overdue 61-90 days	Last SMA stage before NPA test

RBI requires day-end classification. The ageing is continuous; it does not wait for month-end, quarter-end or the balance-sheet date.

WORKED TIMELINE
If an instalment is due on 31 March and remains unpaid, the account is SMA-0 after day-end on 31 March; SMA-1 after day-end on 30 April; SMA-2 after day-end on 30 May; and, if continuously overdue, NPA after day-end on 29 June.

Primary source: RBI clarification on SMA/NPA day-end classification, 12 November 2021 Official source

Revolving credit: Cash Credit / Overdraft is different

CC/OD situation	When treated as out of order
Outstanding above sanctioned limit / drawing power	Continuously for 90 days
Outstanding is within limit but no credits	No credits continuously for 90 days
Credits are coming but inadequate	Credits during previous 90 days are not enough to cover interest debited during that period

DO NOT CONFUSE
Term loan: think overdue. Cash Credit / Overdraft: think out of order. Both can lead to NPA, but the operating test is different.

9.3 When does an asset become NPA?

Facility / exposure	Core NPA test
Term loan	Interest and/or instalment of principal remains overdue for more than 90 days.
Cash Credit / Overdraft	Account remains out of order under the specified test.
Bills purchased / discounted	Bill remains overdue for more than 90 days.
Short-duration agricultural crop loan	Principal/interest overdue for two crop seasons.
Long-duration agricultural crop loan	Principal/interest overdue for one crop season.

Primary source: RBI Master Circular on Income Recognition, Asset Classification and Provisioning, 1 October 2021 Official source

9.4 Security does not stop a loan from becoming NPA

A house, factory, gold, guarantee or high-net-worth guarantor may improve recovery prospects, but RBI's classification is primarily based on the record of recovery. Security/net worth generally does not decide whether the asset is NPA.

EXAM TRAP

The loan is fully secured, so it cannot become NPA - false. Security matters heavily for loss estimation, provisioning and recovery, not as a general escape from the NPA test.

9.5 Borrower-wise, not simply facility-wise

As a general prudential principle, all facilities granted by a bank to the same borrower are treated together for asset classification, subject to specific regulatory exceptions. Different account numbers do not automatically create independent asset-quality status.

SIMPLE EXAMPLE

A borrower has a term loan and Cash Credit facility from the same bank. If the prudential framework makes the borrower NPA, the bank generally cannot keep the better-looking facility standard merely because its account number is different.

9.6 NPA is only the beginning: substandard -> doubtful -> loss

Class	Meaning	Anchor
Standard asset	Performing asset under prudential norms	Not NPA
Substandard asset	NPA with identifiable credit weakness	NPA for <=12 months
Doubtful asset	Collection in full is highly questionable	Has remained substandard for 12 months
Loss asset	Identified as uncollectible / of little bankable value	Write off or fully provide

LANGUAGE MATTERS

SMA-2 is not a type of NPA. Substandard is not an SMA category. The ladder crosses from SMA monitoring into NPA classification, and only then into substandard/doubtful/loss ageing.

9.7 Income recognition changes when the asset becomes NPA

Bank accounting cannot continue to show interest income as if the borrower were paying normally. RBI requires income recognition to follow the recovery record.

- Banks should not take unrealised interest on an NPA to income merely on accrual.
- If interest had already been accrued and credited to income before NPA classification but remains unrealised, it is reversed.
- Interest actually realised on an NPA may be recognised subject to prudential rules.

WHY THIS EXISTS

Without this rule, a bank could report accounting income it has not actually collected from a stressed borrower. IRAC makes reported income and asset quality more realistic.

9.8 Provisioning: the loss cushion

Provisioning is a loss cushion charged against profit. The weaker the asset and the weaker the recoverable security, the more conservative the bank must become.

Asset position	Core provisioning idea
Substandard - generally secured	15% of total outstanding
Substandard - unsecured exposure	25% of outstanding
Doubtful - unsecured portion	100%
Doubtful secured portion - up to 1 year	25%
Doubtful secured portion - 1 to 3 years	40%
Doubtful secured portion - more than 3 years	100%
Loss asset retained in books	100%

UNDERSTAND THE LOGIC

Ageing increases uncertainty. An unsecured portion has no tangible recovery cushion. A loss asset is recognised as essentially uncollectible. Provisioning therefore rises as credit quality worsens.

Primary source: RBI 2021 IRAC Master Circular - provisioning norms Official source

9.9 Upgradation: a token payment is not enough

For normal NPA upgradation to standard, the borrower must clear the entire arrears of interest and principal. Special frameworks can have specific conditions, but the exam-level default rule is full arrears, not one token instalment.

EXAM TRAP

Pay one instalment and become standard - false. Think entire arrears of principal + interest under the normal rule.

9.10 CRILC: a supervisory view of large-credit stress

CRILC stands for Central Repository of Information on Large Credits. It helps lenders and RBI see aggregate large-credit exposures and early stress rather than viewing only one lender account in isolation.

Point	CRILC
Threshold in verified RBI framework	Aggregate fund-based + non-fund-based exposure of Rs 5 crore (Rs 50 million) and above
What is reported	Credit information including SMA/default status under the applicable framework
Why it matters	Early recognition, information sharing and system-level monitoring of large borrower stress
2019 framework rhythm	Main report monthly; default instances weekly for covered borrowers

CRILC VS CREDIT INFORMATION COMPANY

CRILC is a prudential/supervisory large-credit repository. A Credit Information Company supports credit appraisal through credit histories/reports. Both handle credit information, but the purpose is different.

Primary source: RBI Prudential Framework for Resolution of Stressed Assets, 7 June 2019 Official source

9.11 Early resolution begins before NPA

The 2019 Prudential Framework is built for early recognition and time-bound resolution. It expects covered lenders to act when default appears, not wait passively for a deeply aged NPA.

Rule	Framework idea
Review Period	Prima facie review within 30 days from default.
Multi-lender resolution	If a resolution plan is pursued, lenders enter an Inter-Creditor Agreement during the review period.
Binding ICA threshold	75% by value of total outstanding credit facilities and 60% of lenders by number.
Possible strategy	Resolution/restructuring route or legal proceedings for insolvency/recovery.

IMPORTANT DISTINCTION

SMA is a stress classification. A Resolution Plan is the lender action strategy. One describes the problem; the other tries to solve it.

9.12 Write-off is not waiver

Term	What happens	Recovery effect
Technical write-off	NPA is derecognised at lender accounting level while borrower obligation can remain	Recovery may continue
Compromise settlement	Lender and borrower settle claim under approved policy	Depends on settlement terms
Loan waiver	Borrower repayment obligation is forgiven to the waived extent	Waived amount is no longer recoverable from borrower

EXAM TRAP

Bank wrote off the loan, therefore the borrower is legally free from repayment - not a safe conclusion. Technical write-off is an accounting treatment, not the same thing as waiver.

Primary source: RBI FAQs on Compromise Settlements and Technical Write-offs Official source

9.13 Exam Trap Board

Trap	Correct mental answer
SMA-2 = NPA	No. SMA-2 is 61-90 days overdue; NPA follows the applicable facility-specific test.
Fully secured loan cannot be NPA	False. Security generally does not prevent NPA classification.
Only one bad account is classified	Generally borrower-wise, subject to specified exceptions.
Unrealised NPA interest can keep accruing as normal income	No. Income recognition follows recovery/cash logic.
Write-off = waiver	No. Technical write-off does not itself extinguish borrower liability.
CRILC = retail credit-score bureau	No. It is a large-credit prudential repository.

30-SECOND RECALL

Overdue -> SMA-0 (1-30) -> SMA-1 (31-60) -> SMA-2 (61-90) -> NPA test. NPA <=12 months = substandard; after 12 months substandard = doubtful; identified uncollectible = loss. NPA income follows recovery, provisioning rises with weakness, CRILC tracks large-credit stress, and write-off is not waiver.

MODULE 9

PRACTICE CHECK

20 five-option questions - mechanics, classification, provisioning and traps

Q1. An amount due to a bank is overdue when it is:
(A) Unpaid on the due date fixed by the bank (B) Unpaid for exactly 30 days (C) Unpaid for exactly 90 days (D) Classified doubtful (E) Written off

Q2. For a non-revolving loan, an amount overdue for 45 days normally falls in:
(A) SMA-0 (B) SMA-1 (C) SMA-2 (D) Substandard (E) Doubtful

Q3. For a non-revolving loan, SMA-2 covers:
(A) 1-30 days (B) 31-60 days (C) 61-90 days (D) 91-120 days (E) More than 12 months

Q4. Which test is specifically associated with Cash Credit / Overdraft accounts?
(A) Same right and same capacity (B) Out of order (C) Daily product (D) Capital conservation buffer (E) Maturity ladder

Q5. A term-loan instalment remains overdue for more than 90 days. The core classification is:
(A) SMA-0 (B) Standard (C) NPA (D) Loss automatically (E) Technical write-off automatically

MODULE 9 PRACTICE - CONTINUED

Q6. A short-duration crop loan generally uses which NPA ageing test?
(A) One calendar month (B) 90 days only (C) Two crop seasons overdue (D) One crop season overdue (E) Five years

Q7. Which statement is correct about security and NPA classification?
(A) A fully secured account cannot become NPA (B) Security normally does not prevent NPA classification based on recovery record (C) Only unsecured loans can be NPA (D) A guarantor automatically keeps the loan standard (E) Gold security creates permanent standard status

Q8. An asset has remained NPA for 8 months. It is normally classified as:
(A) Standard (B) SMA-2 (C) Substandard (D) Doubtful (E) Loss

Q9. An asset has remained in the substandard category for 12 months. It then becomes:
(A) SMA-0 (B) Standard (C) Doubtful (D) Technical write-off (E) CRILC

Q10. If a loss asset remains in the books, the core provisioning requirement is:
(A) 10% (B) 15% (C) 25% (D) 40% (E) 100%

MODULE 9 PRACTICE - CONTINUED

Q11. A secured substandard asset generally attracts a provision of:
(A) 5% (B) 10% (C) 15% (D) 25% (E) 100%

Q12. The unsecured portion of a doubtful asset generally attracts provision of:
(A) 10% (B) 15% (C) 25% (D) 40% (E) 100%

Q13. The secured portion of a doubtful asset that has remained doubtful for more than three years generally attracts:
(A) 15% (B) 25% (C) 40% (D) 75% (E) 100%

Q14. When a loan becomes NPA, unrealised interest already credited to income should generally be:
(A) Capitalised (B) Ignored (C) Reversed (D) Converted into CRR (E) Paid by DICGC

Q15. For normal NPA upgradation to standard, the borrower generally needs to pay:
(A) One token instalment (B) Only future interest (C) Entire arrears of principal and interest (D) Only legal fees (E) 10% of outstanding

MODULE 9 PRACTICE - CONTINUED

Q16. CRILC expands to:

(A) Central Registry of Insolvency and Large Companies (B) Central Repository of Information on Large Credits (C) Credit Rating Index for Lending Companies (D) Central Recovery Institution for Loan Claims (E) Corporate Resolution Information and Lending Council

Q17. The aggregate exposure threshold in the verified CRILC framework is:

(A) Rs 50 lakh (B) Rs 1 crore (C) Rs 2 crore (D) Rs 5 crore (E) Rs 50 crore

Q18. Under the 2019 Prudential Framework, the prima facie review period after default is:

(A) 7 days (B) 14 days (C) 30 days (D) 60 days (E) 90 days

Q19. A technical write-off means:

(A) Borrower debt is automatically forgiven (B) NPA is derecognised at lender accounting level while recovery can continue (C) DICGC pays the borrower (D) Loan becomes a deposit (E) Security is returned immediately

Q20. Which statement best distinguishes CRILC from a Credit Information Company?

(A) They are identical (B) CRILC is a large-credit supervisory repository; CICs compile credit histories/reports for credit decisions (C) CIC is only for RBI employees (D) CRILC issues credit cards (E) CRILC is a payment system

MODULE 9 - ANSWERS & TEACHING EXPLANATIONS

Q1 - A
Overdue begins when the amount is not paid on its contractual due date.

Q2 - B
SMA-1 covers 31-60 days overdue.

Q3 - C
SMA-2 is the 61-90 day bucket.

Q4 - B
Revolving CC/OD accounts use the out-of-order test.

Q5 - C
A term loan becomes NPA when principal and/or interest remains overdue for more than 90 days.

Q6 - C
Short-duration crop loans use two crop seasons; long-duration crop loans use one.

Q7 - B
Security helps recovery/provisioning but generally does not override the recovery-based NPA test.

MODULE 9 ANSWERS - CONTINUED

Q8 - C
Substandard means NPA for up to 12 months.

Q9 - C
After 12 months in substandard, the asset moves to doubtful.

Q10 - E
Loss assets should be written off; if retained, 100% provision is required.

Q11 - C
The core general provision for a substandard asset is 15%.

Q12 - E
The unsecured portion of a doubtful advance is provided at 100%.

Q13 - E
For the secured portion the provision rises to 100% after more than three years in doubtful.

Q14 - C
IRAC requires unrealised accrued interest to be reversed.

MODULE 9 ANSWERS - CONTINUED

Q15 - C
The normal rule requires clearance of entire arrears of principal and interest.

Q16 - B
CRILC is the Central Repository of Information on Large Credits.

Q17 - D
Rs 50 million equals Rs 5 crore.

Q18 - C
The Review Period is 30 days from default.

Q19 - B
Technical write-off is an accounting treatment; recovery can continue.

Q20 - B
CRILC supports prudential large-credit monitoring; CICs serve the broader credit-information ecosystem.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 09 - NPA, SMA, IRAC, PROVISIONING & CRILC

PYQ SIGNATURE

Ageing buckets, revolving-account tests, provisioning logic and recovery-vs-accounting traps.

LIVE CHECKPOINT -> Large-credit reporting / prudential details can change -> use Module 32 where date-controlled.

5 Mains Application Questions

Q1. For a normal non-revolving loan, 45 days overdue and 75 days overdue fall respectively in:

A. SMA-0 and SMA-1
B. SMA-1 and SMA-2
C. SMA-2 and NPA
D. Standard and Doubtful
E. NPA and Loss

Q2. Which statement is correct?

A. A fully secured loan can never become NPA
B. CC/OD uses the out-of-order test; security normally does not override NPA classification based on recovery record
C. Only unsecured loans use NPA rules
D. Overdue begins only after 30 days
E. A guarantee keeps every account standard

Q3. An asset has remained NPA for 13 months. The normal classification is:

A. SMA-2
B. Standard
C. Substandard forever
D. Doubtful
E. Automatically written off

Q4. Which is safest about a technical write-off?

A. It is identical to loan waiver
B. It is an accounting treatment; recovery can continue
C. It permanently removes every borrower obligation
D. It automatically restores standard status
E. It is DICGC insurance

Q5. Which distinction is correct?

A. CRILC and a Credit Information Company are identical
B. CRILC is a large-credit supervisory repository; CICs compile broader credit histories/reports for credit decisions
C. CRILC issues debit cards
D. CIC sets repo rate
E. Both are payment systems

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 09 - NPA, SMA, IRAC, PROVISIONING & CRILC

Q1 - B SMA-1 covers 31-60 days and SMA-2 covers 61-90 days.

Q2 - B Revolving facilities use the out-of-order test; security affects recovery/loss, not the basic recovery-based recognition test.

Q3 - D Substandard covers the period up to 12 months as NPA; beyond that the asset moves to doubtful.

Q4 - B Write-off/settlement is not synonymous with waiver; recovery action can continue.

Q5 - B The two solve different information problems and should not be memorised as interchangeable.

VISUAL BRIDGE

Due date → **SMA-0 1-30** → **SMA-1 31-60** → **SMA-2 61-90** → **NPA >90** → **Doubtful after 12m NPA**

Loss asset: write off; if retained, 100% provision. Security does not erase the recovery-based NPA test.

MODULE 10

RECOVERY & RESOLUTION

The correct route depends on the problem: collect, enforce, restructure, transfer or reorganise.

10.1 Recovery is not the same as resolution

Idea	Primary objective	Example
Recovery	Collect lender dues	DRT recovery / secured enforcement
Restructuring	Change credit terms so a viable borrower can service debt	Revised repayment / financial restructuring
Compromise settlement / OTS	Negotiate settlement amount/terms	Lender-approved compromise
Resolution	Maximise value by reorganising distressed borrower/business	IBC corporate resolution
Asset transfer	Move stressed asset to specialist buyer	ARC / NARCL acquisition

DECISION HABIT
Do not ask Which Act is for NPA? Ask: Is the lender trying to rehabilitate a viable borrower, enforce a secured asset, recover through a tribunal, transfer the stressed asset, or resolve a corporate debtor as a whole?

10.2 Recovery / resolution decision tree

Viable but stressed? -> **Resolution / Restructuring**

Secured asset? -> **SARFAESI**

Bank / FI debt claim? -> **DRT**

Sell stressed asset? -> **ARC / NARCL**

Corporate insolvency? -> **IBC -> NCLT**

IMPORTANT
Routes can interact. SARFAESI enforcement, for example, is subject to the Insolvency and Bankruptcy Code where a corporate insolvency moratorium applies.

10.3 SARFAESI: secured-creditor enforcement

The SARFAESI Act, 2002 gives secured creditors a statutory route to enforce security interests without first obtaining an ordinary civil-court decree, subject to the Act's conditions and safeguards.

Default + applicable NPA -> **Section 13(2) notice** -> **60 days** -> **Section 13(4) measures** -> **DRT challenge**

Step	Core rule
Demand notice	Borrower is called upon to discharge liabilities within 60 days.
Borrower representation / objection	If rejected, secured creditor communicates reasons within 15 days.
After non-payment	Creditor can take specified section 13(4) measures including possession of secured assets.
Challenge	Aggrieved person may apply to DRT within 45 days from the section 13(4) measure.

Primary law: SARFAESI Act, 2002 - sections 13 and 17 Official source

10.4 SARFAESI does not apply to everything

Exclusion / condition	Exam meaning
Security interest securing financial asset not exceeding Rs 1 lakh	Excluded under section 31.
Security interest created in agricultural land	Specifically excluded.
Amount due less than 20% of principal + interest	Section 31 exclusion.
Security interest registration	Chapter III enforcement rights require registration with Central Registry.

CERSAI CONNECTION
CERSAI operates the Central Registry used for registration of security interests. Think: security created -> registered -> public record -> enforcement / priority architecture.

Primary law: SARFAESI Act - Central Registry and section 26D Official source

10.5 DRT and DRAT

The Recovery of Debts and Bankruptcy Act, 1993 establishes tribunals for expeditious adjudication and recovery of debts due to banks and financial institutions.

Body	Role
Debt Recovery Tribunal (DRT)	Original tribunal for specified debt-recovery matters; also hears SARFAESI section 17 challenges.
Debt Recovery Appellate Tribunal (DRAT)	Appellate forum against specified DRT orders under the governing laws.

DO NOT CONFUSE
DRT is not NCLT. DRT belongs to banking debt-recovery/adjudication. NCLT is the adjudicating authority for corporate insolvency under Part II of IBC.

Primary law: Recovery of Debts and Bankruptcy Act, 1993 - India Code copy as on 15 May 2026 Official source

10.6 ARC: specialist buyer / resolver of stressed assets

An Asset Reconstruction Company acquires financial assets and applies reconstruction/recovery strategies. The bank does not make the bad loan disappear; it transfers the stressed exposure to a specialist resolution entity.

Lender stressed asset -> **ARC acquisition** -> **Security Receipts where used** -> **Reconstruction / enforcement / settlement** -> **Realisation**

Current ARC rule - 15 Aug 2026	Position
Minimum Net Owned Fund	Rs 300 crore on an ongoing basis.
Basic role	Securitisation / asset reconstruction under SARFAESI and RBI Directions.
Security Receipt	Represents interest in acquired/reconstructed financial assets; not a bank deposit.
Normal realisation period	Up to 5 years; Board may extend total to 8 years.

Primary source: RBI Master Direction - Asset Reconstruction Companies, 2024 Official source

NARCL and IDRCL

National Asset Reconstruction Company Limited (NARCL) is a large stressed-asset aggregation platform. India Debt Resolution Company Limited (IDRCL) supports management and resolution. The model sits inside the broader stressed-asset ecosystem; it does not replace SARFAESI or IBC.

CURRENT CONTEXT - LIVE LAYER
Government reported that as of March 2026 NARCL had acquired 33 borrower entities with aggregate debt exposure of Rs 1,65,862 crore and had participated in IBC resolution processes. These figures are current-static, not permanent definitions.

Government source: PIB update on NARCL, 30 April 2026 Official source

10.7 IBC: resolve the corporate debtor, not just one security

The Insolvency and Bankruptcy Code creates a collective, time-bound framework for corporate insolvency. Its question is not simply Which asset can one bank seize? It asks whether the corporate debtor can be resolved through a creditor-governed process.

Default -> **Application** -> **NCLT admission** -> **Moratorium** -> **IRP / claims** -> **CoC** -> **Resolution Plan** -> **NCLT approval**

IBC component	Core idea
Adjudicating Authority	NCLT for corporate persons, based on territorial jurisdiction of registered office.
Moratorium	Specified suits, enforcement, transfers and recovery actions are prohibited/stayed subject to Code exceptions.
IRP	Performs interim insolvency-process functions and collates claims.
Committee of Creditors	Comprises financial creditors subject to statutory rules.
Resolution Professional	Runs CIRP, preserves business and invites/presents plans.
Resolution-plan approval	At least 66% voting share of financial creditors.
Section 12 timeline	180 days; one extension up to 90 days; mandatory outer limit 330 days including legal proceedings.

Primary law: IBBI legal framework for the Insolvency and Bankruptcy Code Official source

LIVE LAW CHANGE - 2026

The Insolvency and Bankruptcy Code (Amendment) Act, 2026 received Presidential assent on 6 April 2026. Key provisions commenced from 26 May 2026. The amendment changes/clarifies parts of admission, withdrawal, moratorium, creditor/liquidation and resolution-plan architecture. Old IBC summaries must therefore be current-law checked.

Primary law: Insolvency and Bankruptcy Code (Amendment) Act, 2026 Official source

10.8 SARFAESI vs DRT vs ARC vs IBC

Route	Main focus	Who / forum	Mental picture
SARFAESI	Enforce secured interest	Secured creditor; DRT can review measures	Take action against security
DRT	Adjudicate/recover bank/FI debt	Debt Recovery Tribunal	Recovery remedy
ARC	Acquire and reconstruct stressed assets	RBI-regulated ARC	Transfer to specialist resolver
IBC	Collective corporate insolvency resolution	NCLT + IP + CoC	Resolve debtor/business as a whole

MOST USEFUL DISTINCTION

SARFAESI is security-centric. IBC is debtor/process-centric. DRT is tribunal-centric debt recovery. ARC is asset-transfer/reconstruction-centric.

10.9 Settlement, restructuring and Swiss Challenge

Compromise settlement / One-Time Settlement

A compromise settlement is a negotiated settlement of the lender claim under a Board-approved policy. It is not automatically the same as a Government loan waiver.

Restructuring

Restructuring changes financial terms or conditions of a credit exposure to address borrower stress/viability and remains subject to RBI prudential conditions.

Swiss Challenge method

In stressed-loan price discovery, a Swiss Challenge generally begins with an anchor/binding offer that is exposed to competing bids; the stipulated matching/selection process then protects price discovery. The exam idea is competitive price discovery, not a separate recovery statute.

DO NOT CONFUSE

OTS is negotiated settlement. Restructuring changes credit terms. Swiss Challenge is a price-discovery method for an asset sale. None of them automatically means waiver.

10.10 Exam Trap Board

Trap	Correct mental answer
SARFAESI is for every unsecured loan	No. It is fundamentally secured-interest enforcement.
Agricultural land can always be taken under SARFAESI	No. Security interest in agricultural land is excluded.
Borrower challenges the 60-day notice itself in DRT immediately	Section 17 application is linked to section 13(4) measures, within 45 days.
DRT and NCLT are the same	No. DRT = debt recovery; NCLT = corporate insolvency adjudication.
ARC is a deposit-taking bank	No. ARC is a specialised reconstruction entity and cannot raise deposits.
IBC is unchanged since 2016	False. It has been amended repeatedly, including materially in 2026.

30-SECOND RECALL

SARFAESI: secured asset + 60-day notice + section 13(4) + DRT review. DRT: bank/FI debt recovery tribunal. ARC: acquire/reconstruct stressed assets, current minimum NOF Rs 300 crore. IBC: NCLT, moratorium, IRP/RP, CoC, 66% plan vote, statutory timeline - and current law includes the 2026 amendment.

MODULE 10

PRACTICE CHECK

16 five-option questions - route selection, law, current rules and traps

Q1. Which phrase best distinguishes recovery from resolution?
(A) Recovery collects dues; resolution seeks to solve/reorganise distress (B) They are identical (C) Resolution applies only to deposits (D) Recovery applies only to insurance (E) Resolution means waiver

Q2. Under SARFAESI section 13(2), how long is normally given after the demand notice?
(A) 15 days (B) 30 days (C) 45 days (D) 60 days (E) 90 days

Q3. If a borrower representation to a SARFAESI notice is rejected, reasons are generally communicated within:
(A) 7 days (B) 15 days (C) 30 days (D) 45 days (E) 60 days

Q4. An aggrieved person may apply to DRT against a section 13(4) SARFAESI measure within:
(A) 15 days (B) 30 days (C) 45 days (D) 60 days (E) 90 days

Q5. Which is specifically excluded from SARFAESI section 31?
(A) Registered urban commercial property (B) Security interest in agricultural land (C) All mortgages (D) All bank loans (E) All corporate loans

MODULE 10 PRACTICE - CONTINUED

Q6. Which condition is required before Chapter III enforcement rights under SARFAESI?
(A) Credit score above 750 (B) Security interest registered with Central Registry (C) SEBI approval (D) DICGC insurance (E) MPC vote

Q7. DRAT is primarily:
(A) A deposit insurance company (B) The appellate tribunal in the debt-recovery tribunal framework (C) A payment system (D) An ARC (E) A credit bureau

Q8. Which forum is the adjudicating authority for corporate insolvency under Part II of IBC?
(A) DRT only (B) NCLT (C) RBI Central Board (D) SEBI (E) CERSAI

Q9. The Committee of Creditors in a normal corporate CIRP primarily comprises:
(A) Operational creditors only (B) Financial creditors, subject to statutory rules (C) Employees only (D) RBI officials (E) Shareholders only

Q10. A resolution plan under IBC requires CoC approval of at least:
(A) 51% (B) 55% (C) 60% (D) 66% (E) 90%

MODULE 10 PRACTICE - CONTINUED

Q11. The basic CIRP timeline under section 12 is:
(A) 30 days only (B) 90 days only (C) 180 days, one extension up to 90 days, with 330-day outer limit including legal proceedings (D) Five years (E) Eight years

Q12. What is the current minimum Net Owned Fund required for an ARC?
(A) Rs 50 crore (B) Rs 100 crore (C) Rs 200 crore (D) Rs 300 crore (E) Rs 1,000 crore for every activity

Q13. Which statement about NARCL is correct?
(A) It is a deposit-taking commercial bank (B) It is a large stressed-asset aggregation/reconstruction platform in the ARC ecosystem (C) It is a payment bank (D) It sets policy repo rate (E) It is DICGC

Q14. Which is the best distinction between SARFAESI and IBC?
(A) SARFAESI is security-centric enforcement; IBC is collective debtor-level insolvency resolution (B) They are identical (C) IBC applies only to savings deposits (D) SARFAESI is a pension law (E) IBC is a payment system

Q15. A technical write-off or compromise settlement should NOT automatically be described as:
(A) A credit-risk action (B) A recovery/accounting decision (C) A loan waiver (D) A Board-policy matter (E) Part of stressed-asset management

Q16. Which statement about IBC is safest for a 2026 exam?
(A) The Code never changed after 2016 (B) The 2026 Amendment is only a Bill (C) The Code was materially amended in 2026, so old summaries need current-law checking (D) NCLT was abolished (E) CoC no longer exists

MODULE 10 - ANSWERS & TEACHING EXPLANATIONS

Q1 - A
Recovery focuses on collecting dues; resolution can reorganise the distressed borrower/business and creditor claims.

Q2 - D
The statutory demand notice gives 60 days.

Q3 - B
Section 13(3A) provides for communication of reasons within 15 days.

Q4 - C
Section 17 provides 45 days from the measure.

Q5 - B
Security interest created in agricultural land is a statutory exclusion.

Q6 - B
Section 26D links enforcement rights to registration with the Central Registry.

MODULE 10 ANSWERS - CONTINUED

Q7 - B
DRAT means Debt Recovery Appellate Tribunal.

Q8 - B
For corporate persons, NCLT is the adjudicating authority.

Q9 - B
Section 21 provides that the CoC comprises financial creditors, subject to statutory rules.

Q10 - D
The threshold is not less than 66% voting share.

Q11 - C
Section 12 sets 180 days, a possible one-time extension up to 90 days, and the 330-day outer limit.

Q12 - D
The current ongoing minimum NOF for an ARC is Rs 300 crore.

MODULE 10 ANSWERS - CONTINUED

Q13 - B
NARCL aggregates/acquires large stressed assets; it is not a commercial bank.

Q14 - A
SARFAESI focuses on secured interest enforcement; IBC is collective insolvency resolution.

Q15 - C
Write-off/settlement is not synonymous with waiver.

Q16 - C
The Amendment Act received assent in April 2026 and key provisions commenced from 26 May 2026.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 10 - RECOVERY & RESOLUTION

PYQ SIGNATURE

Choose the legal route, then apply the correct notice/challenge timeline and institution.

LIVE CHECKPOINT -> Insolvency law is amendable -> current-law checking remains necessary.

5 Mains Application Questions

Q1. Which SARFAESI timeline set is correct?

A. 13(2) notice 45d; reasons 30d; DRT 60d
B. 13(2) notice 60d; rejected representation reasons 15d; DRT challenge after 13(4) measure within 45d
C. All three are 90d
D. Notice 15d; DRT 30d
E. No statutory timeline applies

Q2. Before exercising Chapter III enforcement rights, the master highlights which condition?

A. SEBI registration
B. Registration of the security interest with the Central Registry under the applicable SARFAESI framework
C. DICGC insurance
D. Credit score above 750
E. MPC approval

Q3. Which is specifically excluded from the SARFAESI route highlighted in the module?

A. Every commercial property
B. Security interest created in agricultural land
C. Every mortgage
D. Every corporate loan
E. All secured credit

Q4. Which IBC set is correct for the normal corporate CIRP framework taught here?

A. 30 days; no CoC
B. 180 days, one extension up to 90 days, 330-day outer limit including legal proceedings; CoC plan approval at least 66% voting share
C. 90 days absolute; 51% CoC
D. 5 years; 75% CoC
E. Only DRT can adjudicate

Q5. One secured creditor wants to enforce a specific security; another case needs collective resolution of the corporate debtor. Best route pairing is:

A. IBC then DICGC
B. SARFAESI then IBC
C. RBI Ombudsman then SEBI
D. DICGC then PFRDA
E. CRILC then CTS

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 10 - RECOVERY & RESOLUTION

Q1 - B The 60 / 15 / 45 chain is a high-value route-selection and timeline trap.

Q2 - B Section 26D is linked to registration with the Central Registry before enforcement rights are exercised.

Q3 - B Security interest in agricultural land is a statutory exclusion.

Q4 - B The module links the Section 12 time architecture with the creditor-governed CoC process.

Q5 - B SARFAESI is security-centric enforcement; IBC is collective debtor-level insolvency resolution.

VISUAL BRIDGE

ROUTE 1 - SARFAESI (security-centric enforcement)

Default + NPA → **13(2) notice 60d** → **13(4) measures** → **DRT Sec17 45d**

ROUTE 2 - IBC (collective debtor resolution)

Application → **NCLT admission** → **Moratorium / IRP** → **CoC / plan** → **NCLT approval**

MODULE 11

CAPITAL, BASEL & BANK RISK

Capital is the shock absorber. Liquidity keeps the bank moving today. They solve different problems.

11.1 Why does a bank need capital if it already has deposits?

Deposits are money the bank owes to customers. They are funding, not the bank's own loss-absorbing cushion. If loans or investments lose value, someone must absorb the loss before depositors and other senior creditors are endangered. That protective layer is regulatory capital.

Deposits / borrowings -> **Bank assets** -> **Loss occurs** -> **Capital absorbs loss** -> **Depositor confidence / continuity**

SIMPLE EXAMPLE
A bank has Rs 100 of risky assets funded mostly by deposits, plus Rs 10 of its own regulatory capital. If Rs 4 of asset value is genuinely lost, the capital cushion absorbs the loss first. The depositor liability does not magically shrink by Rs 4.

11.2 Capital, provisions and liquidity are not the same thing

Term	What it protects against / does	Mental anchor
Capital	Unexpected losses and overall solvency risk	Own loss-absorbing cushion
Provision	Expected / identified credit loss recognised against profit	Known or estimated loss allowance
Liquidity	Ability to meet cash outflows when due	Can I pay today?
CRR / SLR	Statutory / regulatory reserve requirements	Reserve structure, not a substitute for capital

DO NOT CONFUSE
A bank can be well-capitalised but temporarily short of liquid cash, or highly liquid today but weakly capitalised after large losses. Solvency and liquidity interact, but they are not the same condition.

11.3 What is Basel?

The Basel Committee on Banking Supervision, hosted by the Bank for International Settlements, develops internationally agreed prudential standards. Basel standards are not directly an Indian statute: RBI implements the applicable framework for Indian banks through its regulations and directions.

Framework	Main exam idea
Basel I	Focused mainly on minimum capital against credit risk.
Basel II	Made the framework more risk-sensitive and formalised the three-pillar structure.
Basel III	Strengthened quality/quantity of capital, leverage and liquidity standards after the global financial crisis.

Primary global source: Basel Committee / BIS - Basel III framework Official source

11.4 The three Basel pillars

Pillar	Question it answers	Examples
Pillar 1 - Minimum capital	How much regulatory capital is required for measured risks?	Credit, market and operational risk capital requirements
Pillar 2 - Supervisory review	Does the bank understand all its risks and hold adequate capital beyond mechanical minimums?	ICAAP, supervisory evaluation
Pillar 3 - Market discipline	What should the bank disclose so outsiders can assess risk and capital?	Public risk/capital disclosures

11.5 Risk-weighted assets: Rs 100 is not always Rs 100 of risk

Capital adequacy is not normally measured against the rupee face value of every asset as if all assets were equally risky. The framework applies risk weights and capital charges so that riskier exposures consume more regulatory capital.

SIMPLE EXAMPLE - NOT A REGULATORY RISK-WEIGHT TABLE
If Exposure A of Rs 100 receives a 20% illustrative risk weight, it contributes Rs 20 of risk-weighted assets. If Exposure B of Rs 100 receives an illustrative 100% risk weight, it contributes Rs 100. Same face value, different risk contribution.

Exposure amount -> **Applicable risk weight / charge** -> **Risk-weighted assets** -> **Capital ratio**

11.6 CRAR / Capital Adequacy Ratio

Capital to Risk-Weighted Assets Ratio (CRAR), also called Capital Adequacy Ratio, compares eligible regulatory capital with risk-weighted assets.

FORMULA
CRAR = Eligible regulatory capital / Risk-weighted assets x 100

The denominator matters. If the bank takes more risk without adding capital, risk-weighted assets can rise and the capital ratio can weaken even if the rupee amount of capital is unchanged.

11.7 Capital quality: CET1 -> Additional Tier 1 -> Tier 2

Layer	Quality / role	Examples at exam level
Common Equity Tier 1 (CET1)	Highest-quality going-concern loss-absorbing capital	Common equity and eligible disclosed reserves after regulatory adjustments
Additional Tier 1 (AT1)	Additional going-concern capital with loss-absorption features	Eligible perpetual instruments
Tier 1	CET1 + AT1	Core going-concern regulatory capital
Tier 2	Gone-concern / supplementary loss absorption	Eligible subordinated instruments and specified components

DO NOT CONFUSE
Tier 1 is not the same as CET1. CET1 is the strongest component inside Tier 1. Total regulatory capital = Tier 1 + eligible Tier 2.

11.8 RBI standard capital baseline for covered Scheduled Commercial Banks

RBI's 1 April 2025 Basel III Master Circular applies to Scheduled Commercial Banks other than Small Finance Banks, Payments Banks and Regional Rural Banks. The standard baseline below is the core exam table for those covered banks; additional buffers may apply.

Measure	RBI baseline	Meaning
Minimum CET1	5.5% of RWAs	Highest-quality core capital
Minimum Tier 1	7.0% of RWAs	CET1 plus eligible AT1
Minimum total capital / CRAR	9.0% of RWAs	Tier 1 plus eligible Tier 2
Capital Conservation Buffer (CCB)	2.5% of RWAs in CET1	Buffer above regulatory minimums
Total capital + full CCB	11.5% of RWAs	9.0% minimum capital + 2.5% CCB before bank-specific add-ons

SCOPE TRAP
Do not blindly apply the 9% / 11.5% SCB table to Small Finance Banks, Payments Banks or RRBs. RBI explicitly directs SFBs and Payments Banks to their separate licensing/operating capital frameworks.

Primary source: RBI Master Circular - Basel III Capital Regulations, 1 April 2025 Official source

Primary source: RBI CCB transition - full 2.5% buffer from 1 October 2021 Official source

11.9 Capital Conservation Buffer: build strength before stress

The Capital Conservation Buffer is made of CET1 above the minimum capital requirements. Its purpose is to ensure that banks build a cushion in normal times that can be drawn down during stress, while distribution constraints encourage capital conservation as the buffer is depleted.

WHY A BUFFER MATTERS
A minimum is the floor for normal compliance. A buffer creates space above that floor so losses do not push the bank straight into the minimum threshold.

11.10 Leverage ratio: a non-risk-based backstop

Risk weights are useful but model/risk-weight assumptions can be imperfect. The leverage ratio therefore compares Tier 1 capital with a broad exposure measure without relying on risk weights in the same way as CRAR. Think of it as a simple backstop against excessive balance-sheet leverage.

CRAR VS LEVERAGE RATIO
CRAR is risk-weighted. Leverage ratio is deliberately non-risk-based. A bank can look comfortable on one measure and less comfortable on the other.

11.11 Liquidity standards inside Basel III: LCR and NSFR

Standard	Time horizon	Question
Liquidity Coverage Ratio (LCR)	30-day stress horizon	Does the bank hold enough High Quality Liquid Assets to survive specified short-term net cash outflows?
Net Stable Funding Ratio (NSFR)	One-year structural horizon	Is the bank funded with enough stable funding relative to the liquidity characteristics of its assets/activities?

CORE THRESHOLD
Under the fully implemented Basel III liquidity standards used by RBI, both LCR and NSFR have a 100% minimum standard. The concepts are different: short-term survival vs longer-term funding stability.

Primary source: RBI Basel III liquidity standards / LCR Official source

Primary source: RBI Net Stable Funding Ratio framework Official source

11.12 D-SIB: systemic importance creates an extra capital layer

A Domestic Systemically Important Bank (D-SIB) is a bank whose distress could have unusually large effects on the domestic financial system. RBI places identified D-SIBs into buckets and requires additional CET1 capital according to systemic importance.

DATED EXAMPLE - NOT A PERMANENT LIST
The latest RBI D-SIB list verified for this edition is the 2024 list, which included State

Bank of India, HDFC Bank and ICICI Bank in different buckets. Treat the names/buckets as a dated current-affairs layer and recheck before the exam.

Primary source: RBI D-SIB framework / public list archive Official source

11.13 The risk map

Risk	Simple meaning	Example
Credit risk	Borrower/counterparty fails to pay	Loan default
Market risk	Value changes because market prices/rates move	Bond price or foreign-exchange movement
Operational risk	Loss from failed processes, people, systems or external events	Fraud, system failure, processing error
Liquidity risk	Bank cannot meet obligations when due without unacceptable cost/loss	Large outflows with insufficient liquid assets

30-SECOND RECALL

Capital absorbs loss. Provisions recognise expected/identified loss. CRAR uses risk-weighted assets. CET1 is the strongest capital layer. Covered SCB baseline: 5.5 CET1, 7 Tier 1, 9 total capital, plus 2.5 CCB. LCR = 30-day liquidity survival; NSFR = one-year stable funding. D-SIBs carry extra CET1.

MODULE 11

PRACTICE CHECK

16 five-option questions - capital logic, ratios, buffers and risk

Q1. Why is a bank deposit not the same thing as bank capital?

(A) Deposit is money owed to customers; capital is the bank's loss-absorbing cushion (B) Deposits are always equity shares (C) Capital belongs to depositors (D) Deposits have no repayment obligation (E) They are identical

Q2. Which item is best described as a loss allowance charged against profit for expected/identified credit weakness?

(A) CRR (B) Provision (C) Deposit (D) Repo (E) UPI

Q3. The Basel Committee on Banking Supervision is associated with:

(A) International prudential banking standards (B) Retail payment switching in India (C) Deposit insurance payout (D) Mutual fund NAV (E) Government tax collection

Q4. Which Basel pillar focuses on public disclosure and market discipline?

(A) Pillar 1 (B) Pillar 2 (C) Pillar 3 (D) Pillar 4 (E) No pillar

Q5. Risk-weighted assets are used because:

(A) All Rs 100 assets have identical risk (B) Different exposures can carry different risk and capital needs (C) Only deposits need capital (D) Capital ratios ignore risk (E) RBI prohibits risk measurement

MODULE 11 PRACTICE - CONTINUED

Q6. CRAR is broadly calculated as:
(A) Deposits / capital (B) Eligible regulatory capital / risk-weighted assets x 100 (C) Profit / deposits (D) Cash / branches (E) NPA / savings deposits

Q7. Which is the highest-quality core regulatory capital layer?
(A) Tier 2 (B) CET1 (C) Provision (D) SLR (E) Deposit insurance

Q8. Tier 1 capital is:
(A) Only CET1 (B) CET1 plus eligible Additional Tier 1 (C) Tier 2 plus deposits (D) Only provisions (E) Only subordinated debt

Q9. For covered SCBs in the RBI Basel III framework, the minimum CET1 baseline is:
(A) 3.0% (B) 4.5% (C) 5.5% (D) 7.0% (E) 9.0%

Q10. For covered SCBs, the minimum total capital / CRAR baseline is:
(A) 5.5% (B) 7.0% (C) 8.0% (D) 9.0% (E) 11.5% excluding buffers

MODULE 11 PRACTICE - CONTINUED

Q11. The full Capital Conservation Buffer used in the standard RBI Basel III table is:
(A) 0.5% (B) 1.0% (C) 1.5% (D) 2.5% (E) 5.5%

Q12. Which statement is correct about the leverage ratio?
(A) It is purely risk-weighted like CRAR (B) It is a non-risk-based backstop using Tier 1 capital and an exposure measure (C) It is the same as CRR (D) It is a payment limit (E) It measures NPA ageing

Q13. Which pair is correctly matched?
(A) LCR - one-year stable funding; NSFR - 30-day stress (B) LCR - 30-day liquidity stress; NSFR - one-year structural funding (C) LCR - credit score; NSFR - deposit insurance (D) Both are capital ratios (E) Both are payment systems

Q14. A D-SIB is required to hold extra capital because it is:
(A) A payment operator (B) Systemically important to the domestic financial system (C) Always a government-owned bank (D) A failed bank (E) A credit bureau

Q15. Which risk is most directly illustrated by a borrower failing to repay a loan?
(A) Market risk (B) Credit risk (C) Operational risk (D) Currency-issue risk (E) Settlement finality

Q16. Which statement is safest?
(A) The 9% SCB capital minimum applies unchanged to every bank category (B) SFBs and Payments Banks use separate capital frameworks and should not be forced into the SCB table (C) RRBs are included in the 2025 SCB Basel circular (D) CCB is a deposit product (E) Capital equals liquidity

MODULE 11 - ANSWERS & TEACHING EXPLANATIONS

Q1 - A
Deposits fund the bank but remain liabilities. Regulatory capital is the loss-absorbing layer that protects solvency.

Q2 - B
Provisioning recognises expected or identified loss. Capital is the broader unexpected-loss/solvency cushion.

Q3 - A
BCBS develops global prudential standards; RBI implements applicable standards for Indian banks.

Q4 - C
Pillar 3 uses disclosure to strengthen market discipline.

Q5 - B
RWA makes the denominator more risk-sensitive than simple face-value assets.

Q6 - B
CRAR compares eligible regulatory capital with RWA.

Q7 - B
CET1 is the strongest going-concern loss-absorbing component.

MODULE 11 ANSWERS - CONTINUED

Q8 - B
Tier 1 = CET1 + eligible AT1.

Q9 - C
The RBI baseline for covered SCBs is 5.5% CET1 of RWAs.

Q10 - D
The minimum total regulatory capital baseline is 9%; the full 2.5% CCB sits above minimums.

Q11 - D
The full CCB is 2.5% of RWAs in CET1.

Q12 - B
Leverage ratio supplements risk-weighted capital ratios with a simpler non-risk-based constraint.

Q13 - B
LCR addresses short-term 30-day liquidity stress; NSFR addresses stable funding over a one-year horizon.

Q14 - B
Greater systemic importance can create larger external damage, so RBI imposes an additional CET1 requirement.

Q15 - B
Borrower/counterparty non-payment is credit risk.

Q16 - B
RBI explicitly excludes SFBs, Payments Banks and RRBs from the 2025 SCB Basel III Master Circular and points differentiated banks to separate frameworks.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 11 - CAPITAL, BASEL & BANK RISK

PYQ SIGNATURE

Capital stack, risk-weighted denominator, provisioning-vs-capital and LCR/NSFR horizon traps.

LIVE CHECKPOINT -> Apply the correct bank-category framework; do not blindly copy SCB Basel figures to differentiated b

5 Mains Application Questions

Q1. Which statement set is correct? I. Provisioning recognises expected/identified loss. II. Capital is the broader solvency cushion. III. CRAR uses risk-weighted assets in the denominator.

A. I only
B. II only
C. I and III only
D. I, II and III
E. II and III only

Q2. For covered SCBs, which Basel baseline set is used in the master?

A. CET1 4.5; Tier1 6; total 8; CCB 0
B. CET1 5.5; Tier1 7; total 9; CCB 2.5
C. CET1 7; Tier1 9; total 11.5; CCB 5
D. All 10%
E. No minimums exist

Q3. The leverage ratio is best understood as:

A. A second name for CRR
B. A non-risk-based backstop that supplements risk-weighted capital ratios
C. A deposit insurance ratio
D. A liquidity-only measure identical to LCR
E. A PSL target

Q4. Which horizon pairing is correct?

A. LCR one year; NSFR 30 days
B. LCR 30-day liquidity stress; NSFR stable funding over one-year horizon
C. Both 7 days
D. Both are capital ratios
E. LCR is only for deposits

Q5. Which is the safest category rule?

A. The SCB Basel table automatically applies unchanged to SFBs, Payments Banks and RRBs
B. BCBS develops global standards; RBI applies the relevant Indian framework, and differentiated banks may have separate treatment
C. BCBS is RBI itself
D. D-SIB status reduces required CET1
E. RWA equals face-value assets always

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 11 - CAPITAL, BASEL & BANK RISK

Q1 - D These three ideas connect loss recognition to solvency regulation.

Q2 - B The module uses 5.5% CET1, 7% Tier 1, 9% total capital and a 2.5% CCB for the covered SCB framework.

Q3 - B It constrains leverage using an exposure measure rather than relying only on risk weights.

Q4 - B LCR is short-term liquidity resilience; NSFR is structural stable funding.

Q5 - B The master explicitly warns against applying the covered-SCB circular mechanically to differentiated banks.

VISUAL BRIDGE

Borrower stress → **NPA / loss recognition** → **Provision / income reversal** → **Lower profit / retained earnings** → **CET1 may fall**

Ratio lens: CET1 / Tier 1 / Total Capital (numerator) divided by Risk-Weighted Assets (denominator).

A write-off is not a second automatic economic loss if the loss has already been recognised/provided; recovery may continue.

MODULE 12

DIGITAL PAYMENT ARCHITECTURE

Before learning product names, know who regulates, who operates, how instructions move and where settlement becomes final.

12.1 A digital payment has layers

When you press Pay, the money does not teleport. A payment instruction must be authenticated, routed, cleared and finally settled between institutions. Different payment systems organise these steps differently.

Customer instruction -> Bank / PSP -> Payment system / switch -> Clearing / settlement logic -> Beneficiary bank -> Beneficiary

THE FOUR VERBS
Authorise = permit the system/provider. Route = send the instruction to the right participant. Clear = determine obligations. Settle = finally discharge those obligations in money/settlement assets.

12.2 Legal regulator: PSS Act -> RBI -> Payments Regulatory Board

The Payment and Settlement Systems Act, 2007 provides the statutory framework for payment systems in India. RBI is the designated authority under the Act. The current RBI FAQ states that RBI exercises these powers through the Payments Regulatory Board (PRB).

Point	Current position
PSS Act	Payment and Settlement Systems Act, 2007; came into force on 12 August 2008.
Authorisation rule	Only RBI and entities authorised by RBI can operate a payment system under the Act.
Current policy/governance body	Payments Regulatory Board (PRB).
PRB Regulations	Payments Regulatory Board Regulations, 2025 came into force on 20 May 2025.
Legal strength	PSS Act gives statutory support to netting and settlement finality.

OLD-NOTE TRAP
Older banking-awareness material may refer to the Board for Regulation and Supervision of Payment and Settlement Systems (BPSS). RBI's current PSS Act FAQ uses the Payments Regulatory Board under the 2025 Regulations. Use the current name in a 2026 answer.

Primary source: RBI FAQ on Payment and Settlement Systems Act, updated 20 October 2025 Official source

12.3 RBI vs NPCI: regulator is not the same as operator

Institution	Role in the architecture	Examples
RBI	Regulates/authorises payment systems; owns/operates centralised systems such as NEFT and RTGS	PSS regulation, NEFT, RTGS, settlement infrastructure
NPCI	Umbrella retail payment-system operator established by banks under RBI authorisation/oversight	UPI, IMPS, NACH, AePS, RuPay and related retail rails
Banks / PSPs	Customer-facing participants that originate/receive transactions and provide accounts/apps	Remitter bank, beneficiary bank, UPI PSP app

EXAM TRAP
If a question asks who regulates/authorises the payment system, think RBI. If it asks who operates UPI/IMPS/NACH/AePS, think NPCI. One institution can regulate an ecosystem without operating every rail.

12.4 Gross settlement vs net settlement

Method	What happens	Best example
Gross settlement	Each transaction is settled individually, transaction by transaction	RTGS
Net settlement	Multiple obligations are offset/netted and the net position is settled	Many payment systems other than RTGS, subject to their system design

SETTLEMENT FINALITY

Once a payment is finally settled under the relevant system/legal framework, the settlement is meant to be final and irrevocable. This is one reason the PSS Act matters beyond merely granting licences.

12.5 NEFT vs RTGS vs IMPS

Feature	NEFT	RTGS	IMPS
Owner / operator	RBI	RBI	NPCI
Processing	Half-hourly batches; near-real-time customer experience	Real time; gross transaction-by-transaction settlement	Instant real-time retail payment service
Availability	24x7x365	24x7x365	24x7
RBI system amount rule	No RBI general amount limit; member bank may set risk limits	Minimum Rs 2 lakh; no RBI upper ceiling	Product/member-bank limits apply - do not freeze one universal number
Core mental use	General account-to-account transfer	Large-value real-time gross transfer	Instant retail interbank transfer

SPECIAL NEFT RULE

A non-account-holder can originate a cash NEFT transfer to a bank-account beneficiary, but RBI limits such cash remittance to Rs 50,000 per transaction. NEFT is a credit-push system.

Primary source: RBI NEFT FAQ - updated 2 September 2024 Official source

Primary source: RBI RTGS FAQ Official source

Primary source: NPCI IMPS product page Official source

12.6 UPI: understand the transaction path

Unified Payments Interface (UPI) is an instant bank-account payment system developed by NPCI, built over the IMPS infrastructure. It allows customers to initiate and receive payments using interoperable identifiers and apps without exposing account details to the payer in every transaction.

Payer -> UPI app / PSP -> Remitter bank -> NPCI UPI switch -> Beneficiary bank -> Payee

UPI term	What it means
VPA / UPI ID	A virtual payment address used to identify the payee without repeatedly sharing account number/IFSC.
UPI PIN	Customer authentication credential used to authorise debit; it should never be shared.
QR code	Machine-readable payment identifier/transaction information used to initiate payment.
PSP app	Customer-facing app/provider participating in UPI under the system rules.

UPI IS NOT IMPS

UPI is built over IMPS infrastructure, but UPI and IMPS are not identical products. UPI adds its own interoperable addressing, app and transaction experience over the broader instant-payment ecosystem.

Primary source: NPCI - About UPI Official source

12.7 Do not memorise one universal UPI limit

UPI limits vary by use case, product, bank and NPCI/RBI circular. The safest permanent statement is that transaction limits are rule-specific and can change. Numeric limits belong in the Live Layer.

LIVE LAYER - VERIFIED MAY/AUGUST 2026

UPI Lite: per transaction Rs 1,000; cumulative usage per day Rs 10,000; maximum balance Rs 5,000. UPI Lite X: per transaction Rs 500; cumulative usage per day Rs 4,000; maximum balance Rs 2,000. Lite X adds offline-payment capability.

Primary source: RBI National Strategy for Financial Inclusion 2025-30, May 2026 Official source

Live update hub: NPCI UPI circulars Official source

12.8 UPI Lite vs UPI Lite X vs UPI 123PAY

Product	Problem it solves	Memory anchor
UPI Lite	Low-value UPI payments with a stored Lite balance / streamlined processing	Low-value wallet-like balance inside UPI ecosystem
UPI Lite X	Extends Lite with offline payment functionality	Lite + offline
UPI 123PAY	UPI access for feature-phone users through supported interaction methods	Feature phone UPI

DO NOT CONFUSE

UPI 123PAY is about access for feature-phone users. UPI Lite is about low-value payment convenience. UPI Lite X adds offline capability. They solve different problems.

Primary source: NPCI - UPI 123PAY Official source

12.9 NACH: high-volume repetitive payments and collections

National Automated Clearing House (NACH) is NPCI's high-volume interbank system for repetitive electronic transactions. Think salary/pension/subsidy credits on one side and recurring collections/mandates on the other.

NACH side	Typical use
Credit	Salary, pension, subsidy, dividend or other bulk credits
Debit	Recurring collections such as instalments, utility/insurance-related mandates and similar authorised debits

Primary source: NPCI - NACH Official source

12.10 AePS: banking service using Aadhaar authentication

Aadhaar Enabled Payment System (AePS) is a bank-led interoperable model operated in the NPCI ecosystem that lets an Aadhaar-authenticated customer perform supported basic banking transactions at authorised touchpoints/Business Correspondent locations.

RURAL INCLUSION CONNECTION

AePS matters because a customer does not need a conventional card/POS experience for every transaction; Aadhaar-based authentication and the Business Correspondent network can extend banking access closer to the customer.

Primary source: NPCI - About AePS Official source

12.11 BBPS: one interoperable bill-payment ecosystem

Bharat Bill Payment System (BBPS) was designed as an integrated, interoperable bill-payment system with standardised customer convenience, instant confirmation and a tiered operating structure. The exam idea is interoperability across billers, channels and payment modes - not just an electricity-bill app.

Primary source: RBI Guidelines for Bharat Bill Payment System Official source

12.12 Prepaid Payment Instruments: value is stored before it is spent

Prepaid Payment Instruments (PPIs) facilitate purchase of goods/services and other permitted transactions against value stored in the instrument. Depending on the permitted category and KYC status, the functionality can differ. Banks and authorised non-bank entities can issue PPIs under RBI rules.

PPI VS BANK ACCOUNT

A PPI stores prepaid value under its regulatory framework. It is not automatically a savings bank account, and its limits/features depend on the PPI category and current RBI directions.

Primary source: RBI FAQ on Prepaid Payment Instruments Official source

12.13 Digital Rupee: money itself is digital, not merely the instruction

The Digital Rupee (eRs / eRupee) is India's Central Bank Digital Currency. RBI's April 2026 FAQ describes it as the digital form of the Rupee, issued by RBI, at par with physical currency and carrying the RBI guarantee/finality characteristics of central-bank money.

Feature	Retail eRupee	Wholesale eRupee
Target users	Public / retail users through pilot wallets	Banks and other participating institutions
Use	Person-to-person and person-to-merchant payments in pilot ecosystem	Institutional/interbank/wholesale settlement use cases
Nature	Digital central-bank money / legal tender	Digital central-bank money for wholesale segment

CBDC VS UPI
UPI is a payment mechanism that moves money between bank accounts. eRupee is the digital form of the Rupee itself - a liability of RBI. A retail eRupee wallet does not earn interest in the current pilot framework.

Primary source: RBI Digital Rupee FAQs - updated 29 April 2026 Official source

12.14 Clearing vs settlement - one final example

Imagine Bank A customers owe Bank B customers Rs 100 during a payment cycle, while Bank B customers owe Bank A customers Rs 70. A net-settlement system may calculate a net obligation of Rs 30 from A to B rather than moving every obligation separately at final settlement. RTGS, by contrast, settles eligible instructions individually on a gross basis.

WHY FINALITY MATTERS
After final settlement, participants need certainty that the transfer is legally complete. Without settlement finality, every later transaction could be exposed to the risk that an earlier payment is unwound.

12.15 Payment architecture in one screen

Question	Ask this first
Who regulates / authorises?	RBI under the PSS Act, acting through the current Payments Regulatory Board framework.
Who operates the retail rail?	Often NPCI for UPI, IMPS, NACH, AePS and RuPay.
How is value processed?	Batch vs real time; gross vs net; credit-push vs product-specific flow.
Where is settlement final?	Depends on system; RTGS settles finally in RBI books transaction by transaction.
Is the number permanent?	No assumption. Limits/features belong to the Live Layer and must be date-checked.

12.16 Exam Trap Board

Trap	Correct mental answer
RBI operates every retail payment product	No. RBI regulates/authorises; NPCI operates many retail rails.
NEFT and RTGS both settle transaction-by-transaction gross	No. RTGS is real-time gross; NEFT processes in half-hourly batches.
RTGS has no minimum amount	False. RBI minimum is Rs 2 lakh; RBI has no maximum ceiling.
UPI = IMPS	No. UPI is built over IMPS infrastructure but is a distinct system/product experience.
UPI Lite / Lite X / 123PAY are the same	No. Low-value Lite, offline Lite X and feature-phone 123PAY solve different problems.
UPI and CBDC are both just payment rails	No. UPI is a payment mechanism; eRupee is central-bank money itself.
BPSS is always the current payment governance answer	Legacy trap. RBI current FAQ uses Payments Regulatory Board under 2025 Regulations.

30-SECOND RECALL

PSS Act -> RBI -> current PRB. RBI operates NEFT/RTGS; NPCI operates many retail rails. NEFT = half-hourly batches, no RBI general limit. RTGS = real-time gross, min Rs 2 lakh, no RBI max. UPI = NPCI instant bank-account rail. NACH = repetitive bulk credits/debits. AePS = Aadhaar-authenticated basic banking. PPI = stored prepaid value. eRupee = RBI-issued digital currency.

MODULE 12

PRACTICE CHECK

35 five-option questions - architecture, system comparison, current-static and live-limit traps

Q1. Which law provides the principal statutory framework for payment systems in India?
(A) Banking Regulation Act, 1949 (B) Payment and Settlement Systems Act, 2007 (C) FEMA, 1999 (D) SEBI Act, 1992 (E) DICGC Act, 1961

Q2. Under the PSS Act, who is the designated authority for payment systems?
(A) NPCI (B) RBI (C) SEBI (D) NABARD (E) DICGC

Q3. What is the current RBI payment-governance body named in the 2025 Regulations/FAQ?
(A) BPSS only (B) Payments Regulatory Board (C) MPC (D) Financial Stability Board (E) Settlement Council of India

Q4. Which statement best distinguishes RBI and NPCI?
(A) NPCI regulates RBI (B) RBI regulates/authorises; NPCI operates several retail payment rails (C) They are the same entity (D) RBI is only a bank app (E) NPCI sets monetary policy

Q5. Gross settlement means:
(A) All transactions are cancelled (B) Each transaction is settled individually without netting (C) Only the final monthly balance is paid (D) Settlement happens only in cash (E) There is no finality

MODULE 12 PRACTICE - CONTINUED

Q6. RTGS stands for:
(A) Real Time Gross Settlement (B) Retail Transfer Guarantee System (C) Reserve Transaction Grid Service (D) Real Transfer Group Switch (E) Rupee Transfer Gross Scheme

Q7. What is the RBI minimum amount for RTGS?
(A) No minimum (B) Rs 10,000 (C) Rs 50,000 (D) Rs 1 lakh (E) Rs 2 lakh

Q8. Which statement about RTGS is correct?
(A) It is processed only in half-hourly batches (B) It settles transaction by transaction in real time and is final in RBI books (C) It is operated by SEBI (D) It is available only on working days (E) RBI caps the maximum at Rs 10 lakh

Q9. How does NEFT process transactions?
(A) Only once daily (B) Half-hourly batches throughout 24x7 operation (C) One annual batch (D) Only transaction-by-transaction gross settlement (E) Only through cheques

Q10. What general maximum amount does RBI impose on NEFT account-to-account transfers?
(A) Rs 50,000 (B) Rs 2 lakh (C) Rs 10 lakh (D) Rs 1 crore (E) No general RBI limit

MODULE 12 PRACTICE - CONTINUED

Q11. A non-account-holder using cash to originate an NEFT transfer is subject to a maximum per transaction of:
(A) Rs 10,000 (B) Rs 25,000 (C) Rs 50,000 (D) Rs 2 lakh (E) No limit

Q12. NEFT is described by RBI as a:
(A) Debit-pull-only system (B) Credit-push system (C) Cash-only system (D) Card network (E) CBDC wallet

Q13. Which system is operated by NPCI and provides instant 24x7 interbank retail transfers?
(A) RTGS (B) IMPS (C) CRR (D) DICGC (E) SLR

Q14. UPI was developed by:
(A) RBI alone as a branch network (B) NPCI (C) SEBI (D) IRDAI (E) PFRDA

Q15. Which statement about UPI and IMPS is correct?
(A) They are identical names for one product (B) UPI is built over IMPS infrastructure but is a distinct payment system/product experience (C) UPI is a government security (D) IMPS is a CBDC (E) UPI is a deposit account

MODULE 12 PRACTICE - CONTINUED

Q16. A UPI ID / VPA mainly allows a user to:

(A) Avoid every form of authentication (B) Use an interoperable virtual address instead of repeatedly sharing bank details (C) Earn deposit interest (D) Set the repo rate (E) Obtain deposit insurance

Q17. What should a customer do with a UPI PIN?

(A) Share it with the receiver (B) Enter it to authorise their own debit and never disclose it (C) Write it on the QR code (D) Send it to NPCI support (E) Use it as IFSC

Q18. The verified current UPI Lite per-transaction limit in the May 2026 RBI strategy document is:

(A) Rs 100 (B) Rs 500 (C) Rs 1,000 (D) Rs 2,000 (E) Rs 5,000

Q19. The verified current maximum UPI Lite balance in that document is:

(A) Rs 500 (B) Rs 1,000 (C) Rs 2,000 (D) Rs 5,000 (E) Rs 10,000

Q20. UPI Lite X differs mainly because it:

(A) Is a credit card (B) Adds offline payment capability (C) Is only for RTGS (D) Sets interest rates (E) Is a deposit-insurance product

MODULE 12 PRACTICE - CONTINUED

Q21. The verified UPI Lite X per-transaction limit in the May 2026 RBI document is:
(A) Rs 100 (B) Rs 500 (C) Rs 1,000 (D) Rs 2,000 (E) Rs 5,000

Q22. UPI 123PAY is primarily designed to expand UPI access for:
(A) Only corporate treasuries (B) Feature-phone users (C) Only foreign banks (D) Only mutual funds (E) Only RTGS members

Q23. NACH is especially associated with:
(A) One-off securities trading (B) High-volume repetitive credits and debit mandates (C) Currency printing (D) Bank capital (E) Foreign-exchange reserves

Q24. Which is a typical NACH credit use?
(A) Salary or subsidy bulk credit (B) Mortgage registration (C) Capital adequacy calculation (D) Bond auction only (E) D-SIB identification

Q25. AePS uses which key authentication identity for supported banking transactions?
(A) PAN only (B) Aadhaar (C) Passport only (D) Credit score (E) LEI only

MODULE 12 PRACTICE - CONTINUED

Q26. AePS is particularly connected with which delivery model?
(A) Only stock exchanges (B) Business Correspondent / assisted banking touchpoints (C) Only corporate RTGS desks (D) Only AT1 bonds (E) Only insurance brokers

Q27. BBPS is best described as:
(A) An interoperable bill-payment ecosystem (B) A capital buffer (C) A deposit-insurance fund (D) A bank resolution tribunal (E) A credit rating agency

Q28. A Prepaid Payment Instrument primarily represents:
(A) Stored prepaid value used for permitted payments/transactions (B) A bank's CET1 capital (C) A government bond only (D) A D-SIB buffer (E) An NPA classification

Q29. Which statement about PPI issuers is correct?
(A) Only RBI can issue every PPI (B) Banks and authorised non-bank entities can issue PPIs under RBI rules (C) Only SEBI brokers can issue PPIs (D) PPIs are unregulated (E) Only foreign governments issue PPIs

Q30. Digital Rupee (eRupee) is:
(A) A UPI ID (B) India's Central Bank Digital Currency issued by RBI (C) A private stablecoin (D) A mutual fund unit (E) A credit score

MODULE 12 PRACTICE - CONTINUED

Q31. Which is the best distinction between UPI and retail eRupee?

(A) They are identical (B) UPI is a payment mechanism between bank accounts; eRupee is central-bank digital money itself (C) eRupee is an IFSC code (D) UPI is legal tender currency issued by RBI (E) Both earn fixed interest

Q32. Does a retail eRupee wallet currently earn interest in the RBI pilot framework?

(A) Yes, at repo rate (B) Yes, at savings rate (C) No (D) Only on Sundays (E) Only above Rs 2 lakh

Q33. Which system is the clearest example of real-time gross settlement?

(A) NACH (B) RTGS (C) UPI Lite (D) BBPS (E) AePS

Q34. Which statement about payment limits is safest for future exams?

(A) Every UPI use case has one permanent universal limit (B) Limits can vary by product/use case and circular, so current NPCI/RBI rules must be checked (C) All digital payment limits are fixed by SEBI (D) Limits never change (E) The only relevant number is Rs 2 lakh

Q35. Which chain best represents the current payment-system governance idea?

(A) SEBI -> NPCI -> RBI (B) PSS Act -> RBI -> Payments Regulatory Board framework -> authorised system providers (C) DICGC -> RTGS -> Basel (D) MPC -> UPI PIN -> CERSAI (E) NABARD -> SEBI -> PFRDA

MODULE 12 - ANSWERS & TEACHING EXPLANATIONS

Q1 - B
The Payment and Settlement Systems Act, 2007 is the core payment-system statute.

Q2 - B
RBI is the designated authority under the PSS Act.

Q3 - B
The Payments Regulatory Board (PRB) is the current body under the 2025 Regulations.

Q4 - B
RBI is the regulator/authorising authority; NPCI is a major retail payment-system operator.

Q5 - B
RTGS is the classic gross-settlement example: transaction-by-transaction settlement.

Q6 - A
RTGS = Real Time Gross Settlement.

Q7 - E
RBI sets a minimum of Rs 2 lakh and no upper ceiling for RTGS.

Q8 - B
RTGS is real-time gross settlement and the settled payments are final and irrevocable in RBI books.

MODULE 12 ANSWERS - CONTINUED

Q9 - B
NEFT is available 24x7x365 and presently processes in half-hourly batches.

Q10 - E
RBI imposes no general NEFT amount limit, though member banks may set their own risk-based limits.

Q11 - C
Cash NEFT remittance by a non-account-holder is capped at Rs 50,000 per transaction.

Q12 - B
The payer/remitter originates the payment, so NEFT is a credit-push system.

Q13 - B
IMPS is NPCI's instant retail interbank payment service.

Q14 - B
NPCI developed and operates UPI under the RBI-authorised payment-system framework.

Q15 - B
UPI uses IMPS infrastructure but adds its own interoperable addressing/app/payment experience.

Q16 - B
A VPA provides a convenient interoperable payment address.

MODULE 12 ANSWERS - CONTINUED

Q17 - B
The UPI PIN is a sensitive debit-authentication credential and must not be shared.

Q18 - C
The RBI NSFI 2025-30 document states Rs 1,000 per transaction for UPI Lite.

Q19 - D
UPI Lite maximum balance is Rs 5,000 in the cited May 2026 RBI document.

Q20 - B
Lite X extends the Lite concept with offline payment functionality.

Q21 - B
The cited document states Rs 500 per transaction for UPI Lite X.

Q22 - B
UPI 123PAY provides supported UPI interaction methods for feature-phone users.

Q23 - B
NACH is designed for bulk repetitive interbank electronic payments/collections.

Q24 - A
NACH supports bulk credit use cases such as salaries, pensions and subsidies.

MODULE 12 ANSWERS - CONTINUED

Q25 - B
AePS is built around Aadhaar-authenticated basic banking access.

Q26 - B
AePS supports interoperable basic banking at BC/assisted touchpoints, making it important for inclusion.

Q27 - A
BBPS is an integrated interoperable bill-payment system.

Q28 - A
PPI value is loaded/stored before use under RBI-regulated categories.

Q29 - B
RBI permits banks and authorised non-bank entities to issue PPIs subject to the applicable framework.

Q30 - B
eRupee is the digital form of the Rupee issued by RBI.

Q31 - B
UPI moves bank-account money; eRupee is the digital form of central-bank money.

Q32 - C
RBI's Digital Rupee FAQ states that retail eRupee does not earn interest.

MODULE 12 ANSWERS - CONTINUED

Q33 - B
RTGS settles eligible fund-transfer instructions individually in real time.

Q34 - B
UPI/payment product limits are dynamic and should be date-stamped and sourced.

Q35 - B
The PSS Act empowers RBI, and the current RBI framework uses the Payments Regulatory Board; payment systems are operated by RBI/authorised providers.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 12 - DIGITAL PAYMENT ARCHITECTURE

PYQ SIGNATURE

Regulator-vs-operator, authorise/route/clear/settle, rail comparison and current operating-limit traps.

LIVE CHECKPOINT -> UPI/Lite/mandate limits are live -> Module 32 controls near-exam numbers.

5 Mains Application Questions

Q1. Which pairing is correct?

A. UPI operator - RBI; payment regulator - NPCI
B. UPI operator - NPCI; statutory payment-system regulator/oversight - RBI
C. UPI operator - SEBI
D. Payment regulator - DICGC
E. NPCI issues banknotes

Q2. Which current transfer-limit statement is correct at the RBI-system level?

A. RTGS has no minimum; NEFT minimum Rs 2 lakh
B. RTGS minimum Rs 2 lakh with no RBI-prescribed upper ceiling; NEFT has no RBI-prescribed minimum or maximum
C. Both have Rs 2 lakh minimum
D. NEFT is only for cash
E. RTGS settles in monthly batches

Q3. Which set correctly distinguishes UPI Lite and UPI Lite X in the current layer?

A. Lite: Rs 1,000 txn / Rs 5,000 balance; Lite X adds offline capability with lower limits
B. Both are identical
C. Lite X is a credit card
D. Lite is RTGS
E. Lite X can hold foreign currency

Q4. Which set is correctly matched?

A. NACH - repetitive bulk credits/debits; AePS - Aadhaar/assisted BC use; BBPS - interoperable bill payment
B. NACH - capital buffer; AePS - stock exchange; BBPS - Basel ratio
C. All three print currency
D. All three are insurance products
E. All three are credit bureaus

Q5. Which distinction is correct?

A. UPI and retail eRupee are the same instrument
B. UPI is a payment mechanism between bank accounts; eRupee is central-bank digital money itself
C. eRupee is a credit score
D. UPI is legal tender issued by RBI
E. eRupee always earns savings interest

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 12 - DIGITAL PAYMENT ARCHITECTURE

Q1 - B Operator and regulator are distinct roles. RBI is the statutory payment-system authority; NPCI operates major retail rails.

Q2 - B Banks may set channel-specific limits, but the RBI-level architecture differs as stated.

Q3 - A The current live board separates Lite from Lite X and treats offline capability as the key distinction.

Q4 - A Each rail/ecosystem solves a different payment or delivery problem.

Q5 - B The payment rail and the form of money are different concepts.

VISUAL BRIDGE

Customer instruction → **Bank / PSP** → **Payment system / switch** → **Clearing logic** → **Settlement** → **Beneficiary bank**

Authorise != Route != Clear != Settle. Operator != regulator.

MODULE 13

CARDS, TOKENISATION, MANDATES & PAYMENT SAFETY

A card is not the payment system; it is an instrument operating through an ecosystem.

13.1 Debit, credit and prepaid: begin with where the money comes from

Instrument	Money source	What the customer is using
Debit card	Linked Savings/Current Account	Own deposit balance / permitted linked facility
Credit card	Pre-approved revolving credit limit	Borrowed credit from the card issuer
Prepaid card / PPI	Value loaded into the instrument	Pre-funded stored value
Charge card	Credit-type instrument; bill is payable in full	Short billing-cycle credit without normal rollover

DO NOT CONFUSE
Debit card does not mean 'no bank involvement'; it is still a bank-issued payment instrument. Credit card does not debit a savings account at the moment of purchase - it uses a sanctioned credit line.

Primary source: RBI Credit Card and Debit Card - Issuance and Conduct Directions, 2022 Official source

13.2 The card transaction has more than two parties

Cardholder -> **Merchant** -> **Acquirer** -> **Card Network** -> **Issuer**

Party	Job in one sentence
Cardholder	Uses the card or digital form factor.
Merchant	Accepts payment for goods/services.
Acquirer	Provides merchant-side acquiring relationship and processing.
Card network	Carries network messages/rules and enables clearing/settlement between participants.
Issuer	Issued the card and authorises/settles according to the customer's account or credit relationship.

EXAM TRAP
RuPay/Visa/Mastercard is not the merchant's bank and not necessarily the card issuer. A network connects participants; issuer and acquirer are financial institutions on different sides of the transaction.

13.3 Card Present, Card Not Present and contactless

Mode	What is happening	Authentication anchor
Card Present (CP)	Card/form factor is used at a physical acceptance point	Chip/PIN, contactless or other permitted method
Contactless / NFC	Card/device is tapped near compatible PoS terminal	AFA can be relaxed up to RBI-permitted threshold
Card Not Present (CNP)	Credentials are used without physical presentation, e.g. domestic e-commerce	Additional Factor of Authentication is central to domestic security framework

LIVE RULE - CONTACTLESS
For contactless card-present transactions at PoS, RBI's AFA-relaxation threshold is Rs 5,000 per transaction. Transactions above the threshold can still be contactless, but require AFA.

Primary source: RBI contactless-card AFA circular; Rs 5,000 effective from 1 January 2021 Official source

13.4 Tokenisation: replace the card detail, not the customer

Tokenisation replaces actual card details with an alternate code called a token. The security idea is simple: the merchant should not need to see or repeatedly store the real card number for a tokenised transaction.

Actual card details -> **Token service provider** -> **Token** -> **Merchant transaction**

Point	Correct understanding
Token	Alternate code linked to the card + token requestor + device/use context.
De-tokenisation	Conversion of token back to actual card details by authorised entities.
Who can tokenise/de-tokenise?	Authorised card network or card issuer.
Customer choice	Tokenisation is optional, not compulsory.
Consent	Registration requires explicit customer consent through AFA.
Storage	Token requestor cannot store Primary Account Number/card details.
Charges	RBI FAQ states no customer charge for availing tokenisation.

TOKEN IS NOT OTP
OTP helps authenticate a transaction or action. A token substitutes for sensitive card credentials. One is an authentication factor; the other is a credential-protection technique.

Primary source: RBI Device-based Tokenisation - Card Transactions FAQs Official source

13.5 Customer controls are themselves a security feature

- Customers can be offered controls to switch card features on/off and set transaction limits.
- For tokenised transactions, customers can set/modify per-transaction and daily limits.
- A credit-card issuer cannot breach the sanctioned credit limit without explicit consent for overlimit usage.
- Blocking/deactivation is not the same as closing the credit-card account.

BLOCKING VS CLOSURE
Blocking temporarily stops transaction ability. Closure terminates the card account relationship. RBI's current Credit Card Directions require a valid closure request to be completed within seven working days after dues are cleared; delay can attract Rs 500 per calendar day.

Primary source: RBI Credit Card and Debit Card Directions - closure provisions Official source

13.6 Unsolicited credit card: explicit consent matters

RBI prohibits unsolicited credit cards. If a card is issued without the customer's specific request, the customer should not activate it; the issuer must follow the prescribed consent/closure process.

EXAM TRAP
Receiving a plastic card is not the same as consenting to a revolving credit relationship. Activation and explicit consent are regulatory controls.

13.7 Debit-card scope

Under the current RBI card directions, debit cards are linked to Savings Bank/Current Accounts. Banks cannot issue debit cards to ordinary cash-credit/loan accounts, while specified linked arrangements such as permitted PMJDY overdraft or Kisan Credit Card structures are treated separately.

Primary source: RBI Credit Card and Debit Card Directions - debit-card chapter Official source

13.8 Recurring mandates: permission once, repeated debit under a controlled framework

A recurring e-mandate allows repeated payments - such as subscriptions, fees or premiums - after a mandate is registered. The framework balances convenience with authentication and revocation controls.

Stage	Mental model
Registration / creation	Customer gives explicit mandate; AFA is used under the regulatory framework.
Recurring debit	Subsequent transaction can be processed within the permitted framework/threshold.
Modification / revocation	Customer must have a route to change or revoke the mandate.
Failure after revocation	TAT framework assigns responsibility where a debit occurs despite valid revocation in covered systems.

LIVE RULE - GENERAL E-MANDATE THRESHOLD
RBI enhanced the general AFA-relaxation limit for recurring e-mandate transactions through cards/UPI from Rs 5,000 to Rs 15,000 per transaction in 2022. Product-specific/current exceptions should be checked separately.

Primary source: RBI Developmental and Regulatory Policies - e-mandate limit enhancement, 8 June 2022 Official source

13.9 Failed transaction is not the same as an unauthorised transaction

Situation	Core question	Applicable logic
Failed transaction	Did the intended transaction fail although the customer's account/card was debited?	Auto-reversal + TAT + compensation framework
Unauthorised transaction	Did a transaction occur without the customer's authority?	Customer-liability framework + rapid reporting + investigation
Disputed merchant transaction	Was transaction authorised but product/service/refund disputed?	Issuer/acquirer/network dispute + grievance process

MOST USEFUL EXAM DISTINCTION
TAT answers 'how quickly must a failed debit be reversed?' Limited-liability rules answer 'who bears the loss from an unauthorised transaction?'

13.10 Failed card / ATM transactions: remember T + 1 vs T + 5

Failure	Auto-reversal timeline	Compensation for delay
Card-to-card transfer: debit but beneficiary card not credited	Latest T + 1 day	Rs 100/day beyond T + 1
PoS/Card Present or CNP: debit but merchant confirmation not received	T + 5 days	Rs 100/day beyond T + 5
ATM: account debited, cash not dispensed	T + 5 calendar days	Rs 100/day beyond T + 5

COMPENSATION IS SUO MOTU
Where RBI's TAT framework prescribes compensation, it is to be credited without waiting for the customer to claim it.

Primary source: RBI Harmonisation of TAT and customer compensation for failed transactions Official source

13.11 ATM charges: separate free entitlement from fee ceiling

Situation	Current RBI position
Own-bank ATM	Savings account: minimum five free financial transactions/month; own-bank non-cash transactions are free.
Other-bank ATM in six metros	Minimum three free transactions/month including financial + non-financial.

Situation	Current RBI position
Other-bank ATM in non-metro locations	Minimum five free transactions/month including financial + non-financial.
Beyond free entitlement	Customer charge cannot exceed Rs 23 per transaction plus applicable taxes.

Primary source: RBI White Label ATM FAQs - current free-transaction and charge framework Official source

13.12 Unauthorised electronic transaction: reporting speed changes liability

Scenario	Customer liability principle
Bank fraud/negligence/deficiency	Zero liability irrespective of customer reporting timing.
Third-party breach; reports within 3 working days	Zero liability.
Third-party breach; reports in 4-7 working days	Transaction value or prescribed account-type cap, whichever is lower.
Third-party breach; reports after 7 working days	As per bank's Board-approved policy.
Customer negligence, e.g. sharing payment credentials	Customer bears loss until reporting; loss after reporting is borne by bank.

THE THREE NUMBERS

3 working days = zero-liability window for a third-party breach. 10 working days = shadow reversal after notification. 90 days = outer period for complaint resolution/liability determination under the RBI framework.

Primary source: RBI Limiting Liability of Customers in Unauthorised Electronic Banking Transactions Official source

Account-type caps for 4-7 working day reporting

Account category	Maximum liability cap in RBI table
BSBD Account	Rs 5,000
Other Savings Account / PPI / specified MSME & individual accounts / credit card limit up to Rs 5 lakh	Rs 10,000
Other Current/CC/OD accounts and credit cards with limit above Rs 5 lakh	Rs 25,000

BURDEN OF PROOF

RBI's framework places the burden of proving customer liability on the bank.

13.13 Escalation after the issuer

The customer first approaches the regulated entity/card issuer. Under the current Reserve Bank - Integrated Ombudsman Scheme, 2026, the alternate grievance-redress mechanism is cost-free and came into force on 1 July 2026, replacing the 2021 scheme.

Current source: RBI Integrated Ombudsman Scheme, 2026 FAQs Official source

13.14 Exam Trap Board

Trap	Correct mental answer
Token = OTP	False. Token substitutes card details; OTP is an authentication factor.
RuPay/Visa/Mastercard = issuing bank	False. They are card networks, not necessarily the issuer.
Contactless above Rs 5,000 is impossible	False. It can be contactless, but AFA is required.
Failed debit and fraud are governed by the same rule	False. TAT and unauthorised-liability frameworks answer different questions.
Blocking card closes credit relationship	False. Blocking/deactivation is temporary; closure terminates the account relationship.
All ATM transactions beyond free limits can be charged any amount	False. Current RBI ceiling is Rs 23 plus taxes per transaction.

30-SECOND RECALL

Debit = linked deposit account. Credit = revolving line. Network connects issuer/acquirer. Contactless AFA relief up to Rs 5,000. Token hides card credentials. General recurring e-mandate AFA-relaxation limit Rs 15,000. Failed card/ATM reversal uses T+1/T+5. Third-party unauthorised transaction reported within 3 working days = zero liability.

MODULE 13

PRACTICE CHECK

20 five-option questions - architecture, tokenisation, mandates, TAT and liability

Q1. Which card uses a pre-approved revolving credit limit?
(A) Debit card (B) Credit card (C) Gift voucher only (D) Cheque card (E) MICR card

Q2. Which participant normally has the direct merchant-side acquiring relationship?
(A) Card issuer (B) Merchant acquirer (C) DICGC (D) RBI Governor (E) Drawer

Q3. RuPay is best classified as a:
(A) Deposit account (B) Card payment network (C) Credit bureau (D) Insurance scheme (E) Cheque crossing

Q4. Under the current RBI contactless framework, AFA relaxation at PoS applies up to:
(A) Rs 2,000 (B) Rs 3,000 (C) Rs 5,000 (D) Rs 10,000 (E) Rs 15,000

Q5. A contactless card transaction above Rs 5,000 is:
(A) Prohibited (B) Possible only if AFA is applied (C) Automatically a loan (D) Always reversed (E) Outside RBI regulation

MODULE 13 PRACTICE - CONTINUED

Q6. Tokenisation means:

(A) Generating an ATM PIN (B) Replacing actual card details with an alternate token (C) Changing a cheque into cash (D) Increasing credit limit (E) Making a card compulsory

Q7. Which statement about tokenisation is correct?

(A) It is compulsory for every cardholder (B) Token requestor may freely store PAN/card number (C) It is optional and requires explicit customer consent for registration (D) Only merchants can de-tokenise (E) Customer must pay RBI a fee

Q8. Who can perform tokenisation/de-tokenisation under RBI's framework?

(A) Only merchant (B) Authorised card network or card issuer (C) Only ATM owner (D) Only NPCI in every case (E) Only customer

Q9. A recurring e-mandate is mainly designed for:

(A) One-time cheque crossing (B) Repeated authorised payments (C) Bank capital calculation (D) Cash reserve maintenance (E) NPA ageing

Q10. The general recurring e-mandate AFA-relaxation threshold highlighted in this chapter is:

(A) Rs 5,000 (B) Rs 10,000 (C) Rs 15,000 (D) Rs 50,000 (E) Rs 1 lakh for every category

MODULE 13 PRACTICE - CONTINUED

Q11. A card account is debited at PoS but the merchant receives no confirmation. RBI TAT requires auto-reversal within:
(A) T+1 (B) T+2 (C) T+3 (D) T+5 (E) T+10

Q12. An ATM account is debited but cash is not dispensed. The current reversal deadline is:
(A) Same minute only (B) T+1 working day (C) T+5 calendar days (D) 30 days (E) 90 days

Q13. Delay beyond the prescribed failed-transaction TAT generally attracts:
(A) Rs 10/day (B) Rs 50/day (C) Rs 100/day (D) Rs 500/day for every type (E) No compensation

Q14. In a third-party unauthorised electronic transaction, reporting within 3 working days gives:
(A) Full customer liability (B) Zero customer liability (C) Automatic account closure (D) Rs 25,000 liability (E) No investigation

Q15. If the loss occurred because the customer shared payment credentials, the customer generally bears loss:
(A) Forever, even after reporting (B) Until the unauthorised transaction is reported (C) Only after 90 days (D) Never (E) Only if credit card limit exceeds Rs 5 lakh

MODULE 13 PRACTICE - CONTINUED

Q16. For a third-party breach reported in 4-7 working days, the RBI cap for a normal savings account is:
(A) Rs 2,000 (B) Rs 5,000 (C) Rs 10,000 (D) Rs 25,000 (E) Rs 50,000

Q17. Blocking a credit card means:
(A) Permanent termination of credit account (B) Temporary curtailment of transaction ability (C) Waiver of dues (D) Closure of bank account (E) Increase in limit

Q18. A valid credit-card closure request, after dues are cleared, should generally be completed within:
(A) 1 day (B) 3 working days (C) 7 working days (D) 30 working days (E) 90 days

Q19. Current maximum customer charge for an ATM transaction beyond the mandated free entitlement is:
(A) Rs 10 (B) Rs 20 (C) Rs 21 (D) Rs 23 plus applicable taxes (E) No ceiling

Q20. Which framework currently replaces RB-IOS 2021?
(A) RB-IOS 2026 (B) Basel III (C) CTS-2010 (D) PPS (E) CRILC

MODULE 13 - ANSWERS & TEACHING EXPLANATIONS

Q1 - B
A credit card provides a pre-approved revolving credit line; a debit card is linked to a deposit account.

Q2 - B
The merchant acquirer provides the merchant relationship and processes merchant-side card transactions.

Q3 - B
RuPay is a card network; it is not the customer's issuing bank.

Q4 - C
The contactless AFA-relaxation threshold is Rs 5,000 per transaction.

Q5 - B
Above Rs 5,000, a contactless transaction may still be processed but AFA is required.

Q6 - B
Tokenisation replaces sensitive card details with an alternate code.

Q7 - C
RBI's FAQ makes tokenisation optional and requires explicit consent through AFA.

MODULE 13 ANSWERS - CONTINUED

Q8 - B
The authorised card network or issuer can perform tokenisation/de-tokenisation.

Q9 - B
E-mandates automate recurring payments under an authorised mandate framework.

Q10 - C
RBI enhanced the general limit to Rs 15,000 per transaction in 2022; product-specific exceptions must be checked separately.

Q11 - D
PoS/CNP merchant-confirmation failure falls under T+5 with Rs 100/day beyond the deadline.

Q12 - C
RBI mandates re-credit within T+5 calendar days.

Q13 - C
The harmonised TAT framework commonly prescribes Rs 100 per day beyond the relevant deadline.

Q14 - B
Where neither bank nor customer is at fault and the customer reports within three working days, liability is zero.

MODULE 13 ANSWERS - CONTINUED

Q15 - B
For customer negligence, loss up to reporting is borne by the customer; later loss is borne by the bank.

Q16 - C
Other Savings Accounts fall in the Rs 10,000 maximum-liability category, subject to transaction value being lower.

Q17 - B
Blocking/deactivation is temporary; closure terminates the credit-card relationship.

Q18 - C
The current RBI Credit Card Directions prescribe seven working days.

Q19 - D
The current RBI FAQ states a maximum of Rs 23 per transaction plus applicable taxes.

Q20 - A
The Reserve Bank - Integrated Ombudsman Scheme, 2026 came into force on 1 July 2026.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 13 - CARDS, TOKENISATION, MANDATES & PAYMENT SAFETY

PYQ SIGNATURE

Role vocabulary, AFA limits, e-mandates, failed-transaction TAT and customer-liability scenarios.

LIVE CHECKPOINT -> Mandate / TAT / customer-charge limits are date-controlled -> re-check Module 32.

5 Mains Application Questions

Q1. Which statement is correct?

A. A debit card always creates a new loan
B. A debit card is linked to a deposit account; a credit card is a revolving credit line
C. Issuer and acquirer are always the same entity
D. Card network is the banking regulator
E. Credit card balance is DICGC-insured deposit

Q2. Tokenisation primarily:

A. Turns every debit card into a credit card
B. Replaces usable card credentials with a token for permitted transactions
C. Removes all need for authentication
D. Is a form of deposit insurance
E. Creates a new bank account

Q3. For contactless card transactions, the AFA-relief threshold highlighted in the module is:

A. Rs 500
B. Rs 2,000
C. Rs 5,000
D. Rs 15,000
E. Rs 1 lakh

Q4. Which e-mandate set is correct in the current live layer?

A. General no-fresh-AFA ceiling Rs 15,000; specified MF/insurance/credit-card categories up to Rs 1 lakh; normal pre-debit notice at least 24 hours
B. Every recurring debit is Rs 1 lakh
C. No pre-transaction notice is required
D. Only cash mandates are allowed
E. AFA is never used at registration

Q5. ATM account debited but cash not dispensed. The reversal deadline highlighted is:

A. T+1 working day
B. T+5 calendar days
C. 30 days
D. 90 days
E. No deadline

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 13 - CARDS, TOKENISATION, MANDATES & PAYMENT SAFETY

Q1 - B Debit and credit cards can use similar rails but represent different funding relationships.

Q2 - B A token reduces exposure of the actual card credentials; it does not remove regulation or customer controls.

Q3 - C The current exam-ready contactless AFA-relief limit in the module is Rs 5,000.

Q4 - A Do not apply the special Rs 1 lakh ceiling to every recurring debit.

Q5 - A The module uses T+1 working day for this failed-ATM situation; delayed reversal attracts compensation under the TAT framework.

MAINS TAKEAWAY

Do not ask only "Do I know this fact?" Ask: Is it permanent or live? Which institution/category does it belong to? What older answer could the examiner use as a distractor?

MODULE 14

CHEQUES & NEGOTIABLE INSTRUMENTS

Understand the legal instrument first; then see how modern CTS moves its image, not the paper.

14.1 Three core negotiable instruments

Instrument	Core legal idea	Parties / structure
Promissory Note	Written unconditional undertaking to pay a certain sum	Maker promises payment to payee/order/bearer as permitted by law
Bill of Exchange	Written unconditional order directing payment	Drawer orders drawee to pay payee
Cheque	Bill of exchange drawn on a specified banker and payable on demand	Drawer -> drawee bank -> payee

Primary law: Negotiable Instruments Act, 1881 - sections 4, 5 and 6 Official source

BEST MEMORY ANCHOR
Promissory Note = promise. Bill of Exchange = order. Cheque = bank-drawn bill payable on demand.

14.2 Drawer, drawee and payee

Drawer writes/signs -> **Drawee bank is ordered to pay** -> **Payee receives**

Party	Cheque example
Drawer	Account holder who issues the cheque.
Drawee	The specified banker on whom the cheque is drawn.
Payee	Person to whom payment is directed.
Holder	Person entitled in own name to possess and recover the amount, subject to law.
Endorser / Endorsee	Transferor / transferee where an instrument is negotiated by endorsement as applicable.

EXAM TRAP
The drawer is not the bank merely because the cheque leaf carries the bank's name. In an ordinary customer cheque, the customer is the drawer and the bank is the drawee.

14.3 Bearer, order and account-payee thinking

A negotiable instrument may be payable to bearer or to order subject to the Act and wording. In banking practice, an 'A/C Payee' crossing directs collection into the named payee's account and is used as a safety restriction.

Form / marking	Practical effect
Bearer	Possession/delivery is central to negotiation, subject to legal conditions.
Order	Payment is directed to a named person or order; endorsement can matter for negotiation.
A/C Payee	Collecting-bank restriction intended to credit the named payee's account.
Not Negotiable crossing	Transfer does not give the transferee a better title than the transferor.

14.4 Crossing: general vs special

Crossing	What appears on cheque	Core idea
General crossing	Two parallel transverse lines, with permitted words such as '& Co.' / 'not negotiable'	Payment must be through a banker rather than ordinary counter-cash route.
Special crossing	Name of a banker added across the cheque	Directs payment through the specified banker under the Act.
Not negotiable	Words added to crossing	Limits the title that can be passed on transfer; it does not simply mean 'cannot be transferred'.

Primary law: Negotiable Instruments Act, 1881 - crossed cheque provisions Official source

14.5 Cheque validity: three months

CURRENT RULE
Banks should not make payment of cheques/drafts/pay orders/banker's cheques presented beyond three months from the date of the instrument. The three-month rule has applied from 1 April 2012.

OLD PYQ TRAP
Older material may mention six months. RBI reduced the presentation period from six months to three months from 1 April 2012.

Primary source: RBI Payment of Cheques/Drafts/Pay Orders/Banker's Cheques, 4 November 2011 Official source

14.6 MICR and IFSC are not the same code

Code	Full form	Main use
MICR	Magnetic Ink Character Recognition	Cheque processing/clearing identification on paper instruments.
IFSC	Indian Financial System Code	Electronic funds-transfer routing such as NEFT/RTGS.

EXAM TRAP
MICR appears in the paper-cheque clearing world. IFSC is the electronic bank-branch routing code used for systems such as NEFT/RTGS. Both may appear on a cheque leaf, but they do different jobs.

14.7 CTS: truncate the paper, move the image

Cheque Truncation means stopping the physical movement of a cheque during the clearing cycle once its electronic image and data are captured by the presenting bank.

Payee deposits cheque -> **Presenting bank scans/truncates** -> **CTS / clearing house** -> **Drawee bank verifies** -> **Settlement / return** -> **Payee credit**

CTS point	Current understanding
Physical cheque	Retained at presenting bank instead of travelling to drawee bank.
What moves	Electronic image + cheque data.
Cheque standard	CTS-2010 compliant instruments are presented in CTS.
Non-CTS paper	Cannot be presented through CTS, though it does not cease to be a negotiable instrument merely for that reason.
Physical retention	Presenting banks preserve physical instruments for 10 years to meet legal requirements.

Current source: RBI FAQs on Cheque Clearing, updated 7 January 2026 Official source

14.8 Continuous Clearing: the 2025 change

Traditional CTS had separate presentation and return sessions. Under Continuous Clearing, cheque images/data flow continuously and the return session operates as a confirmation session in tandem with presentation.

Term	Current meaning
Confirmation session	Drawee bank can positively confirm or return the cheque before its Item Expiry Time.
Item Expiry Time	Latest time by which drawee confirmation can be provided; otherwise the item can be deemed approved for settlement.
Settlement	A positively confirmed cheque is included in the next settlement.
Customer credit	After successful settlement, presenting banks release payment to customers within one hour, subject to safeguards.

DO NOT MEMORISE 'T+1 CHEQUE CLEARING' AS A TIMELESS RULE

Current CTS uses continuous presentation/confirmation and settlement-on-realisation architecture. Use RBI's 2026 FAQ for the current process.

Current source: RBI Cheque Clearing FAQ referring to Continuous Clearing circular dated 13 August 2025 Official source

14.9 Positive Pay: tell the bank what cheque you issued

Positive Pay is a fraud-control layer for CTS. The cheque issuer electronically provides key cheque details to the bank; CTS cross-checks those details against the presented instrument and flags discrepancies.

PPS rule	Current position
Facility enablement	Banks advised to enable PPS for account holders issuing cheques of Rs 50,000 and above.
Customer use	Generally at the account holder's discretion.
Higher-value policy	Banks may consider making PPS mandatory for cheques of Rs 5 lakh and above.
What is submitted	Minimum details such as date, payee/beneficiary and amount through permitted electronic channels.

POSITIVE PAY VS CTS

CTS moves and verifies cheque images/data for clearing. Positive Pay adds issuer-provided cheque details as a fraud-checking indicator. PPS is not a replacement for CTS.

Current source: RBI FAQs on Cheque Clearing - Positive Pay Official source

14.10 Alterations and CTS

RBI's current CTS FAQ says no changes/corrections should be carried out on cheque fields such as payee name or amounts; a fresh cheque should be used, apart from permitted date-validation situations. This improves image-based fraud control.

STUDENT HABIT

If the payee name or amount needs correction, think fresh cheque - not overwriting and countersigning as an everyday shortcut.

14.11 Cheque dishonour: basic Section 138 timeline

Step	Statutory time anchor
Cheque presentation	Within its validity period.
Bank returns cheque unpaid	Payee/holder receives information of dishonour.
Demand notice	Written demand generally within 30 days of receiving dishonour information.
Drawer's opportunity to pay	15 days from receipt of notice.
Cause of action / complaint	If payment is not made, complaint follows the statutory Section 142 timeline.

SCOPE CONTROL
This is Banking Awareness depth, not a litigation chapter. Remember the sequence and the 30-day / 15-day anchors; detailed criminal-procedure issues are outside this capsule.

Primary law: Negotiable Instruments Act, 1881 - sections 138 and 142 Official source

14.12 Exam Trap Board

Trap	Correct mental answer
Cheque = promissory note	No. Cheque is a bill of exchange drawn on a specified banker and payable on demand.
Drawer = drawee bank	No. Customer issuing cheque = drawer; paying bank = drawee.
MICR = IFSC	No. MICR is cheque-processing code; IFSC is electronic-transfer routing code.
CTS sends physical cheque to paying bank	Normally no. Physical cheque is truncated at presenting bank; image/data move.
Positive Pay replaces CTS	No. It is an additional fraud-control indicator within CTS clearing.
Cheque validity = six months	Outdated. Current presentation period is three months.
PPS is compulsory for every Rs 50,000 cheque	No. Banks enable it from Rs 50,000; account-holder use is discretionary, while banks may make it mandatory at Rs 5 lakh+.
Current clearing is simply a next-day batch	No. Continuous Clearing introduced presentation/confirmation in tandem and settlement-on-realisation mechanics.

30-SECOND RECALL
Promise = promissory note. Order = bill. Cheque = bill on banker, payable on demand. Drawer writes, drawee bank pays, payee receives. Validity = 3 months. MICR = cheque code; IFSC = electronic-transfer code. CTS moves image, Positive Pay checks issuer details, continuous clearing uses confirmation + Item Expiry Time.

MODULE 14

PRACTICE CHECK

16 five-option questions - legal parties, crossing, CTS, Positive Pay and current clearing

Q1. A cheque is legally best described as:

(A) A promissory note issued by RBI (B) A bill of exchange drawn on a specified banker and payable on demand (C) A fixed deposit receipt (D) A credit card statement (E) A government bond

Q2. The person who issues/signs an ordinary customer cheque is the:

(A) Drawee (B) Drawer (C) Acquirer (D) Endorsee bank (E) Clearing house

Q3. The bank on which a cheque is drawn is the:

(A) Payee (B) Drawer (C) Drawee (D) Holder in due course (E) Merchant acquirer

Q4. Which instrument is essentially an unconditional promise to pay?

(A) Promissory note (B) Cheque (C) Debit card (D) RTGS message (E) PPI

Q5. Which crossing contains the name of a banker?

(A) General crossing only (B) Special crossing (C) Bearer endorsement (D) MICR crossing (E) CTS crossing

MODULE 14 PRACTICE - CONTINUED

Q6. The words 'not negotiable' on a crossed cheque mainly mean:
(A) The cheque is void (B) No transfer can ever occur (C) Transferee cannot obtain a better title than transferor (D) Cheque becomes cash (E) Only RBI can pay

Q7. Current cheque validity for presentation is:
(A) 30 days (B) 60 days (C) 3 months (D) 6 months (E) 12 months

Q8. MICR is primarily associated with:
(A) Cheque processing (B) Credit scoring (C) Insurance underwriting (D) NPA provisioning (E) UPI PIN

Q9. IFSC is primarily used for:
(A) Cheque paper quality only (B) Electronic fund-transfer routing such as NEFT/RTGS (C) Card tokenisation (D) Credit card billing (E) Deposit insurance

Q10. Cheque truncation means:
(A) Destroying a cheque after payment (B) Stopping physical movement after electronic image/data capture (C) Cancelling all cheques above Rs 5 lakh (D) Turning cheque into a debit card (E) Removing drawer signature

MODULE 14 PRACTICE - CONTINUED

Q11. Under CTS, the physical cheque is normally retained by the:
(A) Drawee bank only (B) Presenting bank (C) RBI Governor (D) NPCI card network (E) Payee forever

Q12. Under current RBI CTS FAQs, presenting banks preserve physical truncated cheques for:
(A) 3 months (B) 1 year (C) 3 years (D) 5 years (E) 10 years

Q13. Positive Pay is designed mainly to:
(A) Replace MICR with IFSC (B) Cross-check issuer-submitted cheque details to reduce cheque tampering/fraud (C) Increase cheque validity (D) Create credit scores (E) Pay interest on cheques

Q14. Banks have been advised to enable Positive Pay for cheque issuers at which value and above?
(A) Rs 10,000 (B) Rs 25,000 (C) Rs 50,000 (D) Rs 1 lakh (E) Rs 5 lakh only

Q15. Under current RBI guidance, banks may consider making Positive Pay mandatory for cheques of:
(A) Rs 50,000+ (B) Rs 1 lakh+ (C) Rs 2 lakh+ (D) Rs 5 lakh+ (E) Every cheque

Q16. Under Continuous Clearing, Item Expiry Time refers to:
(A) Cheque's three-month legal validity (B) Latest time by which drawee confirmation can be provided before deemed approval for settlement (C) Time to print MICR code (D) Credit-card billing date (E) Positive Pay registration date

MODULE 14 - ANSWERS & TEACHING EXPLANATIONS

Q1 - B

Section 6 of the Negotiable Instruments Act defines a cheque as a bill of exchange drawn on a specified banker and payable on demand.

Q2 - B

The customer issuing the cheque is the drawer.

Q3 - C

The specified paying bank is the drawee.

Q4 - A

Promissory note = promise; bill of exchange = order.

Q5 - B

A special crossing includes the name of a banker.

Q6 - C

'Not negotiable' restricts the quality of title passed; it does not simply make the paper incapable of transfer.

MODULE 14 ANSWERS - CONTINUED

Q7 - C
RBI reduced the period from six months to three months with effect from 1 April 2012.

Q8 - A
Magnetic Ink Character Recognition supports cheque clearing/processing identification.

Q9 - B
IFSC is the electronic transfer routing code; MICR belongs to cheque processing.

Q10 - B
CTS truncates the physical instrument and sends image/data through clearing.

Q11 - B
The presenting bank truncates and retains the physical instrument.

Q12 - E
The current FAQ states a 10-year preservation period to meet legal requirements.

MODULE 14 ANSWERS - CONTINUED

Q13 - B
The issuer submits key cheque details and CTS cross-checks them with the presented instrument.

Q14 - C
PPS should be enabled for account holders issuing cheques of Rs 50,000 and above.

Q15 - D
Banks may consider a mandatory PPS requirement for cheques of Rs 5 lakh and above.

Q16 - B
Item Expiry Time is a clearing-session deadline for confirmation; it is not the cheque's legal validity period.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 14 - CHEQUES & NEGOTIABLE INSTRUMENTS

PYQ SIGNATURE

Instrument identity, legal validity, Positive Pay, continuous clearing and Item Expiry Time.

LIVE CHECKPOINT -> Cheque-clearing process changed; do not freeze old T+1 batch logic as timeless.

5 Mains Application Questions

Q1. Which legal identity set is correct?

A. Promissory note = order; bill = promise; cheque = term deposit
B. Promissory note = promise; bill = order; cheque = bill drawn on banker and payable on demand
C. Cheque = share certificate
D. Bill = deposit insurance claim
E. All are payment-system regulators

Q2. Which code/validity set is correct?

A. Cheque validity 6 months; IFSC is a cheque-image code
B. Cheque validity 3 months; MICR is associated with cheque processing; IFSC identifies bank/branch for electronic transfers
C. MICR and IFSC are identical
D. Cheque never expires
E. IFSC is 9 digits city-bank-branch

Q3. Positive Pay is best read as:

A. Compulsory for every cheque of Rs 50,000
B. Banks should enable it for issuers at Rs 50,000 and above; banks may consider mandatory use at Rs 5 lakh and above
C. A cheque-clearing settlement account
D. A DICGC claim
E. A new cheque validity rule

Q4. Under Continuous Clearing, Item Expiry Time refers to:

A. The cheque's three-month legal validity
B. Latest time for drawee confirmation before the item can be deemed approved for settlement
C. Time to print MICR
D. Positive Pay registration date
E. Account-opening date

Q5. Section 138 of the Negotiable Instruments Act is the classic statutory anchor for:

A. Cheque dishonour
B. CRR
C. SLR
D. DICGC insurance
E. PSL

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 14 - CHEQUES & NEGOTIABLE INSTRUMENTS

Q1 - B Promise/order/banker-payable-on-demand is the core conceptual split.

Q2 - B The old six-month cheque validity is obsolete; MICR and IFSC serve different payment contexts.

Q3 - B Enablement threshold and possible mandatory threshold are different exam traps.

Q4 - B It is a clearing-session deadline, not the legal life of the cheque.

Q5 - A Section 138 is associated with dishonour of cheque for the statutory conditions covered by the Act.

MAINS TAKEAWAY

Do not ask only "Do I know this fact?" Ask: Is it permanent or live? Which institution/category does it belong to? What older answer could the examiner use as a distractor?

MODULE 15

FINANCIAL INCLUSION & LEAD BANK MECHANISM

Inclusion is not merely opening an account. It is access + usage + quality, coordinated through institutions and local planning.

15.1 Financial inclusion: access is the door, not the destination

A person is not meaningfully included merely because an account exists. Inclusion becomes useful when the person can reach formal finance, use appropriate products repeatedly and receive fair, safe service.

Dimension	Plain-language question	Examples
Access	Can I reach a formal financial service?	Bank branch, BC/FBC outlet, ATM, digital channel
Usage	Do I actually use suitable formal products?	Saving, payments, credit, insurance, pension, investment
Quality	Can I use them safely, transparently and with grievance support?	Financial literacy, customer protection, service quality, redress

EXAM TRAP
Financial inclusion is not equal to "number of bank accounts". Account ownership is one access indicator; usage and quality decide whether inclusion is deep and sustainable.

15.2 The inclusion ladder

Step	Student mental model
1. Reach	There is an accessible formal service point or usable digital channel.
2. Open / onboard	Identity and KYC allow the customer to enter the formal system.
3. Transact	The account/channel is used for deposits, withdrawals, remittances or DBT.
4. Protect & build	Insurance, pension, savings/investment and suitable credit deepen participation.
5. Use safely	Financial literacy, customer protection and grievance redress prevent exclusion after onboarding.

15.3 PMJDY: the account is a platform for a broader financial stack

Pradhan Mantri Jan-Dhan Yojana (PMJDY) is the National Mission for Financial Inclusion. Its exam value is not just the launch story: understand what the account connects the customer to.

Feature	Current exam-ready understanding
Basic account	One Basic Savings Bank Deposit Account for an unbanked person; can be opened through a branch or BC/Bank Mitra.
Minimum balance	No minimum balance requirement.
Card	RuPay debit card.
Accident cover	Rs 1 lakh; enhanced to Rs 2 lakh for new PMJDY accounts opened after 28 August 2018, subject to scheme conditions.
Overdraft	Up to Rs 10,000 for eligible account holders.
Connected benefits	Eligible route for DBT and access to schemes such as PMJJBY, PMSBY, APY and MUDRA, subject to respective conditions.

Primary source: PMJDY - Scheme Details Official source

LIVE SNAPSHOT - 5 AUGUST 2026
PMJDY dashboard: about 58.97 crore total beneficiaries, balances of about Rs 3.11 lakh crore, and about 41.17 crore RuPay cards. These are dated dashboard figures - revise them in the Current Regulatory Update Layer before an exam.

Current dashboard: PMJDY Statewise Statistics Official source

15.4 Business Correspondent: the bank reaches the customer without building a full branch

A Business Correspondent (BC) is a bank-authorised last-mile channel. The customer is dealing with a service point acting for the bank; the BC is not a separate bank and does not become the regulator.

Bank -> appoints / supervises BC -> BC outlet serves customer -> transaction flows to bank system

BC idea	What to remember
Purpose	Extend banking access where a full branch may be uneconomic or distant.
Typical services	Deposits/withdrawals, account servicing, remittances, scheme enrolment/lead generation and other permitted services.
Responsibility	The bank remains responsible for oversight, customer protection and authorised service delivery.
Fixed-point BC outlet	A fixed service-delivery unit manned by a BC. Current NSFI definition uses minimum 4 hours/day for at least 5 days/week for specified banking services.

Primary source: RBI NSFI 2025-30 - Key Terms Official source

15.5 Financial literacy: access without understanding can become misuse

Financial literacy tries to make inclusion usable: customers should understand products, fraud risks, borrowing discipline and grievance paths. Financial Literacy Centres (FLCs) and Centres for Financial Literacy (CFLs) are outreach mechanisms - not payment systems or regulators.

STUDENT ANCHOR
If a question asks about inclusion infrastructure, first decide whether it is a service point (branch/BC), an education mechanism (FLC/CFL), or a coordination forum (BLBC/DCC/DLRC/SLBC).

15.6 Lead Bank Scheme: one bank coordinates, but does not regulate

The Lead Bank Scheme (LBS), introduced in 1969, uses an area-based approach. A designated Lead Bank coordinates banks, government departments and development agencies in a district so local credit needs can be planned, implemented and reviewed.

LEAD BANK IS NOT RBI
The Lead Bank coordinates district-level banking and credit planning. It does not license banks, set monetary policy or become the district regulator.

Primary source: RBI Master Circular - Lead Bank Scheme Official source

15.7 The forum ladder: block -> district -> state

Forum	Level / chair	Core job / frequency
BLBC	Block; chaired by Lead District Manager (LDM)	Block-level coordination and review; normally quarterly.
DCC	District; chaired by District Collector	District coordination among banks/government/development agencies; quarterly.
DLRC	District; chaired by District Collector	Reviews implementation under LBS; includes DCC members plus public representatives; Lead Bank convenes at least once a quarter.
SLBC	State; chaired by senior executive of Convenor Bank	Apex inter-institutional state forum; quarterly review and coordination.

DCC VS DLRC
Both operate at district level and are chaired by the District Collector. DCC is the consultative/coordination forum; DLRC is the review forum and brings public representatives into the review process.

15.8 Credit planning: start with local potential, then aggregate

Lead Bank credit planning is a bottom-up exercise. NABARD prepares Potential Linked Credit Plans (PLPs), which feed local credit planning; block plans are consolidated into district plans and then state-level planning.

NABARD PLP -> Branch / Block Credit Planning -> District Credit Plan -> State Level Credit Plan

EXAM TRAP
NABARD supplies development-credit potential inputs; the Lead Bank mechanism coordinates bank credit planning. Do not turn NABARD into the district Lead Bank or RBI into the district planner.

15.9 NSFI: the old 2019-24 period is now a PYQ-era fact

Layer	Correct treatment
Historical PYQ layer	NSFI 2019-24. A 2023 SBI PO Mains question tested this period.
Current layer	National Strategy for Financial Inclusion 2025-30.
Current architecture	Five strategic objectives called Panch-Jyoti, implemented through 47 action points.
Direction of travel	Deepen usage and quality while improving last-mile access, resilience, financial education and customer protection.

Primary source: RBI National Strategy for Financial Inclusion 2025-30 Official source

OLD -> CURRENT
Do not answer "2019-24" if a question asks for the current NSFI. Use 2019-24 only when the question explicitly asks about the earlier strategy/PYQ period.

15.10 Panch-Jyoti: five objectives, not five schemes

Objective	Plain-language reading
1	Broader, responsible, suitable and affordable financial services for safety/security.
2	Gender-sensitive inclusion and differentiated support for underserved/vulnerable households.
3	Connect livelihood, skill-development and support ecosystems with financial inclusion.
4	Use financial education to promote financial discipline.
5	Strengthen customer protection and grievance-redress quality/reliability.

NUMBER TRAP
Panch-Jyoti = 5 strategic objectives. NSFI 2025-30 = 47 action points in total. Do not confuse the number of objectives with the number of action points.

15.11 RBI Financial Inclusion Index: measure depth, not just reach

RBI's composite FI-Index captures inclusion across the financial system and uses three broad sub-indices - Access, Usage and Quality. The commonly tested weights are Access 35%, Usage 45% and Quality 20%.

Sub-index	Weight	Mental anchor
Access	35%	Can people reach formal financial services?
Usage	45%	Are formal products actually being used?
Quality	20%	Are service, literacy, protection and experience adequate?

LIVE INDEX - MARCH 2026
FI-Index = 70.0, up from 67.0 in March 2025. RBI reported improvement across all sub-indices, with this year's rise mainly driven by Usage. Treat the latest value as dynamic.

Current source title: RBI - Financial Inclusion Index for March 2026 Official source

15.12 Exam Trap Board

Trap	Correct mental answer
Financial inclusion = opening account	No. Access + Usage + Quality.
BC = separate bank	No. BC is a bank-authorised last-mile channel.
Lead Bank = district regulator	No. It coordinates LBS credit planning/review.
DCC and DLRC are identical	No. DCC coordinates; DLRC reviews and includes public representatives.
Current NSFI = 2019-24	Outdated. Current strategy is 2025-30.
Panch-Jyoti = 47 objectives	No. Five objectives; 47 action points.
FI-Index is only banking accounts	No. It is a broader composite financial-inclusion index.

30-SECOND RECALL
Inclusion = Access + Usage + Quality. PMJDY: no minimum balance, RuPay, eligible OD up to Rs 10,000. BC = last-mile bank channel. LBS: BLBC -> DCC/DLRC -> SLBC. DLRC at least quarterly. Current NSFI = 2025-30, Panch-Jyoti = 5 objectives / 47 action points. FI-Index = Access 35 + Usage 45 + Quality 20; March 2026 value = 70.0.

MODULE 15 - PRACTICE CHECK (Q1-Q6)

Q1. Which statement best describes financial inclusion?

(A) Only opening zero-balance accounts (B) Access, usage and quality of formal financial services (C) Only digital payments (D) Only agricultural lending (E) Only insurance coverage

Q2. A PMJDY account currently requires which minimum balance?

(A) Rs 500 (B) Rs 1,000 (C) Rs 2,000 (D) No minimum balance (E) One month pension contribution

Q3. The overdraft facility highlighted under PMJDY is available up to:

(A) Rs 2,000 (B) Rs 5,000 (C) Rs 10,000 (D) Rs 25,000 (E) Rs 50,000

Q4. For new eligible PMJDY accounts opened after 28 August 2018, the RuPay-linked accident cover highlighted in the scheme is:

(A) Rs 50,000 (B) Rs 1 lakh (C) Rs 2 lakh (D) Rs 5 lakh (E) Rs 10 lakh

Q5. A Business Correspondent is best understood as:

(A) A separate regulator (B) A bank-authorised last-mile service channel (C) A credit rating agency (D) A payment network only (E) A deposit insurer

Q6. Under the NSFI definition, a fixed-point BC banking outlet provides specified services for at least:

(A) 1 hour/day, 3 days/week (B) 2 hours/day, 7 days/week (C) 4 hours/day, 5 days/week (D) 6 hours/day, 2 days/week (E) 8 hours/day, 7 days/week

MODULE 15 PRACTICE - CONTINUED (Q7-Q12)

Q7. The Lead Bank Scheme is primarily designed for:

(A) District-level coordination and credit planning (B) Setting the repo rate (C) Licensing mutual funds (D) Insuring deposits (E) Operating card networks

Q8. The Block Level Bankers Committee is normally chaired by the:

(A) RBI Governor (B) District Collector (C) Lead District Manager (D) NABARD Chairman (E) SLBC Secretary only

Q9. Who normally chairs the District Consultative Committee under LBS?

(A) District Collector (B) Lead District Manager (C) RBI Deputy Governor (D) Banking Ombudsman (E) SEBI Chairperson

Q10. DLRC meetings should be convened by Lead Banks at least:

(A) Once a month (B) Once a quarter (C) Once a year (D) Once in five years (E) Only when RBI orders

Q11. Which forum is the apex inter-institutional bankers forum at the state level?

(A) BLBC (B) DCC (C) DLRC (D) SLBC (E) FLC

Q12. Which statement correctly distinguishes DCC and DLRC?

(A) DCC is state-level and DLRC national (B) DCC coordinates at district level; DLRC reviews implementation and includes public representatives (C) DLRC sets monetary policy (D) DCC is a payment network (E) They are legally identical

MODULE 15 PRACTICE - CONTINUED (Q13-Q18)

Q13. The current National Strategy for Financial Inclusion covers:

(A) 2014-19 (B) 2019-24 (C) 2020-25 (D) 2025-30 (E) 2026-36

Q14. "Panch-Jyoti" in NSFI 2025-30 refers to:

(A) Five strategic objectives (B) Five public sector banks (C) Five payment networks (D) Five PSL categories (E) Five inflation targets

Q15. How many action points are structured under NSFI 2025-30?

(A) 5 (B) 12 (C) 25 (D) 47 (E) 75

Q16. Which is NOT one of the three broad FI-Index sub-indices?

(A) Access (B) Usage (C) Quality (D) Capital Adequacy (E) None of these

Q17. What is the RBI FI-Index value for March 2026 highlighted in the current layer?

(A) 53.9 (B) 60.1 (C) 64.2 (D) 67.0 (E) 70.0

Q18. Which sequence best reflects bottom-up Lead Bank credit planning?

(A) State plan -> PLP -> branch only (B) NABARD potential input -> local/block planning -> district plan -> state plan (C) RBI repo -> SLBC -> cheque clearing (D) BC -> DICGC -> SEBI -> state plan (E) PSLC -> ATM -> district plan

MODULE 15 - ANSWERS & TEACHING EXPLANATIONS (Q1-Q6)

Q1 - B

Inclusion is broader than account opening: access, actual usage and service quality all matter.

Q2 - D

PMJDY does not require a minimum balance.

Q3 - C

The PMJDY scheme page states an OD facility up to Rs 10,000 for eligible account holders.

Q4 - C

The accident cover was enhanced to Rs 2 lakh for new PMJDY accounts opened after 28 August 2018, subject to scheme conditions.

Q5 - B

A BC extends the bank's reach; it is neither a regulator nor a separate bank.

Q6 - C

A fixed-point BC banking outlet uses the 4-hours-per-day, 5-days-per-week minimum service definition.

MODULE 15 ANSWERS - CONTINUED (Q7-Q12)

Q7 - A
Lead Bank Scheme is an area-based coordination and credit-planning mechanism.

Q8 - C
BLBC is the block-level forum and is chaired by the Lead District Manager.

Q9 - A
The District Collector chairs the DCC.

Q10 - B
RBI's Lead Bank guidance says DLRC meetings should be convened at least once a quarter.

Q11 - D
SLBC is the apex state-level inter-institutional forum.

Q12 - B
DCC handles district coordination; DLRC reviews implementation and includes public representatives.

MODULE 15 ANSWERS - CONTINUED (Q13-Q18)

Q13 - D
The current strategy is NSFI 2025-30. The 2019-24 period is historical/PYQ context.

Q14 - A
Panch-Jyoti names the five strategic objectives of NSFI 2025-30.

Q15 - D
The five objectives are implemented through 47 action points.

Q16 - D
The FI-Index sub-indices are Access, Usage and Quality; capital adequacy is a banking prudential concept.

Q17 - E
The current layer uses RBI's March 2026 FI-Index value of 70.0; March 2025 was 67.0.

Q18 - B
NABARD's potential assessment feeds local planning that is aggregated upward through district/state credit plans.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 15 - FINANCIAL INCLUSION & LEAD BANK MECHANISM

PYQ SIGNATURE

Access-vs-usage-vs-quality, BC roles, LBS forum hierarchy, NSFI period and live FI-Index.

LIVE CHECKPOINT -> NSFI / FI-Index values are dynamic; current strategy and latest index belong in live revision.

5 Mains Application Questions

Q1. Financial inclusion is best understood as:

A. Account opening only
B. Access + actual Usage + Quality of formal financial services
C. Only rural credit
D. Only digital payments
E. Only insurance

Q2. A Business Correspondent (BC) is:

A. A separate bank
B. A bank-authorised last-mile channel; the bank remains responsible for oversight and service delivery
C. The district banking regulator
D. A stock exchange
E. A DICGC office

Q3. Which forum sequence best reflects the Lead Bank coordination ladder?

A. BLBC -> DCC/DLRC -> SLBC
B. SLBC -> RBI MPC -> DICGC
C. PACS -> SEBI -> BBPS
D. DLRC -> BCBS -> BIS
E. NACH -> DCC -> SEBI

Q4. Which is current for NSFI?

A. 2019-24
B. 2025-30, with Panch-Jyoti as five strategic objectives
C. 2026-31 only
D. Panch-Jyoti means 47 objectives
E. NSFI is a DICGC scheme

Q5. The FI-Index architecture uses which broad sub-indices?

A. Access, Usage and Quality
B. Capital, Profit and Tax
C. CRR, SLR and Repo
D. Rural, Urban and Forex
E. Insurance, Pension and Cheque only

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 15 - FINANCIAL INCLUSION & LEAD BANK MECHANISM

Q1 - B The module explicitly rejects the account-opening-only model.

Q2 - B BC extends the bank's reach without becoming a separate bank or regulator.

Q3 - A BLBC is block-level, DCC/DLRC district-level and SLBC state-level.

Q4 - B 2019-24 is the earlier/PYQ-era strategy; current NSFI is 2025-30 and has five strategic objectives.

Q5 - A The FI-Index measures inclusion more broadly than the number of accounts; the current index value itself is live.

MAINS TAKEAWAY

Do not ask only "Do I know this fact?" Ask: Is it permanent or live? Which institution/category does it belong to? What older answer could the examiner use as a distractor?

MODULE 16

PRIORITY SECTOR LENDING

PSL is directed credit architecture: first understand why it exists, then learn the target base, categories, sub-targets and current limits.

16.1 Why PSL exists

Some economically important and socially necessary segments can remain underserved even when they are creditworthy. Priority Sector Lending (PSL) creates a regulatory framework to ensure an adequate flow of bank credit to prescribed sectors and borrower groups.

MENTAL MODEL
PSL does not mean "cheap loan" or "government subsidy". It means an eligible bank loan can be counted toward a regulatory priority-sector target if the activity, borrower and conditions fit RBI rules.

Primary source: RBI PSL Master Directions, 2025 - updated 7 August 2026 Official source

16.2 Target base: ANBC or CEOBSE - use the applicable higher base

The target is expressed as a percentage of the bank's Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposures (CEOBSE), as applicable under the Directions, using the corresponding date of the preceding year.

SIMPLE EXAMPLE
If a domestic commercial bank has ANBC of Rs 1,000 crore and applicable CEOBSE of Rs 900 crore, the higher base is Rs 1,000 crore. A 40% overall PSL target therefore equals Rs 400 crore.

DO NOT CONFUSE
ANBC is not simply "total deposits". CEOBSE converts eligible off-balance-sheet exposure into a credit-equivalent amount. The target table then applies its percentage to the prescribed base.

16.3 Eight PSL categories: learn the family before the limits

No.	Priority-sector category
1	Agriculture
2	Micro, Small and Medium Enterprises (MSMEs)
3	Export Credit
4	Education
5	Housing
6	Social Infrastructure
7	Renewable Energy
8	Others

CATEGORY TRAP
"Weaker Sections" is an important sub-target/beneficiary grouping, not a ninth top-level PSL category.

16.4 Current target architecture - August 2026

Bank type	Total PSL	Agriculture	Micro enterprises	Weaker sections
Domestic commercial banks*	40%	18% (NCF 14%; within it SMF 10%)	7.5%	12%
Regional Rural Banks	75%	18% (NCF 14%; within it SMF 10%)	7.5%	15%
Small Finance Banks	60%	18% (NCF 14%; within it SMF 10%)	7.5%	12%
Urban Co-operative Banks	60%	No separate target in table	7.5%	12%

**Domestic commercial banks here means the main table category excluding RRBs and SFBs; foreign-bank rules have separate treatment.*

LIVE RULE - SFB 75% -> 60%
The old SFB overall PSL target was 75%. RBI's 19 January 2026 PSL amendment substituted 60% with immediate effect. This is a high-value changed-rule trap. Agriculture, micro-enterprise and weaker-section sub-targets remain separately testable.

RBI PSL Amendment Directions, 19 January 2026 Official source

16.5 Nested agriculture sub-targets: do not add 18 + 14 + 10

For applicable bank categories, the agriculture target is 18%. Inside that target, 14% is prescribed for Non-Corporate Farmers (NCFs); within the 14%, 10% is prescribed for Small and Marginal Farmers (SMFs). These are nested, not three independent percentages to be added.

Overall PSL -> Agriculture 18% -> NCF 14% -> within NCF, SMF 10%

EXAM TRAP
If the question asks "weaker sections target for RRB", answer 15%, not the 12% used for domestic commercial banks/SFBs.

16.6 Weaker sections: beneficiary identity can cut across a PSL category

Weaker Sections include specified groups such as small/marginal farmers, certain artisans, government-scheme beneficiaries, SC/ST borrowers, SHG/JLG members, microfinance borrowers, eligible women borrowers, persons with disabilities, transgender persons and notified minorities, subject to the current Directions. Eligible PMJDY overdrafts may also be classified under Weaker Sections.

CATEGORY VS BENEFICIARY
A loan can belong to an activity category such as Agriculture and simultaneously contribute to a beneficiary sub-target such as Weaker Sections. Do not force every label into the same hierarchy.

16.7 Live eligibility limits: learn what the number belongs to

Category / use	Current PSL eligibility limit highlighted
Education	Loan sanctioned up to Rs 25 lakh per individual.
Housing - centre >=50 lakh population	Loan up to Rs 50 lakh; dwelling cost up to Rs 63 lakh.
Housing - 10 lakh to <50 lakh	Loan up to Rs 45 lakh; dwelling cost up to Rs 57 lakh.
Housing - <10 lakh	Loan up to Rs 35 lakh; dwelling cost up to Rs 44 lakh.
Social infrastructure - school/water/sanitation	Up to Rs 8 crore per borrower.
Social infrastructure - healthcare in Tier II-VI	Up to Rs 12 crore per borrower.
Renewable energy	Up to Rs 35 crore per borrower; individual household up to Rs 10 lakh.
Other - eligible non-agri/non-MSME SHG/JLG purpose	Up to Rs 2 lakh per borrower/member as applicable under the category.

NUMBER DISCIPLINE
A limit does not mean every loan below it automatically becomes PSL. The eligible purpose, borrower and other conditions still have to match the Directions.

16.8 PSLC: trade the target achievement, not the borrower's loan

Priority Sector Lending Certificates (PSLCs) allow banks to buy or sell nominal priority-sector achievement under RBI's framework. The underlying eligible loans remain with the originating bank; the certificate helps another bank meet the relevant target/sub-target without a direct transfer of the borrower loan.

PSLC point	Exam-ready rule
What is traded	A certificate representing nominal PSL achievement for the relevant category.
Underlying loan	Does not move merely because the PSLC is traded.
Counting	Net nominal value purchased/sold can be reckoned in the respective PSL category, subject to rules.
Expiry	PSLCs are valid only up to the reporting date / expire on 31 March for the financial year.
SFB purchase restriction	SFBs may purchase PSLCs only to meet PSL sub-targets within their overall PSL target.

Primary source: RBI PSL Master Directions - PSLC section Official source

16.9 What happens when a bank misses PSL targets?

RBI monitors achievement through quarterly reporting. Shortfall/excess for the year is computed using the prescribed quarterly method. Banks with shortfalls can be allocated contributions/deposits to funds such as the Rural Infrastructure Development Fund (RIDF) and other eligible funds with NABARD, NHB, SIDBI or MUDRA Ltd.

CONCEPT FIRST
A RIDF contribution is a consequence of PSL shortfall; RIDF itself is not a ninth PSL lending category.

16.10 District weights: reward incremental credit in low-credit districts

District group	Current weight on incremental PSL credit
Comparatively low PSL flow: per-capita PSL < Rs 9,000	125%
Normal / other districts	100%
Comparatively high PSL flow: per-capita PSL > Rs 42,000	90%

These district lists/weights apply through FY 2026-27 subject to review. RRBs, UCBs, LABs and foreign banks are exempt from these weight adjustments under the current Directions.

16.11 Collateral does not decide PSL status by itself

PSL classification depends on the eligible activity/beneficiary and regulatory conditions. A loan secured by gold, for example, is not automatically disqualified from agriculture PSL if the end-use is eligible and verified. RBI guidance also permits banks to waive collateral security and margin requirements for agricultural loans up to Rs 2 lakh.

VERY USEFUL TRAP
PSL eligibility is not the same as "unsecured loan". Collateral type and PSL classification answer different questions.

16.12 Common customer-service rule for small PSL loans

Under the current Directions, banks should not levy loan-related charges (including guarantee fees of credit-guarantee schemes), ad hoc service charges or inspection charges on priority-sector loans up to Rs 50,000. For eligible SHG/JLG loans, the limit applies per member, not to the group as a whole.

16.13 Exam Trap Board

Trap	Correct mental answer
SFB PSL target is always 75%	Outdated. Current overall SFB target = 60% from 19 Jan 2026 amendment.
RRB and SFB have the same total PSL target	No. RRB = 75%; SFB = 60%.
18% + 14% + 10% are additive	No. Agriculture -> NCF -> SMF targets are nested.
Weaker Sections is a ninth PSL category	No. It is a beneficiary sub-target/grouping.
PSLC transfers the borrower loan	No. It transfers nominal target achievement; the underlying loan need not move.
RIDF is a normal top-level PSL category	No. Shortfall contributions may be allocated to RIDF/other funds.
Gold collateral makes an agri loan non-PSL	False. Eligibility depends on purpose/beneficiary and end-use conditions.
Every low-ticket loan is PSL	False. Eligible purpose/category is essential.

30-SECOND RECALL
PSL = directed credit, not subsidy. 8 categories. Target base = ANBC/CEOBSE as prescribed, usually whichever is higher in the table. DCB 40%, RRB 75%, SFB 60%, UCB 60%. Agriculture 18% -> NCF 14% -> SMF 10%. Micro 7.5%. Weaker: DCB/SFB 12%, RRB 15%. Education Rs 25 lakh. PSLC = target achievement certificate. Low-credit district weight 125%; high-credit 90%.

MODULE 16 - PRACTICE CHECK (Q1-Q5)

Q1. The central purpose of Priority Sector Lending is to:

(A) Provide only subsidised government loans (B) Ensure adequate credit flow to prescribed underserved/economically important sectors (C) Replace monetary policy (D) Insure deposits (E) Operate UPI

Q2. The RBI PSL Master Directions, 2025 came into effect on:

(A) 1 April 2024 (B) 1 January 2025 (C) 1 April 2025 (D) 19 January 2026 (E) 7 August 2026

Q3. How many top-level categories are listed under current PSL Directions?

(A) 5 (B) 6 (C) 7 (D) 8 (E) 9

Q4. For banks covered by the standard target table, the PSL percentage is generally computed on:

(A) Only deposits (B) Only capital (C) ANBC or CEOBSE as prescribed, using the applicable higher base (D) Only profit after tax (E) Only CRR

Q5. If ANBC is Rs 1,000 crore and applicable CEOBSE is Rs 900 crore, a 40% PSL target equals:

(A) Rs 90 crore (B) Rs 100 crore (C) Rs 360 crore (D) Rs 400 crore (E) Rs 1,900 crore

MODULE 16 PRACTICE - CONTINUED (Q6-Q10)

Q6. The current overall PSL target for domestic commercial banks (excluding RRBs/SFBs) is:
(A) 18% (B) 25% (C) 40% (D) 60% (E) 75%

Q7. The current overall PSL target for RRBs is:
(A) 40% (B) 50% (C) 60% (D) 75% (E) 90%

Q8. The current overall PSL target for Small Finance Banks is:
(A) 40% (B) 50% (C) 60% (D) 75% (E) 80%

Q9. The SFB overall PSL target was reduced from 75% to 60% by the amendment dated:
(A) 1 April 2012 (B) 24 March 2025 (C) 19 January 2026 (D) 7 August 2026 only (E) 1 January 2027

Q10. The agriculture sub-target for applicable bank categories is:
(A) 7.5% (B) 10% (C) 12% (D) 18% (E) 25%

MODULE 16 PRACTICE - CONTINUED (Q11-Q15)

Q11. Within the agriculture target, the prescribed NCF and SMF targets are best understood as:

(A) Independent 14% and 10% to be added to 18% (B) 14% for NCF, within which 10% is for SMF (C) 10% for NCF and 14% for SMF (D) Only RRB targets (E) No longer applicable

Q12. The micro-enterprise sub-target for applicable DCB/RRB/SFB categories is:

(A) 2% (B) 5% (C) 7.5% (D) 12% (E) 15%

Q13. Which pairing of Weaker Sections targets is correct?

(A) DCB 15%, RRB 12% (B) DCB 12%, RRB 15% (C) DCB 7.5%, RRB 10% (D) SFB 15%, RRB 12% (E) All banks 12%

Q14. A bank loan sanctioned for education can qualify under PSL up to the current individual limit of:

(A) Rs 10 lakh (B) Rs 20 lakh (C) Rs 25 lakh (D) Rs 50 lakh (E) Rs 1 crore

Q15. For renewable-energy projects, the current PSL limit highlighted for a borrower is up to:

(A) Rs 5 crore (B) Rs 10 crore (C) Rs 25 crore (D) Rs 35 crore (E) Rs 50 crore

MODULE 16 PRACTICE - CONTINUED (Q16-Q20)

Q16. A PSLC primarily represents:

(A) Transfer of borrower ownership (B) Nominal priority-sector target achievement (C) A government bond (D) A cheque-clearing message (E) Deposit insurance cover

Q17. PSLCs for a financial year expire on:

(A) 30 June (B) 30 September (C) 31 December (D) 31 March (E) They never expire

Q18. A bank shortfall in PSL achievement may lead to allocation of contributions/deposits to:

(A) RIDF and other eligible funds (B) Only CRR account (C) SEBI Investor Fund only (D) DICGC premium pool only (E) Stock exchange settlement fund

Q19. Which statement about collateral and PSL is correct?

(A) Every secured loan is non-PSL (B) Gold collateral automatically disqualifies agriculture PSL (C) PSL eligibility depends on eligible purpose/beneficiary; collateral alone does not decide it (D) Only unsecured loans can be PSL (E) Collateral is irrelevant to credit risk

Q20. Under the current district-weight framework, incremental PSL credit in identified low-credit districts receives a weight of:

(A) 75% (B) 90% (C) 100% (D) 110% (E) 125%

MODULE 16 - ANSWERS & TEACHING EXPLANATIONS (Q1-Q5)

Q1 - B

PSL is a regulatory directed-credit framework aimed at adequate credit flow to prescribed sectors/segments that could otherwise remain underserved.

Q2 - C

The 2025 PSL Master Directions came into force on 1 April 2025 and superseded the 2020 Directions.

Q3 - D

RBI lists eight categories: Agriculture, MSME, Export Credit, Education, Housing, Social Infrastructure, Renewable Energy and Others.

Q4 - C

The target table uses ANBC or CEOBSE as prescribed, generally whichever is higher for the relevant bank category.

Q5 - D

Higher base = Rs 1,000 crore; 40% of Rs 1,000 crore = Rs 400 crore.

MODULE 16 ANSWERS - CONTINUED (Q6-Q10)

Q6 - C

The overall target for the main domestic commercial bank category is 40%.

Q7 - D

RRBs continue to have a 75% overall PSL target.

Q8 - C

The current SFB overall target is 60%.

Q9 - C

RBI's 19 January 2026 amendment changed the SFB table from 75% to 60% with immediate effect.

Q10 - D

The agriculture target is 18% for applicable bank categories.

MODULE 16 ANSWERS - CONTINUED (Q11-Q15)

Q11 - B
The structure is nested: Agriculture 18%, within it NCF 14%, within that SMF 10%.

Q12 - C
Micro enterprises carry a 7.5% sub-target for applicable DCB/RRB/SFB categories.

Q13 - B
Weaker Sections = 12% for domestic commercial banks and 15% for RRBs; SFBs are 12%.

Q14 - C
Education loans sanctioned up to Rs 25 lakh per individual are eligible under the current PSL category, subject to conditions.

Q15 - D
Renewable-energy loans up to Rs 35 crore per borrower qualify; the household limit is separately Rs 10 lakh.

MODULE 16 ANSWERS - CONTINUED (Q16-Q20)

Q16 - B
A PSLC represents nominal PSL achievement in a category; it does not by itself transfer the underlying loan.

Q17 - D
PSLCs are financial-year instruments and expire on 31 March / the reporting date.

Q18 - A
Shortfalls can result in allocations to RIDF or other eligible funds with NABARD/NHB/SIDBI/MUDRA as directed.

Q19 - C
RBI's eligibility test is activity/beneficiary/end-use based. Collateral type alone does not decide PSL classification.

Q20 - E
Current district-weight rules assign 125% to incremental PSL credit in identified comparatively low-credit districts; high-credit districts receive 90%.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 16 - PRIORITY SECTOR LENDING

PYQ SIGNATURE

Bank-category targets, nested agriculture sub-targets, beneficiary overlap and old-SFB-target traps.

LIVE CHECKPOINT -> SFB target changed to 60%; verify future amendments in Module 32.

5 Mains Application Questions

Q1. Which overall PSL target set is correct in the August 2026 architecture?

A. Domestic commercial 40%; RRB 75%; SFB 60%; UCB 60%
B. All banks 40%
C. RRB 60%; SFB 75%
D. SFB 40%; UCB 75%
E. All banks 75%

Q2. For the agriculture target, the correct nesting is:

A. 18 + 14 + 10 = 42%
B. Agriculture 18%, inside it NCF 14%, and within NCF SMF 10%
C. NCF and SMF are unrelated to agriculture
D. All are separate overall targets
E. Only SMF is PSL

Q3. Which weaker-sections pairing is correct?

A. Domestic commercial/SFB 12%; RRB 15%
B. All 12%
C. RRB 12%; SFB 15%
D. All 15%
E. No weaker-section targets exist

Q4. An eligible small farmer loan is counted under Agriculture and also contributes to Weaker Sections. This illustrates:

A. Double lending
B. An activity category and beneficiary sub-target can overlap
C. PSL categories must be mutually exclusive
D. A DICGC claim
E. A Basel buffer

Q5. An old mock says SFB total PSL = 75%. What is the correct exam habit?

A. Always mark 75
B. Check question date; current SFB target is 60%, while 75% was a valid older answer
C. Replace it with RRB 40%
D. Ignore RBI
E. Treat PSL as permanent statute

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 16 - PRIORITY SECTOR LENDING

Q1 - A Different bank categories have different total targets; do not carry the old SFB 75% rule forward.

Q2 - B The 14% and 10% are nested sub-targets, not additive percentages.

Q3 - A RRBs use the 15% weaker-sections target; domestic commercial banks/SFBs use 12% in the current table.

Q4 - B Beneficiary identity can cut across the activity category; do not force every label into one hierarchy.

Q5 - B This is exactly the old-rule/current-rule trap the master is designed to control.

VISUAL BRIDGE

Overall PSL → **Agriculture 18%** → **NCF 14%** → **SMF 10%**

Nested targets: do NOT add 18 + 14 + 10. Weaker Sections is a beneficiary sub-target that can overlap an activity category.

MODULE 17

RURAL & AGRICULTURAL BANKING

Follow the credit chain: institution -> product -> borrower -> productive use. Rural banking is an ecosystem, not one scheme.

17.1 The rural-credit ecosystem

Rural finance works through layers. RBI regulates the banking system. NABARD focuses on agriculture and rural development through refinance, development and supervisory roles. Banks and co-operatives provide the actual credit relationship to farmers, SHGs, rural enterprises and allied activities.

RBI / Government policy -> NABARD development + refinance -> Commercial Banks / RRBs / Co-operatives -> KCC / SHG / JLG / rural loans -> Farmer / rural enterprise

EXAM TRAP
NABARD is not the ordinary branch that directly opens every farmer account. It is the apex development-finance institution in the rural ecosystem; last-mile lending is normally through eligible banks/co-operatives and other channels.

17.2 Three-tier short-term co-operative credit structure

Level	Institution	Mental model
State	State Co-operative Bank (StCB)	Apex co-operative bank at state level.
District	District Central Co-operative Bank (DCCB)	District-level link between StCB and primary societies.
Village / primary	Primary Agricultural Credit Society (PACS)	Member-facing primary co-operative credit society at local level.

StCB -> DCCB -> PACS -> member / farmer

STCB IS NOT SBI
State Co-operative Bank (StCB) belongs to the co-operative credit structure. State Bank of India (SBI) is a public sector commercial bank. Similar initials are a classic RRB/Clerk trap.

17.3 RRB: a commercial-bank bridge built for the rural economy

Regional Rural Banks were created under the Regional Rural Banks Act, 1976 to expand institutional credit and banking services for rural productive activity. The sponsor bank supports the RRB with managerial, technical and other assistance; the RRB remains a separate bank.

RRB fact	Exam-ready understanding
Ownership	Central Government : State Government : Sponsor Bank = 50 : 15 : 35.
Sponsor bank	Provides support and is a shareholder; it does not make the RRB merely a branch of itself.
Current structure	After the fourth phase of "One State One RRB" amalgamation from 1 May 2025, 28 RRBs are currently functioning.
Live sponsor mapping	Names changed after amalgamations; use the current DFS list, not old coaching lists.

Current source: Department of Financial Services - Regional Rural Banks Official source

Current list: RRBs and Sponsor Banks Official source

OLD -> CURRENT
Older papers may contain pre-merger RRB names. Treat sponsor-bank/name questions as date-sensitive. The durable concept is ownership + sponsor-bank role; the live layer is the current 28-bank map.

17.4 NABARD: refinance + development + supervision

National Bank for Agriculture and Rural Development (NABARD) was established in 1982 under the NABARD Act, 1981. Its role is broader than giving a loan: it supports rural credit institutions, builds development capacity, supervises specified rural co-operative banks/RRBs and channels rural infrastructure finance.

Role	What it means
Refinance	Provides funding support to eligible lending institutions against rural/agriculture credit portfolios or programmes.
Development	Supports institution-building, rural livelihoods, financial inclusion and rural infrastructure.
Supervision	Supervisory role over RRBs and specified co-operative banks within the statutory/regulatory framework.
Planning support	Rural credit planning and district potential assessment connect development potential with bank credit.

Primary source: DFS - NABARD Official source

NABARD VS RBI
RBI is the central bank and banking/payment regulator. NABARD is the specialised apex development-finance institution for agriculture and rural development. They interact, but they are not interchangeable.

17.5 Kisan Credit Card: one revolving credit relationship for recurring farm needs

Kisan Credit Card (KCC) is designed to provide timely credit for cultivation and allied rural activities without forcing the farmer to seek a fresh standalone loan for every recurring expense. The card is a credit arrangement, not merely a plastic card.

KCC need	Typical use
Crop production	Seeds, fertiliser, labour and other cultivation expenses.
Post-harvest / marketing	Bridge finance after harvest and before sale, subject to scheme/rule conditions.
Consumption component	Reasonable household consumption requirement linked to the farm credit structure.
Farm asset maintenance	Working capital for repair/maintenance of farm assets.
Allied activities	Working capital / eligible credit for animal husbandry, dairy, fisheries and other allied activities.
Term investment	Separate term-loan component for eligible investment needs can coexist with the short-term component.

PAYMENTS BANK TRAP
KCC is a credit facility. A Payments Bank cannot undertake lending; therefore do not select a Payments Bank as an ordinary KCC lender merely because it offers payment accounts.

17.6 Three KCC numbers that must not be merged

Live layer	Current position verified for this edition	Why students confuse it
KCC / MISS loan limit	Raised from Rs 3 lakh to Rs 5 lakh in 2025-26.	They remember the older Rs 3 lakh ceiling.
Collateral-free agricultural credit	Raised from Rs 1.6 lakh to Rs 2 lakh per borrower, effective 1 January 2025.	This is a security/collateral rule, not the overall KCC limit.
Concessional short-term interest example	Government March 2026 material continues to state 7% on short-term agri-loans up to Rs 3 lakh, with 3% prompt-repayment incentive -> effective 4% for timely repayment.	Do not automatically assume every rupee up to the new Rs 5 lakh limit carries the same subsidy treatment without the operative scheme rule.

Current source: PIB - Kisan Credit Card, 11 March 2026 Official source

CURRENT-RULE CHECK
KCC limit, collateral-free limit and interest-subvention band answer three different questions. Banking exams deliberately mix them in statement questions.

LIVE SNAPSHOT - AUGUST 2026
Government data reported 7.28 crore operational KCC accounts in 2025-26 with about Rs 10.08 lakh crore outstanding. Treat counts as dated current affairs; the product mechanics above are the durable exam layer.

Latest current-affairs source: PIB agriculture update, August 2026 Official source

17.7 SHG-Bank Linkage: savings discipline becomes a credit relationship

A Self-Help Group (SHG) pools member savings, builds an internal credit/repayment record and can then link with a bank for larger credit. The bank assesses the group relationship; the SHG in turn channels credit for member needs and livelihoods.

Member savings -> internal lending discipline -> bank linkage -> repeat credit / livelihood use -> repayment -> stronger credit history

SHG point	Correct understanding
Group savings	Members build a common savings/corpus discipline; bank credit is not the only source of funds.
Bank credit	Eligible SHGs can use term loan, cash-credit limit or both under applicable guidance.
Repeat doses	DAY-NRLM emphasises progressive/need-based credit rather than one frozen lifetime loan amount.
Old PYQ trap	Historical 4x/10x savings-multiple or old maximum-loan questions belong to their rule period; do not treat them as universal current law.

Primary source: RBI - DAY-NRLM / SHG credit framework Official source

17.8 JLG is not simply another name for SHG

Feature	SHG	JLG
Core organising idea	Savings + internal group discipline + bank linkage	Small borrower group based on joint liability / mutual guarantee for credit
Savings pool	Central feature of classic SHG model	Not the defining feature
Typical exam context	Women/rural livelihoods, SHG-Bank Linkage, DAY-NRLM	Tenant farmers, sharecroppers, oral lessees and other small borrowers needing group-based credit
Liability idea	Group credit discipline / collective structure	Members support repayment through joint liability as structured by lender

EXAM TRAP
SHG = savings-led group linkage. JLG = joint-liability credit mechanism. Both improve last-mile finance, but the organising logic is different.

17.9 RIDF: when credit shortfall becomes rural infrastructure funding

The Rural Infrastructure Development Fund (RIDF) was created in 1995-96 and is operated by NABARD. In the current PSL architecture, prescribed shortfalls can be allocated to RIDF or other designated funds; NABARD then supports eligible rural infrastructure projects of State Governments / State-owned entities under the scheme.

Bank PSL shortfall allocation -> RIDF / designated fund -> NABARD -> eligible rural infrastructure -> irrigation / roads / bridges / social & productive infrastructure

RIDF IS NOT A FARMER KCC
RIDF finances rural infrastructure through institutional/project channels. KCC finances the farmer/eligible borrower. Do not merge development infrastructure funding with retail farm credit.

17.10 NAFIS, e-NAM and warehouse finance: the rural-credit data and market layer

Term	What the exam should trigger in your mind
NAFIS	NABARD All India Rural Financial Inclusion Survey - measures rural household financial/inclusion conditions; report values are dated current affairs.
e-NAM	Electronic National Agriculture Market - digital market integration/price-discovery layer for agricultural marketing; not a bank or credit card.
Warehouse receipt / e-NWR	Evidence of goods stored in an accredited/registered warehouse; can support post-harvest finance subject to lender/regulatory conditions.
Post-harvest credit	Lets a farmer avoid immediate distress sale by borrowing against eligible stored produce / receivables instead of selling at once.

17.11 ACABC: one-line PYQ closure

ACABC stands for Agri-Clinics and Agri-Business Centres. Banking exams may test the expansion directly; conceptually it supports agri-entrepreneurship and extension/business services around agriculture.

17.12 Exam Trap Board

Trap	Correct mental answer
StCB = State Bank of India	False. StCB = State Co-operative Bank.
RRB is merely a rural branch of sponsor bank	False. It is a separate bank with sponsor support/shareholding.
NABARD = central bank regulator	False. RBI is central bank; NABARD is specialised rural development-finance institution.
KCC limit = collateral-free limit	False. Rs 5 lakh and Rs 2 lakh answer different questions.
New KCC Rs 5 lakh means 4% effective rate on all Rs 5 lakh	Do not assume. Current official explainer still states 7%/4% treatment on short-term agri-loans up to Rs 3 lakh.
SHG = JLG	False. Savings-led linkage vs joint-liability credit structure.
RIDF gives ordinary crop loans	False. RIDF is rural infrastructure funding.
Old RRB name/sponsor list is timeless	False. 2025 amalgamations changed the map.

30-SECOND RECALL
Co-op ladder: StCB -> DCCB -> PACS. RRB ownership 50:15:35; current count 28. NABARD = refinance + development + supervision. KCC: current loan limit Rs 5 lakh; collateral-free Rs 2 lakh; interest-subvention band must be read separately. SHG = savings linkage; JLG = joint liability. RIDF = NABARD rural infrastructure.

MODULE 17 PRACTICE - Q1 TO Q5

Q1. Which sequence correctly shows the three-tier short-term co-operative credit structure?

(A) PACS -> DCCB -> StCB (B) StCB -> DCCB -> PACS (C) RRB -> SBI -> PACS (D) NABARD -> RBI -> DCCB (E) SLBC -> DCC -> PACS

Q2. In the co-operative banking context, StCB stands for:

(A) State Bank of India (B) State Credit Bureau (C) State Co-operative Bank (D) Small Town Commercial Bank (E) Scheduled Treasury Co-operative Bank

Q3. The ownership ratio of a typical Regional Rural Bank is:

(A) 40:30:30 (B) 50:15:35 (C) 51:24:25 (D) 60:20:20 (E) 75:15:10

Q4. In the RRB ownership ratio 50:15:35, the 35% share is held by the:

(A) RBI (B) NABARD (C) Sponsor Bank (D) District administration (E) PACS federation

Q5. After the fourth phase of One State One RRB amalgamation, the current number of RRBs as of the verification date is:

(A) 12 (B) 21 (C) 28 (D) 35 (E) 43

MODULE 17 PRACTICE - Q6 TO Q10

Q6. The 2025 fourth-phase RRB amalgamations took effect from:

(A) 1 January 2025 (B) 1 April 2025 (C) 1 May 2025 (D) 1 July 2025 (E) 1 January 2026

Q7. Which statement best describes the sponsor bank of an RRB?

(A) It converts the RRB into one of its branches (B) It is a shareholder and provides managerial/technical support (C) It regulates all banks in the state (D) It is always NABARD (E) It has no role after establishment

Q8. NABARD is best described as the:

(A) Central bank of India (B) Apex development-finance institution for agriculture and rural development (C) Deposit insurer (D) Card network operator (E) Stock exchange regulator

Q9. Which is NOT a core NABARD role discussed in this module?

(A) Refinance (B) Rural development (C) Supervision of specified rural institutions (D) Monetary policy rate setting (E) Rural infrastructure support

Q10. Kisan Credit Card is primarily designed to provide:

(A) Only a one-time housing loan (B) Timely recurring credit for agriculture and allied needs (C) Only crop insurance (D) A demat account (E) Only subsidy payments

MODULE 17 PRACTICE - Q11 TO Q15

Q11. Under the current 2025-26 update, the KCC/MISS loan limit highlighted in this module is:

(A) Rs 1.6 lakh (B) Rs 2 lakh (C) Rs 3 lakh (D) Rs 5 lakh (E) Rs 10 lakh

Q12. The current collateral-free agricultural credit limit per borrower highlighted here is:

(A) Rs 50,000 (B) Rs 1 lakh (C) Rs 1.6 lakh (D) Rs 2 lakh (E) Rs 5 lakh

Q13. The collateral-free agricultural credit limit of Rs 2 lakh became effective from:

(A) 1 April 2024 (B) 1 January 2025 (C) 1 April 2025 (D) 1 May 2025 (E) 1 January 2026

Q14. Which statement correctly separates the KCC live numbers?

(A) Rs 5 lakh is the collateral-free ceiling and Rs 2 lakh is the KCC ceiling (B) Rs 5 lakh is the KCC/MISS loan limit while Rs 2 lakh is the collateral-free credit limit (C) Both numbers refer only to insurance (D) Both are old and withdrawn (E) Rs 2 lakh is the RRB ownership contribution

Q15. Current Government material states 7% interest on short-term agri-loans up to Rs 3 lakh, with **prompt repayment reducing the effective rate to:**

(A) 3% (B) 4% (C) 5% (D) 6% (E) 7%

MODULE 17 PRACTICE - Q16 TO Q20

Q16. A Payments Bank is an unsuitable answer for an ordinary KCC lender mainly because it:

(A) Cannot accept deposits (B) Cannot undertake lending (C) Cannot use technology (D) Cannot issue debit cards (E) Is not regulated

Q17. Which flow best represents SHG-Bank Linkage?

(A) Bank loan -> no savings -> grant conversion (B) Member savings -> internal discipline -> bank linkage -> repeat credit (C) RBI -> stock exchange -> SHG (D) PACS -> mutual fund -> farmer (E) Insurance -> SIDBI -> SHG

Q18. Which is the defining difference between an SHG and a JLG?

(A) Only JLGs have members (B) SHG is savings-led linkage; JLG is joint-liability credit mechanism (C) SHGs are urban only (D) JLGs cannot borrow (E) There is no difference

Q19. A JLG is particularly useful for borrowers such as:

(A) Only listed companies (B) Tenant farmers/sharecroppers needing group-based credit (C) Only government departments (D) Mutual funds (E) Card networks

Q20. RIDF is operated by:

(A) SEBI (B) NABARD (C) NPCI (D) DICGC (E) IRDAI

MODULE 17 PRACTICE - Q21 TO Q25

Q21. RIDF is best associated with:

(A) Credit-card rewards (B) Rural infrastructure financing (C) Deposit insurance (D) Foreign exchange reserves (E) Cheque truncation

Q22. NAFIS is associated with:

(A) NABARD rural financial inclusion survey (B) NPCI card settlement (C) SEBI mutual fund survey (D) RBI note printing (E) SIDBI credit guarantee

Q23. e-NAM is primarily associated with:

(A) Electronic agricultural market integration (B) Deposit insurance (C) RRB ownership (D) Cheque clearing (E) Credit information companies

Q24. An electronic negotiable warehouse receipt can help support:

(A) Post-harvest finance against stored produce (B) Credit-card tokenisation (C) Deposit insurance claims (D) Forex remittance (E) ATM cash loading

Q25. ACABC expands to:

(A) Agricultural Credit and Banking Council (B) Agri-Clinics and Agri-Business Centres (C) Agricultural Cooperative Account Balance Code (D) Automated Crop Auction Banking Channel (E) Agri Credit Asset Basel Committee

MODULE 17 PRACTICE - Q26 TO Q30

Q26. Which institution is the local/member-facing primary unit in the three-tier short-term co-operative structure?

(A) StCB (B) DCCB (C) PACS (D) NABARD (E) SIDBI

Q27. The bank-level institution linking StCB and PACS at district level is:

(A) DCCB (B) RRB (C) SLBC (D) DICGC (E) PFRDA

Q28. Which statement about old RRB sponsor-bank questions is safest for 2026 preparation?

(A) Memorise any 2021 list as permanent (B) Sponsor mappings are live facts and must be checked after amalgamations (C) Sponsor bank never changes (D) All RRBs are sponsored only by SBI (E) RRB names are fixed by the Constitution

Q29. Which statement about DAY-NRLM/SHG credit is most accurate for current preparation?

(A) One old savings multiple is a timeless universal rule (B) Credit can be progressive/need-based; old multiples should be treated in their rule period (C) SHGs cannot receive repeat credit (D) Only grants are permitted (E) Bank linkage is prohibited

Q30. Which pair is correctly matched?

(A) NABARD - monetary policy rate (B) RRB - sponsor-bank supported rural bank (C) RIDF - credit card network (D) PACS - central bank (E) KCC - deposit insurance

MODULE 17 ANSWERS - Q1 TO Q8

Q1 - B

The short-term co-operative ladder runs from State Co-operative Bank to DCCB to PACS.

Q2 - C

StCB means State Co-operative Bank; do not confuse it with State Bank of India.

Q3 - B

RRB ownership is Central Government 50%, State Government 15%, Sponsor Bank 35%.

Q4 - C

The sponsor bank holds the 35% share in the standard ownership structure.

Q5 - C

The current DFS position verified for this edition is 28 functioning RRBs.

Q6 - C

Fourth-phase One State One RRB amalgamations became effective on 1 May 2025.

Q7 - B

The sponsor bank is a shareholder and provides managerial/technical support; the RRB remains a separate bank.

Q8 - B

NABARD is the specialised apex development-finance institution for agriculture and rural development.

MODULE 17 ANSWERS - Q9 TO Q16

Q9 - D

Monetary policy rate setting belongs to RBI/MPC architecture, not NABARD.

Q10 - B

KCC is a recurring farm-credit arrangement covering cultivation and eligible allied/related needs.

Q11 - D

Government material for 2025-26 states the KCC/MISS loan limit was enhanced from Rs 3 lakh to Rs 5 lakh.

Q12 - D

Collateral-free agricultural credit was raised to Rs 2 lakh per borrower.

Q13 - B

The Rs 2 lakh collateral-free limit is effective from 1 January 2025.

Q14 - B

Rs 5 lakh is the updated KCC/MISS loan limit; Rs 2 lakh is the collateral-free credit limit.

Q15 - B

A 3% prompt-repayment incentive on the stated 7% rate reduces the effective rate to 4% for timely repayment within the applicable band.

Q16 - B

Payments Banks cannot undertake lending; KCC is a credit facility.

MODULE 17 ANSWERS - Q17 TO Q24

Q17 - B
SHG-Bank Linkage grows from member savings and internal discipline into a bank credit relationship.

Q18 - B
SHG is savings-led; JLG is organised around joint liability/mutual guarantee for credit.

Q19 - B
JLG structures are particularly useful for small borrowers such as tenant farmers and sharecroppers who may lack conventional collateral/title.

Q20 - B
NABARD operates the Rural Infrastructure Development Fund.

Q21 - B
RIDF channels funds into eligible rural infrastructure, not retail card or deposit products.

Q22 - A
NAFIS is NABARD's All India Rural Financial Inclusion Survey.

Q23 - A
e-NAM integrates agricultural markets digitally and supports market access/price discovery.

Q24 - A
Warehouse receipts can support post-harvest borrowing against eligible stored produce.

MODULE 17 ANSWERS - Q25 TO Q30

Q25 - B

ACABC = Agri-Clinics and Agri-Business Centres.

Q26 - C

PACS is the primary/local member-facing unit.

Q27 - A

DCCB is the district-level co-operative bank between StCB and PACS.

Q28 - B

RRB names and sponsor mappings changed with amalgamations; use the current DFS list.

Q29 - B

SHG credit guidance supports progressive, need-based/repeat credit; old PYQ multiples should not be frozen as timeless rules.

Q30 - B

An RRB is a rural bank with sponsor-bank support under its statutory ownership/operating structure.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 17 - RURAL & AGRICULTURAL BANKING

PYQ SIGNATURE

RRB/co-operative architecture, NABARD role, KCC numbers and scheme-vs-collateral distinctions.

LIVE CHECKPOINT -> KCC/MISS and interest-support conditions are date-controlled.

5 Mains Application Questions

Q1. RRB 50:15:35 refers to:

A. Initial statutory capital subscription of Central Government : State Government : Sponsor Bank
B. PSL target split
C. CRR/SLR ratio
D. Deposit insurance split
E. NABARD refinance ratio

Q2. Which distinction is correct?

A. NABARD is the central bank
B. RBI is central bank/regulator; NABARD is the apex rural development-finance institution with refinance/development/supervision roles
C. RRB and NABARD are identical institutions
D. NABARD operates UPI
E. RBI is an RRB Sponsor Bank in every district

Q3. Which current-number split is correct?

A. KCC/MISS limit Rs 5 lakh; collateral-free agri threshold Rs 2 lakh; do not assume the entire Rs 5 lakh gets identical interest-subsidy treatment
B. All three numbers are Rs 5 lakh
C. Collateral-free threshold Rs 5 lakh
D. KCC still Rs 3 lakh in every context
E. Payments Bank sets the KCC limit

Q4. The classic short-term co-operative credit structure is:

A. State Co-operative Bank -> DCCB -> PACS
B. RBI -> SEBI -> PFRDA
C. RRB -> Payments Bank -> LAB
D. NABARD -> NPCI -> PACS
E. SFB -> HFC -> DICGC

Q5. Which combination is correct?

A. RIDF - NABARD; an ordinary Payments Bank cannot be the normal KCC lender because it cannot undertake normal lending
B. RIDF - SEBI; Payments Bank is preferred KCC lender
C. RIDF - DICGC
D. RIDF - NPCI
E. KCC is only a payment card with no credit relationship

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 17 - RURAL & AGRICULTURAL BANKING

Q1 - A The amended framework allows later capital-raising nuance; the initial formula remains a key static anchor.

Q2 - B RBI and NABARD interact in rural finance but have fundamentally different institutional roles.

Q3 - A The module intentionally separates the overall credit limit, collateral rule and concessional-interest scheme coverage.

Q4 - A RRBs are separate from the three-tier co-operative short-term structure.

Q5 - A RIDF is administered by NABARD; KCC is a credit facility, so normal lending restrictions matter.

MAINS TAKEAWAY

Do not ask only "Do I know this fact?" Ask: Is it permanent or live? Which institution/category does it belong to? What older answer could the examiner use as a distractor?

MODULE 18

MSME FINANCE & DEVELOPMENT INSTITUTIONS

The MSME problem is often cash-flow timing and collateral friction. Learn who finances, who guarantees and who merely operates the marketplace.

18.1 Why MSMEs need a specialised finance ecosystem

A viable small business can still face a funding gap because customers pay after 30/60/90 days, collateral may be limited, financial records may be thin and the cost of small-ticket appraisal can be high. MSME finance therefore uses a mix of bank credit, refinance/development institutions, receivables finance and credit guarantees.

Sale today -> invoice receivable -> cash stuck -> working-capital gap -> bank / TReDS / guarantee-supported finance -> cash released -> production continues

18.2 Current MSME classification - effective 1 April 2025

Class	Investment in plant & machinery / equipment	Annual turnover
Micro	Up to Rs 2.5 crore	Up to Rs 10 crore
Small	Up to Rs 25 crore	Up to Rs 100 crore
Medium	Up to Rs 125 crore	Up to Rs 500 crore

COMPOSITE CRITERIA
MSME classification uses both investment and turnover. Do not memorise only the investment side or only the turnover side. The 2025 revision raised the old limits materially.

Primary source: Ministry of MSME - What is MSME? Official source

OLD -> CURRENT
Old 2020 thresholds: Micro 1/5; Small 10/50; Medium 50/250 (investment/turnover in crore). Current from 1 April 2025: 2.5/10; 25/100; 125/500. This is a high-value changed-rule trap.

18.3 SIDBI: principal financial institution for MSME promotion, financing and development

Small Industries Development Bank of India (SIDBI) was set up on 2 April 1990 under an Act of Parliament. Its mandate combines promotion, financing and development of the MSME sector plus coordination of institutions engaged in similar activities.

SIDBI channel	Mental model
Indirect lending / refinance	Supports banks, SFBs, NBFCs, MFIs and other intermediaries to multiply MSME credit reach.
Direct lending	Finances MSMEs directly through products designed to fill credit gaps.
Promotion & development	Credit-plus interventions, entrepreneurship and ecosystem development.
Facilitator / nodal roles	Implements or supports Government MSME programmes and institution-building.

Primary source: SIDBI - About / Role Official source

SIDBI VS MUDRA
SIDBI is a statutory principal financial institution for MSMEs. PMMY is a Government credit scheme; MUDRA is a refinance/support institution in the micro-enterprise ecosystem. A borrower does not treat every SIDBI/MUDRA reference as the same institution or the same lending channel.

18.4 TReDS: convert an accepted invoice into cash before its due date

Trade Receivables Discounting System (TReDS) is an electronic platform where MSME receivables due from corporates, Government Departments, PSUs and other buyers can be financed by multiple financiers through a competitive process.

MSME supplies goods/services -> invoice/FU accepted -> financiers bid -> best bid selected -> financier pays MSME early -> buyer pays financier on due date

Participant	Who can be there?
Seller	Only MSMEs can participate as sellers under RBI TReDS FAQ.
Buyer	Corporates, Government Departments, PSUs and other entities.
Financier	Banks, NBFC-Factors and other financial institutions permitted by RBI.
TReDS operator	Runs the authorised platform; it is not automatically the lender in every transaction.

Primary source: RBI - TReDS FAQs Official source

18.5 Factoring Unit, factoring and reverse factoring

Term	Correct meaning
Factoring Unit (FU)	Standard TReDS unit representing invoice(s)/bill(s) and the confirmed buyer obligation.
Factoring	FU is created by the MSME seller.
Reverse factoring	FU is created by the buyer.
Without recourse to MSME	If buyer defaults, the MSME seller is not required to repay the financier merely because the TReDS buyer defaulted, subject to platform/rule framework.
Settlement	TReDS generates settlement information; funds move through the payment-system arrangement, not by handing paper invoice cash at the platform.

TREDS IS NOT A FACTORING COMPANY
TReDS is the electronic marketplace/processing platform. Financiers provide the money. The platform itself is not automatically the factor/lender.

18.6 CGTMSE: guarantee reduces lender risk; it is not a borrower subsidy

Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), set up by Government of India and SIDBI, provides guarantee cover to eligible lending institutions for qualifying MSE credit. The guarantee encourages collateral-light lending by sharing credit risk; it does not turn the loan into a grant.

Point	Current exam-ready rule
What it is	Credit guarantee mechanism for eligible Micro and Small Enterprise credit.
Who lends	Member Lending Institution extends the credit; CGTMSE provides eligible guarantee cover.
Current ceiling	Guarantee coverage ceiling enhanced from Rs 5 crore to Rs 10 crore for guarantees approved on/after 1 April 2025.
Not 100% automatic	Extent of guarantee is percentage/category dependent; Rs 10 crore is not an automatic cash payout to every borrower.
Collateral logic	Hybrid / partial-collateral structures can exist under the scheme; guarantee applies subject to scheme terms.

Primary source: CGTMSE - Credit Guarantee Scheme Official source

Rule change: CGTMSE Circular - Rs 5 crore to Rs 10 crore Official source

GUARANTEE != WAIVER
If the borrower defaults, the debt does not vanish. A guarantee allocates loss/risk between lender and guarantor under scheme rules; it is not a subsidy, waiver or free Rs 10 crore.

18.7 PMMY / MUDRA: four stages of micro-enterprise credit

Category	Current loan band
Shishu	Up to Rs 50,000
Kishor	Above Rs 50,000 and up to Rs 5 lakh
Tarun	Above Rs 5 lakh and up to Rs 10 lakh
Tarun Plus	Above Rs 10 lakh and up to Rs 20 lakh - for entrepreneurs who previously availed and successfully repaid a Tarun loan

PMMY loans are delivered through eligible lenders such as Commercial Banks, RRBs, Small Finance Banks, MFIs and NBFCs. MUDRA is a refinancing/support institution; it does not function as a universal retail branch directly disbursing every borrower loan.

Primary source: MUDRA - PMMY / current categories Official source

OLD -> CURRENT
Older material says PMMY has only Shishu, Kishor and Tarun with a Rs 10 lakh maximum. Current framework adds Tarun Plus up to Rs 20 lakh for eligible successful Tarun borrowers.

18.8 MSME and PSL: related, but not the same label

Module 16 established MSME as a Priority Sector Lending category. But "MSME", "priority sector", "collateral-free" and "CGTMSE guaranteed" are not four words for the same thing. Classification identifies the enterprise; PSL determines regulatory credit classification; collateral/guarantee depends on product and scheme rules.

Question	Ask this
Is the enterprise Micro/Small/Medium?	Apply current investment + turnover thresholds.
Does the bank exposure qualify as PSL?	Apply current RBI PSL directions.
Is collateral required?	Check lender/product/regulatory rule; do not infer from MSME label alone.
Is CGTMSE cover available?	Check scheme eligibility and Member Lending Institution guarantee terms.

18.9 Exam Trap Board

Trap	Correct mental answer
TReDS lends its own money in every transaction	False. Financiers bid/provide finance on the platform.
Buyer-created FU = factoring	False. Buyer-created FU = reverse factoring.
TReDS seller can be any large corporate	False. Seller side is for MSMEs; large corporates/government entities can be buyers.
CGTMSE Rs 10 crore = free subsidy	False. It is a guarantee ceiling subject to coverage rules.
MUDRA gives every loan directly from its own branches	False. PMMY loans are delivered through eligible lending institutions.
Tarun Plus is available to any first-time borrower up to Rs 20 lakh	False. It is for entrepreneurs who previously availed and successfully repaid Tarun.
MSME classification still uses 1/5, 10/50, 50/250	Outdated from 1 April 2025.
SIDBI = only a refinance institution	Incomplete. It also does direct lending and promotion/development roles.

30-SECOND RECALL
MSME current thresholds: Micro 2.5/10; Small 25/100; Medium 125/500. SIDBI = promotion + financing + development. TReDS: MSME seller -> accepted FU -> financiers bid -> early cash -> buyer repays financier; seller-created = factoring, buyer-created = reverse factoring. CGTMSE ceiling Rs 10 crore from 1 Apr 2025. MUDRA: Shishu 50k, Kishor 5L, Tarun 10L, Tarun Plus 20L (eligible repeat Tarun borrower).

MODULE 18 PRACTICE - Q1 TO Q5

Q1. From 1 April 2025, a Micro enterprise is classified up to investment of Rs 2.5 crore and turnover of:

(A) Rs 5 crore (B) Rs 10 crore (C) Rs 25 crore (D) Rs 50 crore (E) Rs 100 crore

Q2. The current Small enterprise limits are:

(A) Rs 10 crore investment / Rs 50 crore turnover (B) Rs 25 crore investment / Rs 100 crore turnover (C) Rs 50 crore investment / Rs 250 crore turnover (D) Rs 125 crore investment / Rs 500 crore turnover (E) Rs 2.5 crore investment / Rs 10 crore turnover

Q3. The current Medium enterprise turnover ceiling is:

(A) Rs 100 crore (B) Rs 250 crore (C) Rs 300 crore (D) Rs 500 crore (E) Rs 1,000 crore

Q4. SIDBI is the principal financial institution for promotion, financing and development of the:

(A) Insurance sector (B) MSME sector (C) Foreign exchange market (D) Payment card network (E) Government securities market

Q5. Which is a SIDBI role?

(A) Setting the repo rate (B) Direct and indirect MSME finance plus development support (C) Issuing currency notes (D) Operating UPI (E) Providing deposit insurance

MODULE 18 PRACTICE - Q6 TO Q10

Q6. TReDS is primarily a platform for:

(A) Discounting/financing MSME trade receivables (B) Trading government bonds for retail investors (C) Cheque truncation (D) Credit-card tokenisation (E) Insurance underwriting

Q7. Who can participate as a seller on TReDS under RBI FAQs?

(A) Any corporate (B) Only MSMEs (C) Only Government Departments (D) Only banks (E) Only NBFCs

Q8. Who can be a financier on TReDS?

(A) Only RBI (B) Banks, NBFC-Factors and other RBI-permitted financial institutions (C) Only the buyer (D) Only the MSME seller (E) Only stock brokers

Q9. A Factoring Unit in TReDS represents:

(A) A mutual fund unit (B) Invoice(s)/bill(s) and confirmed buyer obligation (C) A KCC account (D) A government security (E) A debit card token

Q10. If the MSME seller creates the Factoring Unit, the process is called:

(A) Reverse factoring (B) Factoring (C) Tokenisation (D) Securitisation (E) Repo

MODULE 18 PRACTICE - Q11 TO Q15

Q11. If the buyer creates the Factoring Unit, the process is called:

(A) Reverse factoring (B) Factoring (C) Cheque crossing (D) Refinance (E) KCC renewal

Q12. Transactions processed through TReDS are generally described as:

(A) With unlimited recourse to MSME seller (B) Without recourse to the MSME seller (C) Government grants (D) Deposit insurance (E) Cash-only transactions

Q13. From 1 April 2025, the CGTMSE guarantee coverage ceiling highlighted here is:

(A) Rs 1 crore (B) Rs 2 crore (C) Rs 5 crore (D) Rs 10 crore (E) Rs 20 crore

Q14. CGTMSE is best understood as:

(A) A subsidy that waives MSME debt (B) A credit guarantee mechanism sharing eligible lender risk (C) A stock exchange (D) A card network (E) An RRB

Q15. Which PMMY category covers loans above Rs 10 lakh and up to Rs 20 lakh for eligible repeat Tarun borrowers?

(A) Shishu (B) Kishor (C) Tarun (D) Tarun Plus (E) RIDF

MODULE 18 PRACTICE - Q16 TO Q18

Q16. The Shishu category covers loans:

(A) Up to Rs 50,000 (B) Above Rs 50,000 to Rs 5 lakh (C) Above Rs 5 lakh to Rs 10 lakh (D) Above Rs 10 lakh to Rs 20 lakh (E) Above Rs 20 lakh

Q17. Which statement about MUDRA is correct?

(A) MUDRA directly operates every retail loan branch (B) PMMY loans are delivered through eligible banks/RRBs/SFBs/MFIs/NBFCs (C) MUDRA is the banking regulator (D) MUDRA is a cheque clearing system (E) Only listed companies can borrow

Q18. Which statement correctly separates MSME classification and CGTMSE?

(A) Every MSME automatically receives a Rs 10 crore grant (B) MSME class identifies enterprise size; CGTMSE is a separate eligible credit-guarantee framework (C) They are identical terms (D) CGTMSE determines turnover classification (E) MSME classification is set by NPCI

MODULE 18 ANSWERS - Q1 TO Q6

Q1 - B
Current Micro classification is investment up to Rs 2.5 crore and turnover up to Rs 10 crore.

Q2 - B
Current Small limits are Rs 25 crore investment and Rs 100 crore turnover.

Q3 - D
Current Medium turnover ceiling is Rs 500 crore; investment ceiling is Rs 125 crore.

Q4 - B
SIDBI is the principal financial institution for promotion, financing and development of MSMEs.

Q5 - B
SIDBI combines direct/indirect finance with promotion and development functions.

Q6 - A
TReDS finances/discounts MSME trade receivables through multiple financiers.

MODULE 18 ANSWERS - Q7 TO Q12

Q7 - B

RBI FAQs specify that only MSMEs participate as sellers on TReDS.

Q8 - B

Banks, NBFC-Factors and other RBI-permitted financial institutions can finance on TReDS.

Q9 - B

FU is the standard TReDS unit for invoice(s)/bill(s) representing a confirmed buyer obligation.

Q10 - B

Seller-created FU is factoring.

Q11 - A

Buyer-created FU is reverse factoring.

Q12 - B

TReDS transactions are without recourse to the MSME seller for buyer default under the framework.

MODULE 18 ANSWERS - Q13 TO Q18

Q13 - D
CGTMSE ceiling increased from Rs 5 crore to Rs 10 crore for guarantees approved on/after 1 April 2025.

Q14 - B
CGTMSE shares eligible credit risk with the lender; it is not a debt waiver or cash subsidy.

Q15 - D
Tarun Plus covers above Rs 10 lakh up to Rs 20 lakh for entrepreneurs who successfully repaid a previous Tarun loan.

Q16 - A
Shishu covers loans up to Rs 50,000.

Q17 - B
PMMY loans are delivered through eligible lending institutions; MUDRA primarily supports/refinances the ecosystem.

Q18 - B
MSME classification identifies size using investment/turnover; CGTMSE is a separate credit-guarantee scheme with its own eligibility and coverage rules.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 18 - MSME FINANCE & DEVELOPMENT INSTITUTIONS

PYQ SIGNATURE

Classification thresholds, TReDS roles, CGTMSE guarantee logic, collateral rule and MUDRA expansion.

LIVE CHECKPOINT -> MSME/MSE thresholds and scheme ceilings have changed materially -> Module 32 is mandatory.

5 Mains Application Questions

Q1. Which current MSME classification set is correct (investment / turnover, Rs crore)?

A. Micro 1/5; Small 10/50; Medium 50/250
B. Micro 2.5/10; Small 25/100; Medium 125/500
C. Micro 5/25; Small 50/250; Medium 250/1000
D. Only turnover matters
E. Only investment matters

Q2. Why is the MSME test called composite?

A. Either investment or turnover can be ignored
B. Both investment and turnover criteria matter for classification
C. It uses only employee count
D. It is a PSL-only formula
E. It is decided by DICGC

Q3. On TReDS, which pairing is correct?

A. Seller-created FU = factoring; buyer-created FU = reverse factoring; financiers provide the funds
B. TReDS itself always lends its own money
C. Buyer-created = cheque clearing
D. Seller-created = deposit insurance
E. Only large corporate sellers may use TReDS

Q4. CGTMSE should be understood as:

A. A free Rs 10 crore grant
B. A credit-guarantee mechanism; ceiling enhanced from Rs 5 crore to Rs 10 crore for relevant guarantees from 1 Apr 2025
C. A stock exchange
D. A bank that takes deposits
E. An automatic 100% waiver

Q5. Which current pair is correct?

A. Mandatory no-collateral MSE threshold Rs 20 lakh for relevant sanctions/renewals from 1 Apr 2026; Tarun Plus can go above Rs 10 lakh up to Rs 20 lakh for eligible successful Tarun borrowers
B. Collateral threshold Rs 5 crore; Tarun Plus Rs 50 lakh
C. Both remain Rs 10 lakh
D. Tarun Plus is for every first-time borrower
E. MSE collateral is always mandatory

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 18 - MSME FINANCE & DEVELOPMENT INSTITUTIONS

Q1 - B The revised classification is effective from 1 April 2025 and uses both investment and turnover.

Q2 - B Students should not memorise only one side of the classification table.

Q3 - A TReDS is the platform; financiers bid/provide finance. Seller/buyer creation changes the factoring label.

Q4 - B Guarantee shares eligible lender risk; it is not a subsidy, debt waiver or automatic payout.

Q5 - A Both are changed-rule areas where older coaching tables can be stale.

VISUAL BRIDGE

MSME invoice → **Accepted FU on TReDS** → **Financiers bid** → **MSME gets early cash** → **Buyer repays financier**

CGTMSE is a guarantee layer that shares eligible lender risk - not the lender, not a subsidy, not a waiver.

MODULE 19

NBFCS, HFCS & SPECIALISED INSTITUTIONS

An NBFC can perform important financial functions without becoming a bank. Start with what it may do, what it may not do, and why its category matters.

19.1 Bank vs NBFC: lending activity does not make the two identical

Feature	Bank	NBFC - exam-ready position
Core activity	Accepts deposits and provides banking/lending/payment services under banking law.	May lend, invest, finance assets or undertake specialised financial activity as its principal business.
Demand deposits	Can accept, subject to licence/category rules.	Cannot accept demand deposits.
Payment system / self-drawn cheque	Bank accounts participate in banking payment architecture.	NBFC is not part of the payment and settlement system merely because it lends; it cannot issue cheques drawn on itself like a bank.
Deposit insurance	Eligible bank deposits are covered by DICGC subject to law/limit.	NBFC public deposits do not get DICGC deposit insurance.
Credit creation / lending	Yes.	Yes - lending is possible, but banking privileges do not automatically follow.

Primary source: RBI FAQs on NBFCs Official source

MOST USEFUL EXAM LINE
NBFC can lend, but NBFC is not a bank. Do not infer demand-deposit acceptance, cheque-writing privilege or DICGC protection merely from the fact that an NBFC gives loans.

19.2 Principal Business Criteria: the 50-50 test

RBI uses the Principal Business Criteria to identify whether a company is substantially carrying on financial activity as its principal business. The familiar exam shorthand is the 50-50 test.

Test	Condition
Financial assets test	Financial assets must constitute more than 50% of total assets.
Financial income test	Income from financial assets must constitute more than 50% of gross income.
Result	Both limbs are considered together; one financial characteristic alone does not complete the principal-business test.

Primary source: RBI NBFC FAQ / principal business criteria Official source

EXAM TRAP
“A company earns 60% income from finance, therefore it is automatically an NBFC” is incomplete. The financial-assets limb also matters.

19.3 Registration and Net Owned Fund: general rule first, specialised exceptions second

Entity / rule	Current minimum NOF highlighted by RBI
General NBFC registration	Rs 10 crore. New applicants need this ab initio; existing NBFCs have time up to 31 March 2027 to attain it.
Housing Finance Company (HFC)	Rs 20 crore.
NBFC-Infrastructure Finance Company (IFC)	Rs 300 crore.
Infrastructure Debt Fund-NBFC	Rs 300 crore.
Mortgage Guarantee Company	Rs 100 crore.
Standalone Primary Dealer - core activities only	Rs 150 crore.
Standalone Primary Dealer - also non-core activities	Rs 250 crore.
NBFC-Account Aggregator	Rs 2 crore.
NBFC-P2P	Rs 2 crore.

Current NOF source: RBI NBFC FAQs Official source

UNIVERSAL RS 10 CRORE MYTH
Rs 10 crore is the general NBFC registration anchor, not a universal minimum for every specialised NBFC. IFC/IDF-NBFC/HFC/AA/P2P and Standalone PDs have category-specific figures.

19.4 Deposit-taking vs non-deposit-taking: “public funds” is wider than “public deposits”

NBFCs are classified by liability profile as deposit-taking and non-deposit-taking, but students should not equate “public funds” with “public deposits”. Public funds can include bank finance, inter-corporate deposits, CP/debenture funding and other money sourced externally.

Phrase	Correct meaning
Public deposit	A regulated deposit concept under the RBI Act/directions. Only specifically authorised NBFCs may accept public deposits.
Public funds	Wider funding concept; can include public deposits, bank finance, inter-corporate deposits, CP, debentures and other external funding.
Non-deposit-taking NBFC	Does not accept public deposits; it may still have public funds through permitted borrowing/market funding unless its category/exemption says otherwise.

Primary source: RBI NBFC FAQs - public funds vs deposits Official source

DEPOSITOR SAFETY TRAP
Even where an NBFC is authorised to accept public deposits, those deposits are unsecured and do not receive DICGC insurance.

19.5 Scale-Based Regulation: four layers, not four different licences

Scale-Based Regulation (SBR) calibrates regulation to size, activity and perceived risk. The layer is a regulatory-intensity lens; the underlying NBFC activity category still matters.

Layer	Current 2026 mental model
Base Layer (BL)	Generally non-deposit-taking NBFCs below Rs 1,000 crore, plus P2P, Account Aggregator, NOFHC and registered Type I categories that are kept in Base by activity.
Middle Layer (ML)	All deposit-taking NBFCs; non-deposit-taking NBFCs of Rs 1,000 crore and above; and specified categories such as SPD, IDF-NBFC, CIC, HFC and IFC.
Upper Layer (UL)	Current Directions identify NBFCs with asset size of Rs 1,00,000 crore and above from the latest audited balance sheet for enhanced regulation.
Top Layer (TL)	Ideally empty; can be populated if RBI sees a substantial increase in systemic risk from specific Upper-Layer NBFCs.

Current source: RBI NBFC Registration / SBR Directions, 2025 Official source

LIVE RULE - UPPER LAYER
Older SBR notes often describe a scoring-based top-ten/identification framework. The current 2026 Directions show the operative Upper-Layer asset-size threshold as Rs 1,00,000 crore. Treat this as a dated Live Layer fact.

ACTIVITY OVERRIDES SIMPLE SIZE THINKING
P2P and AA remain in Base Layer by activity. SPD and IDF-NBFC remain in Middle Layer. HFC/IFC/CIC cannot simply be placed in Base because they are small.

19.6 HFC: specialised NBFC for housing finance

HFC test	Current rule
Housing-finance assets	At least 60% of total assets, net of intangible assets, must be in housing finance.
Housing finance for individuals	At least 50% of total assets, net of intangible assets, must be housing finance for individuals under the specified HFC definition.
Minimum NOF	Rs 20 crore.
SBR placement	HFC belongs in Middle or Upper Layer, not Base Layer.

Primary source: RBI NBFC FAQs - HFC definition [Official source]

19.7 Infrastructure categories: IFC vs IDF-NBFC

Category	Purpose / defining condition	NOF
NBFC-IFC	At least 75% of total assets deployed toward infrastructure lending.	Rs 300 crore
IDF-NBFC	Non-deposit-taking NBFC that can refinance eligible post-COD infrastructure projects after at least one year of satisfactory commercial operations and finance eligible TOT projects as direct lender.	Rs 300 crore

Primary source: RBI NBFC FAQs - IFC and IDF-NBFC [Official source]

IFC VS IDF
IFC is defined by the share of its asset deployment in infrastructure lending. IDF-NBFC is a specialised infrastructure-debt refinancing/direct-lending vehicle. Similar words, different regulatory idea.

19.8 NBFC-MFI: microfinance is defined by borrower + collateral + portfolio share

Point	Current rule
Entity	Non-deposit-taking NBFC.
Portfolio test	At least 75% of total assets deployed toward microfinance loans.
Microfinance loan	Collateral-free loan to a household with annual household income up to Rs 3 lakh.
Why it matters	The definition is not simply “small loan” or “loan to a woman”; it uses a regulatory household-income/collateral framework.

Primary source: RBI NBFC FAQs - NBFC-MFI [Official source]

19.9 Core Investment Company: hold the group, do not think ordinary lending NBFC

CIC condition	Exam anchor
Group exposure	At least 90% of net assets in equity/preference shares/debt/loans in group companies.
Equity-type group exposure	At least 60% of net assets in specified equity/convertible equity in group companies and permitted sponsor InvIT units.
Asset size / funding	Registered CIC framework includes asset size Rs 100 crore or above and acceptance/access to public funds under the definition.
Business idea	A CIC primarily holds and finances group-company interests; it is not simply a retail loan company.

Primary source: RBI NBFC FAQs - CIC [Official source]

19.10 Account Aggregator: move consented financial information, not money

An NBFC-Account Aggregator retrieves or collects specified financial information under a contract, consolidates/organises it, and presents it to the customer or permitted financial-information user. The customer data does not become the AA’s property.

Financial Information Provider -> customer consent -> Account Aggregator -> Financial Information User

AA IS NOT A LENDER
An Account Aggregator is a consent-based data-sharing intermediary. It does not become the owner of customer financial information and is not a deposit account merely because data passes through it. Minimum NOF highlighted by RBI: Rs 2 crore.

Primary source: RBI NBFC FAQs - Account Aggregator [Official source]

19.11 P2P: platform intermediary, not the lender on every loan

NBFC-P2P operates a peer-to-peer lending platform and facilitates loans between platform participants. The exam distinction is role: the platform intermediates/facilitates; it should not be mentally converted into a conventional bank funding every loan from deposits.

P2P ANCHOR
P2P = loan-facilitation platform between participants. Current minimum NOF: Rs 2 crore. Under SBR, NBFC-P2P stays in the Base Layer.

Primary source: RBI NBFC FAQs - NBFC-P2P Official source

19.12 New 2026 concept: Unregistered Type I NBFC

RBI introduced a narrow registration exemption in 2026 for a low-risk business model: an NBFC meeting principal-business criteria, with assets below Rs 1,000 crore, that does not avail public funds and has no customer interface. If it wants public funds or customer interface, registration is required before doing so.

WHY THIS MATTERS
This is not “all small NBFCs are unregistered”. The exemption depends on all three conditions: below Rs 1,000 crore + no public funds + no customer interface.

Current source: RBI NBFC FAQ - 2026 Unregistered Type I framework Official source

19.13 Exam Trap Board

Trap	Correct mental answer
NBFC = bank because both give loans	False. Lending overlaps, banking privileges do not.
Every NBFC needs exactly Rs 10 crore NOF	False. Rs 10 crore is general; specialised categories have their own thresholds.
Non-deposit-taking means no external/public funding	False. Public funds are wider than public deposits.
Every small HFC/IFC is Base Layer	False. HFC/IFC are activity-linked to Middle/Upper placement.
AA stores/owns and sells customer data	False. It is a consent-based information intermediary; customer information does not become its property.
P2P platform is the depositor-funded lender	False. It facilitates lending between participants.
Upper Layer always means the old scoring/top-ten formula	Outdated. Current Directions use the Rs 1,00,000 crore asset-size threshold.

30-SECOND RECALL
NBFC can lend but cannot accept demand deposits. 50-50 = financial assets + financial income. General NOF Rs 10 crore, but HFC 20; IFC/IDF 300; AA/P2P 2. SBR = Base, Middle, Upper, Top. HFC 60% housing assets / 50% individual housing. MFI = 75% microfinance assets. AA moves consented data; P2P facilitates loans.

MODULE 19 - PRACTICE CHECK

Q1. Which feature most clearly distinguishes a normal bank from an NBFC under RBI guidance?

(A) Only banks can make loans (B) NBFCs cannot accept demand deposits (C) NBFCs cannot invest (D) Banks cannot borrow (E) NBFCs cannot charge interest

Q2. Which statement about an NBFC is correct?

(A) It is automatically part of the payment system (B) It can issue cheques drawn on itself like a bank (C) Its public deposits are DICGC insured (D) It may lend but does not thereby become a bank (E) It must be a co-operative bank

Q3. Under the principal-business 50-50 test, which combination is relevant?

(A) 50% branches and 50% employees (B) More than 50% financial assets and more than 50% financial income (C) 50% deposits and 50% loans (D) 50% rural and 50% urban assets (E) 50% equity and 50% debt

Q4. What is the current general minimum NOF for NBFC registration highlighted by RBI?

(A) Rs 2 crore (B) Rs 5 crore (C) Rs 10 crore (D) Rs 20 crore (E) Rs 300 crore

Q5. Which specialised NBFC currently has a minimum NOF of Rs 20 crore?

(A) NBFC-AA (B) NBFC-P2P (C) HFC (D) NBFC-IFC (E) IDF-NBFC

MODULE 19 PRACTICE - CONTINUED

Q6. The current minimum NOF for an NBFC-IFC is:

(A) Rs 10 crore (B) Rs 20 crore (C) Rs 100 crore (D) Rs 150 crore (E) Rs 300 crore

Q7. Which pair currently has a minimum NOF of Rs 2 crore each?

(A) HFC and IFC (B) AA and P2P (C) IFC and IDF-NBFC (D) HFC and MGC (E) SPD and HFC

Q8. Under current SBR, a non-deposit-taking NBFC below Rs 1,000 crore is generally in which layer, subject to activity rules?

(A) Base Layer (B) Middle Layer (C) Upper Layer (D) Top Layer (E) Banking Layer

Q9. Which category is included in Middle Layer irrespective of asset size?

(A) All NBFC-P2P (B) All NBFC-AA (C) All deposit-taking NBFCs (D) Every unregistered Type I NBFC (E) Every fintech company

Q10. Under the current 2026 SBR Directions, the Upper Layer asset-size threshold is:

(A) Rs 500 crore (B) Rs 1,000 crore (C) Rs 10,000 crore (D) Rs 50,000 crore (E) Rs 1,00,000 crore

MODULE 19 PRACTICE - CONTINUED

Q11. The Top Layer in SBR is designed to be:

(A) Always the largest layer (B) Ideally empty unless systemic risk warrants movement from Upper Layer (C) Only for P2P platforms (D) Only for HFCs (E) A deposit-insurance layer

Q12. For an HFC, housing-finance assets must constitute at least what share of total assets, net of intangibles?

(A) 25% (B) 40% (C) 50% (D) 60% (E) 75%

Q13. An NBFC-IFC is defined in part by deploying at least what share of total assets toward infrastructure lending?

(A) 40% (B) 50% (C) 60% (D) 75% (E) 90%

Q14. Which best describes an IDF-NBFC?

(A) Demand-deposit bank for infrastructure workers (B) Non-deposit-taking NBFC focused on eligible infrastructure debt/refinancing (C) Insurance company for projects (D) Mutual fund only (E) Credit bureau

Q15. An NBFC-MFI must deploy at least what share of total assets toward microfinance loans?

(A) 40% (B) 50% (C) 60% (D) 75% (E) 90%

MODULE 19 PRACTICE - CONTINUED

Q16. For RBI microfinance definition used here, the household annual-income ceiling is:

(A) Rs 1 lakh (B) Rs 2 lakh (C) Rs 3 lakh (D) Rs 5 lakh (E) Rs 8 lakh

Q17. A Core Investment Company is most closely associated with:

(A) Holding/investing substantially in group companies (B) Issuing currency notes (C) Operating UPI (D) Taking demand deposits (E) Running an insurance exchange

Q18. An NBFC-Account Aggregator primarily:

(A) Lends from customer deposits (B) Collects and shares consented financial information under the framework (C) Provides cheque clearing (D) Issues T-Bills (E) Insures deposits

Q19. An NBFC-P2P is best described as:

(A) RBI monetary-policy desk (B) Loan-facilitation platform between participants (C) Government bond issuer (D) Deposit insurance company (E) Cheque drawee bank

Q20. Which set of conditions fits the 2026 Unregistered Type I NBFC exemption highlighted in this chapter?

(A) Assets below Rs 1,000 crore + no public funds + no customer interface (B) Any NBFC below Rs 10 crore (C) Any HFC below Rs 1,000 crore (D) Any NBFC-P2P with customers (E) Any deposit-taking NBFC

MODULE 19 - ANSWERS & TEACHING EXPLANATIONS

Q1 - B
RBI states that NBFCs cannot accept demand deposits.

Q2 - D
An NBFC may lend, but it is not thereby a bank and does not acquire banking-payment privileges.

Q3 - B
The principal-business test looks at both financial assets and financial income, each above 50%.

Q4 - C
The current general registration NOF is Rs 10 crore; existing NBFCs have a transition timeline up to 31 March 2027.

Q5 - C
RBI lists HFC minimum NOF at Rs 20 crore.

Q6 - E
NBFC-IFC minimum NOF is Rs 300 crore.

Q7 - B
NBFC-AA and NBFC-P2P each have a Rs 2 crore minimum NOF.

MODULE 19 ANSWERS - CONTINUED

Q8 - A
Non-deposit-taking NBFCs below Rs 1,000 crore are generally Base Layer, subject to activity-specific placement.

Q9 - C
All deposit-taking NBFCs belong to Middle Layer or above; they are not Base Layer.

Q10 - E
The current Directions specify Rs 1,00,000 crore and above for Upper Layer identification.

Q11 - B
Top Layer is ideally empty and is used if specific Upper-Layer NBFCs create substantially higher systemic risk.

Q12 - D
HFC housing-finance assets must be at least 60% of total assets net of intangibles.

Q13 - D
IFC requires at least 75% of total assets toward infrastructure lending.

Q14 - B
IDF-NBFC is a non-deposit-taking specialised infrastructure debt/refinancing NBFC.

MODULE 19 ANSWERS - CONTINUED

Q15 - D

NBFC-MFI requires at least 75% of total assets in microfinance loans.

Q16 - C

The current microfinance household-income ceiling is Rs 3 lakh per annum.

Q17 - A

CICs primarily hold substantial investments/loans in group companies under the regulatory tests.

Q18 - B

AA is a consent-based financial-information intermediary, not a lender or owner of the data.

Q19 - B

P2P platforms facilitate loans between platform participants.

Q20 - A

The 2026 exemption requires all three: assets below Rs 1,000 crore, no public funds and no customer interface.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 19 - NBFCs, HFCs & SPECIALISED INSTITUTIONS

PYQ SIGNATURE

Bank-vs-NBFC, Net Owned Fund, Scale-Based Regulation and specialised-category identity.

LIVE CHECKPOINT -> NBFC directions and thresholds are amendable -> verify Module 32 / current RBI directions.

5 Mains Application Questions

Q1. Which bank-vs-NBFC statement is correct?

A. Every NBFC may accept demand deposits
B. An NBFC can lend but generally cannot accept demand deposits; NBFC public deposits are not DICGC-insured like bank deposits
C. Every NBFC is a scheduled bank
D. NBFC registration is a banking licence
E. NBFCs issue currency

Q2. Which NOF set is correctly matched in the current framework used here?

A. General NBFC Rs 10 cr; HFC Rs 20 cr; AA/P2P Rs 2 cr; IFC Rs 300 cr
B. All Rs 2 cr
C. All Rs 300 cr
D. General NBFC Rs 1 cr
E. HFC Rs 2 cr and IFC Rs 20 cr

Q3. Which Scale-Based Regulation statement is correct?

A. All deposit-taking NBFCs are Base Layer
B. All deposit-taking NBFCs are Middle Layer or above; Top Layer is intended to remain ideally empty
C. Upper Layer threshold is Rs 500 cr
D. There is no Upper Layer
E. P2P is always Upper Layer

Q4. The HFC asset-composition test highlighted in the module is:

A. At least 60% housing finance assets, with at least 50% of total assets in individual housing finance
B. 100% gold loans
C. Only 20% housing finance
D. No asset-composition test
E. 50% mutual funds

Q5. Which specialised-role distinction is correct?

A. Account Aggregator lends its own deposit money
B. AA facilitates consent-based financial-data sharing; P2P facilitates lending between participants rather than operating as a deposit-funded bank
C. P2P is DICGC
D. AA is RBI itself
E. Both are stock exchanges

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 19 - NBFCs, HFCs & SPECIALISED INSTITUTIONS

Q1 - B Lending activity does not by itself make an entity a bank.

Q2 - A Specialised NBFC categories have different minimum Net Owned Fund requirements.

Q3 - B Layering reflects size/activity/risk; deposit-taking status itself pushes an NBFC into Middle Layer or above.

Q4 - A The HFC identity requires a substantial housing-finance asset profile, including an individual-housing component.

Q5 - B AA and P2P are regulated models with distinct functions; neither should be mentally converted into a normal bank.

MAINS TAKEAWAY

Do not ask only "Do I know this fact?" Ask: Is it permanent or live? Which institution/category does it belong to? What older answer could the examiner use as a distractor?

MODULE 20

MONEY MARKET, G-SECS & RBI RETAIL DIRECT

Do not memorise instruments as a list. Ask: who borrows, for how long, what paper is issued, how does the investor earn, and where can it trade?

20.1 Money market vs capital market

Market	Core purpose	Typical horizon / examples
Money market	Short-term liquidity and funding.	Call/Notice/Term money, T-Bills, CMBs, CP, CD, repo and other short-term instruments.
Capital / longer-term debt market	Longer-tenor funding and investment.	Dated Government securities, corporate bonds/debentures and other longer-term securities.

MATURITY IS THE FIRST FILTER
If the question gives an overnight, 14-day or sub-one-year funding need, first think money-market architecture before jumping to long-term bonds.

20.2 Call, Notice and Term Money: unsecured inter-institutional funds

Segment	Tenor	Key word
Call Money	Overnight	One night
Notice Money	More than overnight and up to/inclusive of 14 days	2-14 days
Term Money	More than 14 days and up to one year	15 days-1 year

Current eligible borrowers/lenders include Scheduled Commercial Banks (excluding LABs), Payment Banks, Small Finance Banks, RRBs, State Co-operative Banks, DCCBs, UCBs and Primary Dealers.

Primary source: RBI Call, Notice and Term Money Directions, 2021 (updated 8 June 2023) Official source

SECURED OR UNSECURED?
Call/Notice/Term money in this chapter is unsecured funding. Repo, by contrast, is secured by securities through sale-and-repurchase mechanics.

20.3 Treasury Bills: short-term Government of India paper

Feature	T-Bill
Issuer	Government of India.
Current standard tenors	91-day, 182-day and 364-day.
Coupon	Zero coupon - no periodic interest payment.
Return	Issued at a discount and redeemed at face value.
Market classification	Money-market Government security.

Primary source: RBI Government Securities Market - A Primer Official source

T-BILL VS DATED G-SEC
T-Bill is short-term and normally zero-coupon/discount based. Dated G-Sec has original maturity of one year or more and usually carries a coupon.

20.4 Cash Management Bills: T-Bill-like, but even shorter

Cash Management Bills (CMBs) were introduced to meet temporary Government of India cash-flow mismatches. They have the generic character of T-Bills but are issued for maturities below 91 days.

Primary source: RBI G-Sec Primer Official source

20.5 Commercial Paper: unsecured market borrowing by eligible issuers

Commercial Paper (CP) is an unsecured money-market instrument issued as a promissory note. Under RBI's 2024 Directions, the eligible issuer universe is wider than "large companies only".

CP current rule	Position
Eligible issuer examples	Companies; NBFCs including HFCs; InvITs; REITs; AIFIs; eligible body corporates; and other RBI-permitted entities. Eligible co-operative societies and LLPs with minimum net worth of Rs 100 crore may also issue CP subject to conditions.
Form	Dematerialised.
Minimum denomination	Rs 5 lakh and multiples of Rs 5 lakh.
Tenor	At least 7 days and not more than one year.
Security	Unsecured.
Options / underwriting	Call/put options not permitted; issue cannot be underwritten or co-accepted under the Directions.

Current source: RBI CP/NCD Directions, 2024 Official source

CP MEMORY ANCHOR
CP = issuer-side unsecured short-term market borrowing. Do not confuse it with Certificate of Deposit, which is issued by eligible banks against funds deposited.

20.6 Certificate of Deposit: bank-issued negotiable money-market instrument

CD current rule	Position
Definition	Negotiable, unsecured money-market instrument issued by a bank as a Usance Promissory Note against funds deposited, maturity up to one year.
Eligible issuers	Scheduled Commercial Banks, Regional Rural Banks and Small Finance Banks.
Form	Dematerialised.
Minimum denomination	Rs 5 lakh and multiples.
Tenor	7 days to one year.
Return structure	May be issued at discount; fixed/floating rate is also permitted under benchmark conditions.
OTC settlement	T+0 or T+1; DvP settlement.

Primary source: RBI Certificate of Deposit Directions, 2021 Official source

CHANGED-RULE TRAP - RRB
Older notes may say RRBs cannot issue CDs. RBI's 2021 Directions expressly list Regional Rural Banks as eligible CD issuers.

20.7 CP vs CD in one table

Axis	Commercial Paper	Certificate of Deposit
Basic issuer logic	Eligible companies/NBFCs and other permitted issuers.	Eligible banks - SCBs, RRBs and SFBs under current Directions.
Nature	Unsecured money-market promissory note.	Negotiable unsecured bank money-market instrument against deposits.
Minimum denomination	Rs 5 lakh.	Rs 5 lakh.
Tenor	7 days to 1 year.	7 days to 1 year.

20.8 Dated G-Sec and SDL: longer government borrowing

Instrument	Issuer	Core feature
Dated G-Sec	Central Government / Government of India	Original maturity one year or more; generally fixed/floating coupon paid on face value, commonly half-yearly.
State Development Loan (SDL)	State Government	State government dated security / bond.
Treasury Bill	Government of India	Short-term 91/182/364-day zero-coupon security, discount-to-face-value structure.

Primary source: RBI G-Sec Primer Official source

CREDIT RISK VS MARKET RISK
Domestic G-Secs are treated as carrying practically no default/credit risk, but their market price can still move with interest rates. “Risk-free” does not mean “price never falls before maturity”.

20.9 Price and yield move in opposite directions

A fixed-coupon bond pays a fixed rupee coupon on face value. If prevailing market yields rise, the old bond’s fixed coupon becomes less attractive, so its market price tends to fall. If yields fall, its price tends to rise.

Market yield up -> existing fixed-coupon bond price down | Market yield down -> bond price up

EXAM TRAP
Coupon rate is written into the security. Market yield changes with price. Do not answer a price/yield question by treating coupon and yield as synonyms.

20.10 Primary Dealers: support auctions and make markets

Primary Dealers (PDs) are specialised participants expected to support primary issuance of Government securities and provide two-way market making/liquidity in the secondary G-Sec market.

PD role	Meaning
Primary market support	Underwriting/bidding commitments in auctions of dated G-Sec, T-Bills and CMBs under RBI norms.
Market making	Offer two-way prices and take principal positions to support secondary-market liquidity.
Investor support	Distribution, advice/education and market participation as permitted.
Not the issuer	The Government issues the security; PD helps the market function.

Primary source: RBI Operational Guidelines to Primary Dealers Official source

20.11 RBI Retail Direct: individual investor gets a Gilt account with RBI

RBI Retail Direct gives individuals a direct route to Government securities through a Retail Direct Gilt (RDG) account maintained with RBI. It provides access to the primary non-competitive segment and the secondary market.

Retail Direct point	Exam-ready answer
Account	Retail Direct Gilt (RDG) account with RBI.
Who	Individual / natural-person retail investor subject to eligibility/KYC.
How many	An individual can open only one RDG account; joint-account rules apply separately.
Primary market	Dated G-Sec, T-Bills and SDL participation is through the non-competitive segment - the individual does not choose a competitive auction price.
Secondary market	Buy/sell access through the Retail Direct platform.
Account cost	Opening and maintenance of RDG account is free of RBI charge; payment-gateway charges may still apply where relevant.

Primary source: RBI Retail Direct Scheme FAQs Official source

PRIMARY VS SECONDARY
Primary market = buy in the issue/auction. Secondary market = trade an already-issued security. Retail Direct gives access to both, but primary participation for individuals is non-competitive.

20.12 Repo market: a secured funding transaction, not merely “the repo rate”

In a market repo, one party sells securities and simultaneously agrees to repurchase them later. Economically it is secured borrowing/lending against securities. The policy repo rate, by contrast, is a monetary-policy rate used in RBI’s liquidity framework.

Borrow cash today + give securities -> later repay cash + repo interest -> receive securities back

Concept source: RBI Government Securities Market - A Primer Official source

REPO VS POLICY REPO RATE
Repo is a transaction structure. The RBI policy repo rate is a policy benchmark/rate in the central bank liquidity framework. A market-repo question may be about collateral and repurchase mechanics, not MPC policy.

20.13 Derivatives at Banking Awareness depth: purpose, not pricing mathematics

Derivative	Mental model	Typical purpose
Forward	Custom agreement today for a transaction at a future date/price.	Hedge or lock future terms; usually OTC.
Futures	Standardised future obligation traded on an exchange.	Hedge or take market exposure in standardised form.
Option	Buyer has a right, not an obligation, to buy/sell under agreed terms.	Asymmetric protection/exposure.
Swap	Exchange one stream of cash flows for another.	Manage interest-rate/currency exposure.

SCOPE CONTROL
For this capsule, know purpose and basic distinction. Option-pricing models, Greeks and advanced derivative valuation are outside Banking Awareness depth.

20.14 Exam Trap Board

Trap	Correct mental answer
T-Bill pays half-yearly coupon	False. T-Bills are zero coupon; discount -> face value.
State Governments issue Treasury Bills	False. Government of India issues T-Bills; states issue SDLs.
CP and CD have the same issuer set	False. CP issuer universe is broad; CD is bank-issued under its Directions.
RRBs cannot issue CDs	Outdated. Current Directions include RRBs.
Repo market = RBI policy repo rate	False. Market repo is secured sale-repurchase funding; policy repo is a central-bank policy rate.
Retail Direct investor submits competitive price bids	False in primary auctions through the scheme; participation is non-competitive.
G-Sec has no market risk	False. Credit/default risk is negligible domestically, but price/yield changes create market risk before maturity.

30-SECOND RECALL
Call = overnight; Notice = 2-14 days; Term = >14 days to 1 year. T-Bill = GoI, 91/182/364, zero coupon. CP = unsecured issuer paper, 7 days-1 year. CD = bank paper; SCB/RRB/SFB; 7 days-1 year. Dated G-Sec = Central Government; SDL = State. PD supports auctions + market making. Retail Direct = one RDG account with RBI, non-competitive primary access.

MODULE 20 - PRACTICE CHECK

Q1. Which market primarily deals with short-term liquidity and funding instruments?
(A) Money market (B) Equity primary market only (C) Real estate market (D) Insurance market (E) Commodity warehouse only

Q2. Call Money means unsecured borrowing/lending for:
(A) Overnight (B) 2-14 days (C) 15-30 days (D) One year exactly (E) More than five years

Q3. Notice Money under current RBI directions covers:
(A) Overnight only (B) Up to and including 14 days excluding overnight (C) More than 14 days to one year (D) More than one year (E) Exactly 91 days only

Q4. Term Money under the current definition covers:
(A) Only overnight (B) 2-14 days (C) More than 14 days and up to one year (D) One to five years only (E) More than ten years

Q5. Which set contains the standard current Treasury Bill tenors?
(A) 30, 60, 90 days (B) 91, 182, 364 days (C) 100, 200, 300 days (D) 1, 2, 3 years (E) 5, 10, 20 years

MODULE 20 PRACTICE - CONTINUED

Q6. How does a Treasury Bill normally provide return?
(A) Half-yearly coupon (B) Monthly dividend (C) Issued at discount and redeemed at face value (D) Equity bonus (E) Deposit interest credited daily

Q7. Commercial Paper is best described as:
(A) Secured Government bond (B) Unsecured money-market promissory note of eligible issuers (C) Demand deposit (D) Insurance policy (E) Cheque clearing code

Q8. The current minimum denomination for CP highlighted in this chapter is:
(A) Rs 10,000 (B) Rs 50,000 (C) Rs 1 lakh (D) Rs 5 lakh (E) Rs 10 lakh

Q9. The tenor of CP under the 2024 Directions is:
(A) 1 day-30 days (B) 7 days-1 year (C) 1-5 years (D) 5-10 years (E) Exactly 364 days only

Q10. Which entity is expressly included as an eligible CD issuer under current RBI Directions?
(A) Regional Rural Bank (B) Mutual fund (C) Insurance company (D) Stock exchange (E) Pension fund

MODULE 20 PRACTICE - CONTINUED

Q11. The current minimum denomination for a Certificate of Deposit is:

(A) Rs 10,000 (B) Rs 50,000 (C) Rs 1 lakh (D) Rs 5 lakh (E) Rs 25 lakh

Q12. Which correctly matches issuer and instrument?

(A) State Government - Treasury Bill (B) Government of India - Treasury Bill (C) NBFC-AA - SDL (D) P2P platform - dated G-Sec (E) DICGC - Commercial Paper for government

Q13. State Development Loans are issued by:

(A) RBI as its own debt (B) State Governments (C) Only private banks (D) SEBI (E) DICGC

Q14. Which statement best describes a Primary Dealer?

(A) Issuer of currency notes (B) Market participant supporting G-Sec auctions and secondary-market liquidity (C) Deposit insurer (D) Retail savings account provider only (E) Credit information company

MODULE 20 PRACTICE - CONTINUED

Q15. Under RBI Retail Direct, an individual can normally open how many RDG accounts in own capacity?

(A) Only one (B) Two (C) Five (D) Unlimited (E) None

Q16. Primary-auction participation through Retail Direct for dated G-Sec/T-Bills/SDLs is mainly through:

(A) Competitive price bidding only (B) Non-competitive segment (C) Foreign exchange swap only (D) Cheque truncation (E) IPO book building

Q17. A market repo is best understood as:

(A) Unsecured overnight loan with no security (B) Sale of securities with an agreement to repurchase, economically secured funding (C) Equity dividend (D) Deposit insurance payout (E) Permanent sale with no repurchase

Q18. Which derivative gives the buyer a right but not an obligation under agreed terms?

(A) Forward (B) Futures (C) Option (D) Swap (E) Treasury Bill

MODULE 20 - ANSWERS & TEACHING EXPLANATIONS

Q1 - A
Money market is the short-term liquidity/funding market.

Q2 - A
Call Money is unsecured overnight borrowing/lending.

Q3 - B
Notice Money excludes overnight and runs up to and including 14 days.

Q4 - C
Term Money exceeds 14 days and runs up to one year.

Q5 - B
RBI lists 91-day, 182-day and 364-day T-Bills.

Q6 - C
T-Bills are zero-coupon securities issued at discount and redeemed at face value.

MODULE 20 ANSWERS - CONTINUED

Q7 - B
CP is an unsecured money-market instrument/promissory note issued by eligible entities.

Q8 - D
CP minimum denomination is Rs 5 lakh and multiples.

Q9 - B
CP tenor is at least 7 days and not more than one year.

Q10 - A
Current CD Directions expressly include Regional Rural Banks, along with SCBs and SFBs.

Q11 - D
CD minimum denomination is Rs 5 lakh and multiples.

Q12 - B
Government of India issues Treasury Bills; State Governments issue SDLs.

MODULE 20 ANSWERS - CONTINUED

Q13 - B
SDLs are dated securities of State Governments.

Q14 - B
Primary Dealers support G-Sec auctions and provide market making/liquidity.

Q15 - A
An individual may open only one RDG account; joint-account rules are separate.

Q16 - B
Retail Direct primary participation in dated G-Sec/T-Bills/SDLs is through the non-competitive segment.

Q17 - B
Repo is sale plus agreed repurchase and functions economically as secured funding.

Q18 - C
An option gives its buyer a right but not an obligation, unlike a forward/futures obligation.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 20 - MONEY MARKET, G-SECS & RBI RETAIL DIRECT

PYQ SIGNATURE

Tenor-based instruments, issuer identity, CP-vs-CD, market risk and primary/secondary access.

LIVE CHECKPOINT -> Auction yields and market rates are live; instrument architecture is the permanent layer.

5 Mains Application Questions

Q1. Which money-market tenor set is correct?

A. Call overnight; Notice 2-14 days; Term money above 14 days up to one year
B. Call 30 days; Notice one year
C. All are overnight
D. Term money above 10 years
E. Notice money is a deposit account

Q2. Which Treasury Bill statement is correct?

A. Issued by State Governments only
B. GoI issues 91-, 182- and 364-day zero-coupon T-Bills
C. T-Bills are perpetual coupon bonds
D. Only RBI employees can buy them
E. T-Bills are DICGC deposits

Q3. Which CP/CD distinction is correct?

A. CP is unsecured corporate/eligible issuer paper; CD is issued by eligible banks including SCB/RRB/SFB under the current framework
B. Both are banknotes
C. CD can be issued only by mutual funds
D. CP is always secured by mortgage
E. RRBs are excluded from current CD issuer rules

Q4. Which issuer/risk set is correct?

A. G-Sec - Central Government; SDL - State Government; low sovereign default risk does not mean no price/yield risk
B. SDL - SEBI; G-Sec - DICGC
C. G-Sec has no market risk
D. T-Bill issued by State only
E. All are bank deposits

Q5. RBI Retail Direct primarily allows an individual to:

A. Open an RDG account and access Government securities, including non-competitive primary-market participation under the framework
B. Open a Payments Bank
C. Set the repo rate
D. Obtain DICGC cover
E. Issue CP

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 20 - MONEY MARKET, G-SECS & RBI RETAIL DIRECT

Q1 - A The names are fundamentally tenor classifications.

Q2 - B T-Bills are short-term GoI securities issued at a discount and redeemed at face value.

Q3 - A The 2021 CD framework includes eligible RRBs/SFBs; older exclusions are stale.

Q4 - A Government securities can be low in credit/default risk while still carrying interest-rate/market-price risk.

Q5 - A Retail Direct is an access channel to the Government-securities market, not a new bank licence.

MAINS TAKEAWAY

Do not ask only "Do I know this fact?" Ask: Is it permanent or live? Which institution/category does it belong to? What older answer could the examiner use as a distractor?

MODULE 21

CAPITAL MARKETS & SEBI

A security moves through a chain: issuer -> issue route -> market infrastructure -> investor. Learn the chain first; regulation then becomes easier.

21.1 SEBI is the regulator; the stock exchange is a market institution

The Securities and Exchange Board of India (SEBI) is the statutory securities-market regulator. Its core mandate is to protect investor interests, promote development of the securities market and regulate that market. NSE/BSE are exchanges where securities are listed/traded; they do not replace SEBI as regulator.

Entity	Exam-ready role	Do not confuse with
SEBI	Regulates the securities market and registered intermediaries; frames/enforces securities-market regulations.	A stock exchange or mutual fund company.
Stock exchange	Provides an organised platform for listing/trading under the regulatory framework.	The regulator.
Depository	Holds securities in electronic form and enables book-entry transfer.	A broker or exchange.
Depository Participant (DP)	Investor-facing agent/interface of a depository.	The depository itself.

Primary source: SEBI Act / SEBI official Acts page Official source

21.2 Primary market vs secondary market: ask where the money goes

Market	What happens	Money goes to
Primary market	New securities are issued / capital is raised through permitted issue routes.	Issuer in a fresh issue; in an offer-for-sale component, sale proceeds go to the selling shareholder.
Secondary market	Existing securities are bought and sold after issue/listing.	Selling investor, not the issuer merely because the trade occurs on an exchange.

MOST USEFUL EXAM LINE
Primary market is about issuance/capital raising. Secondary market is about transfer/trading of already-issued securities.

21.3 Issue routes: IPO, FPO, rights, bonus, OFS, preferential and QIP

Route	Plain-language meaning	Exam anchor
IPO	First public issue by an unlisted issuer that leads to public listing/trading.	First time to public.
FPO	A listed company makes a further public offer.	Already listed issuer.
Rights issue	Securities offered to existing shareholders in a stated ratio as of record date.	Existing holders get the right.
Bonus issue	Additional shares issued to existing shareholders without fresh consideration, from eligible reserves/accounts.	No fresh cash from investor.
Offer for Sale (OFS)	Existing shareholder(s) sell securities; it is not the same as a fresh issue by the company.	Seller receives sale proceeds.
Preferential issue	Listed issuer places specified securities with a select group under the applicable framework.	Select allottees, not public issue.
QIP	Listed issuer issues specified securities only to Qualified Institutional Buyers under the ICDR framework.	Repeated PO PYQ full form + mechanism.

Primary source: SEBI FAQs on Issue of Capital and Disclosure Requirements Official source

EXAM TRAP

Fresh issue and offer for sale can appear in the same public offer. Fresh issue raises new capital for the issuer; OFS transfers existing securities from a selling holder.

21.4 Demat account, trading account, depository and DP

Think of two separate jobs. A trading account sends buy/sell orders to the market through a broker. A demat account holds the resulting securities electronically. The depository is the central electronic holding infrastructure; the DP is the investor-facing participant through which the demat account is serviced.

Item	Main job	Typical confusion
Trading account	Order placement / market transaction interface.	Does not itself mean custody of securities.
Demat account	Electronic holding of securities.	Not the same as bank account or trading account.
Depository	Electronic securities-holding and transfer infrastructure.	Examples include NSDL and CDSL; not a stock exchange.
DP	Agent/interface of depository for investors.	A DP is not the central depository.

21.5 Mutual fund structure: separate the pool, manager and oversight

A mutual fund pools investors' money into schemes. The Asset Management Company (AMC) makes investment-management decisions for the schemes. Trustees/trustee company exercise oversight under the regulatory structure, while the custodian holds scheme securities/assets in custody. The investor owns units of the scheme - not a direct slice of every security in the portfolio.

Role	Question to ask
Unit holder	Who invested in the scheme?
AMC	Who manages the scheme portfolio?
Trustee / trustee company	Who performs the oversight role under the fund structure?
Custodian	Who provides custody of the scheme securities/assets?

21.6 Net Asset Value (NAV): value per unit, not market price of one share

At concept level: NAV per unit = (market value of scheme assets - scheme liabilities) / units outstanding. If a scheme has net assets of Rs 120 crore and 10 crore units outstanding, NAV is Rs 12 per unit. NAV changes because portfolio values, income, expenses and units can change.

DO NOT CONFUSE
NAV is a per-unit value of a mutual-fund scheme. It is not the face value of a company share, not the stock-exchange index, and not a guaranteed return.

21.7 Mutual fund vs ETF

Feature	Conventional mutual-fund scheme	ETF
Investor entry/exit	Purchase/redemption with the fund/platform under scheme rules, generally linked to applicable NAV.	Units trade on a stock exchange during market hours, subject to market price/liquidity.
Trading account	Not inherently required for every conventional non-demat transaction.	Exchange trading normally requires market/demat infrastructure.
Price concept	Applicable NAV-based transaction mechanism.	Exchange price can move around NAV depending on market conditions.
Core idea	Pooled investment vehicle.	Pooled investment vehicle whose units are exchange traded.

21.8 Alternative Investment Funds (AIFs): PYQ closure

AIFs are privately pooled investment vehicles regulated by SEBI under a separate framework. Banking exams have tested category statements, so the useful depth is the three-category logic rather than memorising fund names.

Category	Exam-level idea
Category I	Funds investing in areas considered socially/economically desirable under the framework, such as start-ups/SMEs/social ventures/infrastructure and specified sub-categories.
Category II	Funds that do not fall in Category I or III and generally do not employ leverage except as permitted for day-to-day operational requirements; private-equity/debt-type structures commonly sit here.
Category III	Funds using diverse/complex trading strategies and which may employ leverage, subject to regulation.

Primary source: SEBI Regulations listing / AIF framework Official source

21.9 Credit Rating Agencies: an opinion on credit risk, not a guarantee

A credit rating agency evaluates creditworthiness/credit risk of rated debt or an issuer/obligation under the applicable rating framework. A high rating is not a promise that default cannot occur, and a rating is not the same as a recommendation that every investor should buy the security.

21.10 REIT vs InvIT: income-producing assets packaged for investors

Vehicle	Underlying focus	Simple memory anchor
REIT	Real-estate assets / projects meeting the regulatory framework.	Real Estate Investment Trust.
InvIT	Infrastructure assets / projects meeting the regulatory framework.	Infrastructure Investment Trust.

Both are trust-based market vehicles with regulated investment/holding/distribution structures; do not reduce either concept to a normal company equity share.

21.11 Corporate bonds, debentures and green debt

A corporate bond/debenture is a debt security: the issuer borrows from investors and promises contractual interest/redemption subject to the terms. Equity represents ownership; debt represents a creditor claim. Green debt securities are debt instruments whose proceeds are earmarked for eligible green/environmental purposes under the applicable disclosure framework.

21.12 LIVE LAYER - Mutual Fund Regulations changed in 2026

CURRENT RULE - CHECKED 15 AUGUST 2026
SEBI notified a new Securities and Exchange Board of India (Mutual Funds) Regulations, 2026 regime, which came into force from 1 April 2026. The current regulations were further amended and are shown by SEBI as last amended on 7 July 2026. Therefore, “SEBI (Mutual Funds) Regulations, 1996” is now a historical rule reference, not the current answer.

Primary source: SEBI Mutual Funds Regulations, 2026 - last amended 7 July 2026 Official source

DYNAMIC RULE DISCIPLINE
Exact exposure/concentration limits, issue-eligibility thresholds and scheme-specific limits can change. Keep the concept in the Permanent Layer; keep the numeric rule in a dated Live Layer.

21.13 Exam Trap Board

Trap	Correct mental answer
SEBI and NSE/BSE are the same type of entity	No. SEBI regulates; exchanges provide market infrastructure.
IPO means every public sale of shares	No. IPO is the first public offer by an unlisted issuer; a listed issuer can make an FPO.
Bonus issue brings new cash into the company	No. Existing holders receive shares without fresh consideration under the bonus route.
OFS always raises fresh capital for issuer	No. OFS sells existing holdings; proceeds go to the selling holder.
Demat account = trading account	No. Holding/custody vs order/trading interface.
AMC = trustee	No. AMC manages investments; trustee structure provides oversight.
ETF is not a mutual fund	Wrong. ETF is a pooled fund whose units trade on an exchange.
1996 Mutual Fund Regulations are current	Outdated. Current SEBI Mutual Funds Regulations are the 2026 regime.

30-SECOND RECALL
SEBI = regulator. Primary = issue; secondary = trade. IPO first public listing, FPO listed issuer, rights existing holders, bonus no fresh consideration, OFS seller exits, QIP listed issuer -> QIBs. Demat holds; trading account orders. AMC manages; trustee oversees. NAV = net assets / units. ETF trades on exchange. AIF I/II/III. REIT = real estate; InvIT = infrastructure. MF Regulations 2026 are current.

MODULE 21 - PRACTICE CHECK

20 five-option questions - ecosystem mapping, issue routes, fund structure and current-rule traps

Q1. Which statement best describes SEBI?
(A) A stock exchange (B) The statutory securities-market regulator (C) A depository participant (D) A mutual fund AMC (E) A credit rating grade

Q2. A company issues new shares to raise fresh capital from investors. This occurs in the:
(A) Secondary market (B) Primary market (C) Money market only (D) Inter-bank market (E) Forex market

Q3. An investor sells already-listed shares to another investor on an exchange. This is primarily a:
(A) Primary-market issue (B) Secondary-market transaction (C) Bonus issue (D) Rights issue (E) QIP

Q4. Which route describes the first public offer by an unlisted issuer that paves the way for listing?
(A) FPO (B) IPO (C) Rights issue (D) Bonus issue (E) OFS only

Q5. When an already listed issuer makes a further public offer, it is called:
(A) FPO (B) IPO (C) NRE (D) ECB (E) NAV

Q6. A rights issue is primarily offered to:
(A) Only foreign banks (B) Existing shareholders as of a record date (C) Only SEBI employees (D) Only mutual funds (E) Only retail borrowers

Q7. Which issue normally gives existing shareholders additional shares without fresh consideration?
(A) QIP (B) Bonus issue (C) FPO (D) OFS (E) Preferential debt purchase

Q8. In a pure offer-for-sale component, sale proceeds principally go to:
(A) The selling shareholder (B) SEBI (C) The depository (D) RBI (E) The stock exchange

Q9. QIP is best described as a listed issuer placing specified securities with:
(A) Qualified Institutional Buyers only (B) Only existing retail shareholders (C) Only employees (D) RBI only (E) Depositories only

Q10. Which account primarily holds securities in electronic form?
(A) Current account (B) Trading account (C) Demat account (D) NRO account (E) Escrow cash account

MODULE 21 PRACTICE - CONTINUED

Q11. A Depository Participant is best understood as:
(A) The securities regulator (B) An investor-facing participant/agent of a depository (C) A central bank (D) A stock index (E) A government bond

Q12. NAV per mutual-fund unit is conceptually:
(A) Gross assets only divided by number of investors (B) Net assets divided by units outstanding (C) Share face value plus dividend (D) Market index divided by schemes (E) Always Rs 10

Q13. Who primarily makes the investment-management decisions for a mutual-fund scheme?
(A) AMC (B) Stock exchange (C) Depository (D) RBI MPC (E) Credit bureau

Q14. Which statement best distinguishes an ETF?
(A) It is not a pooled fund (B) Its units trade on a stock exchange (C) It cannot hold securities (D) It has no NAV concept (E) It is a bank deposit

Q15. Which AIF category is associated with diverse/complex trading strategies and may employ leverage subject to rules?
(A) Category I (B) Category II only (C) Category III (D) No AIF category (E) REIT only

Q16. A credit rating is best viewed as:
(A) A guarantee against default (B) An opinion/assessment of credit risk under the rating framework (C) A stock exchange order (D) A bank deposit guarantee (E) A mutual-fund NAV

Q17. Which pairing is correct?
(A) REIT - infrastructure only; InvIT - real estate only (B) REIT - real estate; InvIT - infrastructure (C) REIT - forex; InvIT - deposits (D) Both are central banks (E) Both are credit bureaus

Q18. A corporate debenture is fundamentally a:
(A) Debt security (B) Deposit account (C) Equity-only instrument (D) Currency note (E) Insurance policy

Q19. Which is the current SEBI mutual-fund regulatory regime as of the verification date?

(A) SEBI Mutual Funds Regulations, 1996 as current (B) SEBI Mutual Funds Regulations, 2026 (C) No SEBI regulation applies (D) RBI Deposit Directions only (E) FEMA only

Q20. Which statement is correct?
(A) SEBI is a stock exchange (B) Demat and trading accounts are identical (C) AMC and trustee have identical roles (D) Secondary-market trades normally transfer existing securities between investors (E) Bonus issue always raises fresh cash

MODULE 21 - ANSWERS & TEACHING EXPLANATIONS

Q1. Answer: B
SEBI is the statutory regulator of the securities market; exchanges and intermediaries operate within the regulatory framework.

Q2. Answer: B
The primary market is where new securities are issued and capital is raised.

Q3. Answer: B
Existing securities changing hands after issue/listing is secondary-market activity.

Q4. Answer: B
IPO is the first public offer by an unlisted issuer.

Q5. Answer: A
FPO means a further public offer by an already listed issuer.

Q6. Answer: B
Rights are offered to existing shareholders, generally in a stated ratio based on holdings at the record date.

Q7. Answer: B
Bonus shares are issued to existing holders without fresh consideration, subject to the applicable framework.

Q8. Answer: A
OFS transfers existing securities; the selling holder receives the sale proceeds.

Q9. Answer: A
Qualified Institutions Placement is a listed-issuer route to Qualified Institutional Buyers under the ICDR framework.

Q10. Answer: C
A demat account is the electronic securities-holding account; a trading account is the order/trading interface.

MODULE 21 ANSWERS - CONTINUED

Q11. Answer: B
The DP interfaces with investors on behalf of the depository.

Q12. Answer: B
NAV per unit reflects scheme net assets - assets minus liabilities - divided by units outstanding.

Q13. Answer: A
The AMC manages the scheme portfolio under the mutual-fund structure.

Q14. Answer: B
An ETF is a pooled investment vehicle whose units trade on an exchange.

Q15. Answer: C
Category III AIFs may use diverse or complex trading strategies and leverage subject to the regulatory framework.

Q16. Answer: B
Ratings assess credit risk; they do not guarantee that default cannot happen.

Q17. Answer: B
REIT focuses on real-estate assets; InvIT on infrastructure assets under their respective frameworks.

Q18. Answer: A
A debenture/bond creates a debt/creditor relationship rather than ownership like equity.

Q19. Answer: B
The 2026 Mutual Funds Regulations came into force from 1 April 2026; the 1996 regulations are historical.

Q20. Answer: D
Secondary-market trading transfers already-issued securities; the other statements collapse distinct roles/mechanisms.

MODULE 22

FOREX, FEMA, EXTERNAL SECTOR & TRADE FINANCE

Do not memorise forex as unrelated account names. First identify resident/non-resident status, transaction type and the authorised route through which foreign exchange is handled.

22.1 FEMA, 1999: facilitation and orderly forex management

The Foreign Exchange Management Act, 1999 (FEMA) replaced the earlier Foreign Exchange Regulation Act (FERA) and came into force on 1 June 2000. Its statutory objective is to facilitate external trade and payments and promote the orderly development and maintenance of the foreign-exchange market in India.

Primary source: India Code - Foreign Exchange Management Act, 1999 Official source

EXAM TRAP
FEMA residence is not the same thing as citizenship. Many permissions depend on whether a person is “resident in India” or “resident outside India” under FEMA definitions.

22.2 Authorised Persons: not everyone may deal in foreign exchange

Category	Current RBI exam-level scope
AD Category-I	Select banks authorised to carry out all permissible current and capital account transactions as per RBI directions.
AD Category-II	Select entities authorised for specified non-trade related current-account transactions plus permitted money-changing activities.
AD Category-III	Select financial/other institutions authorised for specific forex transactions incidental to their business/activities.
FFMC	Registered companies authorised to purchase foreign exchange and sell it for specified purposes such as private/business travel.

Primary source: RBI FAQs - Money Changing Activities / Authorised Persons Official source

22.3 Current account vs capital account: ask what changes

A current-account transaction is a transaction other than a capital-account transaction and includes ordinary foreign-trade, services and short-term business/payment flows. A capital-account transaction changes assets or liabilities - including contingent liabilities - outside India of persons resident in India or in India of persons resident outside India, as defined under FEMA.

Type	Simple examples / mental model
Current account	Trade in goods/services, travel, education, medical and ordinary current payments subject to applicable rules.
Capital account	Transactions that alter cross-border assets/liabilities, such as permitted investment/borrowing structures.

DO NOT CONFUSE
“Current account” here is a FEMA transaction category. It is not the same concept as a bank current-account deposit.

22.4 Liberalised Remittance Scheme (LRS)

Under LRS, resident individuals - including minors - may remit up to USD 250,000 per financial year (April-March) for permissible current-account transactions, capital-account transactions or a combination of both. The ceiling is an annual scheme limit; specific prohibited/restricted transactions and separate regulatory conditions still matter.

Question	Current answer
Who gets LRS?	Resident individuals, including minors - not a generic limit for every company/HUF/trust.
Annual ceiling	USD 250,000 per financial year (April-March).
Can it cover both current + capital uses?	Yes, for permissible transactions under the framework.
Does LRS make every foreign payment automatically permissible?	No. FEMA rules, prohibited items and transaction-specific conditions still apply.

Primary source: RBI FAQs - Liberalised Remittance Scheme Official source

22.5 NRE, FCNR(B) and NRO: use currency + repatriability + purpose

Feature	NRE	FCNR(B)	NRO
Currency	Indian Rupees	Permitted freely convertible foreign currency	Indian Rupees
Typical holder	NRI/PIO/eligible non-resident under scheme	NRI/PIO/eligible non-resident under scheme	Person resident outside India for bona fide rupee transactions; rules vary by status
Account type	Savings/current/recurring/fixed deposit	Term deposit only	Savings/current/recurring/fixed deposit
Fixed-deposit tenor	Normally 1-3 years; banks may accept above 3 years as allowed	Not less than 1 year and not more than 5 years	As applicable to resident accounts
Repatriability core	Repatriable	Repatriable	Current income repatriable; NRI/PIO balances broadly remittable up to USD 1 million per FY with eligible assets, subject to conditions/taxes

Primary source: RBI FAQs - Accounts in India by Non-residents Official source

FAST MEMORY

NRE = rupee + repatriable. FCNR(B) = foreign-currency term deposit + repatriable. NRO = rupee account for bona fide Indian rupee transactions with more limited/conditional repatriability.

22.6 External Commercial Borrowing (ECB): foreign borrowing, not foreign equity

ECB is borrowing by eligible Indian resident entities from recognised non-resident lenders under RBI/FEMA rules. The framework governs eligible borrowers/lenders, permitted forms/currencies, maturity, cost, end use, hedging/reporting and route conditions. Do not confuse ECB with FDI: one creates a debt obligation; the other is equity investment.

Primary source: RBI FAQs - External Commercial Borrowings and Trade Credits (updated 16 Feb 2026) Official source

22.7 FDI vs FPI: strategic/ownership exposure vs market portfolio exposure

Feature	FDI - exam mental model	FPI - exam mental model
Core character	Direct/strategic equity investment with a more lasting ownership/business relationship under the foreign-investment framework.	Portfolio investment in market securities under the foreign-portfolio framework.
Typical exam angle	Sector/route/ownership/control and foreign-investment rules.	SEBI-registered portfolio investor, market holdings and investment limits.
Do not confuse	Not a loan like ECB.	Not automatically a controlling/strategic investment.

22.8 Balance of Trade vs Balance of Payments

Balance of Trade (BoT) compares merchandise exports and imports. Balance of Payments (BoP) is broader: it records an economy's external transactions across current, capital and financial accounts plus balancing/statistical items under the reporting framework. Therefore, BoT is only one part of the external-account picture.

Term	Covers
Balance of Trade	Exports minus imports of goods/merchandise.
Current account	Goods, services, primary income and secondary income/transfers.
Capital account	Specified capital transfers and acquisition/disposal of non-produced non-financial assets in BoP presentation.
Financial account	Cross-border investment/financial flows such as direct, portfolio and other investment/reserve assets.
Balance of Payments	The broad external-transaction statement containing these components.

22.9 Forex reserves: more than US-dollar cash

India's official foreign-exchange reserves are commonly reported in four broad components: Foreign Currency Assets (FCA), gold, Special Drawing Rights (SDRs), and the Reserve Tranche Position in the IMF. FCA itself can change because of both transactions and valuation movements.

SDR IN ONE LINE
Special Drawing Right is an international reserve asset created by the IMF. It is not a circulating national currency and not a cryptocurrency.

22.10 Letter of Credit (LC): the bank deals in compliant documents

In a documentary Letter of Credit, the importer/buyer is the applicant, the exporter/seller is the beneficiary, and the applicant's bank is the issuing bank. An advising bank communicates/authenticates the credit to the beneficiary; a confirming bank may add its own undertaking when confirmation is provided. The issuing/confirming bank's obligation is tied to presentation of complying documents under the credit terms - not to physically inspecting the goods.

Party	Role
Applicant	Usually importer/buyer requesting the LC.
Issuing bank	Issues the LC and undertakes payment/honour subject to compliant presentation and terms.
Beneficiary	Usually exporter/seller entitled to present documents.
Advising bank	Advises/authenticates the LC to beneficiary without automatically becoming confirmer.
Confirming bank	Adds its own undertaking where confirmation is added.

22.11 Special Rupee Vostro Account (SRVA): international trade settlement in INR

RBI's SRVA mechanism is an additional arrangement for settlement of international trade in Indian Rupees. A foreign correspondent bank may open a Special Rupee Vostro Account with an AD bank in India. INR receipts/payments for trade are routed through this special account under the framework; the INR-foreign currency exchange rate is market determined.

Question	Current RBI answer / exam use
Is SRVA just the same as a normal Rupee Vostro account?	No. RBI treats SRVA as a distinct additional international-trade-settlement arrangement.
Who opens it in India?	A foreign bank/correspondent relationship maintains SRVA with an eligible AD bank in India under the mechanism.
Can an Indian branch of a foreign bank open SRVA for a foreign branch/head office?	Yes, if the Indian branch is an AD bank, subject to the framework.
How is INR exchange rate determined?	Market determined.
Can multiple SRVAs exist?	Yes; RBI FAQ permits multiple arrangements subject to rules.

Primary source: RBI FAQ - Special Rupee Vostro Account (updated 30 July 2026) Official source

22.12 LIVE LAYER - what to date-stamp

CURRENT RULE SNAPSHOT - 15 AUGUST 2026
LRS: USD 250,000 per resident individual per financial year. SRVA FAQ: updated 30 July 2026; INR exchange rate is market determined and SRVA is an additional trade-settlement arrangement. ECB/Trade Credit FAQ: updated 16 February 2026. NRE/NRO/FCNR(B): use RBI account rules for currency, tenor and repatriability; do not freeze a coaching table without date/source.

22.13 Exam Trap Board

Trap	Correct mental answer
FEMA and FERA are both current governing Acts	No. FEMA, 1999 replaced FERA and came into force in 2000.
Residence under FEMA = citizenship	No. FEMA residence is a statutory status concept.
AD-I, AD-II and AD-III have identical permissions	No. Their authorised transaction scope differs.
LRS USD 250,000 applies to every company and trust	No. LRS is for resident individuals, including minors.
NRE and NRO are both fully repatriable in the same way	No. NRE is repatriable; NRO balance remittance is conditional/limited under rules.
FCNR(B) is a rupee savings account	No. It is a foreign-currency term-deposit scheme.
ECB is foreign equity investment	No. ECB is borrowing/debt.
BoT and BoP mean the same thing	No. BoT is goods trade; BoP is the broader external account.
SDR is a national currency	No. It is an IMF-created international reserve asset.
Normal Vostro and SRVA are identical	No. SRVA is a distinct additional INR trade-settlement arrangement.

30-SECOND RECALL
FEMA replaced FERA; residence matters. AD-I broad current+capital, AD-II specified non-trade current, AD-III business-incidental, FFMC money changing. LRS = USD 250k / resident individual / FY. NRE rupee repatriable; FCNR(B) foreign-currency term deposit; NRO rupee + conditional remittance. ECB = debt. FDI strategic/direct, FPI portfolio. BoT is goods; BoP is broader. Reserves = FCA + gold + SDR + IMF reserve tranche. LC = documents. SRVA = INR international-trade settlement through special Vostro.

MODULE 22 - PRACTICE CHECK

18 five-option questions - FEMA architecture, account comparison, remittance logic and trade settlement

Q1. FEMA, 1999 primarily replaced which earlier foreign-exchange law?
(A) FERA (B) SEBI Act (C) RBI Act (D) Companies Act (E) PMLA

Q2. Which phrase best captures FEMA’s statutory objective?
(A) Ban all foreign trade (B) Facilitate external trade/payments and orderly forex-market development (C) Regulate only stock exchanges (D) Insure bank deposits (E) Issue currency notes

Q3. A FEMA current-account transaction is fundamentally:
(A) Any bank current-account deposit (B) A transaction other than a capital-account transaction, including ordinary trade/services/current payments (C) Only equity investment abroad (D) Only ECB borrowing (E) Only FDI

Q4. Which authorised-person category may carry out all permissible current and capital account transactions as per RBI directions?
(A) AD Category-I (B) AD Category-II only (C) AD Category-III only (D) FFMC only (E) SEBI broker

Q5. AD Category-II entities are principally authorised for:
(A) All capital-account transactions without restriction (B) Specified non-trade related current-account transactions and permitted money-changing activities (C) Issuing currency notes (D) Stock-exchange regulation (E) Deposit insurance

Q6. AD Category-III authorisation is generally for:
(A) Specific forex transactions incidental to the institution’s business/activities (B) All retail bank deposits (C) Only IPOs (D) Only gold imports by RBI (E) No forex transaction

Q7. What is the current LRS annual ceiling per resident individual?
(A) USD 25,000 (B) USD 100,000 (C) USD 250,000 (D) USD 1 million (E) No annual ceiling

Q8. LRS is available primarily to:
(A) Resident individuals, including minors (B) Only listed companies (C) Only NRIs (D) Only banks (E) Only mutual funds

Q9. Which pairing is correct?
(A) NRE - foreign-currency term deposit only (B) FCNR(B) - permitted foreign-currency term deposit (C) NRO - fully repatriable without conditions (D) NRE - non-repatriable (E) FCNR(B) - rupee current account

Q10. Which account is an Indian-rupee, repatriable non-resident account under the standard framework?
(A) NRE (B) FCNR(B) (C) NRO only (D) EEFC only (E) SRVA only

MODULE 22 PRACTICE - CONTINUED

Q11. For NRI/PIO balances in NRO accounts, the commonly tested annual remittance facility is broadly:
(A) USD 10,000 with no conditions (B) USD 1 million per financial year, subject to applicable conditions (C) Unlimited with no tax documentation (D) USD 250,000 under LRS only (E) Not permitted under any circumstance

Q12. ECB is best described as:
(A) Foreign equity ownership only (B) External borrowing by eligible resident entities under the RBI/FEMA framework (C) A mutual fund scheme (D) A deposit insurance product (E) An IPO route

Q13. Which is the better conceptual distinction?
(A) FDI is direct/strategic investment; FPI is portfolio investment (B) FDI is always a loan; FPI is always a deposit (C) FDI is domestic only; FPI is cash only (D) They are identical (E) Both are RBI policy rates

Q14. Balance of Trade primarily compares:
(A) Goods exports and goods imports (B) All capital inflows only (C) Gold reserves and SDR (D) FDI and FPI only (E) Bank deposits and loans

Q15. Which is NOT one of the four broad components commonly reported in India's forex reserves?
(A) Foreign Currency Assets (B) Gold (C) SDRs (D) IMF Reserve Tranche Position (E) Domestic CRR balances of banks

Q16. An SDR is:
(A) A national currency issued by RBI (B) An IMF-created international reserve asset (C) A corporate bond (D) A bank current account (E) A stock exchange index

Q17. In a documentary letter of credit, the exporter/seller is usually the:
(A) Applicant (B) Beneficiary (C) Issuing bank (D) RBI (E) Depository participant

Q18. Which statement about SRVA is correct?
(A) It is identical to every normal Rupee Vostro account (B) It is an additional mechanism for settling international trade in INR and the exchange rate is market determined (C) It is a mutual fund account (D) It is only for resident retail savings (E) It replaces FEMA

MODULE 22 - ANSWERS & TEACHING EXPLANATIONS

Q1. Answer: A
FEMA replaced the Foreign Exchange Regulation Act (FERA) and came into force on 1 June 2000.

Q2. Answer: B
FEMA is framed around facilitation of external trade/payments and orderly development/maintenance of the forex market.

Q3. Answer: B
FEMA current-account transaction is a statutory transaction category, not a deposit-account type.

Q4. Answer: A
RBI authorises select banks as AD Category-I for all permissible current and capital account transactions under directions.

Q5. Answer: B
AD-II has a narrower specified non-trade current-account/money-changing scope.

Q6. Answer: A
RBI authorises select financial/other institutions as AD-III for specific forex transactions incidental to their business.

Q7. Answer: C
The LRS ceiling is USD 250,000 per financial year per resident individual, subject to permissible-transaction rules.

Q8. Answer: A
LRS is a scheme for resident individuals, including minors; it is not a universal remittance limit for all entities.

Q9. Answer: B
FCNR(B) is maintained in permitted foreign currency and is a term-deposit scheme.

Q10. Answer: A
NRE is denominated in Indian rupees and is repatriable under the scheme.

MODULE 22 ANSWERS - CONTINUED

Q11. Answer: B
RBI's non-resident account FAQ notes remittance of eligible NRO balances up to USD 1 million per FY for NRIs/PIOs, subject to conditions.

Q12. Answer: B
External Commercial Borrowing is debt/borrowing, not equity investment.

Q13. Answer: A
FDI reflects direct/strategic equity investment while FPI is portfolio-market investment under separate frameworks.

Q14. Answer: A
BoT is merchandise/goods trade; BoP is the broader external-transaction statement.

Q15. Answer: E
CRR balances are not a component of official forex reserves; FCA, gold, SDR and IMF reserve tranche position are.

Q16. Answer: B
Special Drawing Right is an international reserve asset created by the IMF, not a circulating currency.

Q17. Answer: B
The importer/buyer is normally the applicant; exporter/seller is the beneficiary.

Q18. Answer: B
RBI treats SRVA as a distinct additional INR international-trade settlement arrangement; exchange rate is market determined.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 22 - FOREX, FEMA, EXTERNAL SECTOR & TRADE FINANCE

PYQ SIGNATURE

FEMA concept traps, AD categories, LRS eligibility/limit, SRVA and trade-finance route selection.

LIVE CHECKPOINT -> Forex limits, lists and trade-settlement frameworks can change -> re-check current source.

5 Mains Application Questions

Q1. Which conceptual set is correct?

A. FEMA replaced FERA; residence is not identical to citizenship; a current-account transaction under FEMA is not a bank current account
B. FEMA and FERA are identical
C. Residence always equals passport citizenship
D. Current-account transaction means current deposit account only
E. FEMA regulates only insurance

Q2. Which Authorised Dealer role set is correct at exam level?

A. AD-I broad permissible current/capital transactions; AD-II specified non-trade current-account business; AD-III specific business-incidental forex activities
B. All AD categories are identical
C. AD-II sets monetary policy
D. AD-III issues currency
E. Only SEBI appoints AD banks

Q3. The Liberalised Remittance Scheme ceiling highlighted for a resident individual is:

A. USD 25,000 per month
B. USD 250,000 per financial year, subject to permissible transactions and conditions
C. USD 1 million daily
D. No ceiling
E. Rs 2 lakh

Q4. A Special Rupee Vostro Account (SRVA) is best understood as:

A. A separate INR settlement arrangement used for permitted international trade through the banking framework
B. A savings account for resident individuals
C. A DICGC account
D. A Basel capital reserve
E. A cheque-clearing code

Q5. An Indian company wants to remit under the resident-individual LRS merely because its directors are resident Indians. Safest answer:

A. Allowed automatically
B. LRS is for resident individuals; the company must use the applicable corporate/FEMA route
C. Use DICGC
D. Use PMJDY
E. Use KCC

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 22 - FOREX, FEMA, EXTERNAL SECTOR & TRADE FINANCE

Q1 - A These are classic terminology traps in external-sector questions.

Q2 - A The category tells you the permitted scope of foreign-exchange business.

Q3 - B LRS is a resident-individual scheme and should not be casually applied to companies.

Q4 - A SRVA is part of the rupee international-trade settlement architecture and is distinct from ordinary customer deposit accounts.

Q5 - B Eligibility belongs to the person/entity and transaction category, not just the residence of directors.

MAINS TAKEAWAY

Do not ask only "Do I know this fact?" Ask: Is it permanent or live? Which institution/category does it belong to? What older answer could the examiner use as a distractor?

MODULE 23

INSURANCE AWARENESS

Risk pooling first. Policy words second. Product facts last.

23.1 Why insurance exists: many contribute so the few who suffer covered loss can be paid

Insurance transfers a defined financial risk from the policyholder/insured to an insurer in exchange for premium, subject to the contract. The insurer pools many similar risks. The pool works because not everyone suffers the insured event at the same time, while pricing, underwriting, reserves and reinsurance help the insurer remain able to pay claims.

MENTAL MODEL
Premium is the price paid for protection. It is not the claim amount. The claim/benefit depends on the policy promise and the insured event.

23.2 Life, general and health insurance: start with what is being protected

Type	Plain-language purpose	Typical policy logic
Life insurance	Protects against life-related risk and may provide a stated benefit on death or other policy event.	Benefit / sum-assured language is common.
General insurance	Covers non-life risks such as motor, property, travel, liability and other permitted risks.	Often indemnity-based: compensate eligible financial loss up to policy terms/limits.
Health insurance	Covers health-related medical/benefit risks under health-insurance products.	Can include indemnity-based reimbursement and benefit-based covers; do not assume every health policy works identically.

23.3 Policy anatomy: do not let similar words collapse into one

Term	Exam-ready meaning	Trap
Premium	Amount paid for insurance cover.	Not the sum insured / benefit.
Sum assured	Stated benefit amount commonly used in life-insurance context.	Do not automatically use it as a synonym for every health/general policy limit.
Sum insured	Maximum coverage limit commonly used in indemnity-type general/health covers.	It is not premium.
Policyholder / proposer	Person who owns/takes the policy and is responsible for the contract/premium as applicable.	May or may not be the life assured/insured person in every policy.
Insured / life assured	Person or subject on whose risk the cover is written.	Do not automatically assume this is the nominee.
Nominee	Person nominated to receive policy money in the event contemplated by law/policy; nomination does not automatically equal assignment.	Nominee and assignee are different legal ideas.
Assignee	Person/entity to whom policy rights are transferred by assignment where legally permitted.	Assignment can change rights in the policy; nomination alone is not the same transfer.

23.4 Nomination vs assignment

For exam purposes, nomination identifies who should receive policy money in the relevant event, while assignment transfers rights/interests in the policy to another person/entity subject to law and policy terms. The safest mental distinction is: nomination = receiver named; assignment = rights transferred.

EXAM TRAP
“Nominee” and “beneficiary” are often used loosely in coaching notes. Read the question carefully: if it asks about legal transfer of policy rights, the operative idea is assignment, not mere nomination.

23.5 Reinsurance: insurance for the insurer

An insurer may transfer part of the risk it has accepted to a reinsurer. This helps manage concentration, catastrophe exposure and capital volatility. The original customer still has a policy with the original insurer; reinsurance is primarily a risk-sharing arrangement behind the insurer.

Party	Role
Policyholder / insured	Buys the original insurance cover.
Insurer / cedant	Issues the original policy and may cede part of its accepted risk.
Reinsurer	Accepts part of the insurer's risk under a reinsurance arrangement.

23.6 IRDAI: regulator, not insurer

The Insurance Regulatory and Development Authority of India (IRDAI) regulates and develops the insurance sector and protects policyholder interests under the statutory framework. It does not itself sell ordinary retail insurance policies. Insurers, intermediaries and distribution channels operate within the regulatory framework.

Primary source: IRDAI - consolidated regulations and Insurance Products Regulations, 2024 Official source

23.7 Distribution: agent, broker and bancassurance

Channel / intermediary	Plain-language role	Do not confuse
Insurance agent	Solicits/procures insurance business for the insurer(s) as permitted by the applicable framework.	Not the regulator.
Insurance broker	Intermediary that can advise/arrange insurance within its licensed category and regulatory duties.	Not the same role as an insurer's individual agent.
Bancassurance	Distribution of insurance through a bank channel under the applicable corporate-agent / distribution framework.	The bank distributes; it does not become the insurance regulator.
Corporate agent	Registered entity permitted to solicit/service insurance business within regulatory limits.	A bank may operate as a corporate-agent channel, but “bank” and “insurer” remain distinct roles.

23.8 Standard products: learn why they exist, not stale price tables

IRDAI has used standard-product frameworks so customers can compare certain minimum/common features more easily. For this master capsule, examples such as Arogya Sanjeevani or Saral Jeevan Bima are used only to understand the idea of a standard product. Product-specific premiums, age bands, benefits or insurer variants can change and therefore belong in a live update rather than permanent memory.

CURRENT-RULE CHECK
If an old PDF asks a product-specific age, sum insured, premium or waiting-period number, do not treat the old number as timeless. Verify the current product/regulation before teaching it as a live fact.

23.9 LIVE RULE - the old blanket “health insurance only up to age 65” memory is obsolete

IRDAI's current health-insurance framework requires insurers to make available products/add-ons/riders catering to all ages, along with wider customer/medical-condition needs. The old recall of a blanket upper entry age of 65 should therefore be taught only as a historical PYQ trap, not as the current universal answer.

Primary source: IRDAI Master Circular on Health Insurance Business - 29 May 2024 Official source

OLD -> CURRENT
OLD PYQ memory: “maximum entry age 65 years.” CURRENT: there is no blanket industry-wide 65-year ceiling that every health insurer/product must use. Product terms can still have product-specific eligibility; check the current product.

23.10 LIVE LIST - Domestic Systemically Important Insurers (D-SIIs), FY 2025-26

IRDAI's 2 April 2026 D-SII release continues to identify three insurers as systemically important: Life Insurance Corporation of India (LIC), General Insurance Corporation of India (GIC Re) and The New India Assurance Company Limited. The exam angle is classification and institution type, not merely memorising three names.

D-SII	Institution type / recall anchor
LIC	Life insurer.

D-SII	Institution type / recall anchor
GIC Re	Indian reinsurer.
The New India Assurance Co. Ltd.	General insurer.

Primary source: IRDAI Press Releases - D-SIIs dated 2 April 2026 Official source

23.11 Exam Trap Board

Trap statement	Correct mental answer
Premium = sum insured	No. Premium is the price of cover; sum insured/assured is a coverage/benefit amount.
Nomination transfers policy rights	Not by itself. Assignment is the rights-transfer concept.
Reinsurer sells the customer's original policy	Usually no. The original insurer contracts with the customer; reinsurance shares insurer risk.
IRDAI is an insurance company	No. IRDAI is the regulator.
Every health policy has maximum entry age 65	Obsolete blanket rule. Current framework requires products across all ages; individual product terms still matter.
All D-SIIs are life insurers	No. Current list spans life, reinsurance and general insurance.

30-SECOND RECALL
Insurance = risk pooling. Premium pays for cover. Sum assured / sum insured = benefit/coverage amount. Nomination ≠ assignment. Reinsurance shares insurer risk. IRDAI regulates. Bancassurance = bank distribution channel. Old 65-year blanket health-entry rule is obsolete. FY 2025-26 D-SIIs: LIC, GIC Re, New India Assurance.

MODULE 23 - PRACTICE CHECK

20 five-option questions - concept logic + regulator roles + changed-rule traps

Q1. Which statement best describes the basic economic logic of insurance?
(A) Every insured person receives more than the premium paid (B) Many similar risks are pooled so covered losses of some can be paid from the pool (C) The insurer guarantees investment profit on every policy (D) Insurance removes the possibility of loss (E) Insurance works only when the government pays claims

Q2. In an insurance policy, premium is best described as:
(A) The maximum claim amount (B) The price/consideration paid for insurance cover (C) The amount paid by a reinsurer (D) The market value of the insurer (E) The nominee's share

Q3. Which pair is most appropriately matched?
(A) Life insurance - only property damage (B) General insurance - only death benefit (C) Health insurance - health-related risks under health products (D) Reinsurance - customer savings account (E) IRDAI - retail insurer

Q4. The term “sum assured” is most commonly associated with:
(A) A stated benefit amount in life-insurance context (B) The annual premium only (C) Broker commission (D) A stock-exchange margin (E) Bank deposit insurance

Q5. Which statement correctly distinguishes nomination from assignment?
(A) Both always mean the same thing (B) Nomination names a receiver; assignment transfers policy rights/interests subject to law (C) Assignment only changes the nominee's address (D) Nomination transfers all ownership rights automatically (E) Neither can exist in insurance

Q6. Reinsurance is best described as:
(A) Insurance bought by a customer from two banks (B) Risk sharing where an insurer transfers part of accepted risk to a reinsurer (C) A mutual fund guarantee (D) A government pension (E) A health-insurance waiting period

Q7. Who is the statutory insurance-sector regulator in India?
(A) SEBI (B) PFRDA (C) IRDAI (D) NABARD (E) DICGC

Q8. In bancassurance, the bank primarily acts as:
(A) Insurance regulator (B) Distribution channel/intermediary under the applicable framework (C) Reinsurer of all policies (D) Stock exchange (E) Pension fund

Q9. Which statement about an insurance broker is the most accurate at exam level?
(A) It is identical to IRDAI (B) It is an insurance intermediary operating within its licensed category and duties (C) It is always the same as an individual agent (D) It prints currency notes (E) It guarantees every claim

Q10. A standard insurance product is most usefully understood as:
(A) A product whose price can never change (B) A regulator-prescribed common/minimum product framework intended to improve comparability/access (C) A bank fixed deposit (D) A government security (E) A reinsurer-only contract

MODULE 23 PRACTICE - CONTINUED

Q11. Which statement reflects the current health-insurance framework rather than an old PYQ-era shortcut?
(A) Every health product must stop new entry at age 65 (B) Insurers should make health products/add-ons/riders available for all ages, while product terms still matter (C) Health insurance is only for people below age 40 (D) IRDAI has prohibited senior-citizen health products (E) All health policies have identical entry ages

Q12. An older memory-based question asks the maximum health-insurance entry age and gives 65 as the answer. For a 2026 current-rule question, the best approach is to:
(A) Memorise 65 as timeless (B) Treat 65 as historical and verify the current product/regulatory position (C) Replace it with 70 without checking (D) Assume no product can have age conditions (E) Ignore IRDAI

Q13. Which insurer is a reinsurer in the current D-SII list?
(A) LIC (B) GIC Re (C) New India Assurance (D) All three are reinsurers (E) None

Q14. Which set correctly represents the IRDAI D-SIIs identified in the 2 April 2026 release?
(A) LIC, GIC Re, New India Assurance (B) SBI Life, LIC, HDFC Life (C) LIC, DICGC, GIC Re (D) New India, SEBI, LIC (E) IRDAI, LIC, GIC Re

Q15. A company being classified as D-SII primarily signals:
(A) It is owned by RBI (B) Its distress/failure could have significant systemic implications, requiring enhanced supervisory attention (C) It must be a life insurer (D) It cannot sell insurance (E) Its premium is government-fixed

Q16. Which is the best description of “sum insured”?
(A) Premium payable every month (B) Coverage limit commonly used in indemnity-type general/health insurance (C) Broker licence fee (D) IRDAI capital (E) Nominee name

Q17. Which party normally remains responsible to the policyholder under the original insurance policy even if part of the risk is reinsured?
(A) The original insurer (B) The reinsurer alone (C) The stock exchange (D) The pension fund (E) The depository

Q18. Which statement is correct?
(A) IRDAI sells all insurance policies in India (B) A bank distributing insurance through bancassurance becomes an insurer automatically (C) IRDAI regulates; insurers underwrite/sell cover through permitted channels (D) GIC Re is a pension regulator (E) An agent is the same as a reinsurer

Q19. Which term identifies the person whose life/risk is covered, and may be different from the policyholder in some contracts?
(A) Life assured / insured (B) Depository participant (C) Reinsurer only (D) Pension fund (E) Stock broker

Q20. For future-proof exam preparation, which insurance fact belongs most clearly in a Live Layer rather than permanent theory?
(A) Risk pooling concept (B) Meaning of reinsurance (C) Current D-SII list and product-specific age/benefit rules (D) Difference between premium and sum insured (E) Role of an insurance regulator

MODULE 23 - ANSWERS & TEACHING EXPLANATIONS

Q1. Answer: B
Insurance pools many similar risks and prices them through premium. Covered claims are paid according to policy terms; insurance does not make loss impossible or guarantee profit.

Q2. Answer: B
Premium is the amount paid for the insurance protection. It should not be confused with sum assured, sum insured or claim amount.

Q3. Answer: C
Health insurance covers health-related risks under health-insurance products. Life/general/reinsurance/IRDAI have different roles.

Q4. Answer: A
Sum assured is commonly used for a stated benefit in life insurance. “Sum insured” is more common for coverage limits in indemnity-type general/health products.

Q5. Answer: B
The exam-safe distinction is nomination = named receiver; assignment = transfer of rights/interests in the policy where legally permitted.

Q6. Answer: B
Reinsurance allows the original insurer to share part of its accepted risk with a reinsurer, helping manage concentration and capital volatility.

Q7. Answer: C
IRDAI is the statutory insurance regulator. SEBI regulates securities markets and PFRDA regulates pensions.

Q8. Answer: B
Bancassurance means insurance distribution through a bank channel. The bank does not become the insurance regulator merely because it distributes policies.

Q9. Answer: B
A broker is a regulated insurance intermediary. Its role is different from the regulator and from an insurer's individual agent.

Q10. Answer: B
The teaching point is standardisation of core features/framework. Product-specific numbers can still change and should be verified in the live layer.

MODULE 23 ANSWERS - CONTINUED

Q11. Answer: B
The 2024 IRDAI health master circular moved away from the old blanket 65-year memory and requires availability catering to all ages; specific product conditions still need checking.

Q12. Answer: B
Old 65-year blanket recall is no longer a safe current answer. Current rules and product-specific eligibility must be checked.

Q13. Answer: B
GIC Re is the reinsurer among the three D-SIIs. LIC is a life insurer and New India Assurance is a general insurer.

Q14. Answer: A
IRDAI's FY 2025-26 D-SII release lists LIC, GIC Re and The New India Assurance Company Ltd.

Q15. Answer: B
D-SII classification is about systemic importance, size/interconnectedness/substitutability and supervisory significance, not a simple ownership label.

Q16. Answer: B
Sum insured is a coverage limit in many general/health indemnity products. It is not the premium.

Q17. Answer: A
The policyholder contracts with the original insurer. Reinsurance is generally a separate risk-sharing arrangement between insurer and reinsurer.

Q18. Answer: C
The regulatory and commercial roles must remain separate: IRDAI regulates; insurers underwrite; intermediaries/distributors facilitate permitted sales/service.

Q19. Answer: A
The insured/life assured is the person or risk covered. The policyholder/proposer may be the same person or a different permitted person depending on the contract.

Q20. Answer: C
Lists, product specifications, ownership/merger status and numeric eligibility rules can change; the underlying concepts are more durable.

MODULE 24

PENSION & RETIREMENT PRODUCTS

Follow the money: enrol -> PRAN -> contribution -> recordkeeping/investment -> corpus -> exit/annuity.

24.1 PFRDA and the NPS architecture

The Pension Fund Regulatory and Development Authority (PFRDA) is the statutory regulator for the pension framework it administers/regulates, including NPS and APY architecture. NPS is a defined-contribution, market-linked pension system: contributions are invested through registered pension funds and the retirement benefit depends on accumulated corpus and exit choices/rules rather than a universally pre-fixed pension amount.

Primary source: PFRDA - About NPS / All Citizen Model Official source

24.2 PRAN: the portable identity of an NPS subscriber

PRAN means Permanent Retirement Account Number. It is the subscriber's portable NPS identifier and remains the core account identity across permitted employment/sector/location changes. PRAN is not itself a pension fund, annuity product or bank account number.

EXAM TRAP

PRAN is an identifier. Tier I/Tier II are account types. CRA maintains records. Pension Funds invest. PoP provides service/onboarding. These are different layers of the same ecosystem.

24.3 Tier I vs Tier II: pension account vs optional investment account

Feature	Tier I	Tier II
Core character	Default individual pension account.	Optional investment account requiring an active Tier I account.
Withdrawal	Subject to NPS exit/withdrawal rules.	Generally unrestricted withdrawals.
Tax positioning	Tax benefits may apply under the tax law / subscriber situation.	No general contribution/gain tax benefit merely because it is NPS Tier II, except specifically notified cases.
NRI / OCI	Eligible for Tier I subject to current NPS eligibility/KYC.	Current PFRDA All Citizen page says NRIs/OCIs with Tier I cannot activate Tier II.
Purpose	Retirement accumulation.	Flexible optional investment alongside Tier I.

Primary source: PFRDA - NPS All Citizen Model Official source

24.4 Who does what in NPS?

Entity	Plain-language role
PFRDA	Regulates the pension system/intermediaries under its statutory framework.
NPS Trust	Holds/oversees NPS assets and protects subscriber interests within the architecture.
Central Recordkeeping Agency (CRA)	Maintains subscriber records/accounts, transactions and related recordkeeping systems.
Point of Presence (PoP)	Front-end service/onboarding/contribution interface for subscribers.
Pension Fund	Actually invests the pension contributions according to the chosen/permitted investment pattern.
Trustee Bank	Handles fund-flow/banking functions within NPS architecture.
Annuity Service Provider (ASP)	Provides annuity/pension product when annuity is purchased at exit.

24.5 Asset allocation and annuity: growth phase vs payout phase

During accumulation, NPS contributions are invested in permitted asset classes through pension funds and the subscriber may have investment-choice flexibility depending on the scheme. In the payout phase, an annuity converts part of the retirement corpus into periodic income under the annuity contract. The Pension Fund and the Annuity Service Provider are therefore not the same entity or job.

24.6 LIVE RULE - NPS All Citizen: age, contribution and exit changed materially

Current point (checked 15 Aug 2026)	Rule / meaning
Eligibility age	Indian citizen (resident/non-resident) or OCI: 18 to 85 years, subject to KYC and other conditions.
Current common-scheme contribution floor	Rs 250 at onboarding and Rs 10 per subsequent contribution under the revised PoP/common-scheme framework effective 1 January 2026.
Maximum contribution	No upper contribution limit stated for All Citizen contributions.
Normal-exit architecture	After age 60 or 15-year vesting period (whichever is earlier under current All Citizen framework): up to 80% lump sum and at least 20% annuity, subject to small-corpus alternatives.
Premature exit	Before normal-exit condition: up to 20% lump sum and at least 80% annuity; current small-corpus exception permits full payout where corpus is Rs 5 lakh or below.
Old lock-in	The previous five-year minimum subscription lock-in in the All Citizen model has been removed under the current framework.

Primary source: PFRDA - NPS All Citizen current eligibility and exit framework Official source

Primary source: PFRDA Pension Bulletin - March 2026 (current contribution floor) Official source

OLD -> CURRENT CONTRIBUTION TRAP
Legacy All Citizen FAQ pages still show older Tier-I minimums. The 2026 PoP/common-scheme contribution framework uses Rs 250 at onboarding and Rs 10 for subsequent contributions. Do not copy the old Tier-I table into a 2026 current-rule question.

24.7 Tier II contribution numbers are separate - do not merge them with Tier I

PFRDA's Tier II FAQ continues to show a minimum Rs 1,000 to open Tier II and Rs 250 for a subsequent Tier II contribution. That is a Tier II rule. It should not be used to overwrite the new All Citizen Tier-I/common-scheme contribution floor above.

Primary source: PFRDA - NPS All Citizen FAQ (Tier II table; use only for Tier II values) Official source

EXAM TRAP
If a question says “Tier II”, use Tier II rules. If it says current All Citizen onboarding/subsequent contribution under the revised 2026 common-scheme framework, use Rs 250 / Rs 10. The account label matters.

24.8 Atal Pension Yojana (APY): guaranteed pension, different design from NPS

Feature	APY current exam anchor
Entry age	18 to 40 years.
Account prerequisite	Savings bank account / post-office savings bank account.
Taxpayer restriction	From 1 October 2022, a citizen who is or has been an income-tax payer as on the application date cannot open a new APY account.
Benefit design	Central Government guaranteed minimum pension choice: Rs 1,000 / 2,000 / 3,000 / 4,000 / 5,000 per month after age 60, based on contribution/selected pension.
Family benefit	After subscriber death, spouse receives same guaranteed pension; after both, accumulated pension wealth is returned to nominee as per scheme.
One vs many	One APY account per person; a minor cannot open APY.

Primary source: PFRDA - Atal Pension Yojana FAQs Official source

NPS VS APY
NPS All Citizen is market-linked defined-contribution retirement accumulation. APY is a government-backed minimum-pension design with entry-age and taxpayer eligibility conditions. Do not transfer NPS age/exit rules into APY.

24.9 NPS Vatsalya: NPS account for a minor

NPS Vatsalya is available to Indian citizens below age 18, including eligible NRIs/OCIs. The account is opened/operated by the guardian for the minor. Current material shows a minimum Rs 250 opening/yearly contribution and no maximum. At 18, fresh KYC is required; the subscriber can continue under Vatsalya up to 21, shift to regular NPS, or use the permitted exit route.

Current Vatsalya point	Exam-ready rule
Who can join	Indian citizen below 18, including NRI/OCI minor.
Who operates	Guardian on behalf of minor until majority / transition process.
Minimum contribution	Rs 250; no maximum contribution limit.
Partial withdrawal	After 3 years, up to 25% of contribution excluding returns for permitted purposes; frequency limits apply.
At 18	Fresh KYC; may continue to 21, shift to NPS model, or exit under current Vatsalya rules.
Small-corpus exit at 18-21	100% withdrawal if corpus is below Rs 8 lakh; otherwise current 80% lump-sum / 20% annuity framework can apply.

Primary source: PFRDA - NPS Vatsalya Official source

24.10 NPS Sanchay: a new 2026 simplified variant

PFRDA introduced NPS Sanchay on 6 May 2026 as a simplified NPS variant under the All Citizen Model / Multiple Schemes Framework for the informal sector. Its design reduces the complexity of selecting investment options and asset allocation for workers who may have irregular incomes or limited advisory support.

Point	Current fact
Launch circular	PFRDA/2026/25/NPS-AGRI/01 dated 6 May 2026.
Target logic	Simplified NPS access for the informal workforce.
Eligibility	Indian citizen aged 18 to 85 years.
Exit / partial withdrawal	Current NPS exit/withdrawal framework applies.
Contribution floor	Follows the common-scheme PoP contribution framework unless PFRDA specifies otherwise.

Primary source: PFRDA - NPS Sanchay circular dated 6 May 2026 Official source

24.11 Exam Trap Board

Trap statement	Correct mental answer
PRAN is a pension fund	No. PRAN is the subscriber's permanent retirement account number/identifier.
Tier II is the compulsory pension account	No. Tier I is the default pension account; Tier II is optional and requires active Tier I.
All current NPS minimum contributions are Rs 1,000	No. Current All Citizen common-scheme floor is Rs 250 onboarding / Rs 10 subsequent; Tier II separately uses Rs 1,000 opening / Rs 250 subsequent.
NPS normal exit still means 60% lump + 40% annuity for current All Citizen	Old framework. Current All Citizen normal-exit architecture allows up to 80% lump sum and requires at least 20% annuity, subject to alternatives/exceptions.
APY age is 18-85	No. APY joining age is 18-40.
An income-tax payer can freely open new APY in 2026	No. From 1 Oct 2022, one who is or has been an income-tax payer as on application date is not eligible to open a new APY account.
NPS Vatsalya is only for adults	No. It is designed for minors below 18.
NPS Sanchay is an insurance policy	No. It is a simplified NPS variant introduced by PFRDA in May 2026.

30-SECOND RECALL

PFRDA regulates pension architecture. PRAN = permanent identifier. Tier I = pension account; Tier II = optional flexible account. Current All Citizen: age 18-85; Rs 250 onboarding + Rs 10 subsequent; normal exit up to 80% lump + at least 20% annuity. APY: 18-40, taxpayer restriction, guaranteed Rs 1k-5k pension. Vatsalya = minor. Sanchay = simplified 2026 informal-sector variant.

MODULE 24 - PRACTICE CHECK

16 five-option questions - ecosystem roles + current contribution/exit rules + APY/Vatsalya/Sanchay traps

Q1. Which statutory authority regulates the National Pension System framework?
(A) IRDAI (B) PFRDA (C) SEBI (D) DICGC (E) NABARD

Q2. PRAN stands for:
(A) Pension Regulatory Account Number (B) Permanent Retirement Account Number (C) Public Retirement Annuity Note (D) Primary Record Allocation Number (E) Pension Return Assessment Number

Q3. Which statement correctly describes NPS Tier I?
(A) Optional account with no withdrawal restriction (B) Default individual pension account subject to NPS withdrawal/exit rules (C) Only for NRIs (D) Only a bank deposit (E) An insurance policy

Q4. NPS Tier II is best described as:
(A) Compulsory annuity account (B) Optional investment account requiring active Tier I and allowing flexible withdrawals (C) Government-guaranteed pension slab (D) Health insurance account (E) Reinsurance account

Q5. Which NPS intermediary primarily maintains subscriber records and transaction/account data?
(A) Central Recordkeeping Agency (B) Pension Fund (C) Annuity Service Provider (D) IRDAI (E) Reinsurer

Q6. Which entity actually invests NPS contributions according to the permitted/selected investment pattern?
(A) Point of Presence (B) Pension Fund (C) CRA (D) DICGC (E) IRDAI

Q7. An Annuity Service Provider (ASP) is relevant mainly when:
(A) PRAN is generated (B) A subscriber purchases an annuity for retirement income (C) A bank opens a demat account (D) An insurer buys reinsurance (E) A mutual fund calculates NAV

Q8. Under the current NPS All Citizen model, the eligible age band is:
(A) 18-40 (B) 18-60 (C) 18-70 (D) 18-75 (E) 18-85

Q9. Under the revised 2026 common-scheme/PoP contribution framework for NPS All Citizen, which pairing is correct?
(A) Rs 1,000 opening / Rs 500 subsequent (B) Rs 500 opening / Rs 500 subsequent (C) Rs 250 onboarding / Rs 10 subsequent (D) Rs 10 opening / Rs 250 subsequent (E) No minimum at all

Q10. Which pairing correctly belongs specifically to NPS Tier II under the separate Tier II FAQ?
(A) Rs 1,000 opening / Rs 250 subsequent (B) Rs 250 opening / Rs 10 subsequent (C) Rs 5,000 opening / Rs 1,000 subsequent (D) Rs 100 opening / no subsequent minimum (E) Rs 10 opening / Rs 10 subsequent

MODULE 24 PRACTICE - CONTINUED

Q11. Under the current NPS All Citizen normal-exit architecture after age 60 or the applicable 15-year vesting condition, the general split is:
(A) 100% compulsory annuity (B) Up to 80% lump sum and at least 20% annuity, subject to exceptions (C) 60% annuity and 40% lump sum only (D) 20% lump sum and 80% annuity in every case (E) No lump sum permitted

Q12. Which statement about APY is correct?
(A) Joining age is 18-85 (B) It guarantees a minimum pension slab after age 60 for eligible subscribers (C) It is a mutual fund (D) It is regulated by SEBI (E) Any minor can open it

Q13. From 1 October 2022, which person is not eligible to open a new APY account?
(A) A non-taxpayer aged 25 with savings account (B) A citizen aged 35 who is or has been an income-tax payer as on application date (C) A citizen aged 20 with post-office savings account (D) An NPS subscriber who is otherwise APY-eligible and not a taxpayer (E) A citizen aged 30 with savings account

Q14. Which APY pension choices are government-guaranteed minimum monthly pensions after age 60?
(A) Rs 500-2,500 (B) Rs 1,000-5,000 in Rs 1,000 steps (C) Rs 5,000-25,000 only (D) Any amount selected by subscriber (E) Only Rs 10,000

Q15. NPS Vatsalya is primarily designed for:
(A) Only people above 60 (B) Indian citizens below age 18, including eligible NRI/OCI minors (C) Only government employees (D) Insurance agents (E) Only income-tax payers

Q16. What is NPS Sanchay?
(A) A life-insurance standard product (B) A simplified NPS variant introduced in May 2026 for the informal-sector context under All Citizen/MSF (C) A new stock exchange (D) An APY pension slab (E) A reinsurance treaty

MODULE 24 - ANSWERS & TEACHING EXPLANATIONS

Q1. Answer: B
PFRDA is the statutory pension regulator. IRDAI regulates insurance and SEBI regulates securities markets.

Q2. Answer: B
PRAN is the Permanent Retirement Account Number - the portable NPS subscriber identifier.

Q3. Answer: B
Tier I is the default pension account. Withdrawals and exit are governed by NPS rules.

Q4. Answer: B
Tier II is an optional investment account linked to an active Tier I account. It is not the core pension account.

Q5. Answer: A
The CRA performs central recordkeeping. Pension Funds invest, PoPs service/onboard and ASPs provide annuities.

Q6. Answer: B
Registered Pension Funds manage/invest NPS contributions. CRA is the recordkeeper; PoP is the front-end service point.

Q7. Answer: B
The ASP provides annuity products in the payout phase when annuity is purchased at NPS exit.

Q8. Answer: E
The current All Citizen eligibility age is 18 to 85 years, subject to citizenship/KYC and other conditions.

Q9. Answer: C
PFRDA's 2026 common-scheme framework uses Rs 250 at onboarding and Rs 10 for subsequent contributions. Older Tier-I FAQ minimums are stale for this current-rule question.

Q10. Answer: A
Tier II is a separate rule set: PFRDA's Tier II FAQ shows Rs 1,000 minimum to open and Rs 250 minimum subsequent contribution.

MODULE 24 ANSWERS - CONTINUED

Q11. Answer: B
Current All Citizen normal-exit rules allow up to 80% lump sum and require at least 20% annuity, while current small-corpus alternatives can permit different payouts.

Q12. Answer: B
APY offers government-guaranteed minimum pension choices after age 60, subject to the contribution/eligibility framework.

Q13. Answer: B
The 2022 rule bars a citizen who is or has been an income-tax payer as on the application date from opening a new APY account.

Q14. Answer: B
APY provides guaranteed minimum pension choices of Rs 1,000, 2,000, 3,000, 4,000 or 5,000 per month after age 60.

Q15. Answer: B
NPS Vatsalya is the NPS variant for minors below 18, operated by a guardian until the transition at majority.

Q16. Answer: B
PFRDA introduced NPS Sanchay on 6 May 2026 as a simplified NPS variant under All Citizen/MSF, designed particularly for informal-sector access.

MODULE 25

GOVERNMENT FINANCIAL & SMALL-SAVINGS SCHEMES

Purpose -> beneficiary -> delivery mechanism -> live rule -> exam trap

25.1 Scheme map: do not memorise ministries and numbers as separate one-liners

Scheme	Problem it solves	Core delivery mechanism
PMJDY	Basic financial access	Basic savings account + RuPay + DBT access + eligible overdraft
PMMY	Micro-enterprise credit gap	Collateral-free institutional credit through member lending institutions
Stand-Up India	Entrepreneurship access for SC/ST and women	Greenfield enterprise bank credit under the original scheme; current status must be date-checked
PMJJBY	Low-cost life-risk protection	Annual renewable term-life cover linked to bank/post-office account
PMSBY	Low-cost accident-risk protection	Annual renewable personal accident cover linked to bank/post-office account
APY	Old-age income security	Contribution-based guaranteed minimum pension after age 60
PPF	Long-term household small savings	Government-backed long-tenor savings account; rate reset by Government
GMS	Mobilisation of idle gold	Current residual Short-Term Bank Deposit route; old government-deposit components discontinued
PMFBY	Crop-production risk	Crop insurance with capped farmer premium share and government support for balance

CORE EXAM HABIT

Before recalling a number, identify the product type: bank account, business loan, insurance, pension, small-savings account, gold deposit or crop insurance. This removes most option-level confusion.

25.2 PMJDY: account first, then benefits

Pradhan Mantri Jan-Dhan Yojana is a financial-inclusion programme built around access to a basic savings bank deposit account. The current DFS feature stack includes no minimum-balance requirement, a RuPay debit card, DBT access and an overdraft facility up to Rs 10,000 subject to eligibility. The exam trap is to treat PMJDY as only a subsidy scheme; the account is the gateway through which multiple services can travel.

Primary source: Department of Financial Services - PMJDY Official source

25.3 PMMY: Shishu -> Kishore -> Tarun -> Tarun Plus

Category	Current loan band	What to remember
Shishu	Up to Rs 50,000	Entry band
Kishore	Above Rs 50,000 to Rs 5 lakh	Growth band

Category	Current loan band	What to remember
Tarun	Above Rs 5 lakh to Rs 10 lakh	Established micro-enterprise band
Tarun Plus	Above Rs 10 lakh to Rs 20 lakh	For entrepreneurs who previously availed and successfully repaid Tarun; effective 24 Oct 2024

PMMY supports income-generating micro enterprises in manufacturing, trading, services and eligible allied-agriculture activities. Both term-loan and working-capital needs may be financed. The current DFS position describes PMMY loans up to Rs 20 lakh as collateral-free through eligible member lending institutions.

Primary source: Department of Financial Services - Annual Report 2025-26 / PMMY [Official source]

25.4 Stand-Up India: status matters more than an old range

Layer	Exam-ready position
Original scheme	Launched 5 Apr 2016; bank loans Rs 10 lakh-Rs 1 crore for greenfield enterprises for SC/ST and women borrowers; at least one SC/ST and one woman borrower per scheduled commercial bank branch was the design objective.
Validity	The original scheme was extended with the 15th Finance Commission period and was operational till March 2025.
Budget 2025-26 successor announcement	A new scheme was announced for 5 lakh women, SC and ST first-time entrepreneurs with term loans up to Rs 2 crore over five years.
CURRENT-STATUS NOTE	Do not silently call the announced successor fully operational unless a current Government source confirms launch/operational guidelines. The latest DFS material verified for this edition still described policy formulation work.

OLD -> CURRENT TRAP

“Stand-Up India gives Rs 10 lakh-Rs 1 crore” is a valid description of the original scheme, but not a timeless 2026 current-status answer. First ask whether the question is historical or current.

Primary source: Department of Financial Services - Annual Report 2025-26 / Stand-Up India [Official source]

25.5 PMJJBY vs PMSBY: life risk vs accident risk

Feature	PMJJBY	PMSBY
Type	One-year renewable term life insurance	One-year renewable personal accident insurance
Entry age	18-50 years	18-70 years
Annual premium	Rs 436	Rs 20
Main cover	Rs 2 lakh on death due to any reason, subject to scheme terms	Rs 2 lakh accidental death / total permanent disability; Rs 1 lakh partial permanent disability
Account link	Bank / post-office account + consent / auto-debit	Bank / post-office account + consent / auto-debit

PMJJBY LIEN TRAP

For fresh enrolment/rejoining in PMJJBY, a 30-day lien applies for death other than due to accident. Do not transfer that rule to PMSBY.

Primary source: Department of Financial Services - Annual Report 2025-26 Official source

25.6 APY: cross-link, do not reteach the whole pension chapter

Atal Pension Yojana remains a Government-guaranteed minimum-pension scheme for eligible citizens joining from age 18 to 40 with a bank/post-office savings account. New APY accounts cannot be opened from 1 October 2022 by a citizen who is or has been an income-tax payer. The guaranteed monthly pension choices after age 60 are Rs 1,000, Rs 2,000, Rs 3,000, Rs 4,000 or Rs 5,000 depending on contribution choice and joining age.

Primary source: PFRDA - Atal Pension Yojana Official source

25.7 PPF: separate permanent structure from the quarterly rate

Permanent structure	Current Live Layer | verified 15 Aug 2026
Minimum contribution: Rs 500 in a financial year	PPF interest rate: 7.1% through 30 Sep 2026
Maximum contribution: Rs 1.5 lakh in a financial year	Interest rate is a Government small-savings rate and can be reset; never bake it into the permanent definition.
Maturity: after 15 complete financial years	Rate fact should always carry its quarter/date.

Primary source: National Savings Institute - PPF / interest-rate history Official source

25.8 Gold Monetisation Scheme: the old three-component map is now a trap

Before 26 Mar 2025	Current position
Short-Term Bank Deposit (1-3 years)	May continue at the discretion of individual banks based on commercial viability.
Medium-Term Government Deposit (5-7 years)	Discontinued for fresh deposits w.e.f. 26 Mar 2025; existing deposits continue till redemption as per extant rules.
Long-Term Government Deposit (12-15 years)	Discontinued for fresh deposits w.e.f. 26 Mar 2025; existing deposits continue till redemption as per extant rules.

EXAM TRAP

If an option says “GMS currently has three open deposit components,” reject it. The 2025 change did not erase existing MLTGD deposits already placed, but it stopped fresh acceptance under those components.

Primary source: Ministry of Finance / PIB - GMS change dated 25 Mar 2025 Official source

25.9 PMFBY: farmer premium share is capped by crop type

Crop category	Maximum farmer premium share
Kharif foodgrain / oilseed crops	2% of sum insured
Rabi foodgrain / oilseed crops	1.5% of sum insured
Annual commercial / horticultural crops	5% of sum insured

The balance of the actuarial premium beyond the farmer share is supported by Government under the scheme architecture. Since Kharif 2020, enrolment has been voluntary for farmers rather than compulsory simply because a crop loan exists.

Primary source: PMFBY official compendium / scheme documents Official source

25.10 Exam Trap Board

Trap	Correct mental answer
PMJDY = only subsidy transfer	No. Basic banking access is the base; DBT is one use of the account.
MUDRA still ends at Tarun / Rs 10 lakh	Outdated. Tarun Plus reaches Rs 20 lakh for eligible successful Tarun borrowers.
Stand-Up India Rs 10 lakh-Rs 1 crore is automatically current forever	No. Original scheme was operational till Mar 2025; current-status questions require latest Government position.
PMJJBY and PMSBY are both life insurance	No. PMJJBY = life; PMSBY = accident.
PPF 7.1% is a permanent feature	No. Structure is permanent-ish; rate is live/quarterly.
GMS still accepts fresh MLTGD deposits	No, those components were discontinued for fresh deposits from 26 Mar 2025.

30-SECOND RECALL

PMJDY = account gateway. PMMY = Shishu/Kishore/Tarun/Tarun Plus. Stand-Up = original till Mar 2025; successor announcement must be separately verified. PMJJBY = life Rs 436; PMSBY = accident Rs 20. APY = 18-40 + tax-payer entry restriction. PPF = Rs 500 / Rs 1.5 lakh / 15 years + live rate. GMS MLTGD stopped in 2025. PMFBY = 2% / 1.5% / 5%.

MODULE 25

PRACTICE CHECK

20 five-option questions | scheme purpose + current rules + old-rule traps

Q1. Which is the best description of PMJDY?

(A) A basic financial-access programme centred on a basic savings bank account (B) A mutual fund tax scheme (C) A corporate bond guarantee (D) A crop-insurance-only programme (E) A pension fund manager

Q2. Under the current PMJDY feature stack, eligible overdraft may be available up to:

(A) Rs 2,000 (B) Rs 5,000 (C) Rs 10,000 (D) Rs 50,000 (E) Rs 2 lakh

Q3. Which PMMY category currently covers loans above Rs 10 lakh and up to Rs 20 lakh for eligible borrowers?

(A) Shishu (B) Kishore (C) Tarun (D) Tarun Plus (E) Stand-Up

Q4. Which is the correct PMMY sequence from lower to higher loan band?

(A) Kishore-Shishu-Tarun Plus-Tarun (B) Shishu-Kishore-Tarun-Tarun Plus (C) Shishu-Tarun-Kishore-Tarun Plus (D) Tarun-Shishu-Kishore-Tarun Plus (E) Shishu-Kishore-Tarun Plus-Tarun

Q5. The original Stand-Up India scheme primarily targeted greenfield enterprise credit for:

(A) Only government employees (B) SC/ST and women entrepreneurs (C) Only exporters (D) Only farmers with KCC (E) Only listed companies

Q6. Which statement about Stand-Up India is safest for a 2026 current-affairs question?

(A) The original scheme must still be assumed open with no status check (B) The original scheme was operational till March 2025, so current status must be verified (C) It was a pension scheme (D) It had no bank-loan component (E) It applied only to public-sector employees

Q7. PMJJBY primarily covers:

(A) Accidental property damage (B) Death due to any reason, subject to scheme terms (C) Crop loss only (D) Hospital cash only (E) Pension after age 60

Q8. Which pairing is correct?

(A) PMJJBY-Rs 20 annual premium; PMSBY-Rs 436 (B) PMJJBY-Rs 436; PMSBY-Rs 20 (C) Both Rs 436 (D) Both Rs 20 (E) Neither uses annual premium

Q9. PMSBY entry age is broadly:

(A) 18-40 (B) 18-50 (C) 18-60 (D) 18-70 (E) 21-85

Q10. From 1 October 2022, which person is not eligible to open a new APY account?

(A) A non-taxpayer aged 30 (B) A citizen aged 35 with a savings account (C) A citizen who is or has been an income-tax payer (D) A non-taxpayer aged 20 (E) A post-office savings-account holder aged 25

MODULE 25 PRACTICE — CONTINUED

Q11. The minimum annual contribution to keep a PPF account compliant is:

(A) Rs 100 (B) Rs 250 (C) Rs 500 (D) Rs 1,000 (E) Rs 5,000

Q12. The maximum PPF contribution in a financial year is:

(A) Rs 50,000 (B) Rs 1 lakh (C) Rs 1.5 lakh (D) Rs 2 lakh (E) No maximum

Q13. Which PPF fact belongs in the Live Layer rather than the Permanent Layer?

(A) It is a small-savings product (B) The annual maximum contribution (C) The 15-year maturity structure (D) The current interest rate (E) The annual minimum contribution

Q14. As verified for the quarter ending September 2026, the PPF interest rate is:

(A) 6.5% (B) 7.1% (C) 7.5% (D) 8.2% (E) 9.0%

Q15. Which GMS component may continue for fresh deposits at a bank's discretion after the March 2025 change?

(A) Medium-Term Government Deposit only (B) Long-Term Government Deposit only (C) Short-Term Bank Deposit (D) All three automatically (E) None under any circumstance

Q16. Fresh Medium- and Long-Term Government Deposits under GMS were discontinued from:

(A) 1 Jan 2024 (B) 26 Mar 2025 (C) 1 Apr 2026 (D) 1 Jul 2026 (E) 15 Aug 2026

Q17. Under PMFBY, the maximum farmer premium share for Kharif foodgrain/oilseed crops is:

(A) 1% (B) 1.5% (C) 2% (D) 5% (E) 10%

Q18. Under PMFBY, the maximum farmer premium share for Rabi foodgrain/oilseed crops is:

(A) 1% (B) 1.5% (C) 2% (D) 3% (E) 5%

Q19. Under PMFBY, annual commercial/horticultural crops generally use a farmer premium ceiling of:

(A) 1.5% (B) 2% (C) 3% (D) 5% (E) 10%

Q20. Which statement is correct?

(A) PPF rate should be memorised without a date (B) PMJJBY and PMSBY are identical products (C) GMS still has three open fresh-deposit components (D) Government-scheme numbers must be separated from durable scheme purpose (E) Tarun Plus belongs to APY

MODULE 25 ANSWERS & TEACHING EXPLANATIONS

Q1. A — PMJDY is built around basic banking access; the account then supports RuPay, DBT and other eligible facilities.

Q2. C — The current DFS position states overdraft up to Rs 10,000 subject to eligibility.

Q3. D — Tarun Plus was introduced for eligible entrepreneurs who had availed and successfully repaid Tarun.

Q4. B — The current four-band sequence is Shishu, Kishore, Tarun and Tarun Plus.

Q5. B — The original scheme was designed to promote entrepreneurship among SC/ST and women borrowers.

Q6. B — The original scheme was operational till March 2025; a successor announcement should not be silently treated as fully operational without current confirmation.

Q7. B — PMJJBY is annual renewable term life insurance with Rs 2 lakh death cover subject to scheme terms.

Q8. B — Current annual premiums are Rs 436 for PMJJBY and Rs 20 for PMSBY.

Q9. D — PMSBY is available for eligible account holders aged 18 to 70.

Q10. C — The APY restriction applies to a citizen who is or has been an income-tax payer as on the date of application.

MODULE 25 ANSWERS — CONTINUED

Q11. C — PPF requires at least Rs 500 in a financial year.

Q12. C — The structural annual maximum is Rs 1.5 lakh.

Q13. D — The interest rate can be reset by Government and therefore must carry a date/quarter.

Q14. B — NSI shows PPF at 7.1% through 30 September 2026.

Q15. C — STBD may continue at individual banks' discretion; fresh MLTGD acceptance was discontinued.

Q16. B — The Government discontinued fresh MLTGD acceptance with effect from 26 March 2025.

Q17. C — The farmer share is capped at 2% for Kharif foodgrain/oilseed crops.

Q18. B — The farmer share is capped at 1.5% for Rabi foodgrain/oilseed crops.

Q19. D — The farmer premium share is capped at 5% for annual commercial/horticultural crops.

Q20. D — The capsule's core rule is mechanism first, live number second; rates and limits can change while scheme purpose may remain stable.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 25 - GOVERNMENT FINANCIAL & SMALL-SAVINGS SCHEMES

PYQ SIGNATURE

Scheme purpose + current eligibility/premium/status; do not treat rates and scheme windows as permanent.

LIVE CHECKPOINT -> Interest rates, premiums and scheme status belong in the live layer.

5 Mains Application Questions

Q1. Which insurance-scheme pairing is correct in the module?

A. PMJJBY - death due to any reason subject to terms; PMSBY - accident cover
B. PMJJBY - crop insurance; PMSBY - pension
C. Both are mutual funds
D. Both are only for firms
E. Both are DICGC

Q2. From 1 October 2022, who is not eligible to open a new APY account under the rule highlighted?

A. A non-taxpayer aged 30
B. A person who is or has been an income-tax payer
C. A savings-account holder
D. A post-office customer
E. A person aged 25 who is not a taxpayer

Q3. Which PPF set is correct?

A. Minimum annual contribution Rs 500; maximum Rs 1.5 lakh; the current interest rate is a live fact
B. Minimum Rs 10; no maximum
C. Maturity 3 months
D. Rate never changes
E. PPF is a bank loan

Q4. What changed in the Gold Monetisation Scheme in March 2025?

A. Fresh Medium- and Long-Term Government Deposits were discontinued; Short-Term Bank Deposit may continue at bank discretion
B. All gold-related banking was banned
C. SGB became a bank deposit
D. Only MLTGD remains open
E. Nothing changed

Q5. A scheme had an original operating window ending in the past. What is the safest exam habit?

A. Assume it is still open forever
B. Separate the permanent purpose/design from the current operational status and verify the live layer
C. Delete it from history
D. Replace it with a random new date
E. Treat every Government scheme as statutory permanence

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 25 - GOVERNMENT FINANCIAL & SMALL-SAVINGS SCHEMES

Q1 - A The schemes cover different risks and should not be merged.

Q2 - B The income-tax-payer restriction is a changed-rule area that appears in current-awareness questions.

Q3 - A Product architecture is relatively durable, while the notified interest rate is date-controlled.

Q4 - A Old three-component summaries can be stale for current-rule questions.

Q5 - B Scheme status and extensions are current affairs; mechanism and historical facts can remain relevant separately.

MAINS TAKEAWAY

Do not ask only "Do I know this fact?" Ask: Is it permanent or live? Which institution/category does it belong to? What older answer could the examiner use as a distractor?

MODULE 26

KYC, AML, FIU & CUSTOMER PROTECTION

Know the customer -> understand ownership -> monitor risk -> report suspicion -> resolve grievance

26.1 KYC is not “collect one ID”; it is a risk-control process

Know Your Customer (KYC) is the process by which a regulated entity obtains and verifies information about identity and address, nature of business and financial status. The purpose is to understand who the customer is and reduce misuse of the financial system for money laundering, terrorist financing and related risks.

Stage	Plain-language question
Customer identification	Who is this person/entity?
Customer Due Diligence	What relationship/business is being established and what risk does it carry?
Beneficial ownership	Which natural person ultimately owns or controls the legal entity?
Ongoing monitoring	Does actual transaction behaviour make sense for the known customer profile?
Periodic KYC update	Is the identity/address/risk information still current?

Primary source: RBI - FAQs on Master Direction on KYC [Official source]

26.2 OVD vs PAN/Form 60: a classic mains trap

Officially Valid Document (OVD) under current RBI FAQ	What it does
Passport	Identity/address evidence as applicable
Driving licence	OVD
Proof of possession of Aadhaar number	OVD; Aadhaar use is not universally mandatory
Voter Identity Card	OVD
NREGA job card duly signed by State Government officer	OVD
Letter issued by National Population Register containing name/address	OVD

PAN TRAP

PAN is important for tax/identity compliance, but the current RBI OVD list should not be rewritten to include PAN. RBI separately asks for PAN or Form 60 as applicable.

Aadhaar is not universally compulsory for all KYC. RBI’s FAQ explains that authentication becomes mandatory in specified subsidy/benefit contexts; otherwise Aadhaar may be provided voluntarily subject to the applicable framework.

26.3 If current address is not on the OVD

RBI permits specified “deemed OVD” address documents for limited purpose, such as a recent utility bill, property/municipal tax receipt, certain pension/family pension orders or employer accommodation documents. The customer must then submit an OVD containing the current address within the prescribed follow-up period. Learn the logic: temporary address evidence does not permanently replace the OVD requirement.

26.4 Customer Due Diligence and beneficial owner

CDD asks the regulated entity to understand the customer relationship, not merely scan documents. For legal persons, KYC therefore moves behind the company/firm name to the natural person who ultimately owns or controls it.

Customer type	Current beneficial-owner threshold / approach
Company	Natural person with more than 10% shares/capital/profits, or control through other means; if none identified, senior managing official route applies.
Partnership	Natural person with more than 10% capital/profits, or control through other means.
Unincorporated association / body of individuals	Natural person with more than 15% property/capital/profits.
Trust	Identify author/settlor, trustee, beneficiaries with 10% or more interest, and natural person exercising ultimate effective control.

Primary source: RBI - KYC Direction, 2016 (current consolidated text) Official source

26.5 Periodic KYC update is risk-based

Risk category	Minimum periodic update frequency
High risk	At least once every 2 years
Medium risk	At least once every 8 years
Low risk	At least once every 10 years

EXAM TRAP

Do not apply one fixed KYC-renewal period to every customer. The interval is risk-based.

26.6 CKYCR: reuse a KYC record through a KYC Identifier

The Central KYC Records Registry (CKYCR) stores/retrieves KYC records in the prescribed framework. A customer can provide the KYC Identifier and consent, allowing the regulated entity to retrieve the record instead of repeatedly demanding the same KYC documents unless an update or additional due diligence is required.

26.7 V-CIP: live video, but still formal KYC

Video-based Customer Identification Process (V-CIP) is a secure, live, consent-based audio-visual customer identification process conducted by an authorised official. RBI treats compliant V-CIP at par with face-to-face identification for the permitted use cases; it is not an informal video call.

Primary source: RBI - KYC FAQ: CKYCR and V-CIP Official source

26.8 AML: suspicious does not mean “large cash only”

Anti-Money Laundering controls use customer knowledge and transaction monitoring to detect activity that may involve proceeds of crime, unusual or unjustified complexity, no economic rationale/bona fide purpose, or terrorist financing. A suspicious transaction can be attempted, can be cash or non-cash, and can be suspicious regardless of value.

Wrong shortcut	Correct rule
Only cash transactions can be suspicious	No. Electronic/cheque/other transactions and attempted transactions can be suspicious.
Only very large transactions can be suspicious	No. Suspicion can arise regardless of value.
If a transaction is unusual, bank must prove a crime first	No. Reporting is based on reasonable suspicion criteria under the PML framework, not a criminal conviction.
STR goes to RBI	No. Prescribed STRs are furnished to FIU-IND.

26.9 FIU-IND: intelligence hub, not an RBI department

Financial Intelligence Unit-India was set up by the Government of India as the central national agency for receiving, processing, analysing and disseminating information relating to suspect financial transactions. It is an independent body reporting directly to the Economic Intelligence Council headed by the Finance Minister. Reporting entities furnish prescribed reports, including Suspicious Transaction Reports, to FIU-IND.

LIVE REPORTING RULE

A Principal Officer must furnish information on suspicious transactions promptly and not later than 7 working days after being satisfied that the transaction is suspicious.

Primary source: FIU-IND - About / FAQs Official source

26.10 Customer protection flow: complain to the regulated entity first

Step	What happens under RB-IOS 2026
1. First complaint	Customer first approaches the concerned regulated entity.
2. When Ombudsman can be approached	If no reply within 30 days OR the applicable RBI/NPCI/Card Network timeline if higher; or if a reply/resolution arrives earlier but the customer is dissatisfied.
3. Filing window	Complaint to RBI Ombudsman within 90 days from expiry of the applicable timeline or date of last communication from the regulated entity, whichever is later.
4. Routes	CMS portal; prescribed email/physical routes through the Centralised Receipt and Processing Centre (CRPC).
5. Cost	No filing fee.

Primary source: RBI - Integrated Ombudsman Scheme FAQ, 2026 Official source

26.11 RB-IOS 2026: what changed from the old memory

Old / common memory	Current 2026 position
"RB-IOS 2021" as the live scheme	RB-IOS 2026 effective from 1 Jul 2026; it replaced the 2021 scheme.
One-year filing memory after regulated-entity reply / no reply	Current FAQ uses a 90-day Ombudsman filing window from the applicable trigger, whichever is later, after first approaching the regulated entity.
Only banks	Coverage includes specified RBI-regulated categories such as banks and covered NBFC/payment/credit-information entities as defined by the scheme.
Fixed dispute-value ceiling for filing	No monetary limit on amount in dispute for bringing the complaint before RBI Ombudsman.
Lower compensation memories from older schemes	Up to Rs 30 lakh for consequential loss + up to Rs 3 lakh for time, expenses, harassment / mental anguish, where applicable.

DATE TRAP

Complaints filed before 1 July 2026 are governed by the 2021 scheme as applicable. A question can therefore test the scheme by complaint date.

26.12 What the Ombudsman is not

The Ombudsman is not a substitute for every dispute. Complaints may be non-maintainable where the complainant has not first approached the regulated entity, files too early, files outside the prescribed period, raises the same matter pending/decided before another judicial or quasi-judicial forum, or challenges a regulated entity's commercial judgment rather than deficiency in service.

26.13 Exam Trap Board

Trap	Correct mental answer
PAN is an OVD	No. PAN/Form 60 is separate from the current six-item OVD list.
Aadhaar is compulsory for every KYC	No. The framework distinguishes mandatory specified cases from voluntary Aadhaar use.
All KYC is renewed every two years	No. 2/8/10 years for high/medium/low risk.
CKYCR and V-CIP are the same	No. CKYCR is a KYC-record registry; V-CIP is a live audiovisual identification process.
FIU-IND is an RBI wing	No. It is a Government-established independent intelligence unit reporting to EIC.
Only cash can generate an STR	No. Suspicious activity can be cash/non-cash/attempted and regardless of value.
Ombudsman can be approached first without complaining to the RE	Normally no; first approach to the regulated entity is required.
2021 scheme is still the live Ombudsman scheme	No. RB-IOS 2026 is live from 1 Jul 2026.

30-SECOND RECALL

KYC = know identity + relationship + risk. OVD six-item list; PAN separate. BO = ultimate natural person. Periodic KYC = 2/8/10. CKYCR stores/retrieves; V-CIP verifies by live video. AML suspicion can be attempted/non-cash/any value. STR -> FIU-IND within 7 working days after satisfaction. Complaint: RE first -> applicable response timeline -> RBI Ombudsman within 90 days. RB-IOS 2026 from 1 Jul 2026.

MODULE 26

PRACTICE CHECK

24 five-option questions | document logic + AML/FIU + 2026 grievance framework

Q1. Which best describes KYC?

(A) A process to obtain and verify customer identity/address and understand the relationship (B) Only collection of PAN (C) Only biometric authentication (D) A loan-recovery process (E) An insurance underwriting process

Q2. Which of the following is NOT in the current RBI OVD list?

(A) Passport (B) Driving licence (C) Voter ID (D) PAN card (E) NREGA job card duly signed by a State Government officer

Q3. Which document is an OVD under current RBI KYC rules?

(A) Credit-card statement only (B) Proof of possession of Aadhaar number (C) PAN only (D) Employer visiting card (E) Mutual fund statement

Q4. Which statement about Aadhaar for KYC is correct?

(A) It is universally mandatory for every customer (B) It can never be used for KYC (C) Its mandatory/voluntary use depends on the applicable statutory context (D) Only companies may use it (E) It replaces all other CDD

Q5. CDD primarily means:

(A) Customer Dividend Distribution (B) Customer Due Diligence (C) Central Deposit Direction (D) Credit Default Detection (E) Customer Debt Disclosure

Q6. For a company, current RBI beneficial-owner threshold for controlling ownership interest is more than:

(A) 5% (B) 10% (C) 15% (D) 25% (E) 50%

Q7. For a partnership, the current beneficial-owner ownership threshold is more than:

(A) 5% (B) 10% (C) 15% (D) 20% (E) 25%

Q8. For an unincorporated association/body of individuals, the ownership threshold used for beneficial ownership is more than:

(A) 5% (B) 10% (C) 15% (D) 25% (E) 50%

Q9. Periodic KYC updation for a high-risk customer should occur at least once every:

(A) 1 year (B) 2 years (C) 5 years (D) 8 years (E) 10 years

Q10. Periodic KYC updation for a medium-risk customer should occur at least once every:

(A) 2 years (B) 4 years (C) 5 years (D) 8 years (E) 10 years

MODULE 26 PRACTICE — Q11-20

Q11. Periodic KYC updation for a low-risk customer should occur at least once every:

(A) 2 years (B) 5 years (C) 8 years (D) 10 years (E) 15 years

Q12. CKYCR is best understood as:

(A) A credit rating agency (B) A central registry for KYC records (C) A cheque-clearing centre (D) An insurance repository only (E) A stock exchange

Q13. V-CIP is:

(A) An informal recorded video sent by customer (B) A secure live consent-based audiovisual identification process (C) A credit-score model (D) A transaction-reporting form (E) A deposit product

Q14. Which statement about suspicious transactions is correct?

(A) Only cash transactions can be suspicious (B) Only transactions above Rs 10 lakh can be suspicious (C) An attempted non-cash transaction can also be suspicious (D) Suspicion requires a court conviction first (E) Only international transactions can be suspicious

Q15. A suspicious transaction may be identified because it:

(A) Has unusual or unjustified complexity (B) Has no economic rationale or bona fide purpose (C) May involve proceeds of crime (D) May involve terrorist financing (E) All of the above

Q16. Suspicious Transaction Reports are furnished to:

(A) SEBI only (B) NPCI (C) FIU-IND (D) DICGC (E) PFRDA

Q17. FIU-IND is best described as:

(A) An RBI department (B) A stock exchange subsidiary (C) India's central national financial-intelligence agency (D) An insurance company (E) A payment app

Q18. FIU-IND reports directly to the:

(A) MPC (B) Economic Intelligence Council headed by the Finance Minister (C) SEBI Board (D) NPCI Board (E) DICGC Board

Q19. Once satisfied that a transaction is suspicious, the Principal Officer must report it to FIU-IND no later than:

(A) 24 hours (B) 3 calendar days (C) 7 working days (D) 30 days (E) 90 days

Q20. Under RB-IOS 2026, the customer should normally first:

(A) File directly in court (B) Complain to the concerned regulated entity (C) Write to FIU-IND (D) Write to SEBI regardless of sector (E) Contact a credit bureau

MODULE 26 PRACTICE — Q21-24

Q21. If no reply is received from the regulated entity, the normal RB-IOS 2026 trigger uses:

(A) 7 days only (B) 15 days only (C) 30 days or the applicable RBI/NPCI/Card Network timeline if higher (D) 90 days in every case before any filing (E) One year

Q22. Under RB-IOS 2026, the Ombudsman complaint filing window is generally within:

(A) 30 days from transaction only (B) 60 days from first complaint only (C) 90 days from expiry of applicable timeline or last RE communication, whichever is later (D) One year in every case (E) Three years from account opening

Q23. RB-IOS 2026 became effective on:

(A) 1 Jan 2025 (B) 1 Apr 2025 (C) 1 Jan 2026 (D) 1 Jul 2026 (E) 15 Aug 2026

Q24. Under RB-IOS 2026, which compensation pairing is correct where applicable?

(A) Rs 2 lakh consequential + Rs 20,000 harassment (B) Rs 10 lakh consequential only (C) Up to Rs 30 lakh consequential + up to Rs 3 lakh for time/expenses/harassment/mental anguish (D) No compensation can be ordered (E) Unlimited automatic compensation

REVIEW CUE

For each question, ask which layer is being tested: document eligibility, customer-risk logic, reporting institution, or grievance timeline. Most errors come from answering the right fact in the wrong layer.

MODULE 26 ANSWERS & TEACHING EXPLANATIONS — Q1-10

Q1. A — KYC is broader than a single document; it identifies/verifies the customer and supports risk understanding.

Q2. D — PAN is handled separately from the current OVD list; treating it as OVD is a common stale-note error.

Q3. B — Proof of possession of Aadhaar number is part of the current OVD list.

Q4. C — RBI distinguishes specified mandatory Aadhaar contexts from voluntary use; it is not universally compulsory.

Q5. B — Customer Due Diligence is the process of understanding/identifying the customer and relationship according to risk.

Q6. B — The current consolidated KYC Direction uses more than 10% for company shares/capital/profits.

Q7. B — The current KYC Direction uses more than 10% of capital/profits for partnership ownership, alongside control tests.

Q8. C — The threshold is more than 15% of property/capital/profits.

Q9. B — Current RBI rule: high risk at least once every two years.

Q10. D — Current RBI rule: medium risk at least once every eight years.

MODULE 26 ANSWERS — Q11-20

Q11. D — Current RBI rule: low risk at least once every ten years.

Q12. B — CKYCR enables storage/retrieval of KYC records through the prescribed KYC Identifier framework.

Q13. B — V-CIP is a regulated live audiovisual customer identification process conducted by authorised officials.

Q14. C — PML rules include attempted transactions and do not restrict suspicion to cash or a minimum value.

Q15. E — All listed grounds are part of the suspicious-transaction concept.

Q16. C — Reporting entities furnish prescribed suspicious transaction information to FIU-IND.

Q17. C — FIU-IND is the central national agency for receiving, analysing and disseminating suspect financial-transaction information.

Q18. B — FIU-IND is an independent body reporting directly to the Economic Intelligence Council headed by the Finance Minister.

Q19. C — FIU rules require prompt reporting and not later than seven working days after satisfaction that the transaction is suspicious.

Q20. B — The Ombudsman route is generally preceded by a complaint to the concerned regulated entity.

MODULE 26 ANSWERS — Q21-24

Q21. C — The current FAQ uses 30 days or the applicable prescribed timeline if higher, subject to the scheme conditions.

Q22. C — The 2026 scheme uses a 90-day filing window from the relevant trigger, replacing the older common one-year memory.

Q23. D — The new Integrated Ombudsman Scheme became effective from 1 July 2026 and replaced the 2021 scheme.

Q24. C — The current FAQ states up to Rs 30 lakh for consequential loss and up to Rs 3 lakh for time, expenses, harassment/mental anguish where applicable.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 26 - KYC, AML, FIU & CUSTOMER PROTECTION

PYQ SIGNATURE

OVD/PAN distinctions, beneficial ownership, risk-based periodicity, suspicious transaction reporting and Ombudsman changes.

LIVE CHECKPOINT -> KYC and grievance frameworks are amendable -> current Master Direction / Module 32 controls.

5 Mains Application Questions

Q1. Which KYC statement is correct?

A. PAN is itself always an OVD under the RBI list
B. KYC is broader than one document; PAN/Form 60 requirements should not be confused with the OVD list
C. KYC applies only after a default
D. Aadhaar is mandatory in every circumstance
E. KYC is a SEBI-only concept

Q2. Which beneficial-ownership thresholds are used in the current consolidated direction highlighted?

A. Company >10%; partnership >10%; unincorporated association/body >15%
B. All 50%
C. All 1%
D. Company 25%, partnership 50%, association 75%
E. No thresholds exist

Q3. Which risk-based KYC periodicity is correct?

A. High 10y, Medium 8y, Low 2y
B. High 2y, Medium 8y, Low 10y
C. All every year
D. High 5y, Medium 5y, Low 5y
E. Only high-risk customers update KYC

Q4. Which AML reporting statement is correct?

A. Only completed cash transactions can be suspicious
B. Attempted transactions can be suspicious; prescribed suspicious-transaction information is furnished to FIU-IND and the reporting clock is prompt/not later than seven working days after satisfaction
C. RBI alone receives every STR as a bank department
D. A minimum Rs 10 lakh value is required for suspicion
E. Suspicion must wait one year

Q5. Which Ombudsman statement is current?

A. RB-IOS 2021 remains the current fresh-complaint scheme
B. RB-IOS 2026 took effect from 1 Jul 2026 and replaced the 2021 framework; ordinarily the customer first complains to the regulated entity
C. Ombudsman is run by SEBI for all banks
D. There is no filing timeline
E. DICGC handles service complaints

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 26 - KYC, AML, FIU & CUSTOMER PROTECTION

Q1 - B The master separates OVD identity/verification from tax/PAN requirements and broader Customer Due Diligence.

Q2 - A Do not transfer an old threshold from one legal form to another.

Q3 - B Current periodic updation uses 2 / 8 / 10 years for high / medium / low risk respectively.

Q4 - B Suspicion is behaviour/context based, not limited to completed cash or a minimum amount.

Q5 - B This is a current-rule change; old one-year-memory shortcuts should not override the 2026 scheme.

MAINS TAKEAWAY

Do not ask only "Do I know this fact?" Ask: Is it permanent or live? Which institution/category does it belong to? What older answer could the examiner use as a distractor?

MODULE 27

CURRENCY MANAGEMENT, NOTES, PRINTING & MINTING

Authority -> production -> distribution -> legal tender -> exchange

27.1 First see the currency lifecycle

Stage	Main institution	What it actually does
Legal issue of banknotes	RBI, except the one-rupee note	Section 22 gives RBI the sole right to issue banknotes. The one-rupee note is a Government of India issue.
Banknote design / form / material	Central Government after considering RBI Central Board recommendations	Approval authority is not the same as printing authority.
Physical printing of banknotes	Four presses	Nashik and Dewas are SPMCIL / Government presses; Mysuru and Salboni are BRBNMPL / RBI-subsidiary presses.
Coin design and minting	Government of India	Coins are minted at Mumbai, Kolkata, Hyderabad and Noida; RBI distributes coins for circulation.
Distribution	RBI + currency-chest / banking network	Currency chests hold banknotes and coins on behalf of RBI and support local supply/withdrawal.
Exchange / clean-note service	RBI and bank branches under applicable rules	Soiled/mutilated notes are treated under RBI exchange / Note Refund Rules framework.

CORE DISTINCTION

Issue authority != design approval != printing entity != minting authority. Banking exams frequently swap these four roles in statement questions.

Primary source: RBI - Indian Currency FAQ, updated 15 Apr 2025 [Official source]

27.2 RBI banknotes vs the one-rupee exception

RBI has the sole right to issue banknotes in India under Section 22 of the RBI Act, 1934. The one-rupee note is the special exception: it is issued by the Government of India and is a liability of the Central Government. Coins are also issued by the Government of India, although RBI puts rupee coins into circulation through the currency network.

THREE ROLE CHECKS

1. RBI issues normal banknotes; remember the one-rupee Government-note exception. 2. “Government prints/mints money” is too broad: Government-owned presses print some notes, Government mints coins, and RBI also owns a note-printing subsidiary. 3. A mint produces coins; a banknote press prints notes.

27.3 Minimum Reserve System: learn the statutory floor, not a story

Section 33 of the RBI Act requires the Issue Department to hold assets against its note liabilities. Under the minimum-reserve provision, the aggregate value of gold coin, gold bullion and foreign securities must not be less than Rs 200 crore, and the value of gold coin plus gold bullion must not be less than Rs 115 crore.

MEMORY FRAME

Minimum reserve = Rs 200 crore total qualifying gold + foreign securities; within it, gold coin + gold bullion >= Rs 115 crore. Do not confuse this with CRR, SLR or RBI capital.

Primary source: India Code - Reserve Bank of India Act, 1934, Section 33 Official source

27.4 Currency chests: RBI currency held closer to the public

A currency chest is a storehouse where banknotes and rupee coins are held on behalf of RBI for distribution to bank branches in the surrounding area. Banks that operate currency chests can deposit surplus cash and draw currency to meet local demand; the accounting is linked to their balances with RBI. The permanent concept is the function. The exact number of chests is dynamic and should be date-stamped if used.

EXAM TRAP

A currency chest is not a printing press and not a mint. It is part of the distribution/storage architecture.

27.5 Banknote presses and Government mints

Facility	Location	Institutional side
Currency Note Press	Nashik, Maharashtra	SPMCIL / Government of India
Bank Note Press	Dewas, Madhya Pradesh	SPMCIL / Government of India
Bank Note Press	Mysuru, Karnataka	BRBNMPL / RBI subsidiary
Bank Note Press	Salboni, West Bengal	BRBNMPL / RBI subsidiary
India Government Mint	Mumbai, Maharashtra	Government / SPMCIL
India Government Mint	Kolkata, West Bengal	Government / SPMCIL
India Government Mint	Hyderabad, Telangana	Government / SPMCIL
India Government Mint	Noida, Uttar Pradesh	Government / SPMCIL

PYQ SIGNAL

SBI Clerk Mains has directly asked the location of Bank Note Press. Here the tested answer is Dewas; the stronger preparation is to know all four note presses and all four mints as two separate maps.

27.6 Legal tender and the live denomination layer

Item	Current exam position | checked 15 Aug 2026
Old Rs 500 and Rs 1,000 Mahatma Gandhi-series notes specified in 2016	Ceased to be legal tender from 8 Nov 2016 under the withdrawal framework. A current Rs 1,000 banknote is not in the legal-tender/current-issue set.
Rs 2,000 banknote	Withdrawn from circulation from May 2023, but RBI explicitly states that it continues to be legal tender.
Current banknote denominations shown by RBI currency resources	Rs 10, Rs 20, Rs 50, Rs 100, Rs 200, Rs 500 and Rs 2,000; older legal-tender Rs 2 / Rs 5 notes can remain even though printing was discontinued.
Coins	50 paise, Rs 1, Rs 2, Rs 5, Rs 10 and Rs 20 are legal tender subject to applicable tender limits; coin designs can coexist.

WITHDRAWN != DEMONETISED

This distinction is exam gold. Rs 2,000: withdrawn from circulation but still legal tender. Old specified Rs 500/Rs 1,000 notes: legal-tender status was withdrawn in 2016.

Primary source: RBI - Rs 2000 banknote withdrawal FAQ Official source

27.7 Coin tender limits and coin-series trap

Fact	Exam-ready reading
Coin of denomination Rs 1 or above	Legal tender for a sum not exceeding Rs 1,000 in a single transaction.
50-paise coin	Legal tender for a sum not exceeding Rs 10 in a single transaction.
AKAM special series	Special Rs 1, Rs 2, Rs 5, Rs 10 and Rs 20 coins released in June 2022 carried the Azadi Ka Amrit Mahotsav (AKAM) logo theme and accessibility features for visually impaired persons.
Multiple coin designs	Different designs of the same denomination can remain valid; design alone does not make an otherwise genuine coin invalid.

Primary source: PIB / PMO - AKAM special coin series, 6 Jun 2022 Official source

27.8 Soiled, mutilated and scribbled notes

Term	Plain-language idea
Soiled note	A note that has become dirty due to normal use; RBI also covers certain pasted pieces belonging to the same note under the soiled-note concept.
Mutilated note	A portion is missing or the note is composed of more than the permitted simple pieces; value is adjudicated under the Note Refund Rules.
Scribbled / stained but decipherable note	Scribbling or stain does not by itself cancel legal-tender status; such notes may be deposited/exchanged if otherwise genuine.

EXAM TRAP

"Written on = invalid currency" is wrong. Legal-tender status and fitness for recirculation are different questions.

Primary source: RBI Indian Currency - Exchange of Banknotes Official source

27.9 30-SECOND RECALL

RECALL

RBI issues normal banknotes; GoI issues the Rs 1 note and coins. Minimum reserve: Rs 200 crore total qualifying reserve, including at least Rs 115 crore gold. Presses: Nashik, Dewas, Mysuru, Salboni. Mints: Mumbai, Kolkata, Hyderabad, Noida. Currency chest = distribution store, not production. Rs 1,000 old specified note is not current legal tender; Rs 2,000 is withdrawn from circulation but remains legal tender.

MODULE 27 | PRACTICE CHECK

12 five-option questions - issuer, authority, location, legal tender and exchange traps

Q1. Under the RBI Act framework, which institution has the sole right to issue normal banknotes in India?

(A) Government of India (B) Reserve Bank of India (C) State Bank of India (D) SPMCIL (E) NABARD

Q2. Which statement correctly captures the one-rupee note exception?

(A) It is issued by RBI and signed by the Governor (B) It is issued by Government of India and is a Central Government liability (C) It is minted by RBI (D) It is issued only by commercial banks (E) It is not legal tender

Q3. Under the Minimum Reserve System, which pair is correct?

(A) Rs 200 crore total qualifying reserve; at least Rs 115 crore in gold coin/bullion (B) Rs 115 crore total; Rs 200 crore gold (C) Rs 200 crore CRR; Rs 115 crore SLR (D) Rs 500 crore total; Rs 200 crore gold (E) No statutory minimum exists

Q4. A currency chest is best described as:

(A) A factory printing banknotes (B) A Government mint (C) A storehouse holding currency on behalf of RBI for distribution (D) A warehouse for gold imports (E) A place where damaged coins are melted

Q5. Bank Note Press is located at:

(A) Nashik (B) Dewas (C) Noida (D) Mysuru (E) Mumbai

Q6. Which pair consists only of banknote-printing locations?

(A) Mumbai and Noida (B) Kolkata and Hyderabad (C) Nashik and Dewas (D) Noida and Salboni (E) Hyderabad and Mysuru

Q7. Which institution is responsible for coin design and minting in India?

(A) Only RBI (B) Government of India (C) NPCI (D) SEBI (E) DICGC

Q8. Which set lists all four Government mint locations used in the capsule?

(A) Mumbai, Kolkata, Hyderabad, Noida (B) Nashik, Dewas, Mysuru, Salboni (C) Mumbai, Delhi, Chennai, Kolkata (D) Noida, Dewas, Nashik, Hyderabad (E) Kolkata, Patna, Mumbai, Lucknow

Q9. Which statement is correct about the Rs 2,000 banknote?

(A) It ceased to be legal tender in May 2023 (B) It was withdrawn from circulation but continues as legal tender (C) It is a coin denomination (D) It was demonetised in 2016 (E) It can be issued only by Government of India

Q10. Which statement about the old specified Rs 1,000 banknote is correct for a current exam?

(A) It remains a current legal-tender denomination (B) It is issued by NABARD (C) Its legal-tender status was withdrawn in 2016 (D) It became the Rs 2,000 note automatically (E) It is legal tender only in rural areas

Q11. The special coin series released in June 2022 in Rs 1, Rs 2, Rs 5, Rs 10 and Rs 20 denominations carried which theme?

(A) Digital India (B) G20 India (C) Azadi Ka Amrit Mahotsav logo (D) Swachh Bharat only (E) Make in India lion only

Q12. Which statement about a scribbled but genuine banknote is most accurate?

(A) Any writing automatically destroys legal tender (B) It becomes a counterfeit note (C) Scribbling/staining alone does not end legal-tender status; the note may be exchanged/deposited (D) Only RBI Governor can validate it (E) It must be treated as a coin

MODULE 27 | ANSWERS & TEACHING EXPLANATIONS

Q1. B — Section 22 of the RBI Act gives RBI the sole right to issue banknotes. The one-rupee Government note is the important exception.

Q2. B — The one-rupee note is a Government of India issue and liability; normal RBI banknotes follow a different issuer framework.

Q3. A — Section 33 requires qualifying gold plus foreign securities of at least Rs 200 crore, with gold coin plus bullion at least Rs 115 crore.

Q4. C — Currency chests are distribution/storage nodes in RBI currency management; they do not manufacture notes or coins.

Q5. B — The SPMCIL Bank Note Press is at Dewas. Nashik is Currency Note Press; Mysuru and Salboni are BRBNMPL presses.

Q6. C — Nashik and Dewas are Government-side banknote presses. Mumbai, Kolkata, Hyderabad and Noida are Government mints.

Q7. B — Coins are a Government of India responsibility; RBI distributes them for circulation.

Q8. A — The four mints are Mumbai, Kolkata, Hyderabad and Noida.

Q9. B — RBI withdrew Rs 2,000 notes from circulation beginning in 2023 but explicitly retained legal-tender status.

Q10. C — Specified old Rs 500/Rs 1,000 banknotes lost legal-tender status from 8 November 2016; there is no current Rs 1,000 legal-tender banknote.

Q11. C — The special 2022 series carried the AKAM logo theme and was designed to be easier for visually impaired persons to identify.

Q12. C — RBI states that scribbled/stained genuine notes continue as legal tender, although unfit notes should be deposited or exchanged.

MODULE 28

RBI / NABARD REPORTS, INDICES & SURVEYS

Publisher -> purpose -> frequency -> latest layer -> interpretation

28.1 Stop memorising report names without a map

Report / survey / index	Publisher	What it answers	Normal frequency / cycle
Financial Stability Report (FSR)	RBI	How stable and resilient is the financial system? What systemic risks and stress-test results matter?	Half-yearly
Report on Trend and Progress of Banking in India	RBI	How did banking and non-banking sectors perform and how did regulation/policy evolve?	Annual; usually Nov/Dec
Consumer Confidence Survey (CCS)	RBI	How do households perceive current conditions and one-year-ahead expectations?	Bi-monthly
Industrial Outlook Survey (IOS)	RBI	How do manufacturing companies assess current business conditions and expectations?	Quarterly
Financial Inclusion Index (FI-Index)	RBI	How broad/deep is financial inclusion across access, usage and quality?	Annual index value
Basic Statistical Returns (BSR)	RBI	What do granular banking credit/deposit statistics show?	Quarterly releases; RRB detail has special annual treatment
NABARD All India Rural Financial Inclusion Survey (NAFIS)	NABARD	What is happening to rural household income, savings, credit, insurance, financial literacy and inclusion?	Survey rounds / editions; not a monthly current-affairs series

EXAM METHOD

When you see a report question, answer four things in order: publisher -> purpose -> frequency -> latest edition/value. If the first two are clear, even an unfamiliar latest-value question becomes easier to eliminate.

28.2 Financial Stability Report: system risk and resilience

RBI publishes the Financial Stability Report (FSR) on a half-yearly basis. It assesses the stability and resilience of India's financial system, identifies the nature and severity of risks, reports stress-test / resilience findings and provides signals for financial-sector policy and regulation. Do not confuse it with a report limited only to commercial-bank profits.

Permanent layer	Live layer | 15 Aug 2026
Publisher: RBI; purpose: financial-system stability, risks and resilience; frequency: half-yearly	Latest verified edition: Financial Stability Report, June 2026; RBI release dated 30 July 2026.

Primary source: RBI - Financial Stability communication / latest release Official source

28.3 Trend and Progress: report year and release year are different ideas

The Report on Trend and Progress of Banking in India is RBI's statutory annual publication under Section 36(2) of the Banking Regulation Act, 1949. It reviews global banking developments and the performance of Indian banking and non-banking sectors. RBI says the publication generally covers April-March data and is released around November/December.

Latest edition used	Release date	Trap
Report on Trend and Progress of Banking in India 2024-25	29 December 2025	"2024-25" is the period covered, not the release year. A question may test either.

Primary source: RBI - Trend and Progress of Banking in India [Official source]

28.4 Consumer Confidence vs business outlook

Survey	Respondent / lens	Main reading	Frequency
Consumer Confidence Survey (CCS)	Households / consumers	Current perceptions and one-year-ahead expectations about broad economic conditions such as employment, prices, income and spending; summarised through current/future sentiment measures.	Bi-monthly
Industrial Outlook Survey (IOS)	Manufacturing companies	Business assessment and expectations on demand, production, employment, financing and other operating conditions.	Quarterly
Rural Consumer Confidence Survey (RCCS)	Rural consumers	Consumer-confidence lens adapted to rural households/areas.	Bi-monthly

PYQ SIGNAL

A mains question has asked which RBI survey measures household perceptions of current and future economic conditions. That is Consumer Confidence Survey, not FSR, BSR or NAFIS.

Primary source: RBI Communication Policy 3.0 - survey release frequencies [Official source]

28.5 FI-Index: a level, not a rank

RBI's Financial Inclusion Index is a composite measure of the extent of financial inclusion. It combines three dimensions - Access, Usage and Quality - rather than simply counting bank accounts. The established weights are Access 35%, Usage 45% and Quality 20%.

FI-INDEX INTERPRETATION

March 2026 level = 70.0. This is an index level, not a rank and not a simple percentage of citizens included. Earlier reference: 43.4 in March 2017. For point change, subtract the levels; for percentage growth, divide the point change by the earlier level before multiplying by 100.

Primary source: PIB backgrounder citing RBI FI-Index - 12 Aug 2026 [Official source]

28.6 Basic Statistical Returns: BSR-1 is credit, BSR-2 is deposits

Return	Core content	Exam hook
BSR-1	Bank credit classified by occupation/activity, organisational sector, type of account, interest-rate ranges and related dimensions.	Think: deployment of bank credit.

Return	Core content	Exam hook
BSR-2	Deposits by ownership, maturity, size, interest-rate ranges and related deposit/employment dimensions.	Think: structure of deposits.
Spatial / branch statistics	RBI also releases location-wise / spatial distribution statistics for deposits and credit.	Do not reduce BSR to a single annual report.

CONFUSING PAIR

BSR-1 = credit; BSR-2 = deposits. This is a better memory anchor than trying to memorise a long list of variables.

28.7 NAFIS: NABARD, not RBI

NAFIS stands for NABARD All India Rural Financial Inclusion Survey. It is a demand-side rural-household survey: income, consumption, savings, debt/credit, insurance, pension, financial literacy and related inclusion indicators. The publisher is NABARD, which makes it different from RBI's FI-Index and BSR supply-side banking datasets.

Edition layer	Exam-ready fact
Inaugural NAFIS	Agricultural year 2016-17; findings released in 2018.
Second NAFIS	NAFIS 2021-22; NABARD published findings in October 2024.
Sample / coverage signal	The 2021-22 release reported primary data from about 1 lakh rural households across all 28 states plus Jammu & Kashmir and Ladakh.
Current discipline	Do not invent an annual NAFIS value. Edition/year changes only when NABARD releases a new survey round.

Primary source: PIB - NABARD NAFIS 2021-22 release, 10 Oct 2024 Official source

28.8 Level vs change vs ranking: the calculation trap

FIVE INTERPRETATION CHECKS

Index stood at X = report the level. Rose from 67 to 70 = +3 index points. Percent rise = (70 - 67) / 67 x 100, not 3%. Never infer a rank from an index value unless a ranking is published. A report titled 2024-25 but released in Dec 2025 separates the period covered from the publication date.

30-SECOND RECALL

FSR = RBI, half-yearly, systemic stability/risk. Trend & Progress = RBI statutory annual banking review. CCS = households, bi-monthly. IOS = manufacturing, quarterly. FI-Index = RBI Access + Usage + Quality; 70.0 in Mar 2026. BSR-1 = credit, BSR-2 = deposits. NAFIS = NABARD rural-household survey; latest edition used here is 2021-22, released Oct 2024.

MODULE 28 | PRACTICE CHECK

14 five-option questions - publisher, purpose, frequency, current edition and interpretation

Q1. Which RBI publication primarily assesses the stability, systemic risks and resilience of the financial system?

(A) Annual Report only (B) Financial Stability Report (C) Basic Statistical Return-2 (D) NAFIS (E) Report on State Finances only

Q2. What is the normal frequency of RBI's Financial Stability Report?

(A) Monthly (B) Quarterly (C) Half-yearly (D) Once in five years (E) Daily

Q3. Which is the latest FSR edition verified as of 15 August 2026?

(A) December 2024 (B) June 2025 (C) December 2025 (D) June 2026 (E) August 2026

Q4. The Report on Trend and Progress of Banking in India is published by:

(A) NABARD (B) SEBI (C) Reserve Bank of India (D) Ministry of Corporate Affairs (E) World Bank

Q5. Which pair correctly matches the edition and release timing used in the capsule?

(A) Trend & Progress 2024-25 - released 29 Dec 2025 (B) Trend & Progress 2025-26 - released Jan 2025 (C) FSR June 2026 - released June 2025 (D) NAFIS 2025-26 - released monthly (E) BSR-1 - released once every five years

Q6. Which RBI survey measures household perceptions of current conditions and expectations for the period ahead?

(A) Industrial Outlook Survey (B) Consumer Confidence Survey (C) NAFIS (D) Basic Statistical Returns (E) Financial Stability Report

Q7. What is the normal frequency of RBI's Consumer Confidence Survey under the current communication calendar?

(A) Bi-monthly (B) Annual (C) Five-yearly (D) Weekly (E) Half-yearly only

Q8. Which RBI survey is primarily associated with manufacturing companies' business assessment and expectations?

(A) Consumer Confidence Survey (B) Industrial Outlook Survey (C) NAFIS (D) FI-Index (E) BSR-2

Q9. RBI's Financial Inclusion Index combines which three broad dimensions?

(A) Liquidity, capital, profit (B) Access, usage, quality (C) Credit, inflation, GDP (D) Savings, tax, exports (E) Branches, coins, gold

Q10. What was the RBI FI-Index level for March 2026 as verified for this edition?

(A) 43.4 (B) 64.2 (C) 67.0 (D) 70.0 (E) 100.0

Q11. Which statement about an FI-Index level of 70.0 is correct?

(A) It means India ranks 70th globally (B) It automatically means 70% of citizens are banked (C) It is a composite index level, not a rank or simple percentage (D) It is the repo rate (E) It is a NABARD survey sample size

Q12. Which Basic Statistical Return is best remembered as the bank-credit return?

(A) BSR-1 (B) BSR-2 (C) BSR-5 only (D) NAFIS (E) CCS

Q13. NAFIS is conducted/published by which institution?

(A) RBI (B) NABARD (C) SEBI (D) IRDAI (E) PFRDA

Q14. Which statement correctly describes NAFIS 2021-22?

(A) It is a monthly RBI banking return (B) It is NABARD's second rural financial-inclusion survey, published in 2024 (C) It is an SEBI mutual-fund index (D) It is the same as RBI FI-Index (E) It measures only urban card transactions

MODULE 28 | ANSWERS & TEACHING EXPLANATIONS

Q1. B — The Financial Stability Report is the RBI publication focused on financial-system stability, risks and resilience.

Q2. C — RBI communication policy identifies the FSR as a half-yearly report.

Q3. D — RBI released the Financial Stability Report, June 2026, on 30 July 2026.

Q4. C — It is RBI's statutory annual publication reviewing banking/non-banking sector performance and policy developments.

Q5. A — Report year and release date are separate. The 2024-25 Trend & Progress report was released on 29 December 2025.

Q6. B — Consumer Confidence Survey is the household-sentiment survey; IOS is business/manufacturing oriented.

Q7. A — CCS is listed as a bi-monthly RBI survey.

Q8. B — Industrial Outlook Survey is the quarterly manufacturing-sector business outlook survey.

Q9. B — The FI-Index architecture is Access + Usage + Quality.

Q10. D — The current official backgrounder reports an FI-Index level of 70.0 for March 2026.

Q11. C — An index value is a constructed level from component indicators. Ranking or percentage coverage cannot be inferred unless separately stated.

Q12. A — BSR-1 is the credit-side memory anchor; BSR-2 is the deposit-side anchor.

Q13. B — NAFIS is the NABARD All India Rural Financial Inclusion Survey.

Q14. B — NABARD published the second NAFIS for 2021-22 in October 2024; it provides primary rural-household financial and economic data.

RAPID REVISION GRID

Prompt	Answer in one line
Normal banknote issuer	RBI under Section 22; Rs 1 Government note is the exception.
Minimum Reserve System	At least Rs 200 crore qualifying gold + foreign securities; gold component at least Rs 115 crore.
Government note presses	Nashik + Dewas.
RBI-subsidiary note presses	Mysuru + Salboni.
Government mints	Mumbai + Kolkata + Hyderabad + Noida.
Rs 1,000	Specified old Rs 1,000 notes ceased legal tender in 2016; no current Rs 1,000 legal-tender issue.
Rs 2,000	Withdrawn from circulation; remains legal tender.
FSR	RBI | half-yearly | systemic stability, risk, resilience | latest: June 2026.
Trend & Progress	RBI | statutory annual banking/non-banking review | latest used: 2024-25, released Dec 2025.
CCS / IOS	Consumer Confidence: households, bi-monthly. Industrial Outlook: manufacturing, quarterly.
FI-Index	RBI | Access, Usage, Quality | 70.0 in Mar 2026.
BSR-1 / BSR-2	Credit / deposits.
NAFIS	NABARD rural-household survey | second edition 2021-22, published Oct 2024.

MODULE 29

INTERNATIONAL FINANCIAL INSTITUTIONS & ASSESSMENTS

Role first. Headquarters and personalities second.

29.1 Start with the map: not every global institution does the same job

Institution	Core purpose for exam memory	Do not confuse with
IMF	International monetary cooperation, macro/financial surveillance, balance-of-payments support and reserve-asset architecture such as SDRs.	Long-term project finance as its primary identity
World Bank Group	Long-term development finance, knowledge and institutional support aimed at poverty reduction and development.	IMF-style short/medium-term balance-of-payments support
BIS	Forum and services for central banks; supports international monetary and financial cooperation.	A retail/commercial bank for the public
Basel Committee (BCBS)	Global standard setter for prudential regulation and supervision of banks; Secretariat hosted by BIS.	The BIS institution itself
Financial Stability Board (FSB)	Coordinates national authorities and international standard setters to promote global financial stability.	A lender to countries
ADB / AIIB / NDB	Multilateral development banks financing development/infrastructure and related priorities.	IMF surveillance or Basel standards

Primary source: IMF / World Bank / BIS / FSB official institutional pages Official source

29.2 IMF vs World Bank: the most important distinction

Axis	IMF	World Bank Group
Problem lens	Macroeconomic and external stability; monetary/financial system issues.	Long-term development, poverty reduction, institutions and projects/programmes.
Typical support	Policy advice, surveillance, capacity development and IMF financing to members facing external/macro problems.	Development loans/credits, grants, guarantees, investment and knowledge through World Bank Group institutions.
Exam trap	IMF is not mainly an infrastructure project bank.	World Bank is not the global lender-of-last-resort for balance-of-payments crises.

ONE-LINE MEMORY

IMF asks: Is the macro/external system stable? World Bank asks: How can long-term development outcomes be financed and improved?

29.3 Financial Sector Assessment Program (FSAP)

FSAP is a joint IMF-World Bank programme for an independent, in-depth evaluation of a country's financial sector. It looks at system-wide strengths, vulnerabilities, resilience, regulation/supervision and development needs - not whether one named bank is a good investment.

Step	What the student should see
1. Country financial system	Banks, non-banks, markets, infrastructure and regulatory architecture.
2. Vulnerability / resilience assessment	Stress points, interconnectedness, supervisory gaps and capacity to absorb shocks.
3. Policy recommendations	How regulation, supervision, crisis-management or market development can improve.
4. Published outputs	IMF Financial System Stability Assessment and World Bank financial-sector/development assessment outputs, as applicable.

INDIA CURRENT LAYER

India's latest FSAP cycle verified for this edition is the 2025 assessment. The IMF Financial System Stability Assessment highlighted a financial system more resilient and diverse than at the previous 2017 assessment, while stressing continued monitoring of non-bank financial institutions and interconnectedness.

Primary source: IMF - India Financial Sector Assessment Program, Financial System Stability Assessment (2025) Official source

Primary source: World Bank - Financial Sector Assessment Program Official source

29.4 BIS vs Basel Committee vs FSB

Entity	What it is	What it does
BIS	International organisation / bank for central banks	Supports central-bank cooperation, research, financial services and hosts secretariats of several committees.
BCBS	Committee of banking supervisors / central banks	Develops global bank prudential standards, including the Basel framework. Its Secretariat is hosted by BIS.
FSB	International coordination body	Coordinates national financial authorities and standard-setting bodies on global financial stability policy.

EXAM TRAP

“Basel Committee is the BIS” is wrong. The BCBS is a distinct standard-setting committee whose Secretariat is hosted by the BIS. Likewise, the FSB coordinates the broader stability architecture; it does not lend money to countries.

Primary source: BIS - Basel Committee organisation and governance Official source

Primary source: FSB - mandate Official source

29.5 ADB vs AIIB vs NDB: development banks, different institutional stories

Institution	Exam-ready identity	Current leader - 15 Aug 2026
Asian Development Bank (ADB)	Regional multilateral development bank with strong Asia-Pacific development focus.	Masato Kanda - 11th President; in office since 24 Feb 2025.
Asian Infrastructure Investment Bank (AIIB)	Multilateral development bank centred on sustainable infrastructure and connectivity.	Zou Jiayi - President since 16 Jan 2026.
New Development Bank (NDB)	Multilateral development bank founded by BRICS countries; finances infrastructure/sustainable-development priorities and has expanded membership.	Dilma Rousseff - President.

Primary source: ADB / AIIB / NDB official leadership pages [Official source]

29.6 Special Drawing Rights (SDR)

Question	Answer
What is an SDR?	An international reserve asset created by the IMF.
Is it a currency?	No. It is not a currency.
What determines its value?	A basket of five currencies: US dollar, euro, Chinese renminbi, Japanese yen and pound sterling.
How are general allocations distributed?	Broadly in proportion to IMF members' quotas.
What is the classic trap?	SDR is neither ordinary paper money nor a World Bank loan product.

Primary source: IMF - Special Drawing Rights factsheet [Official source]

29.7 Global Financial Stability Report (GFSR)

The IMF's GFSR assesses the global financial system and markets, focusing on current market conditions and systemic risks. It is a global stability report - not a country bank ranking.

LATEST EDITION USED

As of 15 August 2026, the latest regular GFSR is April 2026: “Global Financial Markets Confront the War in the Middle East and Amplification Risks.” It assesses elevated financial-stability risks, tighter financial conditions and amplification channels.

Primary source: IMF - Global Financial Stability Report, April 2026 [Official source]

29.8 Live leadership & membership layer - verify before a future exam

Institution / body	Current leadership or India connection
IMF	Managing Director: Kristalina Georgieva; second term began 1 Oct 2024.
World Bank Group	President: Ajay Banga; 14th President, term began 2 Jun 2023.
BIS	General Manager: Pablo Hernandez de Cos.
Basel Committee	Chair: Erik Thedeen; Secretary General: Ben Gully (Aug 2026-present).

Institution / body	Current leadership or India connection
FSB	Chair: Andrew Bailey. India members shown by FSB: Anuradha Thakur (DEA), Shirish Chandra Murmu (RBI) and Tuhin Kanta Pandey (SEBI).
ADB / AIIB / NDB	Masato Kanda / Zou Jiayi / Dilma Rousseff.

30-SECOND RECALL

IMF = macro/external stability | World Bank = development | BIS = central-bank cooperation | BCBS = bank prudential standards | FSB = coordination for global stability | ADB/AIIB/NDB = development banks | SDR = IMF reserve asset | FSAP = system-wide assessment.

MODULE 29 | PRACTICE CHECK

16 five-option practice questions - roles, assessments, live leadership and exam traps

Q1. Which institution is most directly associated with macroeconomic surveillance and balance-of-payments support to member countries?

(A) World Bank Group (B) International Monetary Fund (C) Asian Development Bank (D) Financial Stability Board (E) Basel Committee

Q2. Which statement best describes the World Bank Group for banking-awareness purposes?

(A) It sets the repo rate in member countries (B) It is primarily a global bank-supervision standard setter (C) It provides long-term development finance, knowledge and institutional support (D) It allocates SDRs (E) It is the secretariat of the Basel Committee

Q3. FSAP is jointly associated with which two institutions?

(A) RBI and SEBI (B) IMF and World Bank (C) BIS and FSB (D) ADB and AIIB (E) NDB and IMF only

Q4. What does an FSAP primarily assess?

(A) One bank's quarterly profit (B) A country's financial sector as a system (C) Only stock-market index returns (D) Only government debt (E) Only insurance premiums

Q5. Which entity develops global prudential standards for banks under the Basel framework?

(A) BIS as a commercial bank (B) Basel Committee on Banking Supervision (C) World Bank (D) ADB (E) NDB

Q6. Which statement correctly distinguishes BIS and BCBS?

(A) They are legally identical names for the same body (B) BCBS is a retail unit of BIS (C) BIS is an international institution; BCBS is a standard-setting committee hosted at BIS (D) BIS is an IMF department (E) BCBS lends directly to governments

Q7. The Financial Stability Board primarily promotes global financial stability by:

(A) Making retail loans (B) Coordinating national authorities and international standard setters (C) Printing reserve currencies (D) Running stock exchanges (E) Issuing bank licences in India

Q8. Special Drawing Rights are best described as:

(A) A cryptocurrency (B) An IMF-created international reserve asset (C) A World Bank infrastructure bond (D) A BIS banknote (E) A deposit-insurance product

Q9. Which currency is NOT in the current SDR valuation basket?

(A) US dollar (B) Euro (C) Chinese renminbi (D) Indian rupee (E) Japanese yen

Q10. Which institution publishes the Global Financial Stability Report?

(A) World Bank (B) IMF (C) BIS (D) ADB (E) RBI

Q11. Which is the latest GFSR edition as of 15 August 2026?

(A) October 2024 (B) April 2025 (C) October 2025 (D) April 2026 (E) August 2026

Q12. Who is the IMF Managing Director as of 15 August 2026?

(A) Ajay Banga (B) Kristalina Georgieva (C) Dilma Rousseff (D) Zou Jiayi (E) Andrew Bailey

Q13. Who is the President of the World Bank Group as of 15 August 2026?

(A) Ajay Banga (B) Masato Kanda (C) Pablo Hernandez de Cos (D) Erik Thedeen (E) Dilip Asbe

Q14. Which pair is correctly matched?

(A) ADB - Zou Jiayi (B) AIIB - Masato Kanda (C) NDB - Dilma Rousseff (D) FSB - Ajay Banga (E) BIS - Andrew Bailey

Q15. Who chairs the Basel Committee on Banking Supervision in the current layer?

(A) Erik Thedeen (B) Pablo Hernandez de Cos (C) Andrew Bailey (D) Sanjay Malhotra (E) Tuhin Kanta Pandey

Q16. Which Indian institutions are represented on the FSB member list verified for this edition?

(A) Only RBI (B) Only Ministry of Finance (C) Ministry of Finance, RBI and SEBI (D) RBI and NABARD only (E) SEBI and IRDAI only

MODULE 29 | ANSWERS & TEACHING EXPLANATIONS

Q1. B - The IMF is the institution associated with macroeconomic surveillance and financing for members facing external/macro problems.

Q2. C - World Bank Group identity is development finance and knowledge, not IMF-style macro stabilisation or Basel standard setting.

Q3. B - The Financial Sector Assessment Program is a joint IMF-World Bank programme.

Q4. B - FSAP is a system-wide assessment of financial-sector strengths, vulnerabilities, regulation and development needs.

Q5. B - The BCBS is the global bank prudential standard setter; its Secretariat is hosted at BIS.

Q6. C - BIS and BCBS are distinct. BIS hosts the BCBS Secretariat.

Q7. B - FSB is a coordination body for international financial-stability policy.

Q8. B - SDR is an IMF-created international reserve asset, not a currency.

Q9. D - The five currencies are USD, EUR, CNY, JPY and GBP. INR is not in the basket.

Q10. B - GFSR is an IMF flagship report on global financial-system and market risks.

Q11. D - The latest regular GFSR used here is April 2026.

Q12. B - Kristalina Georgieva is the IMF Managing Director; her second term began 1 October 2024.

Q13. A - Ajay Banga is the 14th President of the World Bank Group.

Q14. C - Dilma Rousseff is NDB President; Masato Kanda heads ADB and Zou Jiayi heads AIIB.

Q15. A - Erik Thedeen is Chair of the BCBS. Pablo Hernandez de Cos is BIS General Manager.

Q16. C - The current FSB member page shows India representation from DEA/Ministry of Finance, RBI and SEBI.

MODULE 30

DYNAMIC BANKING ECOSYSTEM

A replaceable, date-stamped near-exam banking dashboard.

30.1 Why this module must never become permanent static GK

Bank counts, licences, ownership stakes, appointments and product names change. The correct skill is not "memorise more"; it is "attach a date and status to the fact". The same institution can move category, merge, lose a licence or change leadership while the permanent banking concepts remain unchanged.

THE STATUS LABELS

Use four labels: ACTIVE / CURRENT; IN-PRINCIPLE OR PROPOSED; COMPLETED CHANGE; CANCELLED / HISTORICAL. A mains statement often becomes easy once the status word is noticed.

30.2 Current Indian banking map - 15 August 2026

Category	Current count / status	Exam note
Public Sector Banks	12	SBI + 11 nationalised banks on RBI current list.
Domestic Private Sector Banks	21	Includes IDBI Bank in RBI's domestic private-sector list.
Small Finance Banks	11	Includes AU SFB and slice Small Finance Bank.
Active Payments Banks	5	Airtel, India Post, Fino, Jio and NSDL. Paytm Payments Bank is marked "banking licence cancelled" by RBI.
Regional Rural Banks	28	Current DFS/RBI structure after consolidation.
Local Area Banks	2	Coastal LAB and Krishna Bhima Samruddhi LAB on RBI list.

COUNTING TRAP

Do not count a cancelled licence as an active bank. Also, an in-principle approval to change category does not move a bank into the new category until the final licence/effective transition occurs.

Primary source: RBI - List of Banks in India Official source

Primary source: DFS - Regional Rural Banks Official source

30.3 Merger / conversion / licence timeline that changes the map

Change	Current reading on 15 Aug 2026
One State One RRB consolidation	28 RRBs are currently functioning. This is the current count; older 43/34/etc. counts are historical.
slice Small Finance Bank	RBI current list shows slice Small Finance Bank. The bank's own terms describe it as erstwhile North-East Small Finance Bank and reflect the slice/NESFB merger architecture.
AU Small Finance Bank -> Universal Bank	RBI granted in-principle approval on 7 Aug 2025. AU disclosed that it filed for the final licence in March 2026 and was awaiting approval; RBI's current bank list still shows AU under SFBs.
Paytm Payments Bank	RBI current list explicitly marks the banking licence cancelled; do not treat it as an active Payments Bank.

EXAM TRAP

"AU became a universal bank in August 2025" is too strong. The 2025 action was in-principle approval. The current RBI list on 15 August 2026 still classifies AU as a Small Finance Bank.

Primary source: AU Small Finance Bank - Q1 FY27 disclosure / universal-bank transition Official source

Primary source: slice Small Finance Bank - current corporate / merger disclosures Official source

30.4 Ownership transaction: YES Bank and SMBC

Sumitomo Mitsui Banking Corporation (SMBC), part of SMFG, acquired a 20% equity stake in YES Bank under the strategic transaction announced in 2025. For exam purposes the durable lesson is ownership-status reading: stake acquisition does not make YES Bank a foreign bank branch; YES Bank remains in RBI's domestic private-sector bank list.

CATEGORY TRAP

Foreign strategic shareholding in an Indian bank does not automatically change the bank's RBI category to "foreign bank". Always check the regulator's current list.

Primary source: SMFG - YES Bank 20% strategic investment Official source

30.5 Selected current leadership - use for near-exam revision only

Institution	Current office-holder - 15 Aug 2026
Reserve Bank of India	Governor: Sanjay Malhotra. Deputy Governors: Swaminathan J, Poonam Gupta, Shirish Chandra Murmu, Rohit Jain.
SEBI	Chairman: Tuhin Kanta Pandey.
NPCI	Non-Executive Chairman: Ajay Kumar Choudhary; MD & CEO: Dilip Asbe.
State Bank of India	Chairman: Challa Sreenivasulu Setty (C S Setty).

APPOINTMENT RULE

Never migrate these names into the permanent module text. They are correct only with the "verified 15 August 2026" date attached.

Primary source: RBI - Central Board / current Governor and Deputy Governors Official source

Primary source: SEBI - Board members Official source

Primary source: NPCI - Board / Management [Official source]

Primary source: SBI - Board of Directors [Official source]

30.6 Recent regulator / payment / rural-finance initiatives worth retaining

Initiative	What it means / why exam-worthy
RBI Inter-operable Regulatory Sandbox (IoRS)	Common window for testing hybrid financial products/services falling under more than one financial-sector regulator. FAQ dated 17 Sep 2025.
RBI FREE-AI	Framework for Responsible and Ethical Enablement of Artificial Intelligence report released in Aug 2025; regulator-linked AI governance belongs in current layer.
SEBI Validated UPI Handles + SEBI Check	Investor-payment safety framework implemented from 1 Oct 2025; individual investor payments to intermediaries use validated @valid UPI handles under the framework.
SEBI Project SUDARSAN	AI-powered intelligence platform operationalised to help protect retail investors from financial fraud on social media.
NPCI UPI One World - 2026 expansion	NPCI extended UPI One World wallet service to international delegates at the India AI Impact Summit 2026.
NABARD current innovation watch	NABARD currently spotlights RuralTech CoLab, AgriSURE and digitalising cooperatives; use the NABARD “What's New/Spotlight” layer rather than memorising stale initiative lists.
DFS Composite Salary Account Package	Launched in Jan 2026 with Public Sector Banks for Central Government employees - a clean example of a current DFS/PSB service initiative.

Primary source: RBI - Inter-operable Regulatory Sandbox FAQ [Official source]

Primary source: SEBI - Validated UPI Handles and SEBI Check [Official source]

Primary source: NPCI - Press Releases [Official source]

Primary source: NABARD - current Spotlight / What's New [Official source]

30.7 What NOT to load into memory

FILTER RULE

Do not memorise every RBI penalty, every bank marketing product or every minor appointment. Keep only changes that alter the bank map, regulator architecture, ownership/control, senior leadership, or a nationally relevant payment/regulatory mechanism. Everything else belongs in Daily/Monthly GA.

30-SECOND RECALL

12 PSBs | 21 domestic private banks | 11 SFBs | 5 active PBs | 28 RRBs | 2 LABs. AU = in-principle universal transition, still SFB on current RBI list. Paytm PB = licence cancelled. slice SFB = current SFB identity. YES Bank = domestic private bank despite SMBC 20% stake.

MODULE 30 | PRACTICE CHECK

20 five-option practice questions - current counts, status words, leadership, ownership and initiatives

Q1. How many Public Sector Banks are on RBI's current list as of the verification date?

(A) 10 (B) 11 (C) 12 (D) 13 (E) 14

Q2. How many domestic private-sector banks are on RBI's current list as of the verification date?

(A) 18 (B) 19 (C) 20 (D) 21 (E) 22

Q3. How many Small Finance Banks are on RBI's current list as of the verification date?

(A) 9 (B) 10 (C) 11 (D) 12 (E) 13

Q4. How many active Payments Banks were verified as of 15 August 2026?

(A) 4 (B) 5 (C) 6 (D) 7 (E) 8

Q5. How many RRBs are currently functioning according to the current DFS structure?

(A) 28 (B) 34 (C) 38 (D) 43 (E) 45

Q6. Which bank is explicitly marked by RBI as having its banking licence cancelled?

(A) Jio Payments Bank (B) Airtel Payments Bank (C) Paytm Payments Bank (D) Fino Payments Bank (E) NSDL Payments Bank

Q7. Which statement about AU Small Finance Bank is correct as of 15 August 2026?

(A) It is no longer on the RBI SFB list (B) It received final universal-bank licence in August 2025 (C) It has in-principle universal-bank approval but remains on RBI's SFB list while final approval is awaited (D) Its banking licence was cancelled (E) It merged into SBI

Q8. slice Small Finance Bank is best understood in the current verified map as:

(A) A payments bank (B) A current SFB identity connected with the erstwhile North-East Small Finance Bank merger (C) A foreign bank branch (D) A public sector bank (E) An NBFC without a banking licence

Q9. Which statement about YES Bank after the SMBC transaction is correct?

(A) It became a foreign bank branch (B) It became a PSB (C) It remains in RBI's domestic private-sector bank list despite SMBC's 20% strategic stake (D) It became an SFB (E) Its licence was cancelled

Q10. What strategic stake in YES Bank is associated with SMBC in the current verified snapshot?

(A) 5% (B) 10% (C) 15% (D) 20% (E) 49%

Q11. Who is the RBI Governor in the current layer?
(A) Shaktikanta Das (B) Sanjay Malhotra (C) Swaminathan J (D) Tuhin Kanta Pandey (E) C S Setty

Q12. Which of the following is NOT one of the four RBI Deputy Governors in the current verified snapshot?
(A) Swaminathan J (B) Poonam Gupta (C) Shirish Chandra Murmu (D) Rohit Jain (E) Dilip Asbe

Q13. Who is the SEBI Chairman in the current layer?
(A) Ajay Kumar Choudhary (B) Tuhin Kanta Pandey (C) Ajay Banga (D) Sanjay Malhotra (E) Masato Kanda

Q14. Who is the Managing Director & CEO of NPCI in the current layer?
(A) Dilip Asbe (B) C S Setty (C) Andrew Bailey (D) Ajay Banga (E) Rohit Jain

Q15. Who is the Chairman of State Bank of India in the current layer?
(A) Rana Ashutosh Kumar Singh (B) C S Setty (C) Dilip Asbe (D) Sanjay Malhotra (E) Tuhin Kanta Pandey

Q16. The Inter-operable Regulatory Sandbox (IoRS) is designed mainly for:
(A) Only farm loans (B) Hybrid financial products/services crossing more than one regulator's perimeter (C) Only stock-exchange listings (D) Only currency-note printing (E) Only RRB mergers

Q17. SEBI's Validated UPI Handles and SEBI Check framework became operational from:
(A) 1 Apr 2024 (B) 1 Oct 2025 (C) 1 Jan 2026 (D) 1 Jul 2026 (E) 15 Aug 2026

Q18. Project SUDARSAN is associated with which regulator?
(A) RBI (B) NABARD (C) SEBI (D) PFRDA (E) DFS

Q19. UPI One World is associated with which institution?
(A) SEBI (B) NPCI (C) NABARD (D) IMF (E) BIS

Q20. Which is the correct way to revise Module 30 for a future mains exam?
(A) Memorise this page forever (B) Keep current names but remove dates (C) Reverify counts, licences, ownership and leadership shortly before the exam (D) Use only old PYQs (E) Ignore regulator primary sources

MODULE 30 | ANSWERS & TEACHING EXPLANATIONS

Q1. C - RBI's current list has SBI plus 11 nationalised banks = 12 PSBs.

Q2. D - The current RBI domestic private-sector list contains 21 banks.

Q3. C - RBI currently lists 11 Small Finance Banks.

Q4. B - Five active PBs are counted: Airtel, India Post, Fino, Jio and NSDL. Paytm PB is marked licence cancelled.

Q5. A - The current consolidated RRB structure has 28 RRBs.

Q6. C - RBI's current list marks Paytm Payments Bank: banking licence cancelled.

Q7. C - AU received in-principle approval in Aug 2025, filed for final licence in Mar 2026 and remained listed as an SFB on the current RBI page.

Q8. B - RBI lists slice Small Finance Bank; slice disclosures describe the erstwhile North-East SFB merger architecture.

Q9. C - Ownership stake and regulator category are separate. YES Bank remains a domestic private-sector bank.

Q10. D - SMBC/SMFG disclosures refer to a 20% equity stake in YES Bank.

Q11. B - Sanjay Malhotra is RBI Governor in the current board list.

Q12. E - Dilip Asbe is NPCI MD & CEO, not an RBI Deputy Governor.

Q13. B - Tuhin Kanta Pandey is SEBI Chairman.

Q14. A - Dilip Asbe is NPCI MD & CEO.

Q15. B - Challa Sreenivasulu Setty (C S Setty) is SBI Chairman.

Q16. B - IoRS provides a common window for testing hybrid products/services involving multiple financial-sector regulators.

Q17. B - SEBI implemented the validated UPI framework from 1 October 2025.

Q18. C - SEBI operationalised Project SUDARSAN as an AI-powered intelligence platform for investor-protection/fraud intelligence.

Q19. B - UPI One World is an NPCI payment initiative; it was extended to international delegates at the India AI Impact Summit 2026.

Q20. C - Module 30 is date-sensitive. Dynamic facts must be reverified near each major Mains exam.

RAPID REVISION GRID

Prompt	Answer in one line
IMF vs World Bank	IMF = macro/external stability; World Bank = long-term development finance/knowledge.
FSAP	Joint IMF-World Bank financial-sector assessment; system-wide, not one-bank audit.
BIS vs BCBS	BIS = institution for central-bank cooperation; BCBS = bank-supervision standard setter hosted at BIS.
FSB	Coordinates national authorities and international standard setters for global financial stability.
SDR	IMF reserve asset; not currency; basket = USD, EUR, CNY, JPY, GBP.
GFSR latest used	IMF Global Financial Stability Report - April 2026.
Bank map - 15 Aug 2026	12 PSBs | 21 domestic private | 11 SFBs | 5 active PBs | 28 RRBs | 2 LABs.
AU SFB	In-principle universal-bank approval; final licence awaited; still on RBI SFB list.
Paytm PB	Banking licence cancelled - do not count active.
slice SFB	Current RBI-listed SFB; merger-linked identity of erstwhile North-East SFB.
YES / SMBC	SMBC 20% stake; YES remains domestic private-sector bank.
Current leadership	RBI Sanjay Malhotra | SEBI Tuhin Kanta Pandey | NPCI Dilip Asbe (MD&CEO) | SBI C S Setty.
Current initiatives	IoRS | FREE-AI | SEBI Validated UPI/Check | Project SUDARSAN | UPI One World | NABARD innovation watch.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 30 - DYNAMIC BANKING ECOSYSTEM

PYQ SIGNATURE

Current bank map, licence/status words, ownership transactions and leadership - all date-stamped.

LIVE CHECKPOINT -> This whole module is a live booster. Re-verify before every major Mains exam.

5 Mains Application Questions

Q1. Which current bank-count snapshot is used in the master (15 Aug 2026)?

A. 12 PSBs; 21 domestic private banks; 11 SFBs; 5 active PBs; 28 RRBs; 2 LABs
B. 10; 20; 12; 7; 43; 4
C. 12; 11; 21; 28; 5; 2
D. All categories have 12
E. Counts are permanent statutory facts

Q2. AU Small Finance Bank received in-principle approval for universal-bank transition. Safest current status in the master is:

A. Already a universal bank from the in-principle date
B. Still shown as an SFB on the RBI current list pending final transition steps
C. Payments Bank
D. RRB
E. Foreign bank branch

Q3. How should Paytm Payments Bank be treated in the current bank list used here?

A. Active Payments Bank
B. Licence cancelled; do not count it among active PBs
C. Universal bank
D. SFB
E. LAB

Q4. SMBC acquired a strategic stake in YES Bank. What category lesson follows?

A. YES Bank automatically became a foreign bank branch
B. Strategic foreign shareholding does not automatically change the RBI category; YES Bank remains on the domestic private-sector bank list
C. YES became an RRB
D. YES became a Payments Bank
E. RBI category follows shareholder nationality only

Q5. Which fact belongs most clearly in a live layer?

A. Meaning of CRAR
B. Current RBI Governor and current number of RRBs
C. RBI Act year
D. Meaning of CTS
E. Definition of financial intermediation

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 30 - DYNAMIC BANKING ECOSYSTEM

Q1 - A Counts can change through merger, conversion, licensing or cancellation; the date stamp is part of the answer.

Q2 - B In-principle approval is not the same as a final licence/category change.

Q3 - B A stale name-list can overcount active Payments Banks if licence action is ignored.

Q4 - B Ownership transaction and regulatory bank category are related but not identical questions.

Q5 - B Office-holders and current institutional counts can change quickly; permanent mechanisms should not be mixed with them.

MAINS TAKEAWAY

Do not ask only "Do I know this fact?" Ask: Is it permanent or live? Which institution/category does it belong to? What older answer could the examiner use as a distractor?

MODULE 31

RRB / CLERK STATIC BANKING BOOSTER

Fast recall after understanding. Not a substitute for the core modules.

31.1 Landmark dates: learn the sequence, not isolated years

Year / Date	Landmark	Why it still matters
1934	Reserve Bank of India Act enacted	Legal base of RBI.
1 Apr 1935	RBI commenced operations	Direct establishment-date question.
1 Jan 1949	RBI nationalised	Ownership-history trap.
1949	Banking Regulation Act	Core law for banking regulation.
1955	State Bank of India Act / SBI created	Landmark public-sector banking event.
1969	14 major banks nationalised	First large nationalisation phase.
1975-76	First RRBs launched; RRB Act followed in 1976	Rural institutional banking architecture.
1981-82	NABARD Act 1981; NABARD began operations in 1982	Apex rural development bank.
1990	SIDBI began operations	Principal financial institution for MSME development.
1992	SEBI became statutory; NABARD SHG-Bank Linkage pilot	Two recurring exam anchors.

Primary source: RBI organisation/history; DFS/NABARD/SIDBI official institutional pages Official source

31.2 Important Acts: match the law to its regulatory problem

Act	Year	Mental hook
Negotiable Instruments Act	1881	Cheques, bills of exchange, promissory notes.
Reserve Bank of India Act	1934	RBI, monetary/currency and key NBFC powers.
Banking Regulation Act	1949	Regulation of banking companies.
State Bank of India Act	1955	Creation/governance of SBI.
DICGC Act	1961	Deposit insurance corporation.
Regional Rural Banks Act	1976	RRB legal architecture.
NABARD Act	1981	Establishment of NABARD.
SEBI Act	1992	Statutory securities-market regulator.
FEMA	1999	Foreign exchange management.
SARFAESI Act	2002	Secured-credit enforcement / ARCs.
PMLA	2002	Anti-money-laundering legal framework.
Payment and Settlement Systems Act	2007	Authorisation/regulation of payment systems.
PFRDA Act	2013	Statutory pension-sector regulator.

EXAM TRAP

RBI Act 1934 and Banking Regulation Act 1949 are not interchangeable. One creates/empowers the central bank; the other regulates banking business.

31.3 Public-sector bank headquarters: the compact 12-bank grid

Public Sector Bank	Headquarters	Public Sector Bank	Headquarters
State Bank of India	Mumbai	Bank of Baroda	Vadodara
Punjab National Bank	New Delhi	Canara Bank	Bengaluru
Union Bank of India	Mumbai	Bank of India	Mumbai
Indian Bank	Chennai	Central Bank of India	Mumbai
Indian Overseas Bank	Chennai	UCO Bank	Kolkata
Bank of Maharashtra	Pune	Punjab & Sind Bank	New Delhi

Primary source: Department of Financial Services - Public Sector Banks / official bank websites Official source

31.4 Regulator / institution headquarters worth retaining

Institution	Headquarters	Function cue
RBI	Mumbai	Central bank
SEBI	Mumbai	Securities market
NABARD	Mumbai	Agriculture & rural development
SIDBI	Lucknow	MSME development
IRDAI	Hyderabad	Insurance
PFRDA	New Delhi	Pensions
IFSCA	GIFT City, Gandhinagar	International financial services centres

Primary source: Official regulator / institution contact pages Official source

31.5 Taglines: only the few with clean official current use

Institution	Officially used line	Priority
State Bank of India	The Banker to Every Indian	Medium - direct static possible
Bank of Baroda	India's International Bank	Medium
Punjab National Bank	...the name you can BANK upon!	Medium

TAGLINE POLICY
Do not memorise dozens of legacy marketing slogans. If a bank changes its branding, the old slogan becomes historical. These three are retained because official current pages still use them.

31.6 Full forms that earn marks because they connect to mechanisms

Short form	Full form	Where it belongs
ANBC	Adjusted Net Bank Credit	Priority Sector Lending
CEOBSE	Credit Equivalent of Off-Balance Sheet Exposures	PSL target denominator
CRAR	Capital to Risk-weighted Assets Ratio	Capital adequacy
GNPA	Gross Non-Performing Assets	Asset quality
NNPA	Net Non-Performing Assets	Asset quality after provisions
CASA	Current Account Savings Account	Deposit mix
CRILC	Central Repository of Information on Large Credits	Large-credit monitoring
CKYCR	Central KYC Records Registry	KYC infrastructure
V-CIP	Video-based Customer Identification Process	Remote KYC
PSLC	Priority Sector Lending Certificate	PSL market mechanism
RIDF	Rural Infrastructure Development Fund	NABARD / rural infrastructure
TReDS	Trade Receivables Discounting System	MSME receivables
SRVA	Special Rupee Vostro Account	INR trade settlement
PRAN	Permanent Retirement Account Number	NPS
NACH	National Automated Clearing House	Bulk recurring payments
BBPS	Bharat Bill Payment System	Interoperable bill payments
AEPS	Aadhaar Enabled Payment System	BC / micro-ATM payments
IMPS	Immediate Payment Service	Instant payments

31.7 Selected committees: remember problem -> committee -> reform direction

Committee / Chair	Period	Exam-useful association
Narasimham Committee I	1991	Financial-sector reforms: prudential norms, competition, structure.
Narasimham Committee II	1998	Banking-sector strengthening / consolidation / asset quality.
P. J. Nayak Committee	2014	Governance of bank boards, especially public-sector banks.
Nachiket Mor Committee	2013-14	Comprehensive financial services; differentiated-bank/inclusion thinking.
CRAFICARD - B. Sivaraman	1979	Institutional rural credit review that led to NABARD.

31.8 Traditional banking mechanics: direct-question table

Item	What to retain	Trap
IFSC	11 characters: first 4 identify bank; 5th is 0; last 6 identify branch.	Not the same as MICR.
MICR	9 digits: city / bank / branch coding used in cheque processing.	Do not call it an electronic-funds-transfer code.
Cheque validity	Generally 3 months from date of issue.	Old six-month notes are obsolete.
CTS	Cheque Truncation System: clearing uses cheque image/data rather than physical movement.	CTS does not mean the customer scans any image to create a cheque.
NEFT	24x7; RBI does not prescribe a minimum or maximum transfer amount.	Banks may set channel-specific limits.
RTGS	24x7; minimum ₹2 lakh; no RBI upper ceiling.	RTGS is for real-time gross settlement, not deferred netting.
NACH	NPCI platform for bulk/recurring electronic transactions.	Do not confuse with NEFT.
AEPS	Aadhaar-authenticated basic banking/payment access, often through BC/micro-ATM.	Authentication rail, not a bank account type.

Primary source: RBI payment/customer-service FAQs and NPCI product pages Official source

31.9 Rural static: the small map that RRB/Clerk keeps testing

Fact	Recall
RRB ownership	Central Government 50% : State Government 15% : Sponsor Bank 35%.
Short-term co-operative credit	State Co-operative Bank -> District Central Co-operative Bank -> PACS.
NABARD	Apex development bank for agriculture/rural development; began operations in 1982.
RIDF	Rural Infrastructure Development Fund - administered by NABARD.
SHG-Bank Linkage Programme	NABARD pilot began in 1992; links self-help groups with formal banking.
Lead Bank architecture	BLBC (block) -> DCC/DLRC (district) -> SLBC (state).

30-SECOND RECALL

1935 RBI | 1949 BR Act | 1969 fourteen banks | 1982 NABARD | SBI-Mumbai | BoB-Vadodara | SIDBI-Lucknow | IFSC 11 | MICR 9 | cheque 3 months | RTGS min ₹2 lakh | RRB 50:15:35.

MODULE 31 PRACTICE - 26 FIVE-OPTION QUESTIONS

1. RBI commenced operations on which date?

A) 1 April 1935
B) 1 January 1949
C) 1 July 1955
D) 19 July 1969
E) 12 July 1982

2. The Reserve Bank of India was nationalised with effect from:

A) 1 April 1935
B) 1 January 1949
C) 19 July 1969
D) 15 April 1980
E) 1 April 1992

3. How many major commercial banks were nationalised in the first large phase in 1969?
A) 6
B) 8
C) 12
D) 14
E) 20

4. NABARD began operations in which year?
A) 1975
B) 1981
C) 1982
D) 1990
E) 1992

5. SIDBI began operations in:
A) 1982
B) 1988
C) 1990
D) 1992
E) 1999

6. Which Act is the core statute regulating banking companies in India?
A) RBI Act, 1934
B) Banking Regulation Act, 1949
C) SBI Act, 1955
D) DICGC Act, 1961
E) PSS Act, 2007

7. Deposit insurance through DICGC rests on which Act?
A) DICGC Act, 1961
B) Banking Regulation Act, 1949
C) Companies Act, 2013
D) PMLA, 2002
E) FEMA, 1999

8. Which law gives the statutory framework for payment systems in India?
A) PMLA, 2002
B) FEMA, 1999
C) Payment and Settlement Systems Act, 2007
D) SEBI Act, 1992
E) RRB Act, 1976

9. State Bank of India is headquartered in:
A) New Delhi
B) Mumbai
C) Kolkata
D) Chennai
E) Vadodara

10. Punjab National Bank is headquartered in:
A) Mumbai
B) Chennai
C) New Delhi
D) Kolkata
E) Pune

11. Bank of Baroda is headquartered in:
A) Vadodara
B) Mumbai
C) Ahmedabad
D) New Delhi
E) Pune

12. SIDBI is headquartered in:
A) Mumbai
B) Lucknow
C) Hyderabad
D) New Delhi
E) Jaipur

13. IFSCA is headquartered at:
A) Mumbai
B) Hyderabad
C) GIFT City, Gandhinagar
D) New Delhi
E) Bengaluru

14. 'The Banker to Every Indian' is officially associated with:
A) Punjab National Bank
B) State Bank of India
C) Bank of Baroda
D) Canara Bank
E) UCO Bank

15. How many characters are in an IFSC code?
A) 8
B) 9
C) 10
D) 11
E) 12

16. What is the fifth character of a standard IFSC code?
A) A letter identifying state
B) 0 (zero)
C) A check digit
D) Branch category digit
E) Any alphabetic character

17. A MICR code used in cheque processing contains how many digits?
A) 6
B) 8
C) 9
D) 10
E) 11

18. A cheque / draft / pay order / banker's cheque is generally payable only if presented within:
A) 30 days
B) 45 days
C) 2 months
D) 3 months
E) 6 months

19. What is the minimum amount for an RTGS transaction?
A) No minimum
B) ₹10,000
C) ₹50,000
D) ₹1 lakh
E) ₹2 lakh

20. Which statement about NEFT amount limits is correct at RBI-system level?
A) Minimum ₹2 lakh
B) Minimum ₹50,000
C) Maximum ₹10 lakh
D) No RBI-prescribed minimum or maximum
E) Only multiples of ₹1 lakh

21. Cheque Truncation System primarily means:
A) Destroying a cheque after payment
B) Clearing on the basis of cheque image/data without physical movement
C) Converting a cheque into RTGS
D) Cancelling stale cheques automatically
E) Using only MICR without cheque images

22. The Narasimham Committee I is most closely associated with:
A) Insurance nationalisation
B) Financial-sector reforms
C) Gold monetisation
D) Pension regulation
E) Co-operative elections

23. The P. J. Nayak Committee is mainly remembered in banking awareness for:
A) Bank-board governance
B) Currency-note design
C) Crop insurance
D) Foreign-exchange reserves
E) UPI limits

24. The standard ownership pattern of an RRB is Central Government : State Government : Sponsor Bank =
A) 40:20:40
B) 50:15:35
C) 51:24:25
D) 60:20:20
E) 35:15:50

25. Which is the correct short-term co-operative credit hierarchy?
A) PACS -> StCB -> DCCB
B) DCCB -> PACS -> StCB
C) StCB -> DCCB -> PACS
D) NABARD -> RRB -> PACS
E) SLBC -> DCC -> PACS

26. RIDF is administered by:

A) RBI
B) SIDBI
C) NABARD
D) SEBI
E) DICGC

MODULE 31 ANSWERS & TEACHING EXPLANATIONS

1. A - RBI began operations on 1 April 1935; 1 January 1949 is its nationalisation date.

2. B - RBI moved into public ownership on 1 January 1949.

3. D - The 1969 phase nationalised 14 major banks; six more followed in 1980.

4. C - The NABARD Act is 1981; NABARD began operations in 1982.

5. C - SIDBI began operations in 1990 and is the principal financial institution for MSME development.

6. B - The Banking Regulation Act, 1949 governs banking business; the RBI Act is the central bank statute.

7. A - The Deposit Insurance and Credit Guarantee Corporation Act, 1961 provides the legal base.

8. C - The Payment and Settlement Systems Act, 2007 is the core payment-system statute.

9. B - SBI headquarters is in Mumbai.

10. C - PNB head office is in New Delhi.

11. A - Bank of Baroda is headquartered in Vadodara.

12. B - SIDBI Head Office is at Lucknow.

13. C - IFSCA is headquartered at GIFT City, Gandhinagar, Gujarat.

14. B - SBI official pages use the line “The Banker to Every Indian”.

15. D - IFSC has 11 characters.

16. B - The fifth character is reserved as 0; the first four identify the bank and the last six the branch.

17. C - MICR is a 9-digit code, commonly remembered as city-bank-branch.

18. D - The general validity period is three months; older six-month notes are obsolete.

19. E - RTGS has a ₹2 lakh minimum; RBI does not prescribe an upper ceiling.

20. D - NEFT has no RBI-prescribed minimum or maximum, though banks may set channel-specific limits.

21. B - CTS truncates physical movement and uses cheque images/data for clearing.

22. B - Narasimham I (1991) is a major financial-sector reform committee.

23. A - The P. J. Nayak Committee focused on governance of bank boards, especially PSBs.

24. B - RRB shareholding is 50% Central Government, 15% State Government and 35% Sponsor Bank.

25. C - The classic short-term co-operative structure is State Co-operative Bank -> DCCB -> PACS.

26. C - The Rural Infrastructure Development Fund is administered by NABARD.

MODULE 32

CURRENT REGULATORY UPDATE LAYER

This module is intentionally replaceable. Re-verify it monthly and again before every major mains exam.

CONTROL FORMAT

Current rule -> effective date -> earlier/PYQ-era rule -> what changed -> exam trap -> primary source -> last verified date.

32.1 The high-risk changed-rule register

Topic	Current rule	Effective / current date	Old / PYQ-era answer	Exam trap
Small Finance Bank PSL	60% total PSL target	RBI amendment 19 Jan 2026 / current 2025 Directions	75% was a valid older answer	Do not confuse current SFB 60% with RRB 75%.
RBI Ombudsman	RB-IOS 2026	1 Jul 2026	RB-IOS 2021	Old scheme name is now historical for fresh complaints.
Gold Monetisation Scheme	Fresh Medium/Long Term Government Deposits discontinued	26 Mar 2025	Old three-component structure widely taught	Do not answer MLTGD as a currently open fresh-deposit component.
ATM charges beyond free transactions	Up to ₹23 per transaction + taxes	1 May 2025	Earlier ceiling was lower	An ATM fee is a dated rule, not permanent static GK.
Payments Bank end-of-day balance	₹2 lakh per individual customer	8 Apr 2021 / RBI circular effective immediately	₹1 lakh	2021 PYQ-era ₹1 lakh is obsolete.
Collateral-free agriculture	Up to ₹2 lakh	1 Jan 2025 implementation	₹1.6 lakh	RRB/rural PDFs still circulate the old figure.
Certificate of Deposit issuers	SCBs + RRBs + SFBs	7 Jun 2021	Older directions excluded RRBs	RRB is now a valid issuer under the 2021 Directions.
NPS All Citizen	Age 18-85; ₹250 onboarding; ₹10 subsequent contribution	Current PFRDA 2026 framework	Legacy ₹500/₹1,000 Tier-I tables	Do not merge All Citizen with Tier-II minimums.
NSFI	National Strategy for Financial Inclusion 2025-30	Released 12 May 2026	NSFI 2019-24	Old strategy period remains a PYQ fact, not current answer.

Primary source: RBI / DEA / PFRDA primary directions and FAQs Official source

32.2 Digital payments: the live-number board

Rule	Current position (16 Aug 2026)	What to forget
UPI Lite	₹1,000 per transaction; ₹10,000 cumulative/day; max balance ₹5,000.	Older lower wallet/transaction caps.
UPI Lite X	Offline-capable; ₹500 per transaction; ₹4,000/day; max balance ₹2,000.	Treat Lite X as ordinary online UPI.
E-mandate - general recurring	After mandate setup, recurring debit up to ₹15,000 can proceed without fresh AFA; above it needs AFA.	Older lower AFA-free ceilings.
E-mandate - special categories	Up to ₹1 lakh for mutual-fund subscriptions, insurance premiums and credit-card bill payments.	Assume ₹1 lakh applies to every recurring debit.
E-mandate notice	Pre-transaction notice normally at least 24 hours before debit; first transaction/registration and changes require AFA.	No-notice autopay assumption.

DIGITAL-PAYMENT TRAP

A current limit is not a concept. Keep the mechanism in the permanent chapter and the number here. This is why an older mock can be “correct for its date” and wrong for today.

Primary source: RBI NSFI 2025-30; RBI Digital Payments - E-mandate Framework, 2026 Official source

32.3 Credit / MSME / KYC: changes that reverse old tables

Topic	Current position	Change control
MSE collateral	Banks shall not accept collateral security for MSE loans up to ₹20 lakh; banks may adopt higher internal collateral-free limits as permitted.	Amendment dated 9 Feb 2026 applies to loans sanctioned/renewed on or after 1 Apr 2026; old mandatory threshold was ₹10 lakh.
MSME classification	Micro: investment ≤₹2.5 cr & turnover ≤₹10 cr; Small: ≤₹25 cr & ≤₹100 cr; Medium: ≤₹125 cr & ≤₹500 cr.	Revised classification effective 1 Apr 2025.
KYC periodic update	At least every 2 years high-risk, 8 years medium-risk, 10 years low-risk.	Old low/medium periodicity tables can mislead.
Health insurance entry-age trap	Do not use 65 years as a blanket current upper entry-age rule; current IRDAI framework requires broader age coverage/product availability.	Product-specific conditions matter; the old universal ceiling is obsolete.

Primary source: RBI MSME/KYC directions; IRDAI Health Insurance Master Circular Official source

32.4 Securities / pension: current framework names matter

Area	Current answer	Historical trap
SEBI mutual funds	SEBI (Mutual Funds) Regulations, 2026; current list shows amendments through 7 Jul 2026.	SEBI (Mutual Funds) Regulations, 1996 is an erstwhile framework, not the current regulation name.
NPS Tier I / All Citizen	Use current All Citizen eligibility/contribution rules from PFRDA.	Do not borrow legacy Tier-I values from an old FAQ.
NPS Tier II	Separate optional-account rule set; opening/subsequent minimums are not the same as current All Citizen Tier-I.	Never merge the two columns into one “NPS minimum”.

Primary source: SEBI current Regulations list; PFRDA NPS current pages Official source

32.5 Regulator update dashboard: where to look before an exam

Institution	Watch for	Do not waste time on
RBI	Master Directions, FAQs, payments, KYC, lending, prudential and customer-protection changes.	Every monetary penalty unless it signals a new rule.
SEBI	New/replaced regulations, major market-mechanism changes.	Routine enforcement orders unrelated to syllabus.
NPCI	UPI / RuPay / NACH / BBPS product rules and operating limits.	Promotional campaign details.
IRDAI	Product/regulatory frameworks, policyholder rules.	Insurer marketing launches without rule impact.
PFRDA	NPS/APY eligibility, contribution, exit and new variants.	Subscriber counts unless current affairs makes them exam-worthy.
NABARD / DFS	Rural architecture, RRB changes, government financial schemes.	Local one-off events.

32.6 Emerging watchlist: understand the rail, not a headline

Theme	Regulator-linked idea	Exam-safe treatment
Unified Lending Interface (ULI)	RBI describes ULI as digital public infrastructure to enable frictionless credit through seamless flow of digital information to lenders.	Know purpose; do not invent launch-scale numbers.
Inter-operable Regulatory Sandbox	Common window for hybrid financial products crossing RBI/SEBI/IRDAI/PFRDA/IFSCA regulatory domains.	Know why it exists and participating regulators.
FREE-AI	RBI's framework/report direction on responsible and ethical AI in finance.	Know the governance theme; numerical trivia is low priority.
RegTech / SupTech	RegTech helps regulated entities comply; SupTech helps regulators/supervisors supervise.	Direct confusing-pair question possible.
Programmable / offline CBDC	RBI continues pilot-based testing of use cases including programmability and offline functionality.	CBDC is central-bank money; UPI is a payment rail.

Primary source: RBI FinTech / NSFI / IoRS official pages Official source

30-SECOND RECALL

SFB 60 | Ombudsman 2026 from 1 Jul | ATM ₹23 | PB ₹2L | agri collateral ₹2L | CD includes RRB | NPS 18-85 + ₹250/₹10 | NSFI 2025-30 | UPI Lite ₹1k / ₹5k balance | e-mandate ₹15k / special ₹1L | MSE collateral ₹20L | MF Regulations 2026.

MODULE 32 PRACTICE - 25 FIVE-OPTION QUESTIONS

1. What is the current overall PSL target for Small Finance Banks?

A) 40%
B) 50%
C) 60%
D) 75%
E) 80%

2. RB-IOS, 2026 replaced which immediately preceding RBI ombudsman framework?

A) Banking Ombudsman Scheme 2006
B) RB-IOS 2021
C) NBFC Ombudsman 2018 only
D) Digital Ombudsman Scheme 2024
E) Consumer Protection Code 2025

3. RB-IOS, 2026 came into force on:

A) 1 Jan 2026
B) 1 Apr 2026
C) 1 Jun 2026
D) 1 Jul 2026
E) 15 Aug 2026

4. Which Gold Monetisation Scheme components were discontinued for fresh deposits in March 2025?

A) Short-Term Bank Deposit only
B) Medium- and Long-Term Government Deposits
C) All gold-deposit products
D) Sovereign Gold Bonds
E) Gold loans by banks

5. What is the current maximum customer charge for an ATM transaction beyond the free entitlement, before applicable taxes?

A) ₹20
B) ₹21
C) ₹22
D) ₹23
E) ₹25

6. What is the current maximum end-of-day balance per individual customer in a Payments Bank?

A) ₹1 lakh
B) ₹1.5 lakh
C) ₹2 lakh
D) ₹5 lakh
E) No ceiling

7. Banks may waive collateral security and margin requirements for agricultural loans up to:

A) ₹1 lakh
B) ₹1.6 lakh
C) ₹2 lakh
D) ₹3 lakh
E) ₹5 lakh

8. Under RBI Certificate of Deposit Directions, 2021, which is an eligible issuer?

A) Only universal commercial banks
B) Only scheduled commercial banks excluding SFB/RRB
C) Regional Rural Banks
D) Mutual funds
E) Insurance companies

9. Current PFRDA All Citizen NPS eligibility extends up to what age?

A) 60
B) 65
C) 70
D) 75
E) 85

10. What is the current minimum contribution at onboarding under the PFRDA All Citizen NPS framework?

A) ₹10
B) ₹100
C) ₹250
D) ₹500
E) ₹1,000

11. Which minimum applies to opening a Tier II NPS account under the separate Tier II rule set?

A) ₹10
B) ₹100
C) ₹250
D) ₹500
E) ₹1,000

12. Which is the current National Strategy for Financial Inclusion period?

A) 2019-24
B) 2020-25
C) 2024-29
D) 2025-30
E) 2026-31

13. What is the current per-transaction limit of UPI Lite?

A) ₹500
B) ₹1,000
C) ₹2,000
D) ₹5,000
E) ₹10,000

14. What is the current maximum UPI Lite balance at a time?

A) ₹1,000
B) ₹2,000
C) ₹3,000
D) ₹5,000
E) ₹10,000

15. Which feature most clearly distinguishes UPI Lite X from ordinary UPI Lite?

A) Credit-card issuance
B) Offline payment capability
C) RTGS settlement
D) Foreign-currency balance
E) Cheque imaging

16. Under RBI's 2026 e-mandate framework, the general recurring-payment ceiling that can proceed without fresh AFA after setup is:

A) ₹5,000
B) ₹10,000
C) ₹15,000
D) ₹25,000
E) ₹1 lakh

17. The higher ₹1 lakh e-mandate ceiling without fresh AFA applies to which group?

A) Loan EMIs, rent and utilities
B) Insurance premiums, mutual-fund subscriptions and credit-card bills
C) All merchant subscriptions
D) UPI Lite payments
E) Cash withdrawals

18. The normal pre-transaction notice under the 2026 e-mandate framework should be sent at least:

A) 1 hour
B) 6 hours
C) 12 hours
D) 24 hours
E) 48 hours

19. From 1 April 2026, banks are mandated not to accept collateral security for MSE loans up to:

A) ₹10 lakh
B) ₹15 lakh
C) ₹20 lakh
D) ₹25 lakh
E) ₹50 lakh

20. The MSE collateral amendment dated 9 February 2026 applies to loans sanctioned or renewed on or after:

A) 9 Feb 2026
B) 1 Mar 2026
C) 1 Apr 2026
D) 1 Jul 2026
E) 1 Jan 2027

21. Under the revised MSME classification effective 1 April 2025, the Micro enterprise thresholds are:

A) Investment ₹1 cr; turnover ₹5 cr
B) Investment ₹2.5 cr; turnover ₹10 cr
C) Investment ₹10 cr; turnover ₹50 cr
D) Investment ₹25 cr; turnover ₹100 cr
E) Investment ₹125 cr; turnover ₹500 cr

22. Which is the current SEBI mutual-fund regulation framework?

A) SEBI (Mutual Funds) Regulations, 1996
B) SEBI (Mutual Funds) Regulations, 2010
C) SEBI (Mutual Funds) Regulations, 2021
D) SEBI (Mutual Funds) Regulations, 2026
E) Companies (Mutual Funds) Rules, 2025

23. Which risk-based KYC periodicity is correct?

A) High 10y, medium 8y, low 2y
B) High 2y, medium 8y, low 10y
C) High 2y, medium 5y, low 8y
D) High 1y, medium 2y, low 5y
E) All customers every 2y

24. Which health-insurance statement is exam-safe today?

A) All health products must stop entry at age 65
B) 65 remains a universal IRDAI upper entry-age ceiling
C) A universal 65-year upper entry-age answer is obsolete; product/current IRDAI rules must be checked
D) IRDAI bans policies for senior citizens
E) Only group policies may cover age above 65

25. Which fact should be kept in a dated live layer rather than the permanent banking core?

A) RBI Act year
B) Meaning of CRAR
C) Current number of banks and current office-holders
D) RRB ownership ratio in law
E) Meaning of CTS

MODULE 32 ANSWERS & TEACHING EXPLANATIONS

1. C - The current SFB total PSL target is 60%; 75% is the older SFB rule and remains the RRB total target.

2. B - RB-IOS, 2026 replaces the Reserve Bank - Integrated Ombudsman Scheme, 2021.

3. D - The current scheme took effect from 1 July 2026.

4. B - Fresh Medium- and Long-Term Government Deposit components were discontinued; old three-part summaries need a change note.

5. D - The current ceiling is ₹23 per transaction plus applicable taxes.

6. C - RBI increased the ceiling from ₹1 lakh to ₹2 lakh in April 2021.

7. C - The current collateral-free agriculture threshold is ₹2 lakh; ₹1.6 lakh is the older rule.

8. C - Eligible bank issuers include Scheduled Commercial Banks, RRBs and SFBs.

9. E - The current All Citizen model is open from age 18 to 85.

10. C - Current onboarding minimum is ₹250; subsequent contributions may be as low as ₹10.

11. E - Tier II remains a separate optional-account rule set; opening minimum is ₹1,000 and should not be merged with current All Citizen Tier I.

12. D - NSFI 2025-30 is current; NSFI 2019-24 is historical/PYQ-era.

13. B - UPI Lite currently operates at ₹1,000 per transaction.

14. D - UPI Lite maximum balance is ₹5,000.

15. B - UPI Lite X extends Lite with offline-payment capability.

16. C - The general recurring no-fresh-AFA ceiling is ₹15,000.

17. B - Only the specified categories get the ₹1 lakh ceiling.

18. D - The normal requirement is at least 24 hours before the debit, subject to specified exceptions.

19. C - The 2026 amendment raised the mandatory collateral-free MSE threshold to ₹20 lakh for loans sanctioned/renewed from 1 April 2026.

20. C - The amendment comes into force for relevant MSE loans sanctioned/renewed on or after 1 April 2026.

21. B - Micro is up to ₹2.5 crore investment and ₹10 crore turnover under the revised classification.

22. D - SEBI (Mutual Funds) Regulations, 2026 is current; the 1996 framework is erstwhile.

23. B - Current RBI KYC periodic updation is at least 2 years for high-risk, 8 for medium-risk and 10 for low-risk customers.

24. C - The old blanket 65-year ceiling should not be taught as a universal current rule.

25. C - Counts and office-holders change; permanent concepts and statutory architecture should not be mixed with them.

CROSS-MODULE GLOSSARY & CONFUSING-PAIR INDEX

Use this as a navigation aid, not as a substitute for the concept pages. The full form is the entry point; the module supplies the mechanism.

Term	Meaning / expansion	Revise in Module
AFA	Additional Factor of Authentication	**13, 32**
ANBC	Adjusted Net Bank Credit	**16**
ARC	Asset Reconstruction Company	**10**
BC	Business Correspondent	**15**
BCBS	Basel Committee on Banking Supervision	**11, 29**
BSBDA	Basic Savings Bank Deposit Account	**6**
CASA	Current Account Savings Account	**6**
CDD	Customer Due Diligence	**26**
CET1	Common Equity Tier 1	**11**
CKYCR	Central KYC Records Registry	**26**
CRAR	Capital to Risk-weighted Assets Ratio	**11**
CRILC	Central Repository of Information on Large Credits	**9**
CRPC	Centralised Receipt and Processing Centre	**26**
CTS	Cheque Truncation System	**14**
DICGC	Deposit Insurance and Credit Guarantee Corporation	**7**
D-SIB	Domestic Systemically Important Bank	**11, 30**
FEMA	Foreign Exchange Management Act, 1999	**22**
FIU-IND	Financial Intelligence Unit–India	**26**
FSAP	Financial Sector Assessment Program	**29**
FSB	Financial Stability Board	**29**
G-Sec	Government Security	**20**
IRAC	Income Recognition, Asset Classification and Provisioning	**9**
LCR	Liquidity Coverage Ratio	**11**
LRS	Liberalised Remittance Scheme	**22**
MSF	Marginal Standing Facility	**5**
NPA	Non-Performing Asset	**9**
NSFR	Net Stable Funding Ratio	**11**
OVD	Officially Valid Document	**26**
PACS	Primary Agricultural Credit Society	**17**
PPI	Prepaid Payment Instrument	**12, 13**
PRAN	Permanent Retirement Account Number	**24**

PSL	Priority Sector Lending	**16**
PSLC	Priority Sector Lending Certificate	**16**
RDG	Retail Direct Gilt Account	**20**
SDF	Standing Deposit Facility	**5**
SMA	Special Mention Account	**9**
SRVA	Special Rupee Vostro Account	**22**
TReDS	Trade Receivables Discounting System	**18**
V-CIP	Video-based Customer Identification Process	**26**
WMA	Ways and Means Advances	**5, 32**

TEN CONFUSING PAIRS TO RECHECK

Pair	Correct mental split
Liquidity vs solvency	Liquidity = ability to meet near-term obligations; solvency/capital = ability to absorb losses and remain viable.
Scheduled vs licensed bank	Second Schedule status is not the same legal question as permission to conduct banking business.
SFB vs Payments Bank	Both are differentiated banks; SFB lends, Payments Bank cannot undertake normal customer lending.
Provisioning vs capital	Provisioning recognises expected/identified loss; capital is the broader loss-absorbing solvency cushion.
Clearing vs settlement	Clearing determines/communicates obligations; settlement discharges them through transfer of funds/assets.
Nomination vs assignment	Nomination identifies a receiver under the relevant framework; assignment transfers rights/interests.
PAN/Form 60 vs OVD	PAN/Form 60 serves tax/identity requirements; PAN is not itself an OVD under the RBI KYC list.
FIU-IND vs RBI	FIU-IND receives/analyses specified financial intelligence under the AML framework; it is not an RBI department.
BIS vs BCBS	BIS is an international institution/meeting hub; BCBS is the banking-supervision standard-setting committee hosted by BIS.
Static core vs Module 32	If a number/rule can change after a circular, Module 32 and the latest primary source control the current answer.

FINAL REGULATORY CHANGE INDEX

Verified up to 16 August 2026. This table is a quick revision index; the teaching explanation remains in the cited module. Re-check before every major mains exam.

Rule / topic	Current position	Old trap	Module
SFB overall PSL target	60% of ANBC/CEOBSE, whichever is higher	Older 75% answer	**16 / 32**
RBI Ombudsman	RB-IOS 2026 from 1 Jul 2026	RB-IOS 2021	**26 / 32**
Gold Monetisation Scheme	Fresh Medium/Long-Term Government Deposits discontinued 26 Mar 2025	Old three-component GMS recall	**25 / 32**
ATM beyond free transactions	Customer charge ceiling Rs 23 + applicable taxes	Earlier lower ceiling	**13 / 32**
Payments Bank balance	Rs 2 lakh end-of-day ceiling per individual customer	Rs 1 lakh PYQ-era ceiling	**3 / 32**
Agricultural collateral waiver	Banks may waive collateral and margin up to Rs 2 lakh	Rs 1.6 lakh older recall	**17 / 32**
Certificate of Deposit issuers	Current issuer framework includes eligible RRBs/SFBs along with scheduled commercial banks	Older exclusion of RRBs	**20 / 32**
NPS All Citizen eligibility	18–85 years; current All Citizen page	Older 18–70 material	**24 / 32**
NPS contribution floor	Rs 250 onboarding; Rs 10 subsequent contribution under current 2026 framework	Older Tier-I Rs 500 / annual Rs 1,000 notes	**24 / 32**
National Strategy for Financial Inclusion	NSFI 2025–30	NSFI 2019–24	**15 / 32**
UPI Lite	Rs 1,000/transaction; Rs 10,000/day; Rs 5,000 balance	Older limits	**12 / 32**
UPI Lite X	Rs 500/transaction; Rs 4,000/day; Rs 2,000 balance	Earlier launch-era values	**12 / 32**
KYC periodic update	High 2 years; Medium 8; Low 10	One-size-fits-all summaries	**26 / 32**
MSME classification	Micro 2.5/10; Small 25/100; Medium 125/500 (investment/turnover Rs crore)	Pre-2025 thresholds	**18 / 32**
MSE collateral-free lending	Banks mandated not to accept collateral for MSE loans up to Rs 20 lakh	Older lower threshold	**18 / 32**
SEBI mutual-fund framework	SEBI (Mutual Funds) Regulations, 2026; live amendment control applies	Older 1996-regulation shorthand	**21 / 32**
Health-insurance age trap	Do not use old blanket age-65 entry ceiling as a universal current rule	Older 65-year recall	**23 / 32**

PRIMARY SOURCE HUBS

Source family	Official hub
Reserve Bank of India — FAQs / Master Directions	Open official source
Reserve Bank of India — Master Directions	Open official source
SEBI — Regulations / Circulars	Open official source
NPCI — Product circulars / ecosystem	Open official source
IRDAI — Regulations / circulars	Open official source

PFRDA — NPS / APY / circulars	Open official source
NABARD — rural finance / annual material	Open official source
Department of Financial Services — schemes / annual report	Open official source
Department of Economic Affairs — Gold Monetisation / small savings	Open official source
India Code — Acts	Open official source

BEFORE YOUR MAINS EXAM

Permanent concepts can be revised from this master. Live facts must be refreshed through Module 30 and Module 32 before a major mains exam. A remembered PYQ answer never outranks a current regulator or law.

PYQ SIGNATURE + APPLICATION

MAINS APPLICATION CHECK

Module 32 - CURRENT REGULATORY UPDATE LAYER

PYQ SIGNATURE

Changed-rule register: current answer, effective date, old/PYQ answer, what changed and exam trap.

LIVE CHECKPOINT -> Replace/re-verify monthly and again before each major Mains exam.

5 Mains Application Questions

Q1. Which current-rule trio is correct?

A. SFB PSL 60%; ATM beyond free transactions up to Rs 23 + taxes; Payments Bank EOD balance Rs 2 lakh
B. SFB PSL 75%; ATM Rs 10; PB Rs 1 lakh
C. SFB 40%; ATM Rs 50; PB no ceiling
D. All are permanent constitutional limits
E. None

Q2. Which NPS All Citizen set is used in the current layer?

A. Age 18-85; Rs 250 onboarding; subsequent contribution may be Rs 10
B. Age 18-60 only; Rs 1,000 every time
C. Age 21-70; Rs 500
D. No minimum at onboarding
E. Only Government employees

Q3. Which live digital-payment set is correct?

A. UPI Lite Rs 1,000 per transaction / Rs 5,000 balance; general e-mandate no-fresh-AFA ceiling Rs 15,000 with specified categories up to Rs 1 lakh
B. UPI Lite Rs 10,000 per transaction; all mandates Rs 1 lakh
C. UPI Lite is credit
D. No AFA framework exists
E. All values are timeless

Q4. Which changed MSME/MSE set is correct?

A. MSE mandatory no-collateral threshold Rs 20 lakh for relevant loans from Apr 2026; Micro classification up to Rs 2.5 cr investment and Rs 10 cr turnover
B. Collateral Rs 5 lakh; Micro 1/5 remains current
C. MSE must always give collateral
D. Micro 25/100
E. No change after 2020

Q5. What is the core rule for using Module 32?

A. Memorise it forever without rechecking
B. Re-verify live facts monthly and before a major mains exam; current regulation/law outranks an old PYQ answer
C. Ignore effective dates
D. Use only historical numbers
E. Replace all permanent concepts every month

ANSWERS + CONNECTION

WHY THE OPTION IS RIGHT

Module 32 - CURRENT REGULATORY UPDATE LAYER

Q1 - A All three are current-rule examples where older figures still circulate.

Q2 - A Do not merge current All Citizen Tier I values with older or Tier II minimums.

Q3 - A These are operational limits and therefore belong in the replaceable current layer.

Q4 - A Both items reverse older coaching-table answers.

Q5 - B The module is intentionally replaceable; its purpose is change control, not permanent memorisation.

MAINS TAKEAWAY

Do not ask only "Do I know this fact?" Ask: Is it permanent or live? Which institution/category does it belong to? What older answer could the examiner use as a distractor?

LAST-MILE SYSTEM

48-HOUR BANKING AWARENESS ROUTE

Compress. Do not reopen the whole syllabus randomly.

T-48 TO T-36	Read 30-Second Recalls of high-value modules: 3, 5, 7, 9-18, 20, 22, 25, 26, 30, 32.
T-36 TO T-24	Attempt the 100 Mains Application questions. Mark only concept gaps, stale-rule errors and category confusions.
T-24 TO T-12	Use Confusing Pairs + Old -> Current + Acts/Sections. Do not start a new giant PDF.
T-12 TO T-4	Refresh Module 32 + latest Daily/Weekly GA/BA. Current facts override old mocks/PYQs.
FINAL 4 HOURS	Only high-confidence recall: live numbers board, regulators, key timelines, changed rules and your error list.

STOP RULE

If a fact can change by notification, rate decision, appointment, merger, licence action or scheme update, do not trust memory alone. Refresh the live layer.

CONFUSION CONTROL

30 HIGH-VALUE CONFUSING PAIRS

One line each - enough to prevent category errors

Liquidity vs Solvency
near-term payment ability vs loss-absorbing viability

Inoperative vs Unclaimed
2-year no customer-induced transaction vs 10-year claim/deposit test

Scheduled vs Licensed bank
Second Schedule status vs permission to conduct banking

NPA vs Write-off
asset classification vs accounting derecognition/treatment

SFB vs Payments Bank
SFB lends; PB cannot normal-lend

Write-off vs Waiver
recovery may continue vs debt forgiven

Provision vs Capital
loss recognition vs broader solvency cushion

SARFAESI vs IBC
security enforcement vs collective debtor resolution

CRR vs SLR
cash reserve with RBI vs prescribed liquid assets

DRT vs NCLT
debt-recovery forum vs corporate insolvency adjudication

Repo vs Market Repo
policy operation/rate vs secured market funding

CRILC vs CIC
large-credit supervisory repository vs credit-history ecosystem

WACR vs SORR
call-money operating target vs secured overnight benchmark

LCR vs NSFR
30-day liquidity vs one-year stable funding

Clearing vs Settlement
determine obligations vs discharge obligations

PSL category vs Weaker Section
activity classification vs beneficiary sub-target

UPI vs eRupee
payment rail vs central-bank digital money

RRB vs NABARD
rural bank vs apex development-finance institution

UPI Lite vs Lite X
online-lite wallet rail vs offline-capable extension

MSME vs CGTMSE
enterprise classification vs credit guarantee

Debit vs Credit card
deposit-linked spending vs revolving credit

TReDS vs Financier
platform vs provider of finance

Token vs Card number
transaction token vs underlying credential

Bank vs NBFC
banking licence/demand deposits vs financial-company framework

MICR vs IFSC
cheque processing code vs electronic transfer branch code

G-Sec vs SDL
Central Government vs State Government security

CTS vs Positive Pay
image-based clearing vs issuer-detail fraud check

LRS vs corporate remittance
resident-individual scheme vs applicable entity/FEMA route

AID vs Liquidation
restricted access/time-bound insurance route vs winding up

FIU-IND vs RBI
financial-intelligence agency vs central bank/regulator

CHANGE CONTROL

OLD -> CURRENT: TOP TRAPS

Use old answers only when the question date/context demands them

TOPIC	OLD / PYQ-ERA	CURRENT
SFB overall PSL	75%	60%
Payments Bank EOD balance	Rs 1 lakh	Rs 2 lakh
Agriculture collateral-free	Rs 1.6 lakh	Rs 2 lakh
MSE mandatory no-collateral	Rs 10 lakh	Rs 20 lakh for relevant sanctions/renewals from 1 Apr 2026
MSME - Micro	1 / 5 cr	2.5 / 10 cr
MSME - Small	10 / 50 cr	25 / 100 cr
MSME - Medium	50 / 250 cr	125 / 500 cr
CGTMSE ceiling	Rs 5 cr	Rs 10 cr
KCC / MISS overall limit	Rs 3 lakh	Rs 5 lakh
NSFI	2019-24	2025-30
RBI Ombudsman	RB-IOS 2021	RB-IOS 2026 from 1 Jul 2026
ATM beyond free	earlier lower ceiling	up to Rs 23 + taxes
Gold Monetisation	three-component fresh-deposit recall	fresh M/L-Term Government Deposits discontinued
Cheque clearing	batch / T+1 shorthand	Continuous Clearing + Item Expiry Time
Health insurance age	blanket age-65 shortcut	do not use 65 as universal current ceiling
SEBI mutual-fund framework	1996 Regulations	2026 Regulations

LIVE NUMBERS

CURRENT NUMBER BOARD

Snapshot controlled by Module 32 - 16 August 2026

SFB total PSL
60%

RRB total PSL
75%

Domestic commercial PSL
40%

UCB total PSL
60%

Agriculture PSL
18%

Weaker Sections - DCB/SFB
12%

Weaker Sections - RRB
15%

New SFB capital/net worth
Rs 300 cr

Payments Bank EOD balance
Rs 2 lakh

DICGC maximum
Rs 5 lakh

ATM beyond free
Rs 23 + taxes

UPI Lite txn / balance
Rs 1,000 / Rs 5,000

E-mandate general / special
Rs 15,000 / Rs 1 lakh

MSE no-collateral
Rs 20 lakh

KCC / MISS overall
Rs 5 lakh

Agri collateral-free
Rs 2 lakh

CGTMSE ceiling
Rs 10 cr

LRS
USD 250,000 / FY

RTGS minimum
Rs 2 lakh

NPS All Citizen
18-85; Rs 250 onboard; Rs 10 subsequent

KYC periodicity
High 2y | Medium 8y | Low 10y

Current bank map
12 PSB | 21 private | 11 SFB | 5 active PB | 28 RRB | 2 LAB

VERIFY BEFORE EXAM

Rates, counts, office-holders and operating limits are live. This board is a 16 Aug 2026 snapshot, not a lifetime guarantee.

LEGAL ANCHORS

ACTS + SECTIONS DIRECTORY

Use the section only when you know what problem it regulates

LAW	SECTION	EXAM ANCHOR
RBI Act, 1934	**Sec 22**	Sole right to issue banknotes (except the one-rupee Government issue).
RBI Act, 1934	**Sec 42**	Cash reserves of scheduled banks / CRR statutory anchor.
Banking Regulation Act, 1949	**Sec 22**	Licensing of banking companies.
Banking Regulation Act, 1949	**Sec 24**	Maintenance of prescribed percentage of assets / SLR statutory anchor.
Banking Regulation Act, 1949	**Sec 26A**	Depositor Education and Awareness Fund.
DICGC Act, 1961	**Sec 18A**	Time-bound deposit-insurance route for eligible AID cases.
Negotiable Instruments Act, 1881	**Sec 138**	Cheque dishonour statutory anchor.
SARFAESI Act, 2002	**Sec 13**	Enforcement of security interest.
SARFAESI Act, 2002	**Sec 17**	Application to DRT against specified measures.
SARFAESI Act, 2002	**Sec 26D**	Registration condition linked to enforcement rights.
IBC, 2016	**Sec 12**	CIRP time-limit architecture.
IBC, 2016	**Sec 21**	Committee of Creditors.
PSS Act, 2007	**Sec 7**	Issue/refusal of authorisation to operate payment system.
PSS Act, 2007	**Sec 23**	Settlement and netting provisions.

SOURCE CONTROL

Statutory anchors should be revised from the Act/current official material; do not infer an entire rule merely from a section number.

WHO DOES WHAT + LIVE CONTINUITY

REGULATOR / OPERATOR / DEVELOPMENT MAP

Finish static clarity, then refresh Daily GA + BA

RBI	Central bank; monetary authority; bank/NBFC/payment oversight within statutory mandates.
NPCI	Operator/umbrella for major retail payment systems such as UPI/RuPay/NACH; not the banking regulator.
DICGC	Deposit insurance for eligible bank deposits within its statutory framework.
NABARD	Apex agriculture/rural development-finance institution; refinance/development/supervision roles.
SEBI	Securities-market regulator.
IRDAI	Insurance-sector regulator.
PFRDA	Pension-sector regulator.
FIU-IND	Receives/analyses specified financial intelligence under AML framework; not an RBI department.
SIDBI	Principal financial institution for MSME promotion, financing and development.
IFSCA	Unified regulator for permitted financial services in International Financial Services Centres.

BANKING LEGENDS

BANKING AWARENESS IS NOT A LIST OF FACTS.

IT IS A CONNECTED SYSTEM.

Permanent concepts - understand once.

Live rules - verify with a date.

Changed rules - separate old PYQ answers from current law.

Mains Application - practise the way the exam combines facts.

Daily GA + BA - keep the current layer fresh until exam day.

UNDERSTAND FIRST. REMEMBER THROUGH CONNECTION.