

COMPREHENSIVE BANKING EXAM QUESTIONS AND ANSWERS: YOUR ULTIMATE GUIDE TO BANKING KNOWLEDGE"

BANKING EXAM QUESTIONS AND ANSWERS

1. WHAT IS THE PRIMARY FUNCTION OF THE RESERVE BANK OF INDIA (RBI)?

- (A) ISSUING CURRENCY NOTES
- (B) PROVIDING LOANS TO COMMERCIAL BANKS
- (C) MANAGING GOVERNMENT DEBT
- (D) ALL OF THE ABOVE

ANSWER: (D) ALL OF THE ABOVE

2. WHICH OF THE FOLLOWING IS A FUNCTION OF A COMMERCIAL BANK?

- (A) ISSUING CURRENCY
- (B) ACCEPTING DEPOSITS AND GRANTING LOANS
- (C) FORMULATING MONETARY POLICY
- (D) MANAGING GOVERNMENT RESERVES

ANSWER: (B) ACCEPTING DEPOSITS AND GRANTING LOANS

3. THE TERM 'LIQUIDITY' IN BANKING REFERS TO:

- (A) THE ABILITY TO EASILY CONVERT ASSETS INTO CASH
- (B) THE TOTAL CASH RESERVE A BANK HOLDS
- (C) THE SPEED AT WHICH A LOAN CAN BE GRANTED
- (D) THE NUMBER OF BRANCHES A BANK OPERATES

ANSWER: (A) THE ABILITY TO EASILY CONVERT ASSETS INTO CASH

4. WHICH OF THE FOLLOWING IS NOT A TYPE OF COMMERCIAL BANK?

- (A) PRIVATE SECTOR BANK
- (B) PUBLIC SECTOR BANK
- (C) CENTRAL BANK
- (D) FOREIGN BANK

ANSWER: (C) CENTRAL BANK

5. WHAT DOES THE ACRONYM 'NEFT' STAND FOR IN BANKING?

- (A) NATIONAL ELECTRONIC FUNDS TRANSFER
- (B) NATIONAL EMERGENCY FUND TRANSFER
- (C) NEW EFFICIENT FINANCIAL TRANSFER
- (D) NATIONAL ELECTRONIC FINANCE TRACKER

ANSWER: (A) NATIONAL ELECTRONIC FUNDS TRANSFER

6. WHICH OF THE FOLLOWING DOCUMENTS IS REQUIRED TO OPEN A SAVINGS ACCOUNT IN INDIA?

- (A) AADHAR CARD
- (B) PAN CARD
- (C) PASSPORT-SIZED PHOTOGRAPH
- (D) ALL OF THE ABOVE

ANSWER: (D) ALL OF THE ABOVE

7. WHAT IS THE FULL FORM OF THE TERM 'IMPS' IN BANKING?

- (A) IMMEDIATE PAYMENT SERVICE

- (B) INTERNATIONAL MONEY PAYMENT SERVICE
- (C) INSTANT MONEY PAYMENT SYSTEM
- (D) INSTANT MOBILE PAYMENT SERVICE

ANSWER: (A) IMMEDIATE PAYMENT SERVICE

8. WHICH OF THE FOLLOWING IS A NON-BANKING FINANCIAL COMPANY (NBFC)?

- (A) STATE BANK OF INDIA
- (B) LIC HOUSING FINANCE LTD.
- (C) RESERVE BANK OF INDIA
- (D) ICICI BANK

ANSWER: (B) LIC HOUSING FINANCE LTD.

9. WHAT IS THE ROLE OF THE 'MONEY MULTIPLIER' IN BANKING?

- (A) IT MEASURES THE RATE AT WHICH BANKS CREATE MONEY
- (B) IT MEASURES THE RATE AT WHICH A COUNTRY'S CURRENCY APPRECIATES
- (C) IT DETERMINES INTEREST RATES ON LOANS
- (D) IT REGULATES CURRENCY CIRCULATION

ANSWER: (A) IT MEASURES THE RATE AT WHICH BANKS CREATE MONEY

10. WHICH OF THE FOLLOWING IS A TOOL USED BY THE RESERVE BANK OF INDIA TO CONTROL INFLATION?

- (A) OPEN MARKET OPERATIONS

- (B) CREDIT CONTROL
- (C) REPORATE
- (D) ALL OF THE ABOVE

ANSWER: (D) ALL OF THE ABOVE

11. WHAT DOES 'KYC' STAND FOR IN BANKING?

- (A) KNOW YOUR CLIENT
- (B) KNOW YOUR CUSTOMER
- (C) KEEP YOUR CLIENT
- (D) KEEP YOUR CUSTOMER

ANSWER: (B) KNOW YOUR CUSTOMER

12. WHICH OF THE FOLLOWING IS THE CORRECT ORDER FOR THE STEPS INVOLVED IN THE PROCESS OF CHEQUE CLEARING?

- (A) PRESENTATION, PROCESSING, SETTLEMENT
- (B) PROCESSING, PRESENTATION, SETTLEMENT
- (C) SETTLEMENT, PRESENTATION, PROCESSING
- (D) PRESENTATION, SETTLEMENT, PROCESSING

ANSWER: (A) PRESENTATION, PROCESSING, SETTLEMENT

13. WHAT IS THE PRIMARY PURPOSE OF THE BASEL III FRAMEWORK?

- (A) TO REGULATE THE EXCHANGE RATE OF CURRENCY
- (B) TO PROMOTE INTERNATIONAL TRADE
- (C) TO STRENGTHEN THE GLOBAL BANKING SYSTEM

(D) TO MONITOR INTEREST RATES ACROSS BANKS

ANSWER: (C) TO STRENGTHEN THE GLOBAL BANKING SYSTEM

14. THE 'REPO RATE' IS THE RATE AT WHICH:

- A) THE RESERVE BANK OF INDIA LENDS TO COMMERCIAL BANKS
- B) BANKS LEND TO EACH OTHER
- C) BANKS CHARGE INTEREST ON LOANS
- D) GOVERNMENT BORROWS MONEY FROM THE PUBLIC

ANSWER: (A) THE RESERVE BANK OF INDIA LENDS TO COMMERCIAL BANKS

15. WHAT IS THE FULL FORM OF 'RTGS'?

- (A) REAL TIME GROSS SETTLEMENT
- (B) REGIONAL TIME GROSS SETTLEMENT
- (C) REAL TIME GLOBAL SETTLEMENT
- (D) REAL TRANSACTION GROSS SETTLEMENT

ANSWER: (A) REAL TIME GROSS SETTLEMENT

16. WHICH OF THE FOLLOWING REFERS TO THE LENDING OF MONEY FOR A FIXED PERIOD AT A SPECIFIED RATE OF INTEREST?

- (A) OVERDRAFT
- (B) LOAN
- (C) DEPOSIT
- (D) LINE OF CREDIT

ANSWER: (B) LOAN

17. WHAT IS THE MAXIMUM LIMIT FOR ATM CASH WITHDRAWALS IN INDIA PER DAY?

- (A) ₹10,000
- (B) ₹20,000
- (C) ₹50,000
- (D) ₹1,00,000

ANSWER: (B) ₹20,000

18. WHICH OF THE FOLLOWING IS AN EXAMPLE OF A CAPITAL MARKET INSTRUMENT?

- (A) SAVINGS ACCOUNT
- (B) GOVERNMENT BONDS
- (C) CERTIFICATE OF DEPOSIT
- (D) SHORT-TERM LOAN

ANSWER: (B) GOVERNMENT BONDS

19. WHICH OF THE FOLLOWING STATEMENTS IS TRUE REGARDING 'CREDIT RATING'?

- (A) IT IS ASSIGNED ONLY TO GOVERNMENT ENTITIES
- (B) IT MEASURES A BORROWER'S CREDITWORTHINESS
- (C) IT IS THE SAME FOR ALL COUNTRIES
- (D) IT IS NOT USED BY BANKS FOR LENDING DECISIONS

ANSWER: (B) IT MEASURES A BORROWER'S CREDITWORTHINESS

20. WHICH OF THE FOLLOWING IS A FEATURE OF 'MOBILE BANKING'?

- (A) ACCESS TO REAL-TIME ACCOUNT BALANCE
- (B) FUND TRANSFER BETWEEN BANKS
- (C) BILL PAYMENT FACILITIES
- (D) ALL OF THE ABOVE

ANSWER: (D) ALL OF THE ABOVE

21. WHICH OF THE FOLLOWING IS A TYPE OF 'DEMAND DEPOSIT'?

- (A) FIXED DEPOSIT
- (B) SAVINGS ACCOUNT
- (C) CURRENT ACCOUNT
- (D) RECURRING DEPOSIT

ANSWER: (C) CURRENT ACCOUNT

22. WHAT IS 'MONETARY POLICY'?

- (A) POLICIES IMPLEMENTED BY THE GOVERNMENT FOR FISCAL MANAGEMENT
- (B) POLICIES SET BY THE CENTRAL BANK TO REGULATE MONEY SUPPLY AND CONTROL INFLATION
- (C) POLICIES FOR CONTROLLING FOREIGN INVESTMENTS
- (D) POLICIES FOR REGULATING TRADE TARIFFS

ANSWER: (B) POLICIES SET BY THE CENTRAL BANK TO REGULATE MONEY SUPPLY AND CONTROL INFLATION

23. WHAT IS THE MINIMUM BALANCE REQUIREMENT FOR A SAVINGS ACCOUNT IN MOST INDIAN BANKS?

- (A) ₹500
- (B) ₹1,000
- (C) ₹10,000
- (D) ₹50,000

ANSWER: (B) ₹1,000

24. WHICH OF THE FOLLOWING IS A TYPE OF TERM DEPOSIT?

- (A) SAVINGS DEPOSIT
- (B) FIXED DEPOSIT
- (C) RECURRING DEPOSIT
- (D) BOTH B AND C

ANSWER: (D) BOTH B AND C

25. THE NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD) WAS ESTABLISHED IN:

- (A) 1982
- (B) 1985
- (C) 1990
- (D) 1995

ANSWER: (A) 1982

26. WHAT IS 'DEBIT CARD'?

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- (A) A CARD USED FOR WITHDRAWING MONEY FROM ATMS
- (B) A CARD LINKED TO A BANK ACCOUNT USED TO MAKE PAYMENTS DIRECTLY FROM THE ACCOUNT
- (C) A CARD ISSUED TO CUSTOMERS WITH CREDIT LIMITS
- (D) A PREPAID CARD FOR SPECIFIC USES

ANSWER: (B) A CARD LINKED TO A BANK ACCOUNT USED TO MAKE PAYMENTS DIRECTLY FROM THE ACCOUNT

27. WHICH OF THE FOLLOWING IS A FUNCTION OF THE 'DEPOSIT INSURANCE AND CREDIT GUARANTEE CORPORATION (DICGC)'?

- (A) INSURING BANK DEPOSITS
- (B) ENSURING THE SAFETY OF FINANCIAL MARKETS
- (C) PROVIDING LOANS TO SMALL BUSINESSES
- (D) ISSUING CURRENCY NOTES

ANSWER: (A) INSURING BANK DEPOSITS

28. WHICH OF THE FOLLOWING IS A MAJOR ROLE OF THE COMMERCIAL BANKS?

- (A) MANAGING GOVERNMENT RESERVES
- (B) FACILITATING INTERNATIONAL TRADE
- (C) ACCEPTING DEPOSITS AND GRANTING LOANS
- (D) CREATING MONETARY POLICY

ANSWER: (C) ACCEPTING DEPOSITS AND GRANTING LOANS

29. IN BANKING, WHAT IS THE 'SPREAD' REFERRING TO?

<https://vermajiallinone.org>

- (A) DIFFERENCE BETWEEN A BANK'S LENDING RATE AND BORROWING RATE
- (B) DIFFERENCE BETWEEN THE NATIONAL INTEREST RATE AND INFLATION RATE
- (C) THE AREA IN WHICH A BANK OPERATES
- (D) THE RATE AT WHICH BANKS OFFER CREDIT

ANSWER: (A) DIFFERENCE BETWEEN A BANK'S LENDING RATE AND BORROWING RATE

30. WHICH OF THE FOLLOWING REFERS TO THE RATE AT WHICH COMMERCIAL BANKS BORROW FROM THE RESERVE BANK OF INDIA?

- (A) BANK RATE
- (B) REPO RATE
- (C) CASH RESERVE RATIO
- (D) STATUTORY LIQUIDITY RATIO

ANSWER: (B) REPO RATE

31. WHICH OF THE FOLLOWING IS AN EXAMPLE OF AN UNSECURED LOAN?

- (A) PERSONAL LOAN
- (B) HOME LOAN
- (C) CAR LOAN
- (D) GOLD LOAN

ANSWER: (A) PERSONAL LOAN

32. THE 'CAPITAL ADEQUACY RATIO (CAR)' IS USED TO MEASURE THE:

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- (A) ADEQUATE CAPITAL A BANK SHOULD MAINTAIN TO COVER RISKS
- (B) PROFITABILITY OF A BANK
- (C) EFFICIENCY OF A BANK IN MANAGING ITS ASSETS
- (D) SPEED OF BANK TRANSACTIONS

ANSWER: (A) ADEQUATE CAPITAL A BANK SHOULD MAINTAIN TO COVER RISKS

33. WHAT IS THE PRIMARY FUNCTION OF 'BASEL II' IN BANKING?

- (A) IT GOVERNS THE GOVERNANCE OF BANKS GLOBALLY
- (B) IT SETS GUIDELINES FOR INTERNATIONAL CAPITAL STANDARDS
- (C) IT ENSURES THE SAFETY OF ELECTRONIC BANKING TRANSACTIONS
- (D) IT SUPERVISES THE LOAN LIMITS OF INTERNATIONAL BANKS

ANSWER: (B) IT SETS GUIDELINES FOR INTERNATIONAL CAPITAL STANDARDS

34. WHICH OF THE FOLLOWING IS NOT AN INSTRUMENT OF MONETARY POLICY?

- (A) CASH RESERVE RATIO (CRR)
- (B) OPEN MARKET OPERATIONS (OMO)
- (C) REFINANCE RATE
- (D) FOREIGN DIRECT INVESTMENT (FDI)

ANSWER: (D) FOREIGN DIRECT INVESTMENT (FDI)

35. WHAT IS THE FULL FORM OF 'AADHAAR'?

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- (A) A UNIQUE IDENTIFICATION NUMBER FOR INDIVIDUALS
- (B) A GOVERNMENT-ISSUED HEALTH INSURANCE CARD
- (C) A CERTIFICATE FOR OPENING BANK ACCOUNTS
- (D) A NATIONAL ELECTION CARD FOR CITIZENS

ANSWER: (A) A UNIQUE IDENTIFICATION NUMBER FOR INDIVIDUALS

36. WHICH OF THE FOLLOWING IS AN EXAMPLE OF 'NON-PERFORMING ASSET (NPA)'?

- (A) A LOAN THAT HAS NOT BEEN REPAYED FOR MORE THAN 90 DAYS
- (B) A LOAN THAT IS REPAYED BEFORE ITS DUE DATE
- (C) A DEPOSIT THAT IS WITHDRAWN EARLY
- (D) A FIXED DEPOSIT WITH NO MATURITY DATE

ANSWER: (A) A LOAN THAT HAS NOT BEEN REPAYED FOR MORE THAN 90 DAYS

37. WHAT IS THE ROLE OF 'SWIFT' IN INTERNATIONAL BANKING?

- (A) IT PROVIDES FOREIGN EXCHANGE SERVICES
- (B) IT ENSURES THE SECURITY OF INTERNATIONAL PAYMENTS
- (C) IT STANDARDIZES INTERNATIONAL BANKING CODES
- (D) IT ACTS AS AN INTERMEDIARY BETWEEN CENTRAL BANKS

ANSWER: (C) IT STANDARDIZES INTERNATIONAL BANKING CODES

38. WHAT IS 'SECURITIES TRANSACTION TAX (STT)' IN INDIA?

- (A) TAX LEVIED ON TRANSACTIONS IN THE SECURITIES MARKET
- (B) TAX PAID ON LOANS PROVIDED BY BANKS

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(C) TAX PAID ON THE INTEREST EARNED FROM FIXED DEPOSITS

(D) TAX PAID ON PROFITS FROM THE SALE OF GOVERNMENT BONDS

ANSWER: (A) TAX LEVIED ON TRANSACTIONS IN THE SECURITIES MARKET

39. WHICH OF THE FOLLOWING IS TRUE ABOUT 'REAL-TIME GROSS SETTLEMENT (RTGS)'?

(A) IT IS USED FOR TRANSFERRING MONEY IN REAL TIME

(B) IT IS ONLY AVAILABLE DURING BANKING HOURS

(C) IT ALLOWS BULK PAYMENTS FOR LARGE TRANSACTIONS

(D) IT IS USED FOR INTERNATIONAL TRANSACTIONS ONLY

ANSWER: (A) IT IS USED FOR TRANSFERRING MONEY IN REAL TIME

40. WHICH OF THE FOLLOWING BEST DESCRIBES THE 'BANK RATE'?

(A) THE RATE AT WHICH RBI LENDS TO COMMERCIAL BANKS FOR SHORT-TERM LOANS

(B) THE RATE AT WHICH RBI BUYS AND SELLS GOVERNMENT SECURITIES

(C) THE RATE AT WHICH COMMERCIAL BANKS LEND TO CUSTOMERS

(D) THE RATE AT WHICH COMMERCIAL BANKS LEND TO OTHER BANKS FOR OVERNIGHT LOANS

ANSWER: (A) THE RATE AT WHICH RBI LENDS TO COMMERCIAL BANKS FOR SHORT-TERM LOANS

41. WHICH OF THE FOLLOWING IS A KEY OBJECTIVE OF 'FINANCIAL INCLUSION'?

(A) ENSURING THAT BANKING SERVICES ARE AVAILABLE TO ALL INDIVIDUALS AND BUSINESSES, ESPECIALLY IN RURAL AREAS

(B) INCREASING THE INTEREST RATES ON LOANS

(C) ENCOURAGING FOREIGN INVESTMENTS

(D) ENHANCING BANKING PROFITS

ANSWER: (A) ENSURING THAT BANKING SERVICES ARE AVAILABLE TO ALL INDIVIDUALS AND BUSINESSES, ESPECIALLY IN RURAL AREAS

42. WHICH OF THE FOLLOWING IS THE MAIN FEATURE OF 'CONSUMER BANKING'?

(A) PROVIDING LOANS TO CORPORATIONS

(B) SERVING THE PERSONAL BANKING NEEDS OF INDIVIDUALS

(C) INVESTMENT BANKING ACTIVITIES

(D) FACILITATING FOREIGN CURRENCY EXCHANGE

ANSWER: (B) SERVING THE PERSONAL BANKING NEEDS OF INDIVIDUALS

43. WHAT IS THE FULL FORM OF 'NPA' IN BANKING?

- A) NON-PAYMENT ACCOUNT
- B) NON-PERFORMING ASSET
- C) NEW PUBLIC ACCOUNT
- D) NATIONAL PAYMENT AUTHORITY

ANSWER: (B) NON-PERFORMING ASSET

44. WHICH OF THE FOLLOWING IS NOT A FUNCTION OF A CENTRAL BANK?

(A) CONTROL INFLATION

(B) ISSUE CURRENCY

(C) SUPERVISE COMMERCIAL BANKS

(D) GRANT LOANS TO THE PUBLIC

ANSWER: (D) GRANT LOANS TO THE PUBLIC

45. WHICH TYPE OF LOAN IS PROVIDED BY BANKS FOR THE PURCHASE OF VEHICLES?

(A) HOME LOAN

(B) CAR LOAN

(C) EDUCATION LOAN

(D) PERSONAL LOAN

ANSWER: (B) CAR LOAN

46. WHAT IS THE 'STATUTORY LIQUIDITY RATIO (SLR)' IN BANKING?

(A) THE AMOUNT OF CASH A BANK MUST HOLD AS A RESERVE

(B) THE MINIMUM AMOUNT OF GOLD RESERVES THAT A BANK MUST HOLD

(C) THE PERCENTAGE OF A BANK'S NET DEMAND AND TIME LIABILITIES TO BE MAINTAINED IN LIQUID ASSETS

(D) THE MINIMUM CAPITAL BANKS MUST HAVE TO OPERATE

ANSWER: C) THE PERCENTAGE OF A BANK'S NET DEMAND AND TIME LIABILITIES TO BE MAINTAINED IN LIQUID ASSETS

47. WHICH OF THE FOLLOWING IS AN EXAMPLE OF AN INVESTMENT BANKING SERVICE?

(A) FOREIGN EXCHANGE TRADING

- (B) ISSUING SHARES AND SECURITIES
- (C) PROVIDING SAVINGS ACCOUNTS
- (D) PROVIDING PERSONAL LOANS

ANSWER: (B) ISSUING SHARES AND SECURITIES

48. WHICH IS THE MAIN DIFFERENCE BETWEEN A SAVINGS ACCOUNT AND A FIXED DEPOSIT?

- (A) SAVINGS ACCOUNTS OFFER HIGHER INTEREST RATES THAN FIXED DEPOSITS
- (B) FIXED DEPOSITS REQUIRE A FIXED LOCK-IN PERIOD, WHEREAS SAVINGS ACCOUNTS DO NOT
- (C) SAVINGS ACCOUNTS ARE FOR LONG-TERM INVESTMENT, WHILE FIXED DEPOSITS ARE FOR SHORT-TERM INVESTMENT
- (D) FIXED DEPOSITS ARE RISKIER THAN SAVINGS ACCOUNTS

ANSWER: (B) FIXED DEPOSITS REQUIRE A FIXED LOCK-IN PERIOD, WHEREAS SAVINGS ACCOUNTS DO NOT

49. WHAT DOES THE ACRONYM 'RTGS' STAND FOR?

- (A) REAL-TIME GENERAL SETTLEMENT
- (B) REAL-TIME GROSS SETTLEMENT
- (C) REGIONAL TIME GROSS SETTLEMENT
- (D) REAL-TIME GUARANTEED SETTLEMENT

ANSWER: (B) REAL-TIME GROSS SETTLEMENT

50. WHICH OF THE FOLLOWING REFERS TO THE 'LOAN TO VALUE' RATIO?

- (A) THE RATIO OF A LOAN AMOUNT TO THE VALUE OF THE COLLATERAL
- (B) THE RATIO OF A BANK'S LOAN PORTFOLIO TO ITS NET WORTH
- (C) THE RATIO OF LOAN TO INCOME OF THE BORROWER
- (D) THE RATIO OF INTEREST CHARGED TO THE PRINCIPAL AMOUNT

ANSWER: (A) THE RATIO OF A LOAN AMOUNT TO THE VALUE OF THE COLLATERAL

51. THE 'BASEL III' GUIDELINES ARE ASSOCIATED WITH:

- (A) BANKING CAPITAL REQUIREMENTS
- (B) INTERNATIONAL TRADE POLICIES
- (C) ELECTRONIC BANKING SECURITY MEASURES
- (D) PERSONAL LOAN INTEREST RATES

ANSWER: A) BANKING CAPITAL REQUIREMENTS

52. WHAT IS THE PRIMARY DIFFERENCE BETWEEN 'SECURED' AND 'UNSECURED' LOANS?

- (A) SECURED LOANS REQUIRE COLLATERAL, WHILE UNSECURED LOANS DO NOT
- (B) UNSECURED LOANS OFFER LOWER INTEREST RATES THAN SECURED LOANS
- (C) SECURED LOANS ARE ONLY AVAILABLE TO GOVERNMENT EMPLOYEES
- (D) UNSECURED LOANS REQUIRE THE BORROWER TO HAVE A PERFECT CREDIT SCORE

ANSWER: (A) SECURED LOANS REQUIRE COLLATERAL, WHILE UNSECURED LOANS DO NOT

53. WHAT IS THE ROLE OF A 'CLEARING HOUSE' IN BANKING?

- (A) IT MANAGES THE SETTLEMENT OF INTERBANK TRANSACTIONS
- (B) IT REGULATES INTEREST RATES ON LOANS
- (C) IT PROVIDES INSURANCE TO BANK DEPOSITS
- (D) IT DETERMINES THE VALUE OF FOREIGN CURRENCIES

ANSWER: (A) IT MANAGES THE SETTLEMENT OF INTERBANK TRANSACTIONS

54. WHICH OF THE FOLLOWING IS A RISK ASSOCIATED WITH BANKING OPERATIONS?

- (A) CREDIT RISK
- (B) OPERATIONAL RISK
- (C) LIQUIDITY RISK
- (D) ALL OF THE ABOVE

ANSWER: (D) ALL OF THE ABOVE

55. WHAT IS 'DIGITAL BANKING'?

- (A) BANKING CONDUCTED ONLINE THROUGH ELECTRONIC DEVICES
- (B) BANKING THAT USES ONLY PHYSICAL BRANCHES
- (C) BANKING THROUGH TELEPHONES ONLY
- (D) A TYPE OF BANKING THAT RESTRICTS CUSTOMERS TO PAPER-BASED TRANSACTIONS

ANSWER: (A) BANKING CONDUCTED ONLINE THROUGH ELECTRONIC DEVICES

56. WHICH OF THE FOLLOWING IS A MAJOR ADVANTAGE OF 'INTERNET BANKING'?

- (A) LIMITED TRANSACTION FEES
- (B) ACCESS TO BANKING SERVICES ANYTIME AND ANYWHERE
- (C) REQUIRES NO INTERNET CONNECTION
- (D) ONLY AVAILABLE FOR PERSONAL ACCOUNTS

ANSWER: (B) ACCESS TO BANKING SERVICES ANYTIME AND ANYWHERE

57. WHAT IS THE 'CASH RESERVE RATIO (CRR)' IN BANKING?

- (A) THE PROPORTION OF A BANK'S TOTAL DEPOSITS THAT IT MUST KEEP AS RESERVES WITH THE CENTRAL BANK
- (B) THE PERCENTAGE OF A BANK'S LENDING PORTFOLIO
- (C) THE INTEREST RATE AT WHICH BANKS BORROW FROM OTHER BANKS
- (D) THE TOTAL AMOUNT OF CAPITAL A BANK HOLDS

ANSWER: (A) THE PROPORTION OF A BANK'S TOTAL DEPOSITS THAT IT MUST KEEP AS RESERVES WITH THE CENTRAL BANK

58. WHICH OF THE FOLLOWING IS A MEASURE OF THE FINANCIAL HEALTH OF A BANK?

- (A) RETURN ON ASSETS (ROA)
- (B) PROFIT MARGIN
- (C) CREDIT RATINGS

(D) ALL OF THE ABOVE

ANSWER: (D) ALL OF THE ABOVE

59. WHICH OF THE FOLLOWING IS A CHARACTERISTIC OF 'ISLAMIC BANKING'?

(A) BANKS CHARGE INTEREST ON LOANS

(B) BANKS PROVIDE LOANS ONLY FOR SECULAR PURPOSES

(C) BANKS CANNOT CHARGE INTEREST, AND THEY FOLLOW THE PRINCIPLE OF PROFIT-SHARING

(D) BANKS PROVIDE LOANS BASED ON FIXED COLLATERAL VALUES

ANSWER: (C) BANKS CANNOT CHARGE INTEREST, AND THEY FOLLOW THE PRINCIPLE OF PROFIT-SHARING

60. WHAT IS THE MAXIMUM LIMIT FOR E-COMMERCE TRANSACTIONS THROUGH 'UPI' (UNIFIED PAYMENTS INTERFACE) IN INDIA?

(A) ₹10,000

(B) ₹50,000

(C) ₹1,00,000

(D) ₹2,00,000

ANSWER: (B) ₹50,000

61. WHICH OF THE FOLLOWING IS AN EXAMPLE OF A 'LIQUID ASSET' FOR A BANK?

(A) LONG-TERM LOANS

(B) REAL ESTATE PROPERTY

(C) GOVERNMENT SECURITIES

(D) EQUIPMENT

ANSWER: (C) GOVERNMENT SECURITIES

62. THE 'PRIORITY SECTOR LENDING' BY BANKS REFERS TO LENDING TO:

(A) LARGE CORPORATE SECTORS

(B) ESSENTIAL INDUSTRIES SUCH AS DEFENSE

(C) CERTAIN UNDER-SERVED SECTORS OF THE ECONOMY SUCH AS AGRICULTURE, MSMES, AND EDUCATION

(D) FOREIGN INVESTORS

ANSWER: (C) CERTAIN UNDER-SERVED SECTORS OF THE ECONOMY SUCH AS AGRICULTURE, MSMES, AND EDUCATION

63. WHICH OF THE FOLLOWING TYPES OF INSURANCE IS COMMONLY ASSOCIATED WITH BANKING?

(A) LIFE INSURANCE

(B) HEALTH INSURANCE

(C) PROPERTY INSURANCE

(D) ALL OF THE ABOVE

ANSWER: (A) LIFE INSURANCE

64. WHICH OF THE FOLLOWING IS TRUE REGARDING A 'CHEQUE' IN BANKING?

(A) A CHEQUE CAN BE TRANSFERRED BY ENDORSEMENT AND DELIVERY

(B) A CHEQUE IS AN UNCONDITIONAL ORDER TO PAY MONEY FROM THE DRAWER'S ACCOUNT

(C) A CHEQUE CAN ONLY BE ISSUED FOR FIXED AMOUNTS

(D) BOTH A AND B

ANSWER: (D) BOTH A AND B

65. WHICH OF THE FOLLOWING IS THE MAIN FUNCTION OF 'MOBILE WALLETS'?

(A) TO PROVIDE LOANS TO INDIVIDUALS

(B) TO STORE MONEY AND MAKE DIGITAL PAYMENTS

(C) TO ENABLE LARGE FUND TRANSFERS

(D) TO OFFER INSURANCE SERVICES

ANSWER: (B) TO STORE MONEY AND MAKE DIGITAL PAYMENTS

66. WHAT IS THE FULL FORM OF 'MUDRA' IN THE CONTEXT OF SMALL BUSINESS LOANS IN INDIA?

(A) MICRO UNITS DEVELOPMENT AND REFINANCE AGENCY

(B) MICRO UNIT DEVELOPMENT AND RISK AGENCY

(C) MULTIPLE UNIT DEVELOPMENT AND REFINANCE AGENCY

(D) MICRO-UNIT DEVELOPMENT AND REGULATORY AGENCY

ANSWER: (A) MICRO UNITS DEVELOPMENT AND REFINANCE AGENCY

67. THE 'BANKING OMBUDSMAN' IS RESPONSIBLE FOR:

(A) MANAGING DISPUTES BETWEEN CUSTOMERS AND COMMERCIAL BANKS

- (B) MONITORING THE FUNCTIONING OF CENTRAL BANKS
- (C) REGULATING BANK MERGERS AND ACQUISITIONS
- (D) PROVIDING LOANS TO FARMERS

ANSWER: (A) MANAGING DISPUTES BETWEEN CUSTOMERS AND COMMERCIAL BANKS

68. WHICH OF THE FOLLOWING IS A TYPE OF 'E-BANKING' SERVICE?

- (A) PHONE BANKING
- (B) INTERNET BANKING
- (C) ATM TRANSACTIONS
- (D) ALL OF THE ABOVE

ANSWER: (D) ALL OF THE ABOVE

69. THE PROCESS OF VERIFYING THE IDENTITY OF A CUSTOMER BEFORE OPENING AN ACCOUNT IS KNOWN AS:

- (A) KYC (KNOW YOUR CUSTOMER)
- (B) AML (ANTI-MONEY LAUNDERING)
- (C) CDD (CUSTOMER DUE DILIGENCE)
- (D) CBI (CENTRAL BANK INVESTIGATION)

ANSWER: (A) KYC (KNOW YOUR CUSTOMER)

70. WHICH OF THE FOLLOWING IS THE MAIN OBJECTIVE OF THE 'MONETARY POLICY' IN INDIA?

- (A) TO REGULATE THE AVAILABILITY AND COST OF MONEY AND CREDIT IN THE ECONOMY

- (B) TO CONTROL GOVERNMENT SPENDING
- (C) TO REGULATE FOREIGN EXCHANGE RATES
- 9D) TO CONTROL INFLATION RATES GLOBALLY

ANSWER: (A) TO REGULATE THE AVAILABILITY AND COST OF MONEY AND CREDIT IN THE ECONOMY

71. THE 'BANK RATE' IS THE RATE AT WHICH:

- (A) BANKS CHARGE THEIR CUSTOMERS FOR LOANS
- (B) THE RESERVE BANK OF INDIA LENDS MONEY TO COMMERCIAL BANKS
- (C) BANKS BUY GOVERNMENT SECURITIES
- (D) THE RBI BORROWS MONEY FROM COMMERCIAL BANKS

ANSWER: B) THE RESERVE BANK OF INDIA LENDS MONEY TO COMMERCIAL BANKS

72. WHICH OF THE FOLLOWING IS NOT PART OF THE 'CAPITAL MARKET'?

- (A) SHARES AND BONDS
- (B) GOVERNMENT SECURITIES
- (C) SAVING ACCOUNTS
- (D) MUTUAL FUNDS

ANSWER: (C) SAVING ACCOUNTS

73. WHAT IS THE 'CDS' IN THE CONTEXT OF FINANCIAL INSTRUMENTS?

- (A) CREDIT DEFAULT SWAP

- (B) CERTIFICATE OF DEPOSIT SYSTEM
- (C) CENTRALIZED DEPOSIT SYSTEM
- (D) CAPITAL DEPOSIT SWAP

ANSWER: (A) CREDIT DEFAULT SWAP

74. WHAT IS THE 'CALL MONEY' IN BANKING TERMS?

- (A) MONEY LENT BY COMMERCIAL BANKS TO THE GOVERNMENT
- (B) SHORT-TERM BORROWING BETWEEN COMMERCIAL BANKS, TYPICALLY OVERNIGHT
- (C) LOANS GRANTED TO INDIVIDUALS FOR PERSONAL USE
- (D) MONEY LENT BY BANKS TO THE STOCK MARKET

ANSWER: (B) SHORT-TERM BORROWING BETWEEN COMMERCIAL BANKS, TYPICALLY OVERNIGHT

75. WHICH OF THE FOLLOWING IS A TYPE OF 'BANK LOAN'?

- (A) TERM LOAN
- (B) REVOLVING CREDIT
- (C) OVERDRAFT FACILITY
- (D) ALL OF THE ABOVE

ANSWER: (D) ALL OF THE ABOVE

76. THE 'REAL ESTATE INVESTMENT TRUSTS (REITS)' PRIMARILY DEAL WITH:

- (A) GOVERNMENT BONDS
- (B) STOCKS AND BONDS

- (C) REAL ESTATE PROPERTIES AND INVESTMENTS
- (D) INTERNATIONAL TRADE FINANCE

ANSWER: (C) REAL ESTATE PROPERTIES AND INVESTMENTS

77. WHICH OF THE FOLLOWING IS AN EXAMPLE OF A 'CREDIT FACILITY' PROVIDED BY BANKS?

- (A) FIXED DEPOSITS
- (B) CREDIT CARDS
- (C) ATM SERVICES
- (D) SAFE DEPOSIT LOCKERS

ANSWER: (B) CREDIT CARDS

78. WHICH OF THE FOLLOWING IS A CHARACTERISTIC OF 'CENTRAL BANK DIGITAL CURRENCY (CBDC)'?

- (A) IT IS ISSUED BY A CENTRAL BANK IN DIGITAL FORM
- (B) IT IS A FORM OF CRYPTOCURRENCY
- (C) IT OPERATES WITHOUT A CENTRAL AUTHORITY
- (D) IT IS ONLY AVAILABLE IN SPECIFIC REGIONS

ANSWER: (A) IT IS ISSUED BY A CENTRAL BANK IN DIGITAL FORM

79. WHICH OF THE FOLLOWING IS NOT AN EXAMPLE OF A 'RETAIL BANKING' SERVICE?

- (A) SAVINGS AND CURRENT ACCOUNTS
- (B) PERSONAL LOANS AND MORTGAGES

(C) FOREIGN CURRENCY TRADING

(D) CREDIT CARDS

ANSWER: (C) FOREIGN CURRENCY TRADING

80. THE 'FISCAL DEFICIT' IN A COUNTRY IS:

(A) THE DIFFERENCE BETWEEN GOVERNMENT EXPENDITURE AND ITS REVENUE

(B) THE TOTAL AMOUNT OF NATIONAL DEBT

(C) THE TOTAL VALUE OF NATIONAL SAVINGS

(D) THE AMOUNT THE GOVERNMENT BORROWS FROM INTERNATIONAL SOURCES

ANSWER: (A) THE DIFFERENCE BETWEEN GOVERNMENT EXPENDITURE AND ITS REVENUE

81. WHAT IS THE PURPOSE OF THE 'LIQUIDITY COVERAGE RATIO (LCR)' IN BANKING?

(A) TO ENSURE THAT BANKS HAVE ENOUGH HIGH-QUALITY LIQUID ASSETS TO COVER SHORT-TERM OBLIGATIONS

(B) TO REGULATE THE LOAN-TO-VALUE RATIO OF MORTGAGE LOANS

(C) TO DETERMINE THE INTEREST RATES ON LOANS

(D) TO MANAGE THE FOREIGN EXCHANGE RESERVES

ANSWER: (A) TO ENSURE THAT BANKS HAVE ENOUGH HIGH-QUALITY LIQUID ASSETS TO COVER SHORT-TERM OBLIGATIONS

82. WHAT IS THE 'REPO RATE'?

(A) THE RATE AT WHICH THE GOVERNMENT LENDS MONEY TO COMMERCIAL BANKS

(B) THE RATE AT WHICH COMMERCIAL BANKS LEND MONEY TO CUSTOMERS

(C) THE RATE AT WHICH COMMERCIAL BANKS BORROW MONEY FROM THE CENTRAL BANK

(D) THE RATE AT WHICH BANKS LEND MONEY TO FOREIGN INSTITUTIONS

ANSWER: (C) THE RATE AT WHICH COMMERCIAL BANKS BORROW MONEY FROM THE CENTRAL BANK

83. WHAT IS 'KYC' IN BANKING?

(A) KNOW YOUR CREDIT

(B) KEEP YOUR CASH

(C) KNOW YOUR CUSTOMER

(D) KEEP YOUR CHECKBOOK

ANSWER: (C) KNOW YOUR CUSTOMER

84. WHICH OF THE FOLLOWING IS A TYPE OF 'FIXED INCOME SECURITY'?

(A) SHARES

(B) BONDS

(C) REAL ESTATE

(D) COMMODITIES

ANSWER: (B) BONDS

85. WHAT IS THE PRIMARY OBJECTIVE OF 'ASSET MANAGEMENT COMPANIES' (AMCS)?

- (A) TO ISSUE SHARES AND BONDS TO RAISE CAPITAL
- (B) TO MANAGE INVESTMENT PORTFOLIOS ON BEHALF OF CLIENTS
- (C) TO PROVIDE LOANS TO BUSINESSES
- (D) TO MANAGE CENTRAL BANK OPERATIONS

ANSWER: (B) TO MANAGE INVESTMENT PORTFOLIOS ON BEHALF OF CLIENTS

86. WHICH OF THE FOLLOWING IS THE MAIN ROLE OF THE 'RESERVE BANK OF INDIA' (RBI)?

- (A) TO ISSUE CURRENCY AND REGULATE MONETARY POLICY
- (B) TO PROVIDE LOANS TO BUSINESSES
- (C) TO MANAGE THE STOCK MARKET
- (D) TO FACILITATE INTERNATIONAL TRADE

ANSWER: (A) TO ISSUE CURRENCY AND REGULATE MONETARY POLICY

87. WHICH OF THE FOLLOWING IS AN EXAMPLE OF 'SHADOW BANKING'?

- (A) GOVERNMENT-BACKED SAVINGS BONDS
- (B) PRIVATE LENDING INSTITUTIONS THAT OPERATE OUTSIDE TRADITIONAL BANKING REGULATION
- (C) PUBLIC SECTOR BANKS
- (D) BANKS OPERATING UNDER THE SUPERVISION OF CENTRAL BANKS

ANSWER: (B) PRIVATE LENDING INSTITUTIONS THAT OPERATE OUTSIDE TRADITIONAL BANKING REGULATION

88. WHAT IS 'FORWARD GUIDANCE' IN THE CONTEXT OF CENTRAL BANKING?

- (A) A MEASURE OF FUTURE CREDIT RATINGS OF FINANCIAL INSTITUTIONS
- (B) A METHOD TO INFLUENCE FUTURE ECONOMIC CONDITIONS BY COMMUNICATING THE CENTRAL BANK'S INTENDED POLICY MOVES
- (C) A TOOL FOR REGULATING INTERBANK LENDING RATES
- (D) A POLICY FOR REGULATING THE GOLD RESERVES OF A COUNTRY

ANSWER: (B) A METHOD TO INFLUENCE FUTURE ECONOMIC CONDITIONS BY COMMUNICATING THE CENTRAL BANK'S INTENDED POLICY MOVES

89. WHICH OF THE FOLLOWING IS AN EXAMPLE OF 'LONG-TERM DEBT'?

- (A) A 3-MONTH LOAN FROM A COMMERCIAL BANK
- (B) A 1-YEAR CORPORATE BOND
- (C) A 10-YEAR GOVERNMENT BOND
- (D) A 30-DAY OVERDRAFT

ANSWER: (C) A 10-YEAR GOVERNMENT BOND

90. WHAT DOES THE 'NET INTEREST MARGIN (NIM)' REPRESENT?

- (A) THE DIFFERENCE BETWEEN A BANK'S INTEREST INCOME AND INTEREST EXPENSES AS A PERCENTAGE OF ITS ASSETS
- (B) THE TOTAL INTEREST INCOME EARNED BY THE BANK
- (C) THE COST OF FUNDS USED BY THE BANK
- (D) THE AVERAGE INTEREST RATE OFFERED ON SAVINGS ACCOUNTS

ANSWER: (A) THE DIFFERENCE BETWEEN A BANK'S INTEREST INCOME AND INTEREST EXPENSES AS A PERCENTAGE OF ITS ASSETS

91. WHICH OF THE FOLLOWING IS AN EXAMPLE OF A 'SYSTEMICALLY IMPORTANT BANK'?

- (A) A SMALL COMMUNITY BANK SERVING ONLY LOCAL CUSTOMERS
- (B) A LARGE MULTINATIONAL BANK WHOSE FAILURE COULD TRIGGER A GLOBAL FINANCIAL CRISIS
- (C) A GOVERNMENT-OWNED BANK THAT ONLY DEALS WITH AGRICULTURE LOANS
- (D) A PRIVATE BANK WITH NO INTERNATIONAL OPERATIONS

ANSWER: (B) A LARGE MULTINATIONAL BANK WHOSE FAILURE COULD TRIGGER A GLOBAL FINANCIAL CRISIS

92. WHAT IS THE 'CASH MANAGEMENT SYSTEM (CMS)' IN BANKING?

- (A) A SYSTEM FOR MANAGING THE PHYSICAL CASH RESERVES IN BANK BRANCHES
- (B) A SYSTEM FOR MANAGING A COMPANY'S COLLECTIONS AND PAYMENTS EFFICIENTLY
- (C) A METHOD FOR MANAGING FOREIGN EXCHANGE TRANSACTIONS
- (D) A SYSTEM FOR CONTROLLING THE INTEREST RATES ON SAVINGS ACCOUNTS

ANSWER: (B) A SYSTEM FOR MANAGING A COMPANY'S COLLECTIONS AND PAYMENTS EFFICIENTLY

93. WHICH OF THE FOLLOWING REFERS TO 'BANCASSURANCE'?

- (A) BANKS PROVIDING LOANS TO INSURANCE COMPANIES

(B) BANKS OFFERING INSURANCE PRODUCTS ALONGSIDE THEIR BANKING SERVICES

(C) INSURANCE COMPANIES TAKING OVER BANKS

(D) BANKS OFFERING ONLY HOME LOAN SERVICES

ANSWER: (B) BANKS OFFERING INSURANCE PRODUCTS ALONGSIDE THEIR BANKING SERVICES

94. WHAT IS THE FULL FORM OF 'IFSC' CODE USED IN BANKING?

(A) INTERNATIONAL FINANCIAL SERVICES CODE

(B) INDIAN FINANCIAL SECURITY CODE

(C) INDIAN FINANCIAL SYSTEM CODE

(D) INTERNATIONAL FINANCIAL SYSTEM CODE

ANSWER: (C) INDIAN FINANCIAL SYSTEM CODE

95. WHICH OF THE FOLLOWING IS A TYPE OF 'FOREIGN EXCHANGE RISK'?

(A) THE RISK OF CURRENCY VALUE FLUCTUATIONS AFFECTING INTERNATIONAL TRADE

(B) THE RISK OF A CUSTOMER DEFAULTING ON A LOAN

(C) THE RISK OF INTEREST RATE CHANGES IMPACTING DOMESTIC OPERATIONS

(D) THE RISK OF FRAUD AND CYBERATTACKS ON BANKING SYSTEMS

ANSWER: (A) THE RISK OF CURRENCY VALUE FLUCTUATIONS AFFECTING INTERNATIONAL TRADE

96. WHICH OF THE FOLLOWING IS NOT A FEATURE OF A 'DEMAND DRAFT'?

<https://vermajiallinoe.org>

- (A) IT IS A PREPAID INSTRUMENT
- (B) IT CAN BE USED TO TRANSFER MONEY ACROSS BRANCHES
- (C) IT CAN BE ISSUED WITHOUT THE REQUIREMENT OF AN ACCOUNT
- (D) IT IS NOT A NEGOTIABLE INSTRUMENT

ANSWER: (D) IT IS NOT A NEGOTIABLE INSTRUMENT

97. WHAT DOES 'SWIFT' STAND FOR IN BANKING?

- (A) SOCIETY FOR WORLDWIDE INTERBANK FINANCIAL TELECOMMUNICATION
- (B) SOCIETY FOR WORLDWIDE INSTITUTIONAL FINANCIAL TRANSFERS
- (C) SECURE WORLDWIDE INTERNATIONAL FINANCIAL TRANSACTIONS
- (D) SECURE WORLDWIDE INTERBANK FUND TRANSFER SYSTEM

ANSWER: (A) SOCIETY FOR WORLDWIDE INTERBANK FINANCIAL TELECOMMUNICATION

98. WHICH OF THE FOLLOWING IS AN EXAMPLE OF 'NON-BANKING FINANCIAL COMPANIES' (NBFCS)?

- (A) BANKS THAT ACCEPT DEPOSITS
- (B) INSURANCE COMPANIES
- (C) INVESTMENT FIRMS THAT DO NOT OFFER TRADITIONAL BANKING SERVICES
- (D) CENTRAL BANKS

ANSWER: (C) INVESTMENT FIRMS THAT DO NOT OFFER TRADITIONAL BANKING SERVICES

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99. WHICH OF THE FOLLOWING IS TRUE ABOUT 'MICROFINANCE'?

- (A) IT INVOLVES PROVIDING SMALL LOANS TO INDIVIDUALS IN UNDERDEVELOPED AREAS TO PROMOTE ECONOMIC GROWTH
- (B) IT IS A TYPE OF INSURANCE PRODUCT OFFERED BY BANKS
- (C) IT FOCUSES ON LARGE BUSINESSES AND CORPORATIONS
- (D) IT IS REGULATED ONLY BY INTERNATIONAL BODIES, NOT LOCAL GOVERNMENTS

ANSWER: (A) IT INVOLVES PROVIDING SMALL LOANS TO INDIVIDUALS IN UNDERDEVELOPED AREAS TO PROMOTE ECONOMIC GROWTH

100. WHICH OF THE FOLLOWING IS A TYPE OF 'OVERDRAFT' FACILITY IN BANKING?

- (A) A LOAN GRANTED FOR PURCHASING REAL ESTATE
- (B) AN AGREEMENT THAT ALLOWS A CUSTOMER TO WITHDRAW MORE MONEY THAN AVAILABLE IN THEIR CURRENT ACCOUNT
- (C) A SHORT-TERM INVESTMENT OPTION
- (D) A TYPE OF LOAN SECURED BY FIXED DEPOSITS

ANSWER: (B) AN AGREEMENT THAT ALLOWS A CUSTOMER TO WITHDRAW MORE MONEY THAN AVAILABLE IN THEIR CURRENT ACCOUNT

101. WHICH OF THE FOLLOWING IS A COMMON TOOL USED BY CENTRAL BANKS TO CONTROL INFLATION?

- (A) INCREASING THE SUPPLY OF CURRENCY
- (B) LOWERING THE INTEREST RATES
- (C) RAISING THE RESERVE REQUIREMENTS FOR COMMERCIAL BANKS

(D) PROVIDING DIRECT LOANS TO CONSUMERS

ANSWER: (C) RAISING THE RESERVE REQUIREMENTS FOR COMMERCIAL BANKS

102. WHAT DOES THE TERM 'UNDERWRITING' MEAN IN BANKING?

(A) THE PROCESS OF INSURING A LOAN AGAINST DEFAULT

(B) THE PROCESS OF EVALUATING THE RISK OF OFFERING A LOAN OR INSURANCE

(C) THE PROCESS OF PROVIDING FINANCIAL ADVICE

(D) THE PROCESS OF WITHDRAWING MONEY FROM AN ACCOUNT

ANSWER: (B) THE PROCESS OF EVALUATING THE RISK OF OFFERING A LOAN OR INSURANCE

103. WHICH OF THE FOLLOWING IS A CHARACTERISTIC OF A 'NPA' (NON-PERFORMING ASSET)?

(A) IT REFERS TO AN ASSET WHOSE INTEREST AND PRINCIPAL PAYMENTS ARE OVERDUE FOR A SPECIFIC PERIOD

(B) IT IS A PERFORMING LOAN THAT EARNS REGULAR INTEREST

(C) IT REFERS TO A LOAN THAT HAS BEEN FULLY REPAYED

(D) IT IS THE SAME AS A DEPOSIT

ANSWER: (A) IT REFERS TO AN ASSET WHOSE INTEREST AND PRINCIPAL PAYMENTS ARE OVERDUE FOR A SPECIFIC PERIOD

104. WHICH OF THE FOLLOWING IS AN EXAMPLE OF A 'MONEY MARKET INSTRUMENT'?

(A) SHARES

- (B) GOVERNMENT BONDS
- (C) TREASURY BILLS
- (D) REAL ESTATE

ANSWER: (C) TREASURY BILLS

105. IN BANKING, 'LIQUIDITY' REFERS TO:

- (A) THE ABILITY OF A BANK TO MEET ITS LONG-TERM OBLIGATIONS
- (B) THE EASE WITH WHICH ASSETS CAN BE CONVERTED INTO CASH WITHOUT SIGNIFICANT LOSS OF VALUE
- (C) THE RATIO OF CASH RESERVES HELD BY A BANK
- (D) THE PROFITABILITY OF THE BANK'S LOANS

ANSWER: (B) THE EASE WITH WHICH ASSETS CAN BE CONVERTED INTO CASH WITHOUT SIGNIFICANT LOSS OF VALUE

106. WHICH OF THE FOLLOWING IS NOT A METHOD OF 'BANKING FRAUD'?

- (A) IDENTITY THEFT
- (B) PHISHING
- (C) TRANSACTION REVERSAL
- (D) DIRECT DEPOSIT

ANSWER: (D) DIRECT DEPOSIT

107. WHAT DOES 'GNP' STAND FOR IN ECONOMIC TERMS?

- (A) GROSS NATIONAL PROFIT
- (B) GROSS NATIONAL PRODUCT

- (C) GROSS NATIONAL PRICING
- (D) GOVERNMENT NATIONAL PROGRAM

ANSWER: (B) GROSS NATIONAL PRODUCT

108. WHAT IS THE PURPOSE OF THE 'CAPITAL ADEQUACY RATIO' (CAR) IN BANKING?

- (A) TO MEASURE A BANK'S PROFITABILITY
- (B) TO ENSURE THAT A BANK HAS ENOUGH CAPITAL TO COVER POTENTIAL LOSSES
- (C) TO ASSESS THE RISK OF FRAUD IN A BANK
- (D) TO DETERMINE THE LEVEL OF INTEREST RATES FOR LOANS

ANSWER: (B) TO ENSURE THAT A BANK HAS ENOUGH CAPITAL TO COVER POTENTIAL LOSSES

109. WHICH OF THE FOLLOWING IS AN EXAMPLE OF 'SHORT-TERM CREDIT'?

- (A) HOME MORTGAGE LOANS
- (B) PERSONAL LOANS WITH A REPAYMENT PERIOD OF LESS THAN A YEAR
- (C) CORPORATE BONDS WITH A 10-YEAR MATURITY
- (D) CAR LOANS WITH A 5-YEAR TERM

ANSWER: (B) PERSONAL LOANS WITH A REPAYMENT PERIOD OF LESS THAN A YEAR

110. THE TERM 'SOVEREIGN RISK' REFERS TO:

- (A) THE RISK ASSOCIATED WITH THE FAILURE OF A GOVERNMENT TO REPAY ITS DEBT

- (B) THE RISK OF CURRENCY DEVALUATION
- (C) THE RISK OF A COMPANY'S STOCK PRICE FALLING
- (D) THE RISK OF BANK INSOLVENCY

ANSWER: (A) THE RISK ASSOCIATED WITH THE FAILURE OF A GOVERNMENT TO REPAY ITS DEBT

111. WHAT IS THE FULL FORM OF 'NEFT' IN BANKING?

- (A) NATIONAL ELECTRONIC FUNDS TRANSFER
- (B) NATIONAL EMERGENCY FUND TRANSFER
- (C) NEW ELECTRONIC FUNDS TRANSACTION
- (D) NATIONAL EXPORT FUNDS TRANSFER

ANSWER: (A) NATIONAL ELECTRONIC FUNDS TRANSFER

112. WHICH OF THE FOLLOWING IS THE MAIN FUNCTION OF THE 'STOCK EXCHANGE'?

- (A) TO ISSUE GOVERNMENT BONDS
- (B) TO PROVIDE A PLATFORM FOR BUYING AND SELLING SHARES AND SECURITIES
- (C) TO MANAGE SAVINGS ACCOUNTS
- (D) TO LEND MONEY TO SMALL BUSINESSES

ANSWER: (B) TO PROVIDE A PLATFORM FOR BUYING AND SELLING SHARES AND SECURITIES

113. WHICH OF THE FOLLOWING IS AN EXAMPLE OF A 'COMMODITY EXCHANGE'?

- (A) NSE (NATIONAL STOCK EXCHANGE)
- (B) MCX (MULTI COMMODITY EXCHANGE)
- (C) RBI (RESERVE BANK OF INDIA)
- (D) SEBI (SECURITIES AND EXCHANGE BOARD OF INDIA)

ANSWER: (B) MCX (MULTI COMMODITY EXCHANGE)

114. WHAT IS A 'HEDGE' IN FINANCIAL TERMS?

- (A) A RISK-FREE INVESTMENT
- (B) A STRATEGY USED TO REDUCE RISK IN INVESTMENTS
- (C) A TYPE OF SHORT-TERM LOAN
- (D) A FIXED INCOME SECURITY

ANSWER: (B) A STRATEGY USED TO REDUCE RISK IN INVESTMENTS

115. WHICH OF THE FOLLOWING IS THE MAIN GOAL OF 'FINANCIAL INCLUSION'?

- (A) TO PROMOTE WEALTH INEQUALITY
- (B) TO PROVIDE BANKING SERVICES TO UNDERSERVED OR UNBANKED POPULATIONS
- (C) TO ELIMINATE TAXES ON BANKS
- (D) TO FOCUS ON HIGH-NET-WORTH INDIVIDUALS

ANSWER: (B) TO PROVIDE BANKING SERVICES TO UNDERSERVED OR UNBANKED POPULATIONS

116. IN BANKING, 'LOAN-TO-VALUE RATIO' (LTV) REFERS TO:

- (A) THE TOTAL AMOUNT OF LOAN A CUSTOMER CAN AVAIL
- (B) THE RATIO OF A LOAN TO THE VALUE OF THE ASSET PURCHASED WITH THE LOAN
- (C) THE AMOUNT OF INTEREST CHARGED ON A LOAN
- (D) THE TOTAL VALUE OF ALL LOANS IN A BANK'S PORTFOLIO

ANSWER: (B) THE RATIO OF A LOAN TO THE VALUE OF THE ASSET PURCHASED WITH THE LOAN

117. WHICH OF THE FOLLOWING IS NOT A FUNCTION OF THE 'CENTRAL BANK'?

- (A) MANAGING THE COUNTRY'S CURRENCY AND MONEY SUPPLY
- (B) CONTROLLING INFLATION AND INTEREST RATES
- (C) ISSUING AND REGULATING CURRENCY
- (D) ACCEPTING CUSTOMER DEPOSITS

ANSWER: (D) ACCEPTING CUSTOMER DEPOSITS

118. THE 'SWIFT CODE' IS USED FOR:

- (A) DETERMINING THE INTEREST RATE ON A LOAN
- (B) IDENTIFYING FINANCIAL INSTITUTIONS INVOLVED IN INTERNATIONAL TRANSACTIONS
- (C) CHECKING THE CREDIT SCORE OF AN INDIVIDUAL
- (D) CREATING A NEW BANK ACCOUNT

ANSWER: (B) IDENTIFYING FINANCIAL INSTITUTIONS INVOLVED IN INTERNATIONAL TRANSACTIONS

119. WHICH OF THE FOLLOWING REFERS TO 'REHYPOTHECATION'?

- (A) USING A CUSTOMER'S SECURITIES AS COLLATERAL FOR THE BANK'S BORROWING
- (B) THE PROCESS OF TRANSFERRING A LOAN TO A THIRD PARTY
- (C) THE SALE OF GOVERNMENT BONDS TO RAISE CAPITAL
- (D) THE PAYMENT OF DIVIDENDS TO SHAREHOLDERS

ANSWER: (A) USING A CUSTOMER'S SECURITIES AS COLLATERAL FOR THE BANK'S BORROWING

120. WHICH OF THE FOLLOWING IS A 'PUBLIC SECTOR BANK' IN INDIA?

- (A) HDFC BANK
- (B) ICICI BANK
- (C) STATE BANK OF INDIA (SBI)
- (D) AXIS BANK

ANSWER: (C) STATE BANK OF INDIA (SBI)

121. WHAT IS THE 'MAIN FUNCTION' OF A COMMERCIAL BANK?

- (A) TO REGULATE THE CURRENCY OF A COUNTRY
- (B) TO ACCEPT DEPOSITS AND PROVIDE LOANS
- (C) TO ISSUE GOVERNMENT BONDS
- (D) TO MANAGE MONETARY POLICY

ANSWER: (B) TO ACCEPT DEPOSITS AND PROVIDE LOANS

122. WHAT IS THE MEANING OF 'CENTRAL BANK' IN FINANCIAL TERMS?

- (A) A BANK THAT DEALS WITH INTERNATIONAL LOANS
- (B) A BANK THAT CONTROLS AND REGULATES THE BANKING SYSTEM OF A COUNTRY
- (C) A BANK THAT PROVIDES BANKING SERVICES TO INDIVIDUALS AND BUSINESSES
- (D) A BANK THAT ACCEPTS DEPOSITS FROM FOREIGN NATIONALS

ANSWER: (B) A BANK THAT CONTROLS AND REGULATES THE BANKING SYSTEM OF A COUNTRY

123. WHICH OF THE FOLLOWING IS A TYPE OF 'DERIVATIVES'?

- (A) STOCKS
- (B) BONDS
- (C) OPTIONS
- (D) CURRENCY

ANSWER: C) OPTIONS

124. WHAT IS 'DEBT FINANCING'?

- (A) RAISING CAPITAL BY SELLING SHARES
- (B) RAISING CAPITAL BY BORROWING FUNDS FROM BANKS OR ISSUING BONDS
- (C) RAISING FUNDS THROUGH DONATIONS
- (D) RAISING CAPITAL BY INCREASING THE VALUE OF ASSETS

ANSWER: (B) RAISING CAPITAL BY BORROWING FUNDS FROM BANKS OR ISSUING BONDS

125. WHAT IS THE MAIN OBJECTIVE OF 'MONETARY POLICY'?

- (A) TO REDUCE GOVERNMENT SPENDING
- (B) TO CONTROL INFLATION AND STABILIZE THE CURRENCY
- (C) TO REGULATE THE PRICES OF COMMODITIES
- (D) TO MANAGE THE FISCAL DEFICIT

ANSWER: (B) TO CONTROL INFLATION AND STABILIZE THE CURRENCY

126. WHICH OF THE FOLLOWING IS AN EXAMPLE OF A 'RETAIL BANKING' SERVICE?

- (A) PROVIDING CORPORATE LOANS TO BUSINESSES
- (B) OFFERING SAVINGS ACCOUNTS AND MORTGAGES TO INDIVIDUALS
- (C) ISSUING GOVERNMENT BONDS
- (D) MANAGING THE CENTRAL BANK'S RESERVES

ANSWER: (B) OFFERING SAVINGS ACCOUNTS AND MORTGAGES TO INDIVIDUALS

127. WHAT IS THE PRIMARY FUNCTION OF THE 'MONETARY AUTHORITY' IN A COUNTRY?

- (A) TO PRINT CURRENCY
- (B) TO REGULATE THE BANKING SYSTEM AND CONTROL THE MONEY SUPPLY
- (C) TO OFFER LOANS TO BUSINESSES
- (D) TO COLLECT TAXES

ANSWER: (B) TO REGULATE THE BANKING SYSTEM AND CONTROL THE MONEY SUPPLY

128. WHAT DOES 'AUM' STAND FOR IN BANKING?

- (A) ASSETS UNDER MANAGEMENT
- (B) AVAILABLE UNIFORM MARKET
- (C) ANNUAL UNIFORM MAINTENANCE
- (D) ACCOUNTS UNDER MANAGEMENT

ANSWER: (A) ASSETS UNDER MANAGEMENT

129. WHICH OF THE FOLLOWING IS AN EXAMPLE OF A 'SHORT-TERM DEBT INSTRUMENT'?

- (A) GOVERNMENT BONDS WITH A MATURITY OF 15 YEARS
- (B) TREASURY BILLS WITH A MATURITY OF LESS THAN 1 YEAR
- (C) LONG-TERM CORPORATE BONDS
- (D) FIXED DEPOSITS FOR 5 YEARS

ANSWER: (B) TREASURY BILLS WITH A MATURITY OF LESS THAN 1 YEAR

130. WHAT IS A 'MORTGAGE'?

- (A) A SHORT-TERM LOAN SECURED BY AN ASSET
- (B) A LOAN TAKEN OUT TO PURCHASE REAL ESTATE, SECURED BY THE PROPERTY
- (C) A TYPE OF GOVERNMENT BOND
- (D) A SAVINGS ACCOUNT OFFERING HIGHER INTEREST RATES

ANSWER: (B) A LOAN TAKEN OUT TO PURCHASE REAL ESTATE, SECURED BY THE PROPERTY

131. WHICH OF THE FOLLOWING IS A 'KEY PERFORMANCE INDICATOR' (KPI) FOR A BANK?

- (A) THE TOTAL ASSETS UNDER MANAGEMENT
- (B) THE NUMBER OF BRANCHES IN OPERATION
- (C) THE RETURN ON EQUITY (ROE)
- (D) THE INTEREST RATE CHARGED ON LOANS

ANSWER: (C) THE RETURN ON EQUITY (ROE)

132. WHAT IS THE 'BASE RATE' IN BANKING?

- (A) THE INTEREST RATE OFFERED ON SAVINGS ACCOUNTS
- (B) THE MINIMUM RATE AT WHICH A BANK LENDS TO ITS MOST CREDITWORTHY CUSTOMERS
- (C) THE RATE AT WHICH THE CENTRAL BANK LENDS TO COMMERCIAL BANKS
- (D) THE RATE OF RETURN ON GOVERNMENT BONDS

ANSWER: (B) THE MINIMUM RATE AT WHICH A BANK LENDS TO ITS MOST CREDITWORTHY CUSTOMERS

133. WHICH OF THE FOLLOWING IS A FEATURE OF 'MOBILE BANKING'?

- (A) CUSTOMERS CAN MANAGE THEIR ACCOUNTS AND PERFORM TRANSACTIONS VIA A MOBILE APPLICATION
- (B) CUSTOMERS CAN ONLY MAKE DEPOSITS AT BANK BRANCHES
- (C) CUSTOMERS RECEIVE PAPER BANK STATEMENTS VIA POST

(D) MOBILE BANKING IS USED EXCLUSIVELY FOR FOREIGN TRANSACTIONS

ANSWER: (A) CUSTOMERS CAN MANAGE THEIR ACCOUNTS AND PERFORM TRANSACTIONS VIA A MOBILE APPLICATION

134. WHAT IS THE 'PRUDENTIAL NORMS' IN BANKING?

(A) RULES THAT ENSURE A BANK'S FINANCIAL STABILITY BY REGULATING ITS CREDIT, LIQUIDITY, AND RISK MANAGEMENT

(B) NORMS SET FOR CUSTOMER SERVICE AND PRODUCT OFFERINGS

(C) GUIDELINES FOR MARKETING BANKING PRODUCTS

(D) PROCEDURES FOR OPENING NEW BRANCHES

ANSWER: (A) RULES THAT ENSURE A BANK'S FINANCIAL STABILITY BY REGULATING ITS CREDIT, LIQUIDITY, AND RISK MANAGEMENT

135. WHICH OF THE FOLLOWING IS NOT AN EXAMPLE OF 'FOREIGN EXCHANGE MARKET'?

(A) A MARKET WHERE CURRENCIES ARE TRADED

(B) A MARKET FOR INTERNATIONAL BONDS

(C) A MARKET FOR TRADING FOREIGN CURRENCY

(D) A PLATFORM FOR EXCHANGING GOVERNMENT SECURITIES

ANSWER: (D) A PLATFORM FOR EXCHANGING GOVERNMENT SECURITIES

136. WHICH OF THE FOLLOWING BEST DEFINES 'INFLATION'?

(A) A DECREASE IN THE SUPPLY OF GOODS AND SERVICES IN THE ECONOMY

(B) A SUSTAINED INCREASE IN THE GENERAL PRICE LEVEL OF GOODS AND SERVICES

(C) A RISE IN THE INTEREST RATES BY THE CENTRAL BANK

(D) AN INCREASE IN THE TOTAL OUTPUT OF GOODS AND SERVICES

ANSWER: (B) A SUSTAINED INCREASE IN THE GENERAL PRICE LEVEL OF GOODS AND SERVICES

137. WHICH OF THE FOLLOWING IS THE 'PRIMARY MARKET' IN THE CONTEXT OF SECURITIES?

(A) THE MARKET WHERE INVESTORS TRADE SECURITIES AMONG THEMSELVES

(B) THE MARKET WHERE COMPANIES ISSUE NEW SHARES OR BONDS TO RAISE CAPITAL

(C) THE MARKET FOR FOREIGN EXCHANGE TRANSACTIONS

(D) THE MARKET FOR GOVERNMENT BONDS

ANSWER: (B) THE MARKET WHERE COMPANIES ISSUE NEW SHARES OR BONDS TO RAISE CAPITAL

138. WHAT IS 'SECURITIZATION' IN BANKING?

(A) THE PROCESS OF ISSUING GOVERNMENT BONDS

(B) THE PROCESS OF CONVERTING ILLIQUID ASSETS INTO TRADEABLE SECURITIES

(C) THE PROCESS OF COLLECTING DEPOSITS FROM CUSTOMERS

(D) THE PROCESS OF TRANSFERRING CUSTOMER LOANS TO A THIRD PARTY

ANSWER: (B) THE PROCESS OF CONVERTING ILLIQUID ASSETS INTO TRADEABLE SECURITIES

139. WHAT IS THE 'OPEN MARKET OPERATIONS' (OMO) OF A CENTRAL BANK?

- (A) BUYING AND SELLING GOVERNMENT BONDS TO REGULATE THE MONEY SUPPLY
- (B) OFFERING LOANS TO COMMERCIAL BANKS AT A FIXED RATE
- (C) SETTING THE MINIMUM CAPITAL REQUIREMENTS FOR BANKS
- (D) DETERMINING THE INTEREST RATES FOR SAVINGS ACCOUNTS

ANSWER: (A) BUYING AND SELLING GOVERNMENT BONDS TO REGULATE THE MONEY SUPPLY

140. WHICH OF THE FOLLOWING IS A 'PERSONAL LOAN'?

- (A) A LOAN TAKEN BY A BUSINESS TO FINANCE ITS OPERATIONS
- (B) A LOAN TAKEN BY AN INDIVIDUAL FOR PERSONAL USE SUCH AS EDUCATION OR MEDICAL EXPENSES
- (C) A LOAN SECURED BY A FIXED DEPOSIT
- (D) A MORTGAGE LOAN FOR PURCHASING A HOUSE

ANSWER: (B) A LOAN TAKEN BY AN INDIVIDUAL FOR PERSONAL USE SUCH AS EDUCATION OR MEDICAL EXPENSES

141. WHICH OF THE FOLLOWING IS A PRIMARY FUNCTION OF A COMMERCIAL BANK?

- (A) GRANTING LOANS
- (B) REGULATING INTEREST RATES

- (C) ISSUING GOVERNMENT BONDS
- (D) DETERMINING THE STOCK MARKET INDEX

ANSWER: (A) GRANTING LOANS

142. WHICH OF THE FOLLOWING IS A PRIMARY TOOL USED BY CENTRAL BANKS TO REGULATE THE MONEY SUPPLY?

- (A) RESERVE REQUIREMENT
- (B) STOCK MARKET REGULATIONS
- (C) CORPORATE TAXATION
- (D) PRIVATE LENDING RATES

ANSWER: A) RESERVE REQUIREMENT

143. WHAT IS THE FULL FORM OF 'ATM'?

- (A) AUTOMATED TELLER MACHINE
- (B) AUTOMATED TRANSACTION MACHINE
- (C) AUTOMATED TRADING MECHANISM
- (D) AUTOMATIC TELLER METHOD

ANSWER: (A) AUTOMATED TELLER MACHINE

144. WHICH OF THE FOLLOWING IS A TYPE OF BANK ACCOUNT?

- (A) FIXED DEPOSIT ACCOUNT
- (B) WORKING CAPITAL ACCOUNT
- (C) TRADING ACCOUNT
- (D) GENERAL LEDGER ACCOUNT

ANSWER: (A) FIXED DEPOSIT ACCOUNT

145. WHICH OF THE FOLLOWING IS A 'PUBLIC SECTOR' BANK IN INDIA?

- (A) HDFC BANK
- (B) ICICI BANK
- (C) STATE BANK OF INDIA
- (D) AXIS BANK

ANSWER: (C) STATE BANK OF INDIA

146. WHAT IS THE PROCESS BY WHICH BANKS LEND MONEY TO BORROWERS?

- (A) DISCOUNTING
- (B) FRACTIONAL RESERVE BANKING
- (C) LEASING
- (D) HEDGING

ANSWER: (B) FRACTIONAL RESERVE BANKING

147. WHICH OF THE FOLLOWING IS THE CENTRAL BANK OF INDIA?

- (A) RESERVE BANK OF INDIA (RBI)
- (B) STATE BANK OF INDIA (SBI)
- (C) ICICI BANK
- (D) HDFC BANK

ANSWER: (A) RESERVE BANK OF INDIA (RBI)

148. WHAT IS THE 'REPO RATE'?

- (A) THE RATE AT WHICH BANKS LEND MONEY TO THEIR CUSTOMERS
- (B) THE RATE AT WHICH THE CENTRAL BANK LENDS MONEY TO COMMERCIAL BANKS
- (C) THE RATE AT WHICH BANKS CHARGE CUSTOMERS FOR OVERDRAFT
- (D) THE RATE AT WHICH GOVERNMENT BONDS ARE SOLD

ANSWER: (B) THE RATE AT WHICH THE CENTRAL BANK LENDS MONEY TO COMMERCIAL BANKS

149. WHICH OF THE FOLLOWING IS CONSIDERED A 'BAD LOAN' IN BANKING?

- (A) PERFORMING LOAN
- (B) NON-PERFORMING ASSET (NPA)
- (C) SECURED LOAN
- (D) MICROLOAN

ANSWER: (B) NON-PERFORMING ASSET (NPA)

150. WHAT IS 'NET INTEREST MARGIN' (NIM)?

- (A) THE DIFFERENCE BETWEEN INTEREST EARNED ON LOANS AND THE INTEREST PAID ON DEPOSITS
- (B) THE INTEREST RATE CHARGED ON LONG-TERM LOANS
- (C) THE RATIO OF TOTAL ASSETS TO TOTAL LIABILITIES
- (D) THE COST OF ISSUING BONDS BY THE BANK

ANSWER: (A) THE DIFFERENCE BETWEEN INTEREST EARNED ON LOANS AND THE INTEREST PAID ON DEPOSITS

111. WHAT IS A 'BOND' IN THE CONTEXT OF BANKING?

- (A) A TYPE OF SAVINGS ACCOUNT
- (B) A FINANCIAL INSTRUMENT USED BY GOVERNMENTS AND CORPORATIONS TO BORROW MONEY
- (C) A LOAN GRANTED BY BANKS TO CUSTOMERS
- (D) A TYPE OF BANK DEPOSIT

ANSWER: (B) A FINANCIAL INSTRUMENT USED BY GOVERNMENTS AND CORPORATIONS TO BORROW MONEY

112. WHICH OF THE FOLLOWING REFERS TO 'LIQUIDITY' IN BANKING?

- (A) THE ABILITY OF A BANK TO MEET LONG-TERM OBLIGATIONS
- (B) THE ABILITY TO CONVERT ASSETS INTO CASH WITHOUT A SIGNIFICANT LOSS OF VALUE
- (C) THE AMOUNT OF LOANS A BANK CAN ISSUE
- (D) THE PROFITABILITY OF A BANK

ANSWER: (B) THE ABILITY TO CONVERT ASSETS INTO CASH WITHOUT A SIGNIFICANT LOSS OF VALUE

113. WHICH OF THE FOLLOWING IS AN EXAMPLE OF 'CURRENCY RISK'?

- (A) RISK OF DEFAULT BY A BORROWER
- (B) RISK ARISING FROM FLUCTUATIONS IN EXCHANGE RATES
- (C) RISK DUE TO INTEREST RATE CHANGES
- (D) RISK FROM ASSET DEPRECIATION

ANSWER: (B) RISK ARISING FROM FLUCTUATIONS IN EXCHANGE RATES

114. WHICH OF THE FOLLOWING IS AN EXAMPLE OF 'CAPITAL MARKET'?

- (A) GOVERNMENT SECURITIES
- (B) BANK SAVINGS ACCOUNTS
- (C) TREASURY BILLS
- (D) MORTGAGE LOANS

ANSWER: (A) GOVERNMENT SECURITIES

115. WHICH OF THE FOLLOWING IS A KEY RESPONSIBILITY OF THE CENTRAL BANK?

- (A) SETTING UP INTEREST RATES FOR LOANS
- (B) MANAGING THE MONEY SUPPLY AND INFLATION
- (C) MANAGING THE DAY-TO-DAY OPERATIONS OF COMMERCIAL BANKS
- (D) GRANTING PERSONAL LOANS TO CUSTOMERS

ANSWER: (B) MANAGING THE MONEY SUPPLY AND INFLATION

116. WHAT IS THE TERM USED WHEN BANKS REQUIRE CUSTOMERS TO DEPOSIT MONEY AS COLLATERAL FOR A LOAN?

- (A) MORTGAGE
- (B) OVERDRAFT
- (C) CREDIT CARD
- (D) SECURED LOAN

ANSWER: (D) SECURED LOAN

117. WHAT IS THE PRIMARY FUNCTION OF THE 'MONETARY POLICY' IN A COUNTRY?

- (A) TO COLLECT TAXES
- (B) TO SET UP INTEREST RATES ON GOVERNMENT LOANS
- (C) TO CONTROL THE MONEY SUPPLY AND INFLATION
- (D) TO DETERMINE THE STOCK MARKET INDEX

ANSWER: (C) TO CONTROL THE MONEY SUPPLY AND INFLATION

118. WHICH OF THE FOLLOWING IS NOT A BANKING PRODUCT?

- (A) SAVINGS ACCOUNT
- (B) FIXED DEPOSIT ACCOUNT
- (C) EQUITY SHARES
- (D) LOAN ACCOUNTS

ANSWER: (C) EQUITY SHARES

119. WHAT IS THE MAIN PURPOSE OF THE 'CONSUMER CREDIT ACT'?

- (A) TO REGULATE THE LENDING OF BANKS TO CUSTOMERS
- (B) TO ENSURE THAT COMMERCIAL BANKS ISSUE BONDS
- (C) TO CONTROL INTERNATIONAL TRADE AND TRANSACTIONS
- (D) TO REGULATE THE FOREIGN EXCHANGE MARKET

ANSWER: A) TO REGULATE THE LENDING OF BANKS TO CUSTOMERS

120. IN BANKING, THE TERM 'CREDIT RISK' REFERS TO:

- (A) THE RISK THAT A BORROWER WILL NOT REPAY A LOAN

- (B) THE RISK ASSOCIATED WITH CURRENCY DEVALUATION
- (C) THE RISK OF A FINANCIAL MARKET CRASH
- (D) THE RISK THAT INTEREST RATES WILL RISE

ANSWER: (A) THE RISK THAT A BORROWER WILL NOT REPAY A LOAN

121. WHICH OF THE FOLLOWING IS CONSIDERED A 'NON-BANKING FINANCIAL COMPANY' (NBFC)?

- (A) STATE BANK OF INDIA
- (B) ICICI BANK
- (C) BAJAJ FINANCE LTD.
- (D) RESERVE BANK OF INDIA

ANSWER: (C) BAJAJ FINANCE LTD.

122. WHAT IS THE PURPOSE OF 'OPEN MARKET OPERATIONS' (OMOS) IN MONETARY POLICY?

- (A) TO BUY AND SELL GOVERNMENT SECURITIES TO CONTROL THE MONEY SUPPLY
- (B) TO ISSUE BONDS TO RAISE CAPITAL FOR THE GOVERNMENT
- (C) TO DECIDE THE INTEREST RATES FOR SAVINGS ACCOUNTS
- (D) TO REGULATE THE PRICES OF COMMODITIES

ANSWER: (A) TO BUY AND SELL GOVERNMENT SECURITIES TO CONTROL THE MONEY SUPPLY

123. WHICH OF THE FOLLOWING IS AN EXAMPLE OF A 'DEBT INSTRUMENT'?

- (A) COMMON STOCK

- (B) CORPORATE BOND
- (C) SAVINGS ACCOUNT
- (D) TREASURY BILL

ANSWER: (B) CORPORATE BOND

124. WHICH OF THE FOLLOWING BEST DEFINES THE TERM 'LIABILITIES' IN BANKING?

- (A) THE DEBTS AND OBLIGATIONS OWED BY A BANK
- (B) THE PROFIT MADE BY THE BANK FROM LOANS
- (C) THE TOTAL ASSETS HELD BY THE BANK
- (D) THE EQUITY CAPITAL OF THE BANK

ANSWER: (A) THE DEBTS AND OBLIGATIONS OWED BY A BANK

125. WHICH TYPE OF LOAN IS SECURED BY PROPERTY OR REAL ESTATE?

- (A) PERSONAL LOAN
- (B) UNSECURED LOAN
- (C) MORTGAGE LOAN
- (D) AUTO LOAN

ANSWER: (C) MORTGAGE LOAN

126. WHAT IS THE TERM USED FOR THE AMOUNT OF MONEY A BANK IS REQUIRED TO HOLD AS RESERVES?

- (A) MINIMUM DEPOSIT REQUIREMENT
- (B) RESERVE REQUIREMENT

(C) LIQUID ASSET RATIO

(D) CAPITAL ADEQUACY RATIO

ANSWER: (B) RESERVE REQUIREMENT

127. WHAT DOES THE TERM 'SOVEREIGN RISK' MEAN?

(A) THE RISK OF CURRENCY DEVALUATION

(B) THE RISK ASSOCIATED WITH GOVERNMENT DEFAULT ON DEBT

(C) THE RISK OF CORPORATE BANKRUPTCY

(D) THE RISK OF INVESTMENT IN HIGH-RISK STOCKS

ANSWER: (B) THE RISK ASSOCIATED WITH GOVERNMENT DEFAULT ON DEBT

28. WHICH OF THE FOLLOWING IS A CHARACTERISTIC OF 'INVESTMENT BANKING'?

(A) ACCEPTING DEPOSITS AND ISSUING LOANS

(B) HELPING COMPANIES RAISE CAPITAL THROUGH THE SALE OF SHARES OR BONDS

(C) PROVIDING LOANS TO CUSTOMERS FOR PERSONAL USE

(D) MANAGING A BANK'S SAVINGS ACCOUNT PORTFOLIO

ANSWER: (B) HELPING COMPANIES RAISE CAPITAL THROUGH THE SALE OF SHARES OR BONDS

129. WHAT DOES 'NPA' STAND FOR IN BANKING TERMS?

(A) NET PROFITS AFTER TAX

(B) NON-PERFORMING ASSET

(C) NEW PUBLIC ACCOUNTS

(D) NON-PRIORITY ALLOCATION

ANSWER: B) NON-PERFORMING ASSET

130. WHICH OF THE FOLLOWING IS A MAJOR FUNCTION OF THE RESERVE BANK OF INDIA (RBI)?

(A) PROVIDING LOANS TO COMMERCIAL BANKS

(B) ISSUING CURRENCY AND REGULATING MONETARY POLICY

(C) ISSUING STOCK CERTIFICATES

(D) OFFERING PERSONAL LOANS TO INDIVIDUALS

ANSWER: (B) ISSUING CURRENCY AND REGULATING MONETARY POLICY

131. WHAT DOES THE TERM 'LIQUIDITY RATIO' MEASURE IN BANKING?

(A) THE AMOUNT OF DEBT HELD BY A BANK

(B) THE ABILITY OF A BANK TO MEET ITS SHORT-TERM OBLIGATIONS

(C) THE RATE AT WHICH A BANK LENDS TO CUSTOMERS

(D) THE RISK ASSOCIATED WITH A BANK'S LOAN PORTFOLIO

ANSWER: (B) THE ABILITY OF A BANK TO MEET ITS SHORT-TERM OBLIGATIONS

132. WHAT IS A 'SWAP' IN THE FINANCIAL MARKET?

(A) A TYPE OF DEPOSIT ACCOUNT

(B) A CONTRACT WHERE TWO PARTIES EXCHANGE FINANCIAL INSTRUMENTS OR LIABILITIES

(C) A GOVERNMENT-BACKED LOAN

(D) A TYPE OF DERIVATIVE USED FOR CURRENCY EXCHANGE

ANSWER: (B) A CONTRACT WHERE TWO PARTIES EXCHANGE FINANCIAL INSTRUMENTS OR LIABILITIES

133. WHICH OF THE FOLLOWING IS A COMMONLY USED 'MONEY MARKET INSTRUMENT'?

(A) CORPORATE BONDS

(B) TREASURY BILLS

(C) REAL ESTATE INVESTMENT

(D) EQUITY SHARES

ANSWER: (B) TREASURY BILLS

134. WHAT IS THE PURPOSE OF A 'CREDIT RATING'?

(A) TO ASSESS THE PROFITABILITY OF A COMPANY

(B) TO EVALUATE THE CREDITWORTHINESS OF A BORROWER

(C) TO DETERMINE THE INTEREST RATE FOR LOANS

(D) TO SET THE MINIMUM DEPOSIT FOR SAVINGS ACCOUNTS

ANSWER: (B) TO EVALUATE THE CREDITWORTHINESS OF A BORROWER

135. WHICH OF THE FOLLOWING BEST DESCRIBES 'ECONOMIC CAPITAL' IN BANKING?

(A) THE TOTAL ASSETS HELD BY A BANK

(B) THE TOTAL DEBT OF A BANK

(C) THE BANK'S OWN FUNDS USED TO COVER POTENTIAL RISKS

(D) THE AMOUNT OF CUSTOMER DEPOSITS IN THE BANK

ANSWER: (C) THE BANK'S OWN FUNDS USED TO COVER POTENTIAL RISKS

136. WHAT IS A 'CURRENCY SWAP'?

(A) THE PROCESS OF EXCHANGING ONE CURRENCY FOR ANOTHER IN THE FOREX MARKET

(B) A CONTRACT WHERE TWO PARTIES EXCHANGE CASH FLOWS IN DIFFERENT CURRENCIES

(C) THE EXCHANGE OF GOVERNMENT BONDS FOR FOREIGN CURRENCY

(D) THE CONVERSION OF MONEY FROM AN ACCOUNT TO CASH

ANSWER: (B) A CONTRACT WHERE TWO PARTIES EXCHANGE CASH FLOWS IN DIFFERENT CURRENCIES

137. WHICH OF THE FOLLOWING IS CONSIDERED A 'SHORT-TERM DEBT INSTRUMENT'?

(A) TREASURY BILLS WITH A MATURITY OF LESS THAN ONE YEAR

(B) CORPORATE BONDS WITH A MATURITY OF 10 YEARS

(C) HOME MORTGAGE LOANS

(D) LONG-TERM GOVERNMENT BONDS

ANSWER: (A) TREASURY BILLS WITH A MATURITY OF LESS THAN ONE YEAR

138. WHICH OF THE FOLLOWING IS AN EXAMPLE OF A 'DERIVATIVE'?

(A) MORTGAGE LOAN

- (B) TREASURY BILL
- (C) OPTIONS CONTRACT
- (D) CORPORATE BOND

ANSWER: (C) OPTIONS CONTRACT

139. WHAT DOES THE TERM 'DEBT FINANCING' MEAN?

- (A) RAISING FUNDS BY SELLING EQUITY IN A COMPANY
- (B) RAISING FUNDS BY BORROWING FROM EXTERNAL SOURCES, SUCH AS ISSUING BONDS OR LOANS
- (C) RAISING CAPITAL BY TAKING DEPOSITS FROM CUSTOMERS
- (D) RAISING CAPITAL BY ISSUING NEW STOCKS

ANSWER: (B) RAISING FUNDS BY BORROWING FROM EXTERNAL SOURCES, SUCH AS ISSUING BONDS OR LOANS

140. WHICH OF THE FOLLOWING IS AN EXAMPLE OF 'SECURITIZATION'?

- (A) CONVERTING LOANS INTO TRADEABLE SECURITIES
- (B) THE PROCESS OF LENDING TO BORROWERS
- (C) THE PROCESS OF REPAYING GOVERNMENT DEBT
- (D) THE CREATION OF A NEW BANK BRANCH

ANSWER: (A) CONVERTING LOANS INTO TRADEABLE SECURITIES

141. WHAT IS THE 'CAPITAL ADEQUACY RATIO' (CAR)?

- (A) THE RATIO OF A BANK'S RESERVES TO ITS LOANS
- (B) THE RATIO OF A BANK'S CAPITAL TO ITS RISK-WEIGHTED ASSETS

(C) THE TOTAL VALUE OF ASSETS HELD BY A BANK

(D) THE RATIO OF A BANK'S NET INCOME TO ITS EQUITY CAPITAL

ANSWER: (B) THE RATIO OF A BANK'S CAPITAL TO ITS RISK-WEIGHTED ASSETS

142. WHICH OF THE FOLLOWING IS AN EXAMPLE OF A 'MONETARY POLICY TOOL'?

(A) FOREIGN EXCHANGE RESERVES

(B) OPEN MARKET OPERATIONS

(C) TAXATION

(D) PUBLIC DEBT

ANSWER: (B) OPEN MARKET OPERATIONS

143. WHAT IS 'BANK RECONCILIATION'?

(A) THE PROCESS OF MATCHING THE BANK'S RECORDS WITH THE COMPANY'S FINANCIAL RECORDS

(B) THE PROCESS OF DEPOSITING MONEY INTO A BANK ACCOUNT

(C) THE PROCESS OF ISSUING LOANS TO CUSTOMERS

(D) THE PROCESS OF CALCULATING INTEREST ON LOANS

ANSWER: A) THE PROCESS OF MATCHING THE BANK'S RECORDS WITH THE COMPANY'S FINANCIAL RECORDS

144. WHICH OF THE FOLLOWING IS NOT A TYPE OF LOAN GIVEN BY BANKS?

(A) PERSONAL LOAN

(B) HOME LOAN

(C) EDUCATION LOAN

(D) STOCK MARKET INVESTMENT

ANSWER: (D) STOCK MARKET INVESTMENT

145. WHICH OF THE FOLLOWING IS CONSIDERED AN 'ASSET' IN BANKING TERMS?

(A) DEPOSITS FROM CUSTOMERS

(B) LOANS GRANTED TO CUSTOMERS

(C) SHAREHOLDER EQUITY

(D) INTEREST PAID BY CUSTOMERS

ANSWER: (B) LOANS GRANTED TO CUSTOMERS

146. WHAT IS MEANT BY 'INFLATION TARGETING' IN MONETARY POLICY?

(A) SETTING A TARGET FOR THE AMOUNT OF DEBT IN THE ECONOMY

(B) TARGETING SPECIFIC SECTORS FOR ECONOMIC GROWTH

(C) SETTING A SPECIFIC INFLATION RATE GOAL AND ADJUSTING MONETARY POLICY TO ACHIEVE IT

(D) SETTING INTEREST RATES TO CONTROL THE UNEMPLOYMENT RATE

ANSWER: (C) SETTING A SPECIFIC INFLATION RATE GOAL AND ADJUSTING MONETARY POLICY TO ACHIEVE IT

147. WHAT DOES THE TERM 'DIVERSIFICATION' MEAN IN BANKING?

(A) OFFERING LOANS TO DIFFERENT TYPES OF BUSINESSES

(B) SPREADING INVESTMENTS ACROSS VARIOUS ASSETS TO REDUCE RISK

(C) SETTING HIGH-INTEREST RATES ON LOANS

(D) THE PRACTICE OF OFFERING ONE TYPE OF LOAN ONLY

ANSWER: (B) SPREADING INVESTMENTS ACROSS VARIOUS ASSETS TO REDUCE RISK

148. WHAT IS 'TARP' (TROUBLED ASSET RELIEF PROGRAM)?

(A) A GOVERNMENT PROGRAM TO PROVIDE FINANCIAL ASSISTANCE TO STRUGGLING FINANCIAL INSTITUTIONS

(B) A BANKING REGULATION THAT SETS INTEREST RATES

(C) A FINANCIAL PRODUCT OFFERED TO HIGH-NET-WORTH INDIVIDUALS

(D) A RISK MANAGEMENT STRATEGY FOR LOANS

ANSWER: (A) A GOVERNMENT PROGRAM TO PROVIDE FINANCIAL ASSISTANCE TO STRUGGLING FINANCIAL INSTITUTIONS

149. WHICH OF THE FOLLOWING IS A FUNCTION OF THE BANKING SECTOR IN AN ECONOMY?

(A) TO PROVIDE LOANS AND CREDITS TO CONSUMERS AND BUSINESSES

(B) TO REGULATE GOVERNMENT SPENDING

(C) TO ISSUE CURRENCY NOTES

(D) TO MANAGE PUBLIC DEBT

ANSWER: (A) TO PROVIDE LOANS AND CREDITS TO CONSUMERS AND BUSINESSES

150. WHAT DOES 'RISK MANAGEMENT' IN BANKING INVOLVE?

- (A) ASSESSING, ANALYZING, AND MINIMIZING FINANCIAL RISKS FACED BY THE BANK
- (B) OFFERING HIGH-INTEREST RATES ON LOANS
- (C) INCREASING THE NUMBER OF BANK BRANCHES
- (D) MAXIMIZING THE BANK'S PROFITS THROUGH INVESTMENT

ANSWER: (A) ASSESSING, ANALYZING, AND MINIMIZING FINANCIAL RISKS FACED BY THE BANK

151. WHICH OF THE FOLLOWING REFERS TO 'INTEREST RATE RISK'?

- (A) THE RISK OF FLUCTUATIONS IN THE VALUE OF FOREIGN CURRENCIES
- (B) THE RISK ARISING FROM CHANGES IN MARKET INTEREST RATES THAT AFFECT LOAN AND DEPOSIT PRICING
- (C) THE RISK THAT THE CENTRAL BANK WILL CHANGE INTEREST RATES
- (D) THE RISK OF DEFAULT ON LOANS

ANSWER: (B) THE RISK ARISING FROM CHANGES IN MARKET INTEREST RATES THAT AFFECT LOAN AND DEPOSIT PRICING

152. WHICH OF THE FOLLOWING IS AN EXAMPLE OF A 'CAPITAL MARKET INSTRUMENT'?

- (A) SAVINGS ACCOUNT

- (B) CORPORATE BOND
- (C) FIXED DEPOSIT ACCOUNT
- (D) TREASURY BILL

ANSWER: (B) CORPORATE BOND

153. WHAT IS 'MATURITY RISK'?

- (A) THE RISK OF LOSING MONEY ON INVESTMENTS WHEN THEY MATURE
- (B) THE RISK THAT AN INVESTMENT'S VALUE WILL FLUCTUATE OVER TIME
- (C) THE RISK OF PRICE FLUCTUATIONS IN SECURITIES AS THEY APPROACH THEIR MATURITY DATE
- (D) THE RISK OF FAILING TO RECEIVE INTEREST PAYMENTS ON LOANS

ANSWER: (C) THE RISK OF PRICE FLUCTUATIONS IN SECURITIES AS THEY APPROACH THEIR MATURITY DATE

154. WHICH OF THE FOLLOWING IS NOT CONSIDERED A FINANCIAL INSTRUMENT?

- (A) BONDS
- (B) SHARES
- (C) LOANS
- (D) BRAND NAME

ANSWER: (D) BRAND NAME

155. WHAT IS 'CROWD FUNDING' IN RELATION TO BANKING?

- (A) RAISING CAPITAL BY POOLING SMALL AMOUNTS OF MONEY FROM MANY PEOPLE, TYPICALLY VIA THE INTERNET
- (B) OFFERING LOANS TO LARGE CORPORATIONS
- (C) A GOVERNMENT-BACKED INITIATIVE TO REDUCE BANKING FEES
- (D) THE PROCESS OF ISSUING STOCK SHARES TO THE PUBLIC

ANSWER: (A) RAISING CAPITAL BY POOLING SMALL AMOUNTS OF MONEY FROM MANY PEOPLE, TYPICALLY VIA THE INTERNET

156. WHICH OF THE FOLLOWING IS A 'NEGATIVE' ASPECT OF INFLATION FOR BANKS?

- (A) IT INCREASES THE VALUE OF LOANS
- (B) IT REDUCES THE PURCHASING POWER OF MONEY, WHICH MAY LEAD TO HIGHER INTEREST RATES
- (C) IT RAISES THE INTEREST RATES ON SAVINGS ACCOUNTS
- (D) IT INCREASES THE VALUE OF THE CURRENCY

ANSWER: (B) IT REDUCES THE PURCHASING POWER OF MONEY, WHICH MAY LEAD TO HIGHER INTEREST RATES

157. WHAT IS 'MONETARY POLICY' AIMED AT?

- (A) REDUCING INCOME TAXES
- (B) REGULATING THE AMOUNT OF MONEY IN CIRCULATION TO CONTROL INFLATION AND STABILIZE THE ECONOMY
- (C) INCREASING GOVERNMENT SPENDING
- (D) MANAGING TRADE BETWEEN COUNTRIES

ANSWER: (B) REGULATING THE AMOUNT OF MONEY IN CIRCULATION TO CONTROL INFLATION AND STABILIZE THE ECONOMY

158. WHICH OF THE FOLLOWING WOULD LIKELY INDICATE A 'BANK RUN'?

- (A) DEPOSITORS ATTEMPTING TO WITHDRAW LARGE AMOUNTS OF MONEY SIMULTANEOUSLY
- (B) THE BANK'S OFFERING HIGHER INTEREST RATES ON SAVINGS ACCOUNTS
- (C) THE BANK ISSUING NEW BONDS TO RAISE CAPITAL
- (D) THE BANK CONSOLIDATING WITH OTHER BANKS

ANSWER: (A) DEPOSITORS ATTEMPTING TO WITHDRAW LARGE AMOUNTS OF MONEY SIMULTANEOUSLY

59. WHICH OF THE FOLLOWING IS NOT A COMMONLY USED METHOD OF FINANCING FOR A BUSINESS?

- (A) LOANS FROM BANKS
- (B) ISSUING EQUITY SHARES TO THE PUBLIC
- (C) RAISING FUNDS THROUGH CROWD-FUNDING
- (D) PURCHASING COMPANY STOCK FOR PERSONAL INVESTMENT

ANSWER: (D) PURCHASING COMPANY STOCK FOR PERSONAL INVESTMENT

160. WHICH OF THE FOLLOWING IS CONSIDERED A 'LONG-TERM' LOAN?

- (A) A MORTGAGE LOAN WITH A TENURE OF 15 YEARS
- (B) A CAR LOAN WITH A TENURE OF 2 YEARS
- (C) A SHORT-TERM PERSONAL LOAN WITH A TENURE OF 6 MONTHS

(D) A PAYDAY LOAN WITH A TENURE OF 30 DAYS

ANSWER: A) A MORTGAGE LOAN WITH A TENURE OF 15 YEARS

161. WHICH OF THE FOLLOWING IS NOT A SERVICE PROVIDED BY COMMERCIAL BANKS?

(A) PROVIDING CHECKING AND SAVINGS ACCOUNTS

(B) OFFERING RETIREMENT PLANNING SERVICES

(C) ISSUING CURRENCY

(D) PROVIDING PERSONAL AND BUSINESS LOANS

ANSWER: (C) ISSUING CURRENCY

162. WHAT IS THE TERM 'LIQUIDITY RISK' IN BANKING?

(A) THE RISK THAT AN ASSET CANNOT BE QUICKLY CONVERTED INTO CASH WITHOUT SIGNIFICANT LOSS

(B) THE RISK OF BORROWERS DEFAULTING ON LOANS

(C) THE RISK OF CHANGES IN INTEREST RATES

(D) THE RISK THAT THE BANK CANNOT MEET ITS LONG-TERM OBLIGATIONS

ANSWER: (A) THE RISK THAT AN ASSET CANNOT BE QUICKLY CONVERTED INTO CASH WITHOUT SIGNIFICANT LOSS

163. WHAT DOES 'ROA' STAND FOR IN BANKING?

(A) RATE OF ASSETS

(B) RETURN ON ASSETS

(C) RETURN ON ACCOUNTS

(D) RATE OF AFFORDABILITY

ANSWER: (B) RETURN ON ASSETS

164. WHAT IS THE MAIN OBJECTIVE OF A CENTRAL BANK'S MONETARY POLICY?

(A) TO REDUCE THE NUMBER OF FINANCIAL INSTITUTIONS IN THE ECONOMY

(B) TO ENSURE LOW INFLATION AND STABLE ECONOMIC GROWTH

(C) TO REGULATE INTEREST RATES ON LOANS OFFERED TO CUSTOMERS

(D) TO ELIMINATE ALL FORMS OF TAXATION

ANSWER: (B) TO ENSURE LOW INFLATION AND STABLE ECONOMIC GROWTH

165. WHAT IS THE 'REPO RATE'?

(A) THE RATE AT WHICH BANKS LEND TO EACH OTHER OVERNIGHT

(B) THE RATE AT WHICH THE CENTRAL BANK LENDS TO COMMERCIAL BANKS

(C) THE RATE CHARGED ON INTERBANK TRANSACTIONS

(D) THE RATE AT WHICH COMMERCIAL BANKS LEND TO THEIR CUSTOMERS

ANSWER: (B) THE RATE AT WHICH THE CENTRAL BANK LENDS TO COMMERCIAL BANKS

166. WHAT IS THE MEANING OF 'SECURITIZATION' IN BANKING?

(A) THE PROCESS OF CREATING NEW LOAN PRODUCTS

(B) THE PROCESS OF POOLING VARIOUS TYPES OF LOANS AND SELLING THEM AS SECURITIES

(C) THE PROCESS OF ENSURING LOANS WITH INSURANCE

(D) THE PROCESS OF VERIFYING THE CREDITWORTHINESS OF BORROWERS

ANSWER: (B) THE PROCESS OF POOLING VARIOUS TYPES OF LOANS AND SELLING THEM AS SECURITIES

167. WHAT IS THE PRIMARY PURPOSE OF A 'CREDIT RATING AGENCY'?

(A) TO PROVIDE LOANS TO BANKS

(B) TO ASSESS AND ASSIGN RATINGS TO THE CREDITWORTHINESS OF BORROWERS

(C) TO ISSUE BONDS ON BEHALF OF THE GOVERNMENT

(D) TO OFFER SAVINGS ACCOUNTS TO CUSTOMERS

ANSWER: (B) TO ASSESS AND ASSIGN RATINGS TO THE CREDITWORTHINESS OF BORROWERS

168. WHICH OF THE FOLLOWING IS NOT A FEATURE OF ISLAMIC BANKING?

(A) PROHIBITION OF INTEREST (RIBA)

(B) PROFIT AND LOSS SHARING

(C) INVESTMENT IN PERMISSIBLE (HALAL) BUSINESSES

(D) LOAN REPAYMENTS WITH INTEREST

ANSWER: (D) LOAN REPAYMENTS WITH INTEREST

169. WHAT IS 'ASSET-LIABILITY MANAGEMENT' (ALM)?

- (A) THE PROCESS OF MANAGING A BANK'S LOAN PORTFOLIO
- (B) THE PROCESS OF MANAGING THE RISKS ASSOCIATED WITH THE BANK'S ASSETS AND LIABILITIES
- (C) THE PROCESS OF MANAGING THE BANK'S CAPITAL STRUCTURE
- (D) THE PROCESS OF EVALUATING THE CREDIT RISK OF BORROWERS

ANSWER: (B) THE PROCESS OF MANAGING THE RISKS ASSOCIATED WITH THE BANK'S ASSETS AND LIABILITIES

170. WHAT IS 'ASSET-BACKED SECURITY'?

- (A) A LOAN THAT IS SECURED BY A BORROWER'S CREDIT HISTORY
- (B) A BOND OR SECURITY BACKED BY A POOL OF ASSETS LIKE MORTGAGES, CAR LOANS, OR CREDIT CARD DEBT
- (C) A TYPE OF GOVERNMENT BOND ISSUED WITH A FIXED MATURITY
- (D) A LOAN PROVIDED AGAINST THE COLLATERAL OF BANK ASSETS

ANSWER: (B) A BOND OR SECURITY BACKED BY A POOL OF ASSETS LIKE MORTGAGES, CAR LOANS, OR CREDIT CARD DEBT

171. WHICH OF THE FOLLOWING IS A CHARACTERISTIC OF 'FOREIGN EXCHANGE MARKETS'?

- (A) IT IS A MARKET WHERE MONEY IS BORROWED AND LENT
- (B) IT IS A MARKET WHERE CURRENCIES ARE BOUGHT AND SOLD
- (C) IT IS A MARKET FOR GOVERNMENT SECURITIES
- (D) IT IS A MARKET FOR COMMODITIES LIKE GOLD AND OIL

ANSWER: (1B) IT IS A MARKET WHERE CURRENCIES ARE BOUGHT AND SOLD

172. WHAT IS 'BASEL III'?

- (A) A SET OF REGULATIONS FOR CAPITAL MARKETS
- (B) A GLOBAL REGULATORY FRAMEWORK DESIGNED TO STRENGTHEN THE REGULATION, SUPERVISION, AND RISK MANAGEMENT OF THE BANKING SECTOR
- (C) A MONETARY POLICY STRATEGY FOR REDUCING INFLATION
- (D) A GOVERNMENT SCHEME FOR BANK CREDIT FACILITIES

ANSWER: (B) A GLOBAL REGULATORY FRAMEWORK DESIGNED TO STRENGTHEN THE REGULATION, SUPERVISION, AND RISK MANAGEMENT OF THE BANKING SECTOR

173. WHAT DOES 'SOVEREIGN RISK' REFER TO IN BANKING?

- (A) THE RISK THAT A GOVERNMENT WILL DEFAULT ON ITS DEBT OBLIGATIONS
- (B) THE RISK OF CHANGES IN THE VALUE OF A COUNTRY'S CURRENCY
- (C) THE RISK OF CHANGES IN INTEREST RATES BY A CENTRAL BANK
- (D) THE RISK OF POLITICAL INSTABILITY AFFECTING THE ECONOMY

ANSWER: (A) THE RISK THAT A GOVERNMENT WILL DEFAULT ON ITS DEBT OBLIGATIONS

174. WHAT IS THE 'FEDERAL RESERVE' RESPONSIBLE FOR?

- (A) ISSUING GOVERNMENT BONDS
- (B) REGULATING THE STOCK MARKET
- (C) CONDUCTING NATIONAL MONETARY POLICY AND REGULATING FINANCIAL INSTITUTIONS

(D) PROVIDING LOANS TO FOREIGN GOVERNMENTS

ANSWER: (C) CONDUCTING NATIONAL MONETARY POLICY AND REGULATING FINANCIAL INSTITUTIONS

175. WHAT IS A 'BALANCE OF PAYMENTS' (BOP)?

(A) A RECORD OF ALL TRANSACTIONS BETWEEN A COUNTRY AND THE REST OF THE WORLD

(B) A RECORD OF TRANSACTIONS BETWEEN A BANK AND ITS CUSTOMERS

(C) A STATEMENT OF THE CAPITAL OF A COMPANY

(D) A REPORT ON THE NATIONAL DEBT

ANSWER: (A) A RECORD OF ALL TRANSACTIONS BETWEEN A COUNTRY AND THE REST OF THE WORLD

176. WHAT IS 'VENTURE CAPITAL'?

(A) A TYPE OF LOAN PROVIDED BY BANKS TO LARGE CORPORATIONS

(B) CAPITAL INVESTED IN A BUSINESS, TYPICALLY A START-UP OR SMALL COMPANY, THAT IS CONSIDERED TO HAVE LONG-TERM GROWTH POTENTIAL

(C) GOVERNMENT FUNDS INVESTED IN NATIONAL BANKS

(D) CAPITAL INVESTED IN REAL ESTATE PROPERTIES

ANSWER: (B) CAPITAL INVESTED IN A BUSINESS, TYPICALLY A START-UP OR SMALL COMPANY, THAT IS CONSIDERED TO HAVE LONG-TERM GROWTH POTENTIAL

177. WHICH OF THE FOLLOWING BEST DESCRIBES THE 'PROMPT CORRECTIVE ACTION' (PCA) FRAMEWORK FOR BANKS?

- (A) A FRAMEWORK FOR ENHANCING CUSTOMER SERVICE
- (B) A REGULATORY MEASURE TO MONITOR AND INTERVENE IN THE OPERATIONS OF A BANK FACING FINANCIAL DIFFICULTIES
- (C) A TOOL FOR INCREASING THE LENDING CAPACITY OF BANKS
- (D) A TECHNIQUE FOR INCREASING A BANK'S STOCK MARKET PERFORMANCE

ANSWER: (B) A REGULATORY MEASURE TO MONITOR AND INTERVENE IN THE OPERATIONS OF A BANK FACING FINANCIAL DIFFICULTIES

178. WHAT DOES THE TERM 'LIQUIDITY COVERAGE RATIO' (LCR) REFER TO IN BANKING?

- (A) THE RATIO OF A BANK'S EQUITY TO ITS LIABILITIES
- (B) THE RATIO OF A BANK'S LIQUID ASSETS TO ITS SHORT-TERM LIABILITIES, AIMED AT ENSURING THAT THE BANK CAN MEET SHORT-TERM OBLIGATIONS
- (C) THE RATIO OF A BANK'S REVENUE TO ITS OPERATING EXPENSES
- (D) THE RATIO OF A BANK'S CAPITAL RESERVES TO ITS TOTAL LOANS

ANSWER: (B) THE RATIO OF A BANK'S LIQUID ASSETS TO ITS SHORT-TERM LIABILITIES, AIMED AT ENSURING THAT THE BANK CAN MEET SHORT-TERM OBLIGATIONS

179. WHAT IS 'CENTRAL BANK DIGITAL CURRENCY' (CBDC)?

- (A) A CRYPTOCURRENCY ISSUED BY PRIVATE COMPANIES
- (B) A FORM OF DIGITAL CURRENCY ISSUED AND REGULATED BY A COUNTRY'S CENTRAL BANK
- (C) A DIGITAL FORM OF PAPER CURRENCY USED IN GLOBAL TRADE

(D) A PEER-TO-PEER DIGITAL PAYMENT SYSTEM

ANSWER: (B) A FORM OF DIGITAL CURRENCY ISSUED AND REGULATED BY A COUNTRY'S CENTRAL BANK

180. WHICH OF THE FOLLOWING IS AN EXAMPLE OF A 'NON-BANKING FINANCIAL COMPANY' (NBFC)?

(A) A COMMERCIAL BANK OFFERING SAVINGS ACCOUNTS

(B) A FINANCIAL COMPANY PROVIDING LOANS BUT NOT TAKING DEPOSITS

(C) A STATE-OWNED BANK

(D) A BANK THAT OPERATES INTERNATIONALLY

ANSWER: (B) A FINANCIAL COMPANY PROVIDING LOANS BUT NOT TAKING DEPOSITS

181. WHAT DOES 'ECONOMIC CAPITAL' REFER TO IN BANKING?

(A) THE TOTAL VALUE OF A BANK'S PHYSICAL ASSETS

(B) THE CAPITAL SET ASIDE TO COVER POTENTIAL RISKS, INCLUDING CREDIT, MARKET, AND OPERATIONAL RISKS

(C) THE PROFIT MADE BY A BANK AFTER TAXES

(D) THE RESERVES HELD BY THE CENTRAL BANK

ANSWER: (B) THE CAPITAL SET ASIDE TO COVER POTENTIAL RISKS, INCLUDING CREDIT, MARKET, AND OPERATIONAL RISKS

182. WHICH OF THE FOLLOWING IS A PRIMARY FUNCTION OF A COMMERCIAL BANK?

(A) ISSUING GOVERNMENT SECURITIES

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- (B) PROVIDING LOANS TO BUSINESSES AND INDIVIDUALS
- (C) DETERMINING MONETARY POLICY
- (D) SETTING TAX RATES

ANSWER: (B) PROVIDING LOANS TO BUSINESSES AND INDIVIDUALS

183. WHAT IS 'MARKET RISK' IN BANKING?

- (A) THE RISK OF A BORROWER DEFAULTING ON A LOAN
- (B) THE RISK OF LOSING MONEY DUE TO FLUCTUATIONS IN MARKET PRICES OR INTEREST RATES
- (C) THE RISK OF FAILING TO COMPLY WITH REGULATIONS
- (D) THE RISK OF LOAN REPAYMENT DELAYS

ANSWER: (B) THE RISK OF LOSING MONEY DUE TO FLUCTUATIONS IN MARKET PRICES OR INTEREST RATES

184. WHAT IS THE PRIMARY GOAL OF A 'RESERVE REQUIREMENT' SET BY A CENTRAL BANK?

- (A) TO ENSURE THAT BANKS MAINTAIN SUFFICIENT RESERVES TO COVER THEIR LIABILITIES AND FACILITATE LENDING
- (B) TO CONTROL THE INTEREST RATES CHARGED ON LOANS
- (C) TO PROVIDE FINANCIAL ASSISTANCE TO FAILING BANKS
- (D) TO REGULATE THE STOCK MARKET

ANSWER: (A) TO ENSURE THAT BANKS MAINTAIN SUFFICIENT RESERVES TO COVER THEIR LIABILITIES AND FACILITATE LENDING

185. WHICH OF THE FOLLOWING IS AN EXAMPLE OF A 'COMMERCIAL LOAN'?

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- (A) A HOME MORTGAGE LOAN
- (B) A LOAN GIVEN TO A BUSINESS FOR WORKING CAPITAL PURPOSES
- (C) A STUDENT LOAN
- (D) A CAR LOAN FOR PERSONAL USE

ANSWER: (B) A LOAN GIVEN TO A BUSINESS FOR WORKING CAPITAL PURPOSES

186. WHAT IS 'SYNDICATED LOAN'?

- (A) A LOAN THAT INVOLVES MULTIPLE BANKS OR LENDERS SHARING THE CREDIT RISK
- (B) A LOAN PROVIDED BY A SINGLE LENDER TO A LARGE CORPORATION
- (C) A LOAN WHERE THE BORROWER IS A GOVERNMENT ENTITY
- (D) A LOAN GIVEN TO INDIVIDUALS WITH LOW CREDIT SCORES

ANSWER: (A) A LOAN THAT INVOLVES MULTIPLE BANKS OR LENDERS SHARING THE CREDIT RISK

187. WHAT DOES 'ECB' STAND FOR IN BANKING?

- (A) ECONOMIC CREDIT BASE
- (B) EUROPEAN CENTRAL BANK
- (C) EMERGENCY CREDIT BORROWING
- (D) EQUITY CAPITAL BASE

ANSWER: (B) EUROPEAN CENTRAL BANK

188. WHAT IS 'COMMERCIAL PAPER' IN BANKING?

- (A) A TYPE OF BOND ISSUED BY COMPANIES TO RAISE SHORT-TERM FUNDS
- (B) A PHYSICAL PAPER DOCUMENT THAT REPRESENTS MONEY
- (C) A FINANCIAL PRODUCT ISSUED BY GOVERNMENTS FOR LONG-TERM FINANCING
- (D) A FORM OF PROMISSORY NOTE USED FOR PERSONAL LOANS

ANSWER: (A) A TYPE OF BOND ISSUED BY COMPANIES TO RAISE SHORT-TERM FUNDS

189. WHAT DOES 'NPAS' STAND FOR IN THE BANKING SECTOR?

- (A) NATIONAL PUBLIC ACCOUNTS
- (B) NON-PERFORMING ASSETS
- (C) NEW PAYMENT AGREEMENTS
- (D) NON-PAYMENT AMOUNTS

ANSWER: (B) NON-PERFORMING ASSETS

190. WHAT IS THE 'CASH RESERVE RATIO' (CRR)?

- (A) THE RATIO OF A BANK'S CASH HOLDINGS TO ITS TOTAL ASSETS
- (B) THE MINIMUM PERCENTAGE OF A BANK'S TOTAL DEPOSITS THAT MUST BE HELD IN THE FORM OF CASH OR AS DEPOSITS WITH THE CENTRAL BANK
- (C) THE RATIO OF CASH TO LOANS PROVIDED BY BANKS
- (D) THE PERCENTAGE OF LOANS A BANK MUST ISSUE TO BUSINESSES

ANSWER: (B) THE MINIMUM PERCENTAGE OF A BANK'S TOTAL DEPOSITS THAT MUST BE HELD IN THE FORM OF CASH OR AS DEPOSITS WITH THE CENTRAL BANK

191. WHAT IS 'WHOLESALE BANKING'?

- (A) BANKING SERVICES PROVIDED TO INDIVIDUAL CONSUMERS
- (B) BANKING SERVICES PROVIDED TO LARGE CORPORATIONS AND INSTITUTIONS
- (C) BANKING SERVICES PROVIDED TO SMALL BUSINESSES
- (D) SERVICES RELATED TO INTERNATIONAL CURRENCY EXCHANGE

ANSWER: (B) BANKING SERVICES PROVIDED TO LARGE CORPORATIONS AND INSTITUTIONS

192. WHICH OF THE FOLLOWING IS A TYPE OF FINANCIAL DERIVATIVE?

- (A) CURRENCY FUTURES
- (B) PERSONAL LOAN
- (C) CORPORATE BOND
- (D) FIXED DEPOSIT

ANSWER: (A) CURRENCY FUTURES

193. WHAT IS THE 'CURRENT RATIO' IN FINANCIAL ANALYSIS?

- (A) THE RATIO OF A COMPANY'S CURRENT ASSETS TO ITS TOTAL ASSETS
- (B) THE RATIO OF A COMPANY'S CURRENT LIABILITIES TO ITS CURRENT ASSETS, USED TO ASSESS LIQUIDITY
- (C) THE RATIO OF A COMPANY'S TOTAL DEBT TO ITS EQUITY

(D) THE RATIO OF A BANK'S TOTAL RESERVES TO ITS TOTAL LOANS

ANSWER: (B) THE RATIO OF A COMPANY'S CURRENT LIABILITIES TO ITS CURRENT ASSETS, USED TO ASSESS LIQUIDITY

194. WHAT IS THE 'SPREAD' IN BANKING TERMS?

(A) THE DIFFERENCE BETWEEN THE INTEREST RATES ON LOANS AND DEPOSITS

(B) THE PROCESS OF OFFERING CREDIT FACILITIES TO CUSTOMERS

(C) THE DIFFERENCE BETWEEN THE BUYING AND SELLING PRICE OF A FINANCIAL INSTRUMENT

(D) THE PROCESS OF DISTRIBUTING DIVIDENDS TO SHAREHOLDERS

ANSWER: (A) THE DIFFERENCE BETWEEN THE INTEREST RATES ON LOANS AND DEPOSITS

195. WHICH OF THE FOLLOWING IS NOT A FEATURE OF 'MOBILE BANKING'?

(A) MAKING DEPOSITS THROUGH A MOBILE APP

(B) SENDING MONEY TO ANOTHER ACCOUNT USING MOBILE DEVICES

(C) PAYING UTILITY BILLS ONLINE THROUGH A MOBILE APP

(D) VISITING A BANK BRANCH TO WITHDRAW MONEY

ANSWER: (D) VISITING A BANK BRANCH TO WITHDRAW MONEY

196. WHAT IS 'QUANTITATIVE EASING' (QE) IN MONETARY POLICY?

(A) THE POLICY OF REDUCING INTEREST RATES TO ENCOURAGE BORROWING

(B) THE POLICY OF CENTRAL BANKS INCREASING THE MONEY SUPPLY BY PURCHASING SECURITIES TO STIMULATE THE ECONOMY

(C) THE POLICY OF REDUCING THE MONEY SUPPLY TO CURB INFLATION

(D) THE POLICY OF RAISING TAXES TO CONTROL INFLATION

ANSWER: (B) THE POLICY OF CENTRAL BANKS INCREASING THE MONEY SUPPLY BY PURCHASING SECURITIES TO STIMULATE THE ECONOMY

197. WHAT IS 'ASSET MANAGEMENT' IN BANKING?

(A) THE PROCESS OF MANAGING THE PHYSICAL ASSETS OF A BANK

(B) THE MANAGEMENT OF INVESTMENTS AND ASSETS ON BEHALF OF CUSTOMERS OR CLIENTS

(C) THE MANAGEMENT OF LOANS GRANTED TO CUSTOMERS

(D) THE PROCESS OF SETTING UP NEW BRANCHES FOR A BANK

ANSWER: (B) THE MANAGEMENT OF INVESTMENTS AND ASSETS ON BEHALF OF CUSTOMERS OR CLIENTS

198. WHAT IS A 'CD' (CERTIFICATE OF DEPOSIT) IN BANKING?

(A) A DOCUMENT THAT REPRESENTS A LOAN AGREEMENT BETWEEN A BANK AND A BORROWER

(B) A TIME DEPOSIT OFFERED BY BANKS WITH A FIXED INTEREST RATE AND MATURITY DATE

(C) A GOVERNMENT-ISSUED DEBT SECURITY

(D) A SHORT-TERM FINANCIAL INSTRUMENT ISSUED BY LARGE CORPORATIONS

ANSWER: (B) A TIME DEPOSIT OFFERED BY BANKS WITH A FIXED INTEREST RATE AND MATURITY DATE

199. WHAT IS 'LEVERAGE' IN BANKING?

- (A) THE AMOUNT OF CAPITAL BORROWED TO FINANCE THE PURCHASE OF ASSETS
- (B) THE RATIO OF A BANK'S TOTAL DEPOSITS TO ITS TOTAL ASSETS
- (C) THE ABILITY OF A BANK TO OFFER LOW-INTEREST LOANS
- (D) THE PRACTICE OF INCREASING SHAREHOLDER EQUITY THROUGH THE ISSUANCE OF STOCK

ANSWER: (A) THE AMOUNT OF CAPITAL BORROWED TO FINANCE THE PURCHASE OF ASSETS

200. WHICH OF THE FOLLOWING IS A CHARACTERISTIC OF A 'MICROFINANCE INSTITUTION'?

- (A) PROVIDES LOANS TO LARGE CORPORATIONS
- (B) FOCUSES ON PROVIDING FINANCIAL SERVICES TO LOW-INCOME INDIVIDUALS AND SMALL BUSINESSES
- (C) ONLY OFFERS SAVINGS ACCOUNTS
- (D) OPERATES ONLY IN URBAN AREAS

ANSWER: (B) FOCUSES ON PROVIDING FINANCIAL SERVICES TO LOW-INCOME INDIVIDUALS AND SMALL BUSINESSES

201. WHAT IS THE PURPOSE OF 'DEPOSIT INSURANCE'?

- (A) TO PROTECT BANK CUSTOMERS' DEPOSITS IN CASE THE BANK FAILS
- (B) TO INSURE THE BANK'S PROFITS
- (C) TO PROVIDE HEALTH INSURANCE TO BANK EMPLOYEES

(D) TO INSURE LOANS MADE BY THE BANK

ANSWER (A) TO PROTECT BANK CUSTOMERS' DEPOSITS IN CASE THE BANK FAILS

202. WHICH OF THE FOLLOWING IS A TYPE OF NON-PERFORMING ASSET (NPA)?

(A) AN ASSET THAT GENERATES INCOME FOR THE BANK

(B) A LOAN WHERE THE BORROWER HAS MISSED PAYMENTS FOR 90 DAYS OR MORE

(C) A LOAN THAT IS SECURED BY A MORTGAGE

(D) A LOAN PROVIDED BY THE BANK FOR BUYING GOVERNMENT BONDS

ANSWER: (B) A LOAN WHERE THE BORROWER HAS MISSED PAYMENTS FOR 90 DAYS OR MORE

203. WHAT IS 'CAPITAL ADEQUACY RATIO' (CAR)?

(A) A RATIO OF A BANK'S EARNINGS TO ITS LIABILITIES

(B) THE RATIO OF A BANK'S CAPITAL TO ITS RISK-WEIGHTED ASSETS

(C) THE RATIO OF A BANK'S EQUITY TO ITS LOANS

(D) THE RATIO OF A BANK'S PROFITS TO ITS TOTAL ASSETS

ANSWER: (B) THE RATIO OF A BANK'S CAPITAL TO ITS RISK-WEIGHTED ASSETS

204. WHICH OF THE FOLLOWING IS NOT A FUNCTION OF THE CENTRAL BANK?

(A) REGULATING THE MONEY SUPPLY

- (B) SUPERVISING COMMERCIAL BANKS
- (C) ISSUING CURRENCY
- (D) PROVIDING LOANS TO BUSINESSES

ANSWER: (D) PROVIDING LOANS TO BUSINESSES

205. WHAT IS 'COUNTERPARTY RISK'?

- (A) THE RISK THAT THE BORROWER MAY NOT REPAY THE LOAN
- (B) THE RISK THAT THE COUNTERPARTY IN A FINANCIAL TRANSACTION MAY DEFAULT ON ITS OBLIGATIONS
- (C) THE RISK THAT INTEREST RATES WILL CHANGE
- (D) THE RISK THAT A BANK WILL FACE LIQUIDITY PROBLEMS

ANSWER: (B) THE RISK THAT THE COUNTERPARTY IN A FINANCIAL TRANSACTION MAY DEFAULT ON ITS OBLIGATIONS

206. WHAT IS THE 'PRIME LENDING RATE' (PLR)?

- (A) THE INTEREST RATE CHARGED BY CENTRAL BANKS TO COMMERCIAL BANKS
- (B) THE INTEREST RATE CHARGED BY COMMERCIAL BANKS TO THEIR BEST CUSTOMERS
- (C) THE RATE AT WHICH BANKS LEND TO OTHER BANKS IN THE INTERBANK MARKET
- (D) THE INTEREST RATE PAID BY CUSTOMERS ON SAVINGS ACCOUNTS

ANSWER: (B) THE INTEREST RATE CHARGED BY COMMERCIAL BANKS TO THEIR BEST CUSTOMERS

207. WHICH OF THE FOLLOWING IS THE MAIN OBJECTIVE OF 'BASEL III'?

- (A) TO REGULATE STOCK MARKETS
- (B) TO IMPROVE THE SOUNDNESS AND STABILITY OF THE BANKING SECTOR BY INCREASING CAPITAL REQUIREMENTS AND IMPROVING RISK MANAGEMENT
- (C) TO SET INTEREST RATES FOR LOANS
- (D) TO PROMOTE FINANCIAL INCLUSION

ANSWER: (B) TO IMPROVE THE SOUNDNESS AND STABILITY OF THE BANKING SECTOR BY INCREASING CAPITAL REQUIREMENTS AND IMPROVING RISK MANAGEMENT

208. WHAT IS 'MONETARY POLICY'?

- (A) A SET OF GOVERNMENT POLICIES AIMED AT REGULATING BUSINESS PRACTICES
- (B) A SET OF POLICIES ADOPTED BY A CENTRAL BANK TO CONTROL THE MONEY SUPPLY AND INTEREST RATES TO ACHIEVE MACROECONOMIC GOALS
- (C) A POLICY FOR MANAGING BANK LOANS
- (D) A SET OF POLICIES TO REGULATE FOREIGN EXCHANGE RATES

ANSWER: (B) A SET OF POLICIES ADOPTED BY A CENTRAL BANK TO CONTROL THE MONEY SUPPLY AND INTEREST RATES TO ACHIEVE MACROECONOMIC GOALS

209. WHAT DOES 'BANKING OMBUDSMAN' DO?

- (A) SUPERVISES THE PERFORMANCE OF BANK EMPLOYEES
- (B) MEDIATES COMPLAINTS BY CUSTOMERS AGAINST BANKS
- (C) SETS INTEREST RATES FOR COMMERCIAL BANKS

(D) PROVIDES LOANS TO COMMERCIAL BANKS

ANSWER: (B) MEDIATES COMPLAINTS BY CUSTOMERS AGAINST BANKS

210. WHAT IS A 'CASH MANAGEMENT SYSTEM'?

(A) A SYSTEM FOR ENSURING ADEQUATE CASH IS AVAILABLE IN THE BANK'S VAULTS

(B) A SOFTWARE THAT HELPS MANAGE CASH TRANSACTIONS FOR BUSINESSES AND INDIVIDUALS

(C) A PROGRAM TO FACILITATE THE LENDING OF CASH TO CUSTOMERS

(D) A METHOD USED BY BANKS TO MANAGE THE SUPPLY OF MONEY TO THE ECONOMY

ANSWER: (B) A SOFTWARE THAT HELPS MANAGE CASH TRANSACTIONS FOR BUSINESSES AND INDIVIDUALS

211. WHAT DOES 'CREDIT RISK' REFER TO?

(A) THE RISK OF A DECREASE IN ASSET VALUE DUE TO CHANGES IN INTEREST RATES

(B) THE RISK THAT A BORROWER MAY NOT REPAY THE LOAN AS PER THE TERMS AGREED UPON

(C) THE RISK OF FLUCTUATIONS IN FOREIGN EXCHANGE RATES

(D) THE RISK OF A BANK RUNNING OUT OF MONEY

ANSWER: (B) THE RISK THAT A BORROWER MAY NOT REPAY THE LOAN AS PER THE TERMS AGREED UPON

212. WHAT IS 'BLOCKCHAIN TECHNOLOGY' IN BANKING?

- (A) A NEW TYPE OF INTEREST RATE MECHANISM FOR LOANS
- (B) A SECURE, DECENTRALIZED DIGITAL LEDGER USED FOR RECORDING TRANSACTIONS
- (C) A GOVERNMENT REGULATION FOR FINANCIAL INSTITUTIONS
- (D) A METHOD FOR CALCULATING LOAN REPAYMENT SCHEDULES

ANSWER: (B) A SECURE, DECENTRALIZED DIGITAL LEDGER USED FOR RECORDING TRANSACTIONS

213. WHAT DOES 'CPI' STAND FOR IN ECONOMIC TERMS?

- (A) CREDIT PRICE INDEX
- (B) CONSUMER PRICE INDEX
- (C) CAPITAL PAYMENT INDICATOR
- (D) CREDIT PERFORMANCE INDICATOR

ANSWER: (B) CONSUMER PRICE INDEX

214. WHAT IS 'FINTECH'?

- (A) A FINANCIAL SECTOR COMPANY THAT DEALS WITH TECHNOLOGY SOLUTIONS
- (B) FINANCIAL TECHNOLOGY USED TO IMPROVE FINANCIAL SERVICES, INCLUDING MOBILE BANKING, PEER-TO-PEER LENDING, ETC.
- (C) A BANK PROVIDING ONLY ONLINE SERVICES
- (D) A TRADITIONAL BANK OFFERING FINANCIAL SERVICES

ANSWER: (B) FINANCIAL TECHNOLOGY USED TO IMPROVE FINANCIAL SERVICES, INCLUDING MOBILE BANKING, PEER-TO-PEER LENDING, ETC.

215. WHAT IS 'EFT' (ELECTRONIC FUNDS TRANSFER)?

- (A) A METHOD OF TRANSFERRING CASH FROM ONE BRANCH TO ANOTHER
- (B) THE PROCESS OF TRANSFERRING FUNDS FROM ONE ACCOUNT TO ANOTHER ELECTRONICALLY
- (C) A TYPE OF LOAN REPAYMENT
- (D) A METHOD OF TRANSFERRING FUNDS THROUGH PHYSICAL CHEQUES

ANSWER: (B) THE PROCESS OF TRANSFERRING FUNDS FROM ONE ACCOUNT TO ANOTHER ELECTRONICALLY

216. WHAT IS THE 'CURRENCY SWAP'?

- (A) A TRANSACTION IN WHICH TWO PARTIES EXCHANGE ONE CURRENCY FOR ANOTHER AT A PREDETERMINED EXCHANGE RATE
- (B) THE PROCESS OF EXCHANGING ONE LOAN FOR ANOTHER
- (C) A MECHANISM USED BY BANKS TO EXCHANGE CURRENCY FOR GOLD
- (D) A CONTRACT FOR TRADING FOREIGN EXCHANGE

ANSWER: (A) A TRANSACTION IN WHICH TWO PARTIES EXCHANGE ONE CURRENCY FOR ANOTHER AT A PREDETERMINED EXCHANGE RATE

217. WHAT IS THE ROLE OF 'RISK MANAGEMENT' IN A BANK?

- (A) TO ENSURE CUSTOMER SATISFACTION
- (B) TO MAXIMIZE PROFITS

(C) TO IDENTIFY, ASSESS, AND MITIGATE POTENTIAL RISKS IN THE BANK'S OPERATIONS

(D) TO EXPAND THE BANK'S CUSTOMER BASE

ANSWER: (C) TO IDENTIFY, ASSESS, AND MITIGATE POTENTIAL RISKS IN THE BANK'S OPERATIONS

218. WHAT DOES 'MATURITY DATE' REFER TO IN BANKING?

(A) THE DATE WHEN AN ASSET'S VALUE IS REALIZED

(B) THE DATE WHEN A LOAN OR BOND BECOMES DUE FOR REPAYMENT

(C) THE DATE WHEN INTEREST ON A SAVINGS ACCOUNT IS PAID

(D) THE DATE A BORROWER APPLIES FOR A LOAN

ANSWER: (B) THE DATE WHEN A LOAN OR BOND BECOMES DUE FOR REPAYMENT

219. WHAT IS 'OVERDRAFT PROTECTION'?

(A) A LOAN OFFERED TO COVER UNEXPECTED EXPENSES

(B) A SERVICE THAT PREVENTS CHECKS FROM BOUNCING BY ALLOWING CUSTOMERS TO WITHDRAW MORE MONEY THAN THEIR ACCOUNT BALANCE

(C) A FEE CHARGED FOR USING A BANK CARD

(D) A PENALTY CHARGED FOR EARLY LOAN REPAYMENT

ANSWER: (B) A SERVICE THAT PREVENTS CHECKS FROM BOUNCING BY ALLOWING CUSTOMERS TO WITHDRAW MORE MONEY THAN THEIR ACCOUNT BALANCE

220. WHAT IS 'MICROCREDIT'?

(A) CREDIT PROVIDED TO LARGE CORPORATIONS

(B) SMALL LOANS TYPICALLY PROVIDED TO INDIVIDUALS OR SMALL BUSINESSES IN LOW-INCOME AREAS TO SUPPORT ENTREPRENEURIAL ACTIVITIES

(C) LOANS PROVIDED TO SUPPORT THE EDUCATION SECTOR

(D) LOANS OFFERED TO HELP BUY SECURITIES

ANSWER: (B) SMALL LOANS TYPICALLY PROVIDED TO INDIVIDUALS OR SMALL BUSINESSES IN LOW-INCOME AREAS TO SUPPORT ENTREPRENEURIAL ACTIVITIES

221. WHAT IS THE PURPOSE OF 'KYC' (KNOW YOUR CUSTOMER) REGULATIONS?

(A) TO ENSURE THAT BANKS LEND MONEY TO ONLY PROFITABLE BUSINESSES

(B) TO VERIFY THE IDENTITY OF CLIENTS AND PREVENT FINANCIAL CRIMES SUCH AS MONEY LAUNDERING AND FRAUD

(C) TO PROVIDE CUSTOMERS WITH MORE PERSONALIZED BANKING SERVICES

(D) TO ENSURE CUSTOMERS CAN WITHDRAW THEIR MONEY QUICKLY

ANSWER: (B) TO VERIFY THE IDENTITY OF CLIENTS AND PREVENT FINANCIAL CRIMES SUCH AS MONEY LAUNDERING AND FRAUD

222. WHICH OF THE FOLLOWING IS AN EXAMPLE OF A 'FIXED INTEREST RATE'?

(A) A LOAN WHERE THE INTEREST RATE CHANGES EVERY YEAR

(B) A LOAN WHERE THE INTEREST RATE REMAINS CONSTANT THROUGHOUT THE LOAN TERM

(C) A LOAN WHERE INTEREST IS ONLY PAID AT THE END OF THE TERM

(D) A LOAN THAT DOES NOT CHARGE ANY INTEREST

ANSWER: (B) A LOAN WHERE THE INTEREST RATE REMAINS CONSTANT THROUGHOUT THE LOAN TERM

223. WHAT DOES 'LIQUIDITY RISK' REFER TO?

(A) THE RISK THAT THE BANK WILL NOT BE ABLE TO MEET ITS SHORT-TERM FINANCIAL OBLIGATIONS DUE TO THE LACK OF LIQUID ASSETS

(B) THE RISK OF FLUCTUATIONS IN INTEREST RATES

(C) THE RISK THAT A BANK MAY DEFAULT ON ITS LOANS

(D) THE RISK OF ASSETS LOSING THEIR VALUE

ANSWER: (A) THE RISK THAT THE BANK WILL NOT BE ABLE TO MEET ITS SHORT-TERM FINANCIAL OBLIGATIONS DUE TO THE LACK OF LIQUID ASSETS

224. WHAT IS A 'TREASURY BILL' (T-BILL)?

(A) A SHORT-TERM DEBT SECURITY ISSUED BY THE GOVERNMENT TO RAISE FUNDS

(B) A LONG-TERM BOND ISSUED BY A CORPORATION

(C) A TYPE OF SAVINGS ACCOUNT OFFERED BY COMMERCIAL BANKS

(D) A LOAN PROVIDED BY THE CENTRAL BANK TO COMMERCIAL BANKS

ANSWER: (A) A SHORT-TERM DEBT SECURITY ISSUED BY THE GOVERNMENT TO RAISE FUNDS

225. WHAT IS A 'HEDGING' STRATEGY?

(A) A METHOD OF BORROWING FUNDS TO FINANCE INVESTMENTS

(B) A TECHNIQUE USED TO REDUCE OR OFFSET THE RISK OF ADVERSE PRICE MOVEMENTS IN AN ASSET

(C) A STRATEGY TO INCREASE THE PROFITABILITY OF A FINANCIAL INSTITUTION

(D) A POLICY TO INCREASE INTEREST RATES ON LOANS

ANSWER: (B) A TECHNIQUE USED TO REDUCE OR OFFSET THE RISK OF ADVERSE PRICE MOVEMENTS IN AN ASSET

226. WHAT IS THE PURPOSE OF 'CENTRAL BANK'S OPEN MARKET OPERATIONS'?

(A) TO REGULATE INTEREST RATES FOR COMMERCIAL BANKS

(B) TO MANAGE THE MONEY SUPPLY BY BUYING AND SELLING GOVERNMENT SECURITIES IN THE OPEN MARKET

(C) TO PROVIDE LOANS TO COMMERCIAL BANKS

(D) TO SUPERVISE THE OPERATIONS OF COMMERCIAL BANKS

ANSWER: (B) TO MANAGE THE MONEY SUPPLY BY BUYING AND SELLING GOVERNMENT SECURITIES IN THE OPEN MARKET

227. WHAT IS 'SHADOW BANKING'?

(A) BANKING ACTIVITIES CONDUCTED BY FINANCIAL INSTITUTIONS THAT ARE NOT SUBJECT TO TRADITIONAL BANKING REGULATIONS

(B) THE PRACTICE OF BANKS OFFERING SECRET LOANS TO CUSTOMERS

(C) THE FINANCIAL ACTIVITIES CONDUCTED BY CENTRAL BANKS

(D) BANKING SERVICES THAT FOCUS ON PROVIDING LOANS TO LARGE CORPORATIONS ONLY

ANSWER: (A) BANKING ACTIVITIES CONDUCTED BY FINANCIAL INSTITUTIONS THAT ARE NOT SUBJECT TO TRADITIONAL BANKING REGULATIONS

228. WHAT DOES 'BAILOUT' MEAN IN THE CONTEXT OF BANKING?

- (A) A SITUATION WHERE A BANK REPAYS ITS DEPOSITORS IN FULL
- (B) A GOVERNMENT INTERVENTION TO PROVIDE FINANCIAL ASSISTANCE TO A FAILING FINANCIAL INSTITUTION
- (C) A METHOD OF INCREASING THE CAPITAL RESERVES OF A BANK
- (D) THE PRACTICE OF LOAN FORGIVENESS FOR CUSTOMERS

ANSWER: (B) A GOVERNMENT INTERVENTION TO PROVIDE FINANCIAL ASSISTANCE TO A FAILING FINANCIAL INSTITUTION

229. WHAT IS 'CONSUMER CREDIT'?

- (A) LOANS PROVIDED TO BUSINESSES TO EXPAND OPERATIONS
- (B) SHORT-TERM CREDIT PROVIDED TO INDIVIDUALS FOR PURCHASING GOODS AND SERVICES
- (C) THE CREDIT LIMIT SET BY A BANK FOR CORPORATE CUSTOMERS
- (D) THE MAXIMUM LOAN AMOUNT AVAILABLE TO STUDENTS

ANSWER: (B) SHORT-TERM CREDIT PROVIDED TO INDIVIDUALS FOR PURCHASING GOODS AND SERVICES

230. WHAT IS 'PAYMENT GATEWAY'?

- (A) A PLATFORM THAT FACILITATES FINANCIAL TRANSACTIONS BETWEEN MERCHANTS AND CUSTOMERS THROUGH ELECTRONIC PAYMENT METHODS
- (B) A METHOD FOR MAKING DEPOSITS AT A BANK BRANCH

(C) A TOOL FOR MANAGING LOANS AND MORTGAGES

(D) A CENTRAL AUTHORITY THAT REGULATES INTEREST RATES IN THE BANKING SECTOR

ANSWER: (A) A PLATFORM THAT FACILITATES FINANCIAL TRANSACTIONS BETWEEN MERCHANTS AND CUSTOMERS THROUGH ELECTRONIC PAYMENT METHODS

231. WHAT IS 'RISK-WEIGHTED ASSETS' (RWA)?

(A) A METHOD OF CALCULATING THE TOTAL VALUE OF ASSETS HELD BY A BANK

(B) THE TOTAL VALUE OF A BANK'S ASSETS, ADJUSTED FOR THE RISK OF EACH ASSET

(C) THE TOTAL MARKET VALUE OF A BANK'S SECURITIES PORTFOLIO

(D) A MEASURE OF A BANK'S LIQUIDITY

ANSWER: (B) THE TOTAL VALUE OF A BANK'S ASSETS, ADJUSTED FOR THE RISK OF EACH ASSET

232. WHAT IS THE 'DISCOUNT RATE' IN BANKING?

(A) THE RATE CHARGED BY COMMERCIAL BANKS TO THEIR CUSTOMERS

(B) THE INTEREST RATE CHARGED BY A CENTRAL BANK FOR SHORT-TERM LOANS TO COMMERCIAL BANKS

(C) THE INTEREST RATE ON GOVERNMENT BONDS

(D) THE RATE AT WHICH FINANCIAL INSTITUTIONS OFFER MORTGAGES TO HOMEBUYERS

ANSWER: (B) THE INTEREST RATE CHARGED BY A CENTRAL BANK FOR SHORT-TERM LOANS TO COMMERCIAL BANKS

233. WHAT IS 'REVERSE REPO'?

(A) A LOAN AGREEMENT WHERE THE CENTRAL BANK BUYS SECURITIES FROM COMMERCIAL BANKS WITH AN AGREEMENT TO SELL THEM BACK AT A LATER DATE

(B) A TYPE OF LOAN PROVIDED BY COMMERCIAL BANKS TO THEIR CUSTOMERS

(C) A FINANCIAL PRODUCT FOR FOREIGN CURRENCY EXCHANGE

(D) A METHOD FOR BANKS TO ISSUE NEW STOCKS

ANSWER: (A) A LOAN AGREEMENT WHERE THE CENTRAL BANK BUYS SECURITIES FROM COMMERCIAL BANKS WITH AN AGREEMENT TO SELL THEM BACK AT A LATER DATE

234. WHAT IS THE PURPOSE OF 'CAPITAL BUFFER' IN BASEL III REGULATIONS?

(A) TO ENSURE BANKS HAVE ENOUGH CAPITAL TO ABSORB LOSSES DURING PERIODS OF FINANCIAL STRESS

(B) TO INCREASE THE PROFITABILITY OF THE BANK

(C) TO PROVIDE EMERGENCY LOANS TO CUSTOMERS

(D) TO FUND THE EXPANSION OF BANK BRANCHES

ANSWER: (A) TO ENSURE BANKS HAVE ENOUGH CAPITAL TO ABSORB LOSSES DURING PERIODS OF FINANCIAL STRESS

235. WHAT DOES 'INTEREST RATE RISK' REFER TO?

(A) THE RISK OF A DECREASE IN THE VALUE OF LOANS DUE TO RISING INTEREST RATES

(B) THE RISK THAT THE CENTRAL BANK WILL CHANGE THE DEPOSIT INTEREST RATE

(C) THE RISK THAT INTEREST RATES WILL STAY THE SAME FOR A LONG PERIOD

(D) THE RISK OF DEFAULT ON INTEREST PAYMENTS BY BORROWERS

ANSWER: (A) THE RISK OF A DECREASE IN THE VALUE OF LOANS DUE TO RISING INTEREST RATES

236. WHAT IS THE FUNCTION OF THE 'LENDER OF LAST RESORT'?

(A) TO PROVIDE LOANS TO CUSTOMERS WHO ARE UNABLE TO OBTAIN LOANS FROM COMMERCIAL BANKS

(B) TO PROVIDE SHORT-TERM EMERGENCY LIQUIDITY TO FINANCIAL INSTITUTIONS FACING INSOLVENCY

(C) TO REGULATE THE INTEREST RATES IN THE ECONOMY

(D) TO ISSUE LOANS FOR LARGE INFRASTRUCTURE PROJECTS

ANSWER: (B) TO PROVIDE SHORT-TERM EMERGENCY LIQUIDITY TO FINANCIAL INSTITUTIONS FACING INSOLVENCY

237. WHAT DOES 'NARROW MONEY' REFER TO IN MONETARY POLICY?

(A) MONEY IN CIRCULATION INCLUDING CURRENCY AND DEMAND DEPOSITS IN BANKS

(B) THE TOTAL VALUE OF BONDS AND OTHER GOVERNMENT SECURITIES

(C) THE BROADER MONEY SUPPLY INCLUDING LOANS AND MORTGAGES

(D) MONEY HELD BY CENTRAL BANKS IN FOREIGN RESERVES

ANSWER: (A) MONEY IN CIRCULATION INCLUDING CURRENCY AND DEMAND DEPOSITS IN BANKS

238. WHAT IS 'PEER-TO-PEER LENDING' (P2P)?

(A) A METHOD WHERE BANKS LEND MONEY DIRECTLY TO INDIVIDUALS

(B) A DIGITAL PLATFORM WHERE INDIVIDUALS CAN LEND MONEY TO OTHERS WITHOUT INTERMEDIARIES LIKE BANKS

(C) A FORM OF CREDIT CARD LENDING BETWEEN BANKS

(D) A LENDING PLATFORM PROVIDED BY GOVERNMENT INSTITUTIONS

ANSWER: (B) A DIGITAL PLATFORM WHERE INDIVIDUALS CAN LEND MONEY TO OTHERS WITHOUT INTERMEDIARIES LIKE BANKS

239. WHAT IS A 'SOVEREIGN DEBT'?

(A) A DEBT ISSUED BY A CORPORATION

(B) A LOAN GIVEN TO THE GOVERNMENT BY INTERNATIONAL BANKS

(C) A DEBT ISSUED BY A NATIONAL GOVERNMENT TO FUND PUBLIC SPENDING

(D) A DEBT ISSUED BY PRIVATE BANKS TO GOVERNMENTS

ANSWER: (C) A DEBT ISSUED BY A NATIONAL GOVERNMENT TO FUND PUBLIC SPENDING

240. WHAT IS THE PRIMARY FUNCTION OF 'RETAIL BANKING'?

(A) PROVIDING FINANCIAL SERVICES TO LARGE CORPORATIONS

(B) OFFERING LOANS, SAVINGS ACCOUNTS, AND OTHER FINANCIAL SERVICES TO INDIVIDUALS

(C) MANAGING INVESTMENT PORTFOLIOS FOR WEALTHY CLIENTS

(D) ISSUING BONDS TO FINANCE GOVERNMENT PROJECTS

ANSWER: (B) OFFERING LOANS, SAVINGS ACCOUNTS, AND OTHER FINANCIAL SERVICES TO INDIVIDUALS

241. WHAT DOES 'REPO RATE' REFER TO IN MONETARY POLICY?

(A) THE RATE AT WHICH COMMERCIAL BANKS LEND TO EACH OTHER OVERNIGHT

(B) THE RATE AT WHICH A CENTRAL BANK LENDS TO COMMERCIAL BANKS FOR SHORT-TERM LOANS

(C) THE RATE AT WHICH BANKS CHARGE THEIR CUSTOMERS FOR LOANS

(D) THE RATE AT WHICH COMMERCIAL BANKS LEND TO THE CENTRAL BANK

ANSWER: (B) THE RATE AT WHICH A CENTRAL BANK LENDS TO COMMERCIAL BANKS FOR SHORT-TERM LOANS

242. WHAT IS 'FRACTIONAL RESERVE BANKING'?

(A) A BANKING SYSTEM WHERE BANKS KEEP A FRACTION OF DEPOSITS IN RESERVE AND LEND OUT THE REST

(B) A SYSTEM WHERE BANKS ARE REQUIRED TO HOLD 100% OF THEIR DEPOSITS IN RESERVE

(C) A METHOD USED BY BANKS TO OFFER HIGHER INTEREST RATES ON SAVINGS ACCOUNTS

(D) A BANKING SYSTEM WHERE ONLY GOVERNMENT-ISSUED MONEY CAN BE USED FOR TRANSACTIONS

ANSWER: (A) A BANKING SYSTEM WHERE BANKS KEEP A FRACTION OF DEPOSITS IN RESERVE AND LEND OUT THE REST

243. WHAT DOES 'LTV' (LOAN-TO-VALUE) RATIO MEASURE?

(A) THE RATIO OF A BANK'S TOTAL LIABILITIES TO ITS TOTAL EQUITY

(B) THE RATIO OF A LOAN AMOUNT TO THE APPRAISED VALUE OF THE PROPERTY PURCHASED WITH THE LOAN

(C) THE RATIO OF A LOAN'S INTEREST RATE TO ITS REPAYMENT TERM

(D) THE RATIO OF AN INDIVIDUAL'S INCOME TO THEIR DEBT PAYMENTS

ANSWER: (B) THE RATIO OF A LOAN AMOUNT TO THE APPRAISED VALUE OF THE PROPERTY PURCHASED WITH THE LOAN

244. WHICH OF THE FOLLOWING BEST DESCRIBES 'SECURITIZATION'?

(A) THE PROCESS OF CREATING NEW FINANCIAL PRODUCTS BY POOLING ASSETS AND SELLING THEM AS SECURITIES

(B) THE PROCESS OF CONVERTING LIABILITIES INTO EQUITY

(C) THE PROCESS OF BANKS LENDING DIRECTLY TO THE GOVERNMENT

(D) THE PROCESS OF CONVERTING STOCKS INTO BONDS

ANSWER: (A) THE PROCESS OF CREATING NEW FINANCIAL PRODUCTS BY POOLING ASSETS AND SELLING THEM AS SECURITIES

245. WHAT IS 'ISLAMIC BANKING'?

(A) A BANKING SYSTEM THAT OPERATES WITHOUT INTEREST AND ADHERES TO ISLAMIC LAW (SHARIA)

(B) A BANKING SYSTEM THAT EXCLUSIVELY PROVIDES LOANS TO MUSLIM INDIVIDUALS

(C) A TYPE OF BANKING WHERE THE GOVERNMENT CONTROLS ALL FINANCIAL TRANSACTIONS

(D) A FORM OF BANKING FOCUSED ON AGRICULTURAL FINANCING

ANSWER: (A) A BANKING SYSTEM THAT OPERATES WITHOUT INTEREST AND ADHERES TO ISLAMIC LAW (SHARIA)

246. WHAT IS THE 'RISK-ADJUSTED RETURN ON CAPITAL' (RAROC)?

(A) A MEASURE OF A BANK'S RETURN RELATIVE TO THE RISK IT TAKES ON

(B) A METHOD FOR CALCULATING THE AMOUNT OF INTEREST BANKS SHOULD CHARGE ON LOANS

(C) A FORMULA FOR DETERMINING A BANK'S TOTAL CAPITAL

(D) A STANDARD FOR MEASURING LOAN DEFAULT RATES

ANSWER: (A) A MEASURE OF A BANK'S RETURN RELATIVE TO THE RISK IT TAKES ON

247. WHAT IS 'SYSTEMIC RISK' IN THE BANKING INDUSTRY?

(A) THE RISK THAT A SINGLE BANK MAY FAIL DUE TO INTERNAL PROBLEMS

(B) THE RISK THAT A CHAIN REACTION OF FAILURES IN FINANCIAL INSTITUTIONS WILL SPREAD ACROSS THE ENTIRE BANKING SYSTEM

(C) THE RISK THAT A BANK FAILS TO COMPLY WITH GOVERNMENT REGULATIONS

(D) THE RISK THAT A BANK'S STOCK PRICE WILL FLUCTUATE DUE TO MARKET CONDITIONS

ANSWER: (B) THE RISK THAT A CHAIN REACTION OF FAILURES IN FINANCIAL INSTITUTIONS WILL SPREAD ACROSS THE ENTIRE BANKING SYSTEM

248. WHICH OF THE FOLLOWING BEST DESCRIBES 'E-MONEY'?

(A) MONEY ISSUED BY CENTRAL BANKS IN ELECTRONIC FORM

(B) MONEY THAT EXISTS ONLY IN DIGITAL FORM AND IS USED FOR ONLINE TRANSACTIONS

(C) MONEY THAT CAN ONLY BE USED FOR ONLINE GAMBLING

(D) A TYPE OF SAVINGS ACCOUNT OFFERED BY BANKS FOR DIGITAL CURRENCY

ANSWER: (B) MONEY THAT EXISTS ONLY IN DIGITAL FORM AND IS USED FOR ONLINE TRANSACTIONS

249. WHAT IS THE PURPOSE OF 'ANTI-MONEY LAUNDERING' (AML) REGULATIONS?

(A) TO ENSURE THAT BANKS MAINTAIN A SUFFICIENT AMOUNT OF CAPITAL

(B) TO PREVENT THE ILLEGAL MOVEMENT OF MONEY FOR CRIMINAL ACTIVITIES, SUCH AS TERRORISM OR DRUG TRAFFICKING

(C) TO ENSURE THAT BANKS LEND TO THE RIGHT BORROWERS

(D) TO GUARANTEE THE SAFETY OF CUSTOMER DATA

ANSWER: (B) TO PREVENT THE ILLEGAL MOVEMENT OF MONEY FOR CRIMINAL ACTIVITIES, SUCH AS TERRORISM OR DRUG TRAFFICKING

250. WHICH OF THE FOLLOWING IS A KEY FEATURE OF 'CREDIT DEFAULT SWAPS' (CDS)?

- (A) A BOND ISSUED BY THE GOVERNMENT TO RAISE CAPITAL
- (B) A DERIVATIVE CONTRACT THAT TRANSFERS THE CREDIT RISK OF A BOND OR LOAN TO A THIRD PARTY
- (C) A GUARANTEE OF LOAN REPAYMENT BY THE CENTRAL BANK
- (D) A TYPE OF INSURANCE PROVIDED FOR SAVINGS ACCOUNTS

ANSWER: (B) A DERIVATIVE CONTRACT THAT TRANSFERS THE CREDIT RISK OF A BOND OR LOAN TO A THIRD PARTY

251. WHAT IS A 'LETTER OF CREDIT' (LC) IN BANKING?

- (A) A FINANCIAL INSTRUMENT USED BY CUSTOMERS TO BORROW MONEY FROM A BANK
- (B) A GUARANTEE FROM A BANK THAT A BUYER'S PAYMENT WILL BE MADE TO A SELLER
- (C) A LOAN AGREEMENT BETWEEN A BANK AND A BUSINESS
- (D) A METHOD FOR TRANSFERRING MONEY TO FOREIGN ACCOUNTS

ANSWER: (B) A GUARANTEE FROM A BANK THAT A BUYER'S PAYMENT WILL BE MADE TO A SELLER

252. WHAT IS A 'BANK RUN'?

- (A) A SITUATION WHERE A BANK'S CUSTOMERS WITHDRAW THEIR DEPOSITS SIMULTANEOUSLY DUE TO FEARS OF THE BANK'S INSOLVENCY

- (B) THE RAPID EXPANSION OF A BANK'S CUSTOMER BASE
- (C) A SITUATION WHERE A BANK IS FORCED TO LEND MONEY AT A LOSS
- (D) THE PRACTICE OF BANKS INCREASING INTEREST RATES DURING A FINANCIAL CRISIS

ANSWER: (A) A SITUATION WHERE A BANK'S CUSTOMERS WITHDRAW THEIR DEPOSITS SIMULTANEOUSLY DUE TO FEARS OF THE BANK'S INSOLVENCY

253. WHAT IS 'VENTURE CAPITAL'?

- (A) MONEY INVESTED IN GOVERNMENT BONDS
- (B) A TYPE OF LOAN PROVIDED TO SMALL BUSINESSES WITH GUARANTEED RETURNS
- (C) CAPITAL PROVIDED TO STARTUP COMPANIES WITH HIGH GROWTH POTENTIAL IN EXCHANGE FOR EQUITY
- (D) A SAVINGS PLAN OFFERED BY COMMERCIAL BANKS

ANSWER: (C) CAPITAL PROVIDED TO STARTUP COMPANIES WITH HIGH GROWTH POTENTIAL IN EXCHANGE FOR EQUITY

254. WHICH OF THE FOLLOWING IS AN EXAMPLE OF 'SHORT-TERM FINANCING'?

- (A) A 30-YEAR MORTGAGE LOAN
- (B) A COMMERCIAL PAPER ISSUED BY A CORPORATION WITH A MATURITY OF 90 DAYS
- (C) A GOVERNMENT BOND WITH A 10-YEAR MATURITY
- (D) A BUSINESS EXPANSION LOAN WITH A 15-YEAR REPAYMENT TERM

ANSWER: (B) A COMMERCIAL PAPER ISSUED BY A CORPORATION WITH A MATURITY OF 90 DAYS

255. WHAT IS A 'CREDIT RATING'?

- (A) A SCORE THAT DETERMINES A BORROWER'S LIKELIHOOD OF REPAYING A LOAN BASED ON THEIR CREDIT HISTORY
- (B) A TOOL USED TO CALCULATE LOAN INTEREST RATES
- (C) A MEASURE OF THE PROFITABILITY OF A FINANCIAL INSTITUTION
- (D) A MEASURE OF A GOVERNMENT'S MONETARY POLICY STRENGTH

ANSWER: (A) A SCORE THAT DETERMINES A BORROWER'S LIKELIHOOD OF REPAYING A LOAN BASED ON THEIR CREDIT HISTORY

256. WHAT IS 'DIVERSIFICATION' IN INVESTMENT?

- (A) THE PROCESS OF INVESTING IN A SINGLE ASSET CLASS
- (B) THE PRACTICE OF SPREADING INVESTMENTS ACROSS DIFFERENT TYPES OF ASSETS TO REDUCE RISK
- (C) A METHOD OF CALCULATING THE RETURN ON INVESTMENT
- (D) THE PRACTICE OF MAKING SHORT-TERM INVESTMENTS

ANSWER: (B) THE PRACTICE OF SPREADING INVESTMENTS ACROSS DIFFERENT TYPES OF ASSETS TO REDUCE RISK

257. WHAT IS A 'MORTGAGE-BACKED SECURITY' (MBS)?

- (A) A TYPE OF SAVINGS ACCOUNT OFFERED BY BANKS TO HOMEBUYERS
- (B) A SECURITY THAT IS BACKED BY A POOL OF MORTGAGE LOANS, OFTEN TRADED IN THE FINANCIAL MARKETS

(C) A TYPE OF GOVERNMENT BOND ISSUED FOR HOUSING DEVELOPMENT PROJECTS

(D) A LOAN PROVIDED BY BANKS TO HOMEBUYERS FOR PURCHASING PROPERTY

ANSWER: (B) A SECURITY THAT IS BACKED BY A POOL OF MORTGAGE LOANS, OFTEN TRADED IN THE FINANCIAL MARKETS

258. WHAT IS 'GLOBALIZATION' IN BANKING?

(A) THE EXPANSION OF BANKING SERVICES TO RURAL AREAS

(B) THE PROCESS OF BANKS OPERATING AND OFFERING SERVICES ACROSS NATIONAL BORDERS

(C) A POLICY THAT RESTRICTS INTERNATIONAL TRADE

(D) A STRATEGY FOR LOCAL BANKS TO OFFER SERVICES ONLY TO NATIONAL CUSTOMERS

ANSWER: (B) THE PROCESS OF BANKS OPERATING AND OFFERING SERVICES ACROSS NATIONAL BORDERS

259. WHAT IS A 'FINANCIAL DERIVATIVE'?

(A) A FINANCIAL INSTRUMENT WHOSE VALUE IS DERIVED FROM THE VALUE OF AN UNDERLYING ASSET, SUCH AS STOCKS, BONDS, OR COMMODITIES

(B) A FIXED-TERM LOAN AGREEMENT

(C) A GOVERNMENT-ISSUED SECURITY FOR FUNDING

(D) A SAVINGS ACCOUNT WITH AN INTEREST RATE DETERMINED BY MARKET FLUCTUATIONS

ANSWER: (A) A FINANCIAL INSTRUMENT WHOSE VALUE IS DERIVED FROM THE VALUE OF AN UNDERLYING ASSET, SUCH AS STOCKS, BONDS, OR COMMODITIES

260. WHAT IS 'CROSS-SELLING' IN BANKING?

- (A) SELLING THE SAME PRODUCT TO DIFFERENT CUSTOMERS
- (B) SELLING COMPLEMENTARY FINANCIAL PRODUCTS TO EXISTING CUSTOMERS
- (C) OFFERING DISCOUNTS ON LOANS FOR NEW CUSTOMERS
- (D) THE PRACTICE OF TRANSFERRING LOANS BETWEEN BANKS

ANSWER: (B) SELLING COMPLEMENTARY FINANCIAL PRODUCTS TO EXISTING CUSTOMERS

261. WHAT IS 'OVERDRAFT PROTECTION'?

- (A) A SERVICE THAT ALLOWS CUSTOMERS TO BORROW MONEY FOR LONG-TERM INVESTMENTS
- (B) A SERVICE THAT PREVENTS A CUSTOMER'S ACCOUNT FROM GOING BELOW ZERO BY AUTOMATICALLY PROVIDING A LOAN
- (C) A SERVICE WHERE BANKS PROVIDE A FIXED LINE OF CREDIT TO LARGE CORPORATIONS
- (D) A SERVICE FOR INSURING DEPOSITS IN CASE OF BANK INSOLVENCY

ANSWER: (B) A SERVICE THAT PREVENTS A CUSTOMER'S ACCOUNT FROM GOING BELOW ZERO BY AUTOMATICALLY PROVIDING A LOAN

262. WHAT IS A 'BOND YIELD'?

- (A) THE INTEREST RATE A BOND ISSUER PAYS TO BONDHOLDERS

(B) THE TOTAL RETURN ON A BOND, INCLUDING INTEREST PAYMENTS AND CAPITAL GAINS

(C) THE VALUE OF A BOND IN THE SECONDARY MARKET

(D) THE AMOUNT OF CAPITAL A BANK INVESTS IN BONDS

ANSWER: (B) THE TOTAL RETURN ON A BOND, INCLUDING INTEREST PAYMENTS AND CAPITAL GAINS

263. WHAT DOES 'BASEL III' PRIMARILY REGULATE?

(A) THE TRANSPARENCY OF CORPORATE FINANCIAL REPORTING

(B) THE CAPITAL REQUIREMENTS AND RISK MANAGEMENT STANDARDS FOR BANKS

(C) THE REGULATION OF INTERNATIONAL CURRENCY EXCHANGE RATES

(D) THE OPERATION OF NON-BANKING FINANCIAL COMPANIES (NBFCs)

ANSWER: (B) THE CAPITAL REQUIREMENTS AND RISK MANAGEMENT STANDARDS FOR BANKS

264. WHICH OF THE FOLLOWING IS AN EXAMPLE OF A 'SECURED LOAN'?

(A) A PERSONAL LOAN WITHOUT COLLATERAL

(B) A LOAN SECURED BY COLLATERAL, SUCH AS A HOUSE OR CAR

(C) A LOAN PROVIDED BY THE GOVERNMENT

(D) A LOAN GRANTED TO SMALL BUSINESSES WITHOUT ANY SECURITY

ANSWER: B) A LOAN SECURED BY COLLATERAL, SUCH AS A HOUSE OR CAR

265. WHAT IS 'MICROFINANCE'?

(A) PROVIDING FINANCIAL SERVICES SUCH AS LOANS AND SAVINGS ACCOUNTS TO SMALL AND MEDIUM ENTERPRISES (SMES)

(B) OFFERING LOANS TO LARGE CORPORATIONS WITH LOW INTEREST RATES

(C) THE PROVISION OF FINANCIAL SERVICES TO LOW-INCOME INDIVIDUALS OR GROUPS WHO DO NOT HAVE ACCESS TO TRADITIONAL BANKING

(D) A TYPE OF SAVINGS ACCOUNT OFFERED TO HIGH-NET-WORTH INDIVIDUALS

ANSWER: (C) THE PROVISION OF FINANCIAL SERVICES TO LOW-INCOME INDIVIDUALS OR GROUPS WHO DO NOT HAVE ACCESS TO TRADITIONAL BANKING

266. WHAT IS 'CROWDFUNDING'?

(A) A METHOD OF RAISING CAPITAL FROM A LARGE NUMBER OF PEOPLE, TYPICALLY VIA THE INTERNET

(B) A GOVERNMENT PROGRAM TO FUND LARGE-SCALE INFRASTRUCTURE PROJECTS

(C) A METHOD OF OBTAINING LOANS FROM COMMERCIAL BANKS

(D) A TECHNIQUE FOR BANKS TO ATTRACT LONG-TERM DEPOSITS

ANSWER: (A) A METHOD OF RAISING CAPITAL FROM A LARGE NUMBER OF PEOPLE, TYPICALLY VIA THE INTERNET

267. WHAT DOES 'CAPITAL ADEQUACY RATIO' (CAR) MEASURE IN BANKING?

(A) THE ABILITY OF A BANK TO GENERATE PROFITS

(B) THE PROPORTION OF A BANK'S CAPITAL TO ITS RISK-WEIGHTED ASSETS

(C) THE RATE AT WHICH A BANK ISSUES NEW LOANS

(D) THE LEVEL OF LIQUIDITY AVAILABLE TO A BANK

ANSWER: (B) THE PROPORTION OF A BANK'S CAPITAL TO ITS RISK-WEIGHTED ASSETS

268. WHAT IS 'BANKRUPTCY'?

(A) A LEGAL PROCEEDING WHERE A BANK REORGANIZES ITS OPERATIONS TO BECOME PROFITABLE

(B) A STATE OF FINANCIAL FAILURE WHERE A BANK IS UNABLE TO MEET ITS DEBT OBLIGATIONS

(C) A PROCESS WHERE A BANK RECEIVES LOANS FROM THE CENTRAL BANK

(D) A SITUATION WHERE A BANK EARNS MORE THAN IT OWES IN DEBTS

ANSWER: (B) A STATE OF FINANCIAL FAILURE WHERE A BANK IS UNABLE TO MEET ITS DEBT OBLIGATIONS

269. WHAT IS THE FUNCTION OF THE 'FEDERAL RESERVE' IN THE UNITED STATES?

(A) TO REGULATE AND SUPERVISE ALL FINANCIAL INSTITUTIONS IN THE U.S.

(B) TO MANAGE U.S. MONETARY POLICY, INCLUDING INTEREST RATES AND MONEY SUPPLY

(C) TO LEND MONEY TO CORPORATIONS AND INDIVIDUALS

(D) TO ISSUE LOANS TO COMMERCIAL BANKS AT HIGH INTEREST RATES

ANSWER: (B) TO MANAGE U.S. MONETARY POLICY, INCLUDING INTEREST RATES AND MONEY SUPPLY

270. WHAT IS THE PRIMARY RISK ASSOCIATED WITH 'FOREIGN EXCHANGE TRADING'?

- (A) THE RISK OF A BORROWER DEFAULTING ON A LOAN
- (B) THE RISK OF CURRENCY VALUE FLUCTUATIONS DUE TO ECONOMIC OR POLITICAL EVENTS
- (C) THE RISK OF A BANK FAILING TO MEET LIQUIDITY REQUIREMENTS
- (D) THE RISK THAT A BANK'S CAPITAL RESERVES ARE INSUFFICIENT

ANSWER: (B) THE RISK OF CURRENCY VALUE FLUCTUATIONS DUE TO ECONOMIC OR POLITICAL EVENTS

271. WHAT IS 'NON-PERFORMING ASSET' (NPA) IN BANKING?

- (A) A LOAN THAT IS PAID OFF EARLY BY THE BORROWER
- (B) A LOAN THAT HAS BEEN FULLY REPAID
- (C) A LOAN OR ADVANCE FOR WHICH THE BORROWER HAS STOPPED MAKING PAYMENTS
- (D) A LOAN THAT HAS BEEN SOLD TO ANOTHER FINANCIAL INSTITUTION

ANSWER: (C) A LOAN OR ADVANCE FOR WHICH THE BORROWER HAS STOPPED MAKING PAYMENTS

272. WHAT IS 'NET INTEREST MARGIN' (NIM)?

- (A) THE DIFFERENCE BETWEEN THE INTEREST A BANK EARNS ON LOANS AND THE INTEREST IT PAYS ON DEPOSITS

(B) THE TOTAL INCOME OF A BANK AFTER DEDUCTING ALL OPERATING EXPENSES

(C) THE TOTAL CAPITAL OF A BANK RELATIVE TO ITS ASSETS

(D) THE RATIO OF A BANK'S TOTAL EQUITY TO ITS TOTAL LIABILITIES

ANSWER: (A) THE DIFFERENCE BETWEEN THE INTEREST A BANK EARNS ON LOANS AND THE INTEREST IT PAYS ON DEPOSITS

273. WHAT DOES 'PRIME RATE' REFER TO IN BANKING?

(A) THE INTEREST RATE CHARGED BY CENTRAL BANKS TO COMMERCIAL BANKS FOR OVERNIGHT LOANS

(B) THE INTEREST RATE CHARGED BY BANKS TO THEIR MOST CREDITWORTHY CUSTOMERS

(C) THE INTEREST RATE ON GOVERNMENT BONDS

(D) THE INTEREST RATE APPLIED TO ALL LOANS MADE BY BANKS

ANSWER: (B) THE INTEREST RATE CHARGED BY BANKS TO THEIR MOST CREDITWORTHY CUSTOMERS

274. WHAT IS THE FUNCTION OF 'MICROCREDIT' PROGRAMS?

(A) TO PROVIDE LARGE LOANS TO CORPORATIONS

(B) TO PROVIDE SMALL LOANS TO INDIVIDUALS OR ENTREPRENEURS WHO DO NOT HAVE ACCESS TO TRADITIONAL BANKING SERVICES

(C) TO REGULATE THE ACTIVITIES OF COMMERCIAL BANKS

(D) TO OFFER LOANS WITH HIGH INTEREST RATES FOR WEALTHY INDIVIDUALS

ANSWER: (B) TO PROVIDE SMALL LOANS TO INDIVIDUALS OR ENTREPRENEURS WHO DO NOT HAVE ACCESS TO TRADITIONAL BANKING SERVICES

275. WHAT IS THE 'TERM DEPOSIT' IN BANKING?

- (A) A DEPOSIT THAT IS WITHDRAWN BEFORE THE MATURITY DATE
- (B) A DEPOSIT THAT OFFERS A FIXED INTEREST RATE FOR A FIXED TERM, SUCH AS 6 MONTHS OR 1 YEAR
- (C) A DEPOSIT USED EXCLUSIVELY FOR BUSINESS TRANSACTIONS
- (D) A DEPOSIT WITH NO INTEREST, MEANT ONLY FOR SAFEKEEPING OF FUNDS

ANSWER: (B) A DEPOSIT THAT OFFERS A FIXED INTEREST RATE FOR A FIXED TERM, SUCH AS 6 MONTHS OR 1 YEAR

276. WHAT DOES 'ASSET-BACKED SECURITY' (ABS) MEAN?

- (A) A FINANCIAL SECURITY BACKED BY PHYSICAL ASSETS SUCH AS REAL ESTATE OR EQUIPMENT
- (B) A SECURITY ISSUED BY THE GOVERNMENT TO FUND NATIONAL INFRASTRUCTURE PROJECTS
- (C) A TYPE OF BANK LOAN FOR PERSONAL USE
- (D) A FINANCIAL PRODUCT BACKED BY A POOL OF LOANS SUCH AS MORTGAGES, CREDIT CARD DEBTS, OR AUTO LOANS

ANSWER: (D) A FINANCIAL PRODUCT BACKED BY A POOL OF LOANS SUCH AS MORTGAGES, CREDIT CARD DEBTS, OR AUTO LOANS

277. WHAT IS 'CONSUMER PROTECTION' IN BANKING?

- (A) A REGULATION THAT PREVENTS CUSTOMERS FROM DEFAULTING ON THEIR LOANS
- (B) THE MEASURES PUT IN PLACE TO SAFEGUARD CUSTOMERS' RIGHTS AND PREVENT EXPLOITATION BY FINANCIAL INSTITUTIONS
- (C) A FINANCIAL PRODUCT THAT PROTECTS BANKS AGAINST LOSSES
- (D) A POLICY THAT LIMITS THE INTEREST RATES CHARGED BY BANKS

ANSWER: (B) THE MEASURES PUT IN PLACE TO SAFEGUARD CUSTOMERS' RIGHTS AND PREVENT EXPLOITATION BY FINANCIAL INSTITUTIONS

278. WHAT IS THE PRIMARY PURPOSE OF THE 'WORLD BANK'?

- (A) TO PROVIDE LOANS AND GRANTS TO THE GOVERNMENTS OF LOW AND MIDDLE-INCOME COUNTRIES FOR DEVELOPMENT PROJECTS
- (B) TO REGULATE GLOBAL FINANCIAL MARKETS
- (C) TO PROVIDE LOANS TO PRIVATE CORPORATIONS
- (D) TO SUPERVISE THE OPERATIONS OF ALL CENTRAL BANKS GLOBALLY

ANSWER: (A) TO PROVIDE LOANS AND GRANTS TO THE GOVERNMENTS OF LOW AND MIDDLE-INCOME COUNTRIES FOR DEVELOPMENT PROJECTS

279. WHAT DOES 'CREDIT RISK' REFER TO IN BANKING?

- (A) THE RISK THAT A CUSTOMER WILL DEFAULT ON A LOAN OR DEBT OBLIGATION
- (B) THE RISK OF FLUCTUATING INTEREST RATES AFFECTING THE PROFITABILITY OF A BANK
- (C) THE RISK THAT THE VALUE OF A BANK'S INVESTMENTS WILL DECREASE

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(D) THE RISK THAT A BANK'S ASSETS WILL BE INSUFFICIENT TO COVER LIABILITIES

ANSWER: (A) THE RISK THAT A CUSTOMER WILL DEFAULT ON A LOAN OR DEBT OBLIGATION

280. WHAT IS 'SYNDICATED LOAN'?

(A) A LOAN PROVIDED BY A SINGLE BANK TO A LARGE CORPORATION

(B) A LOAN THAT IS OFFERED TO A GROUP OF BORROWERS

(C) A LOAN MADE BY A GROUP OF LENDERS WHO SHARE THE RISKS AND BENEFITS

(D) A LOAN THAT IS GUARANTEED BY THE GOVERNMENT

ANSWER: (C) A LOAN MADE BY A GROUP OF LENDERS WHO SHARE THE RISKS AND BENEFITS

THANKS.

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