CAPITAL AND BANKING REGULATION-2.docx

136. Which of the following is NOT a component of Common Equity Tier 1 (CET 1) under Indian Basel III?

PNCPS → AT-1

a) Paid-up equity capital

b) Statutory reserves

c) Deferred tax assets

d) Perpetual cumulative preference shares

Tier 2 Answer

$$\text{CAR/CRAR} = \frac{\text{Capital Funds}}{\text{RWAs } (Cr + Mr + OR)}$$

Capital charge calculation

FIRB PD

AIRB

I PD

II LGD proportion

III EAD Amount drawn

IV M exposure residual maturity

INTEREST RATE RISK MANAGEMENT PRACTICES – 8.docx

137. Embedded option risk arises primarily from which bank product feature?

a) Fixed-rate bonds held to maturity

b) Loans with no prepayment penalty Answer

c) Floating-rate commercial paper repricing monthly

d) Matching durations of assets and liabilities

BFM 27D capital adequacy – Basel norms.docx

138. Basel III applies uniformly to all Indian commercial banks at solo and consolidated levels. Which entity is exempted from consolidated CRAR norms?

a) Foreign bank branches in India

b) Local Area Banks Ans.

c) Scheduled commercial banks

d) All Urban Co-operative Banks

Tier-2

general provision & reserves

max. 1.25% of RWAs

PCPS, RNCPS, RCPS

SA

loan is guaranteed by central govt → 0%

state govt → 20%

Important

Housing loans

LTV	Loan Amt	RW%
≤80%	upto 30 lac	35%
>80% ≤90%	upto 30 lac	50%
≤75%	>30L but ≤75L	35%
>75%	"	50%
Any LTV	Above 75 lac	50%

SUPERVISORY REVIEW PROCESS – 4.docx

139. Stress testing within ICAAP must at minimum include which of the following?

a) Only credit risk shocks

b) Both likely and unlikely but plausible events on material risk exposures

Answer

c) Historical worst single-day interest-rate moves only

d) Liquidity scenarios limited to overnight buckets

Revaluation reserves @55% discounts

Tier-1 → CET-1

Foreign translation reserve @25% discount

CET-1

BIA OR Operational Risk

GI

$\frac{\text{GI of last 3 years}}{3} \times \alpha\,(15\%)$

2019	20	21
250	-100	290

$\frac{250+290}{2} \times 15\%$

$\boxed{40.5}$

Liquidity management – 7.docx

140. RBI's maturity buckets framework for flow-based liquidity analysis includes all EXCEPT which of the following?

a) 8–14 days

b) 15–28 days

c) Over 6 months to 1 year

Ans d) 180–365 days as a standalone bucket

I. Net funding requirement
II. Market access
III. Contingency planning

1 Tomorrow
2. 2-7d
3 8-14d
4 15-28d
5 29—3M
6 3M—6M
7 6M—1y
8 1y—3yr
9 3yr—5yr
10 > above

PILLAR_3_market_discipline-5.docx

141. Which practice is essential under the Pillar 3 validation principle for qualitative and quantitative disclosures?

a) Self-certification by the CRO without audit

b) Consistency with audited financial statements and internal control reviews

Answer

c) Annual peer benchmarking surveys only

d) Ad-hoc updates upon media reports

at the end of september every year

Interim disclosure

Bank Capital fund ≥ 100 cr

≥ 500 cr

Tier-1, Tier-2, Total

quarterly basis

Components of Assets and Liabilities.docx

142. Which item would be correctly shown separately as a contingent liability rather than a balance-sheet liability?

a) Bills payable Current liability

b) Provision for income tax liability

Answer c) Outstanding forward exchange contracts Commitment/Contingent

d) Inter-office credit balances

NII → Net Interest Income → Short term volatility

= Int Income − Int Expenses

Volatility

NIM → Net Interest margin

$= \frac{NII}{\text{Avt of total Assets}}$

→ spread over the earning Assets

EER → Economic equity Ratio

$= \frac{\text{Shareholder's fund}}{\text{Total Assets}}$

asset classification and provisioning norms.docx

143. Which provisioning rate applies to an unsecured sub-standard asset for a non-infrastructure sector after one year?

a) 15%

b) 20% Answer

c) 25%

d) 40%

Sub-Std Asset

Secured: $\boxed{15\%}$

Unsecured: 25%

20% [infrastructure]

VOS → ab-initio

Secured ⇒ 10%

Unsec ≤ 10%

Q. O/S → 20 lac, VOS → 200000, Sub-Std

Amount of provision

Secured

Unsecured

VOS 2 Lac ≤ [10% of O/S]

Unsecured

$\boxed{25\%}$

500000

RAROC and profit planning.docx

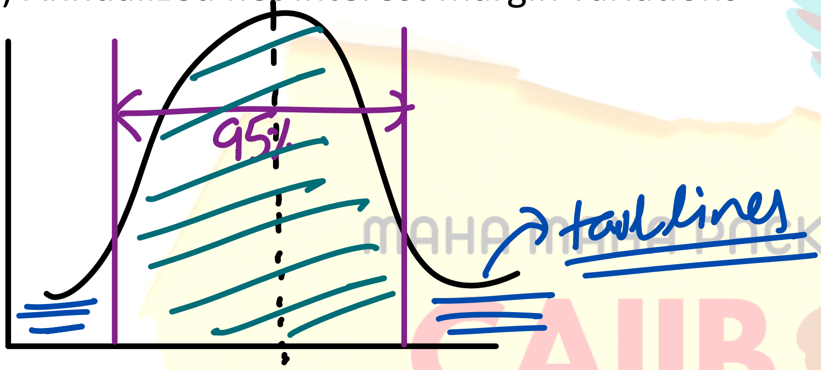
144. When comparing VaR-based capital to Worst-Case-Loss capital, which insight does Worst-Case provide that VaR does not?

a) Expected loss coverage at the mean of distribution

Answer b) Exposure to tail events beyond a specified percent confidence

c) The standard deviation of returns

d) Annualized net interest margin variations



Q. O/s → 25.70 lacs. Primary security → 8 lac

Collateral security → 10 lac

ECGC → 60%, personal guarantee → 30 lac

Calculate provision → 3 year NPA

Substd	12
DF I	12
DF II	24

	25,70,000
PS.	800000
CS.	1000000
	770000
	− 60%
	308000 unsecure

DF-II

RVS	Shortfall
40%	100%
18 lac	+ 3.08

720000 + 308000

1028000

CAPITAL AND BANKING REGULATION-2.docx

145. A bank's 50% investment in a non-equity instrument of a subsidiary must be deducted from which capital categories?

Equity

a) 100% from Tier I

b) 100% from Tier II

c) 50% from Tier I and 50% from Tier II

Answer

d) No deduction if below 10% threshold

ALM → micro → Business policies
allocating capital efficiently

ALM → macro → I profitability
II liquidity