Some Imp terminology for Bank Exams

by Ruchi

- **ATM** - Automated Teller Machine
  Definition- An electronic banking outlet, which allows customers to complete basic transactions without the aid of a branch representative or teller.
  Invented by- John Adrian Shepherd-Barron
  First Introduced in India by HSBC in 1987.

- **ALM**- Asset Liability Management
  Introduced in 1940's, there was an abundance of funds in banks in the form of demand and saving deposits. Hence, the focus then was mainly on asset management.

  Definition- The process by which an institution manages its balance sheet in order to allow for alternative interest rate and liquidity scenarios.

- **Bancassurance** –
  Introduced in 2002, Indian banks were permitted to do insurance business for the first time.
  Regulated by RBI and IRDA.
  Definition- Distribution of insurance products through a bank's distribution channel.

- **BoP** - Balance of Payments (used for export import Payments)
  Definition- The systematic record of all economic transactions between residents of a country and rest of a world in a given period is called the Balance of Payments.

  Components of BoP- Current Account and Capital Account
  Current Account- includes export, import and invisible items like receipt and payments**.**
  Capital Account- It includes private capital, banking capital and official capital. These 3 capital accounts have different criteria for investments**.**

- **CASA**- Current Account and Savings Account
  Different kinds of deposits — current account, savings account and term deposits — form the major source of funds for banks. The CASA ratio shows how much deposit a bank has in the form of current and saving account deposits in the total deposit.
  How is it important for banks?
  A higher CASA ratio means higher portion of the deposits of the bank has come from current and savings deposit, which is generally a cheaper source of fund. Many banks don't pay interest on the current account deposits and money lying in the savings accounts attracts a mere 3.5% interest rate. Hence, higher the CASA ratio better the net interest margin, which means better operating efficiency of the bank.

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- **CAD** - Capital Account Deficit
  The component of a nation's balance of payments that includes the outflow and inflow of ca pital (that is, the purchases of foreignassets and foreign purchases of domestic assets).
- **CBS** - Consolidated Banking Statistics/Core Banking Solution
  Definition- CBS Is the process which is completed in a centralized environment i.e. under which the information relating to the customer's account like financial dealings, profession, income, family members, etc. These info is stored in a central server of the bank which is available to all the networked branches instead of the branch server. The word core in CBS is stands for Centralized Online Real time Environment (Core).

- **CTT/STT-** Commodities Transaction Tax/ Securities Transaction Tax
  Definition- CTT is a tax levied on exchange-traded commodity derivatives in India on the lines of the Securities Transaction Tax or STT — a tax imposed on the purchase and sale of securities and their derivatives traded on stock exchanges in the local market.

- **CC** - Cash Credit
  Definition- CC is for working capital finance and which has a sanctioned limit but interest is charged on the basis of utilization of fund on the basis of daily balance. There is no fixed period for repayment of CC. However in term loan the loan is for a fixed period and interest is charged on the loan amount and repaid by fixed installment for a pre period.

- **CD** - Certificate of Deposit
  Definition- The *certificate of deposit* indicates that the investor has deposited a sum of money for specified period of time and at a specified rate of interest. CD rates, terms and dollar amounts will vary from institution to institution. CDs are not publicly traded securities.

- **CPI** - Consumer Price Index
  Definition- Consumer Price Index is an index number of the cost met by a specified class of consumers in buying a "Basket of goods and services".

- **CR** - Capital Receipts
  Definition-Capital receipts refer to those receipts which either create a liability or cause a reduction in the assets of the government. They are non-recurring and non-routine in nature.

- **Customer Relationship Management (CRM)**
  Definition- Customer relationship management (CRM) entails all aspects of interaction that a company has with its customers, whether it is sales or service-related. While the phrase customer relationship management is most commonly used to describe a business-

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customer relationship (B2C), CRM systems are also used to manage business to business to business (B2B) relationships. Information tracked in a CRM system includes contacts, clients, contract wins and sales leads and more.

❖ **CRR** - Cash Reserve Ratio

Definition-Cash Reserve Ratio (CRR) is a specified minimum fraction of the total deposits of customers, which commercial banks have to hold as reserves either in cash or as deposits with the central bank. CRR is set according to the guidelines of the central bank of a country.

❖ ECS - Electronic Clearing Scheme

Definition- ECS is an electronic mode of funds transfer from one bank account to another. It can be used by institutions for making payments such as distribution of dividend interest, salary, pension, among others.

It can also be used to pay bills and other charges such as telephone, electricity, water or for making equated monthly installments payments on loans as well as SIP investments. ECS can be used for both credit and debit purposes.

❖ EFT- Electronic Fund Transfer

Definition- An **electronic funds transfer (EFT)** is a transaction that takes place over a computerized network, either among accounts at the same bank or to different accounts at separate financial institutions.

❖ EMI- Equated Monthly Installments

Definition- EMI is equated monthly installment. EMI is monthly basis repayment of the loan amount taken. A loan amount, be it home loan, car loan or personal loan is paid back through a series of monthly payments. The monthly payment is in the form of postdated cheques drawn in favour of lender. EMI are paid until the total amount due is paid up. EMI is directly proportional to the loan amount taken and inversely proportional to time period.

How is EMI calculated?

EMI is made up of two variable components- principal amount and interest rate. The EMI is fixed but not the components. The component of interest amount is higher in initial years and decreases over the years. The component of principal amount is lower in initial years and increases over the years.

For this reason, if you consider pre-payment, you should do it in early years as you save on interest rate.

❖ EPF - Employees Provident Fund

Definition- A provident fund is created with a purpose of providing financial security and stability to elderly people. Generally one contributes in these funds when one starts as employee, the contributions are made on a regular basis (monthly in most cases). It's purpose is to help employees save a fraction of their salary every month, to be used in an

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event that the employee is temporarily or no longer fit to work or at retirement. The investments made by a number of people / employees are pooled together and invested by a trust.

- ***Employee Provident Fund (EPF)*** is implemented by the Employees Provident Fund Organization (EPFO) of India. Typically 12% of the Basic, DA, and cash value of food allowances has to be contributed to the EPF account. EPFO is a statutory body of the Indian Government under Labour and Employment Ministry. It is one of the largest social security organizations in the world in terms of members and volume of financial transactions undertaken.

- **FD- Fixed Deposits**
  A sum of money given to a bank, financial institution or company whereby the receiving entity pays interest at a specified percentage for the time duration of the deposit. At the end of the time period of the deposit the amount that is originally given is returned to the investor.

- **FEMA - Foreign Exchange Management Act**
  Introduced in 1999, is an Act of the Parliament of India "to consolidate and amend the law relating to foreign exchange with the objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India"
  Foreign Exchange Management Act or in short (FEMA) is an act that provides guidelines for the free flow of foreign exchange in India. It has brought a new management regime of foreign exchange consistent with the emerging frame work of the World Trade Organization (WTO). Foreign Exchange Management Act was earlier known as FERA (Foreign Exchange Regulation Act), which has been found to be unsuccessful with the proliberalisation policies of the Government of India.
  FEMA is applicable in all over India and even branches, offices and agencies located outside India, if it belongs to a person who is a resident of India.

- **GDP - Gross Domestic Product**
  Total Output produced by a country in a year.
  It is the market value for all final goods and services produced within a given period of time by factors by factors of production located in the country.

- **GNP- Gross Net Product**
  It is the total market value of all final goods and services produced within a given period by factors of production owned by a country's citizens regardless of where the output is produced.

Depreciation- it is the amount by which asset's value falls in a given period.
Net Interest- Interest paid by customers.

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Rental Income- Income received by property owners in form of rent.
Subsidies- are payments made by the government for which it receives no goods or service in return.

❖ GDR - Global Depository Receipt

Definition- A negotiable certificate held in the bank of one country representing a specific number of shares of a stock traded on an exchange of another country.

❖ GPD - Gross Primary Deficit

Definition*:* Gross Primary Deficit is Gross Fiscal Deficit less interest payments. Net Primary Deficit is Net Fiscal Deficit minus net interest payments. Net interest payment is interest paid minus interest receipt.

❖ HUF- Hindu Undivided Family

Definition- HUF is a family with husband, wife and children (and children's spouses if any) living together. The property owned by this family will be through lineal ascendants or any ancestors. There are a set of laws that govern property ownership, marriages, taxation etc for a legally declared HUF. IT department of India has a format of taxation for a HUF; tax benefits can be availed from this format.

❖ KCC- Kisan Credit Card

Kisan Credit Card is a pioneering credit delivery innovation for providing adequate and timely credit to farmers under single window. It is a flexible and simplified procedure, adopting whole farm approach, including short-term, medium-term and long-term credit needs of borrowers for agriculture and allied activities and a reasonable component for consumption need.
Under the scheme, beneficiaries are issued with a credit card and a pass book or a credit card cum pass book incorporating the name, address, particulars of land holding, borrowing limit, validity period, a passport size photograph of holder etc., which serves both as an identity card and facilitate recording of transactions on an ongoing basis.

❖ KYC- Know your customer

A standard form in the investment industry that ensures investment advisors know detailed information about their clients' risk tolerance, investment knowledge and financial position.

❖ LIBOR- London Inter Bank Operation Rate

The interest rate that the banks charge each other for loans (usually in Eurodollars).
This rate is applicable to the short-term international interbank market, and applies to very large loans borrowed for anywhere from one day to five years. This market allows banks with liquidity requirements to borrow quickly from other banks with surpluses, enabling

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banks to avoid holding excessively large amounts of their asset base as liquid assets. The LIBOR is officially fixed once a day by a small group of large London banks, but the rate changes throughout the day.

- **MIBOR- Mumbai Inter Bank Operation Rate**

  An overnight lending rate calculated daily by the National Stock Exchange of India. This rate is given to first class borrowers and lending institutions, and is based on an average of lending rates offered by major banks throughout India. Since its launch on June 15th 1998, this benchmark has been used to determine rates on nearly all money market deals made in India.

- **MICR- Magnetic Ink Character Recognition**

  Magnetic **I**nk **C**haracter **R**ecognition is a character recognition system that uses special ink and characters. When a document that contains this ink needs to be read, it passes through a machine, which magnetizes the ink and then translates the magnetic information into characters.

  MICR technology is used by banks. Numbers and characters found on the bottom of checks (usually containing the check number, sort number, and account number) are printed using Magnetic Ink. To print Magnetic Ink need, you need a laser printer that accepts MICR toner.

  MICR provides a secure, high-speed method of scanning and processing information.

- **MIS - Management Information System**

  The term MIS or Management Information Systems is basically referring to the system that is used for managing (in this case) a bank or banks daily transactions. It is a term coined to represent management of information whether it be a bank or your own household budget, but refers mainly to (again in this case), computerized accounting. However, MIS can represent a corporation's computerized system that handles all information for and about the corporation.

- NEFT- **National Electronic Fund Transfer**

  NEFT full form is National Electronic Fund Transfer, and it's a system of transfer between two banks on net settlement basis. Which means that each individual transfer from one account to another account is not settled or processed at that same moment, it's done in batches. A lot of transactions are settled in one go in each batches. Presently, NEFT services are available from 8:00 am to 6:30 pm on weekdays (Mon – Fri) and from 8:00 am – 12:30 pm on Saturday.

  Any NEFT Transfer done between 8 am – 5 pm generally gets settled on the same day, but if you deposit the money after 5 pm, then that will be settled the next working day. In case

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of Saturday, any money deposited between 8 am – 12 noon can be expected to reach the beneficiary account the same day.

❖ NFA - Non-Foreign Exchange Assets

The value of overseas assets owned by a nation, minus the value of its domestic assets that are owned by foreigners, adjusted for changes in valuation and exchange rates. A nation's Net Foreign Assets (NFA) position is also defined as the cumulative change in its current account over time. The net foreign assets position indicates whether the nation is a net creditor or debtor to the rest of the world. A positive NFA balance means that it is a net lender, while a negative NFA balance shows that it is a net borrower.

An alternative definition of “Net Foreign Assets” from the World Bank is that it is the sum of foreign assets held by monetary authorities and deposit money banks, less their foreign liabilities.

NPA- Non Performing Assets

The value of overseas assets owned by a nation, minus the value of its domestic assets that are owned by foreigners, adjusted for changes in valuation and exchange rates. A nation's Net Foreign Assets (NFA) position is also defined as the cumulative change in its current account over time. The net foreign assets position indicates whether the nation is a net creditor or debtor to the rest of the world. A positive NFA balance means that it is a net lender, while a negative NFA balance shows that it is a net borrower.

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❖ NPS- New Pension Scheme

New Pension System (**NPS**) is an initiative taken by Pension Fund Regulatory Development Authority (PFRDA). The scheme is aimed at promoting income security for its investors at their old age and is also an investment tool that provides market-based returns.

❖ OD - Over Draft

The word overdraft means the act of overdrawing from a Bank account. In other words, the account holder withdraws more money from a bank account than has been deposited in it.

❖ OMO - Open Market Operations

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When the central bank chooses to buy or sell govt bonds in the open market, in order to increase or decrease the amount of money as well as interest rates in the banking system.

- **PIN- Personal Identification Number**

A numerical code used in many electronic financial transactions. Personal identification numbers (PINs) are usually used in conjunction with usernames or other passwords. They are also usually required when using bank debit or credit cards, and most banks or financial institutions issue PINs separately from the cards through the mail.

PINs usually contain four digits. Not all electronic transactions use this number, but cash withdrawals from ATMs invariably require this code. PINs should be known only to the users and never disclosed to anyone else.

- **POS- Point OF Sales**

The place where sales are made. On a macro level, a point of sale may be a mall, market or city. On a micro-level, retailers consider a point of sale to be the area surrounding the counter where customers pay.
Also known as "point of purchase".

- **PIO - Persons of Indian Origin**

Persons of Indian Origin Card (**PIO** Card) was a form of identification issued to a Person of Indian Origin who held a passport in another country other than Afghanistan, Bangladesh, Bhutan, China, Nepal, Pakistan, Sri Lanka.

- **PUC - Paid Up Capital**

The amount of a company's capital that has been funded by shareholders. Paid-up capital can be less than a company's total capital because a company may not issue all of the shares that it has been authorized to sell. Paid-up capital can also reflect how a company depends on equity financing.

- **QIB- Qualified Institutional Buyer**

QIBs must be either domestic or foreign institutions. Individuals are not permitted to be QIBs, regardless of their level of wealth or financial sophistication.

QIBs are permitted to participate in the market for securities under Rule 144A, which is a safe harbor exemption from the SEC's registration requirements for securities. Transactions generally conducted under Rule 144A include: private placements of debt or preferred securities by public issuers, offerings by foreign issuers who wish to avoid U.S. reporting requirements, and common stock offerings by non-reporting issuers.

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- **QIP- Qualified Institutional Placement**
  A designation of a securities issue given by the Securities and Exchange Board of India (SEBI) that allows an Indian-listed company to raise capital from its domestic markets without the need to submit any pre-issue filings to market regulators. The SEBI instituted the guidelines for this relatively new Indian financing avenue on May 8, 2006.

- **RD- Recurring Deposit**
  Recurring deposit Account in a bank is a special account in which certain fixed amount can be deposited in every month for a specified period. The rate of interest in recurring deposit account is higher than savings account. After maturity period the total deposited amount along with accrued interest is paid to the account holder either in cash or by credit to the savings account in the same bank.

- **RD - Revenue Deficit**
  Revenue deficit is concerned with the revenue expenditures and revenue receipts of the government. It refers to excess of revenue expenditure over revenue receipts during the given fiscal year.

- **RE - Revenue Expenditure**
  Revenue deficit is concerned with the revenue expenditures and revenue receipts of the government. It refers to excess of revenue expenditure over revenue receipts during the given fiscal year.

- **RR - Revenue Receipts**
  Revenue receipts comprise interest and dividends on investment made by the government. Revenue receipts and capital receipts together implies the government's total cash inflow.

- **RTGS- Real Time Gross Settlement**
  Here the words 'Real Time' refers to the process of instructions that are executed at the time they are received, rather than at some later time. On the other hand "Gross Settlement" means the settlement of funds transfer instructions occurs individually (on an instruction by instruction basis). The settlement of funds actually takes place in the books of RBI and thus the payments are considered as final and irrevocable.

- **RWA - Risk Weighted Asset**
  Risk weighted assets is a measure of the amount of a banks assets, adjusted for risk. The nature of a bank's business means it is usual for almost all of a bank's assets will consist of loans to customers. Comparing the amount of capital a bank has with the amount of its assets gives a measure of how able the bank is to absorb losses. If its capital is 10% of its assets, then it can lose 10% of its assets without becoming insolvent.

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- **SLR- Statutory Liquidity Ratio**

  Every bank in India has to maintain at the close of business every day, a minimum proportion of their net demand and time liabilities as liquid assets in the form of cash, gold and un-encumbered approved securities. The ratio of liquid assets to demand and time liabilities is known as Statutory Liquidity Ratio (SLR).

  In simple words, it is the percentage of total deposits banks have to invest in government bonds and other approved securities. A SLR bond also qualifies for the portfolio maintained by banks to meet the liquidity requirement.

- **SHGs - Self-Help Groups**

  Self Help Group is a homogeneous group of micro entrepreneurs with affinity among themselves, voluntarily formed to save whatever amount they can conveniently save out of their earnings and mutually agree to contribute to a common fund of the group from which small loans are given to the members for meeting their productive and emergent credit needs at such rate of interest, period of loan and other terms as the group may decide.

- **SSI - Small-Scale Industries**

  Small Scale and ancillary units (i.e. undertaking with investment in plant and machinery of less than Rs. 10 million) should seek registration with the Director of Industries of the concerned State Government.

  The main purpose of Registration is to maintain statistics and maintain a roll of such units for the purposes of providing incentives and support services.

- **TB - Treasury Bills**

  It represent short-term borrowings of the government. These are very popular and enjoy higher degree of liquidity since they are issued by government.

- **TDR- Term Deposit Rate**

  It refers to the amount of money in interest paid on the maturity date for a specified amount of money placed in a Term Deposit. Term Deposits generally carry a fixed rate of interest.

- **VAT- Value Added Tax**

  A tax on the amount by which the value of an article has been increased at each stage of its production or distribution.

- **VVR- Voucher Verification Report**

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A two-part combination of a cheque and voucher. Also known as a remittance advice, the voucher details the reason for the payment by the issuer of the check. The recipient of the voucher check detaches the voucher and retains it for record-keeping before cashing the check.

- **WPI- Wholesale Price Index**
  An index that measures and tracks the changes in price of goods in the stages before the retail level. Wholesale price indexes (WPIs) report monthly to show the average price changes of goods sold in bulk, and they are a group of the indicators that follow growth in the economy.

- **Y o Y- Year on Year**
  YOY' A method of evaluating two or more measured events to compare the results at one time period with those from another time period (or series of time periods), on an annualized basis. **Year**-over-**year** comparisons are a popular way to evaluate the performance of investments.

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