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# General Banking Knowledge



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# Module 1

By the end of the session, you will know:

- **Types of Customers**
- **Retail Banking – Liabilities Product**

Notes

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# Types of Customers



## Individuals

- Adult/s
- Minor
- Senior Citizen
- Women
- Corporate Salary
- Non-Resident



## Non - Individuals

- Proprietorship
- Partnership
- Company
  - Public
  - Private

Notes



## Types of Customers

### Individual Customers – ADULT/s

- A resident individual 18 years or more
- Valid documents for identification and address confirmation
- Signing and operating instructions clear
- Account to be opened after meeting the customer/s in person
- Nomination insisted for single accounts



Notes

## Types of Customers

### Individual Customers - MINOR

- An individual below the age of 18
- Minor of any age can open account. This account will be jointly opened with the parent/guardian.
- Minors above the age of 10 who can sign uniformly can open in their name
- On majority, the existing account is converted to normal adult account



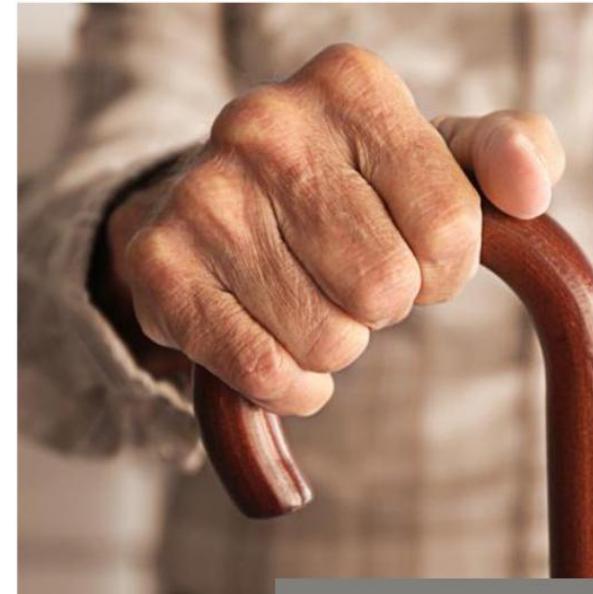
Notes

## *Types of Customers*

### Individual Customers – Senior Citizens

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- Age group of 60 years and above
- Resident individuals in sole or joint names
- First applicant - senior citizen
- An extra 0.5% rate of interest is paid on Fixed Deposits
- Senior Citizens Savings Scheme



Notes

## Types of Customers

### Individual Customers – Corporate Salary

- Employees drawing a specified minimum take home salary.
- Employees of corporates empaneled with the bank
- Customized for all employees
- Internet based salary upload process
- National Payment System available at special rates
- Stand alone ATMs at Corporate premises



Notes

### Hindu Undivided Family

- Is a joint family of all lineally descended from a common ancestor.
- An undivided family is ordinarily joint, in estate, in food and worship
- The "senior member" of family is "Karta"
- Other members are "coparcener"
- The degree of the coparcener limited to four degree - First time holder, Children, Grandchildren and great grandchildren



Notes

### Individual Customers – NON-RESIDENT

- Non-Resident Indian is an Indian citizen, Person of Indian origin, resident outside India for purposes of employment, carrying on business or vocation
- An individual will also be considered NRI if his stay in India is less than 182 days during the preceding financial year.



Notes

## Demand Deposit and Fixed Deposit Account (INR)

**NRE**  
Non-Resident External

**NRO**  
Non-Resident Ordinary

## Demand Deposit and Fixed Deposit Account (FCY)

**RFC**  
Resident Foreign Currency

## Fixed Deposit Account (FCY)

**FCNR**  
Foreign Currency Non-Resident

Notes



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### NON-RESIDENT – NRE

- Is a Savings account or a Term Deposit, an NRI can hold his foreign income
- The funds are repatriable without any restrictions
- This account is maintained in Indian Rupees only.
- Interest earned on NRE account is fully exempt from income tax
- Credited with foreign inward remittances, foreign currency and special local credits.



Notes

### NON-RESIDENT –NRO

- NRI can manage his income earned in India such as rent, dividends, pension.
- Is maintained in Indian Rupees only.
- All types of deposit accounts (SB, Current, TD) can be opened under NRO
- The period and rate of interest is the same as that of domestic deposit
- The balance in the account is repatriable only to the extent permitted by the RBI



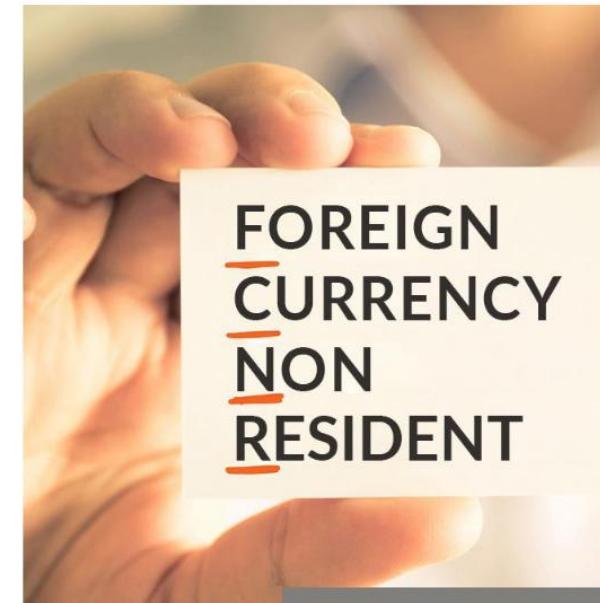
Notes

## Types of Customers



### NON-RESIDENT –FCNR

- It is a Fixed Deposit in permitted Foreign Currency
- This account is maintained in Foreign Currency only.
- The rates on deposit are decided by banks
- The funds are repatriable without any restrictions
- Interest earned on FCNR account is fully exempt from income tax



Notes



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## Types of Customers

### NON-RESIDENT –RFC

- An account maintained by a resident Indian in foreign currencies
- NRIs who have returned to India after at least one year
- It can be funded with any foreign currency
- If status changes to NRI again, this money can be transferred to an NRE/FCNR A/c
- The account holder can deposit in this account all foreign exchange



Notes

## Types of Customers



### FIRMS - PROPRIETORSHIP

- Owned by an individual
- No legal distinction - individual & business
- Single owner of P & L
- Proprietor has unlimited liability
- Easy formation, single-handed control
- Business is discontinued after the death, illness, lunacy etc. of the proprietor
- Not governed by any Act



### FIRMS – PARTNERSHIP

- Indian Partnership Act, 1932
- Based on Agreement or Contract
- Banking Business – Min 2 to Max 10
- Non-Banking Business – 2 to not more than 50
- No transfer of Interest
- Unlimited Liability
- Implied Authority
- Registration
- Dissolution



Notes

## *Types of Customers*

### FIRMS – COMPANY - PUBLIC LIMITED

- Separate legal entity from its owners
- Perpetual Succession
- Limited Liability
- Common Seal
- Shareholders –7 to unlimited
- Sale of securities by IPO through Stock Exchange
- Certificate of Commencement of business, Certificate of Incorporation, MoA, AoA and Board Resolution



Notes

## Types of Customers

### FIRMS – COMPANY – PRIVATE LIMITED

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- Separate legal entity from its owners
- Perpetual Succession
- Limited Liability
- Common Seal
- Members – From 2 to 200
- Shares not easily transferable, cannot be traded through stock exchange
- Certificate of Incorporation, MoA, AoA and Board Resolution



Notes



# Types of Customers



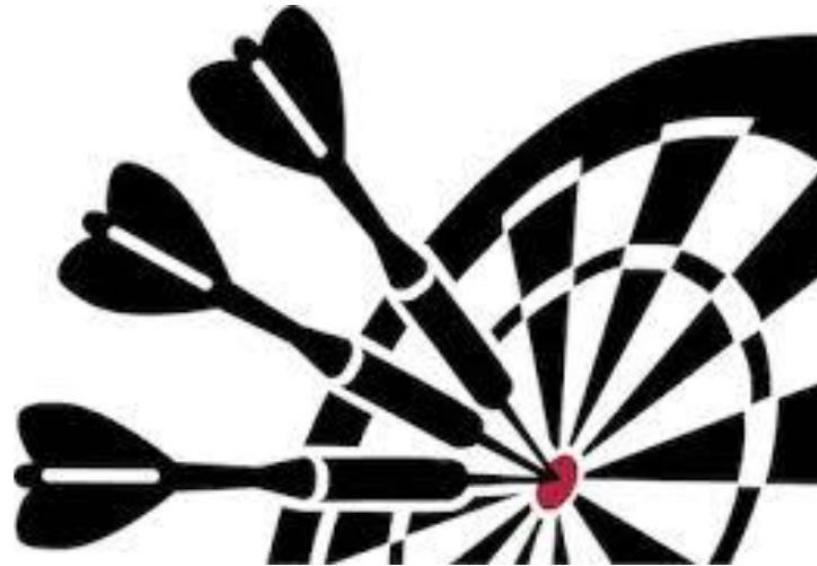
## FIRMS – COMPANY

Basis of Difference	Private Company	Public Company
No. of members	Minimum 2 members and Maximum 200 are required.	At least 7 members are minimum to be present and no restriction on the maximum limit.
Invitation to Public	Cannot issue a prospectus for inviting public.	It must issue a prospectus for inviting public for the purchase of its shares.
Transferability of Shares	Shares can't be freely transferred.	Shares can be freely transferred.
The use of word 'Limited'	It is compulsory to use the word 'Private Limited' at the end of the name.	It is compulsory to use the word 'Limited' at the end of the name.
Compulsion of AOA	Compulsory to make their own AOA.	Not compulsory to make their own AOA.
Annual Report	It is not compulsory to submit the annual report.	It is compulsory to submit the annual report.
Independent Directors	No arrangement for Independent directors.	In public company, one-third of the directors should be independent directors.

Notes

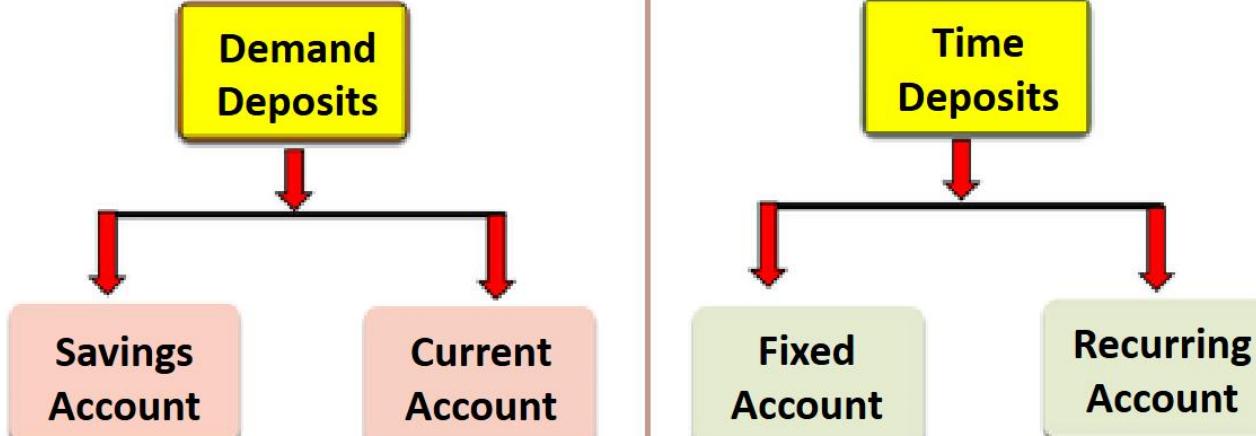
## Module 2

- By the end of the session, you will know:
- Types of Customers
- Retail Banking – Liabilities Products



Notes

## Types of Accounts



Notes

### Savings Account

- Promotes habit of savings
- Interest-bearing Demand Deposit
- Interest rate - decided by the bank
- Offers security
- Most Liquid
- Opened by individuals or firms
- Offers cheque book, Passbook, Debit Card, Net banking and other forms of electronic banking



Notes

### Savings Account

- Promotes habit of savings
- Interest-bearing Demand Deposit
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Notes

## Current Account

- Conduct business transactions smoothly
- Usually a non-interest-bearing Demand Deposit account
- No restrictions on number of transactions
- Minimum balance requirements are higher than Savings bank account
- Can be opened by individuals or firms
- Offers cheque book, Passbook, Debit Card, Net banking and other forms of electronic banking



Notes

### Fixed Deposit Account

- Fixed amount is deposited
- The deposit is for a Fixed Term (7 days to 10 years)
- The deposit is decided at a Fixed rate of return
- Deposit can be withdrawn prematurely, with/without penalty
- Can be opened by Individual/Joint individuals and firms
- Overdraft is available against Fixed Deposits



Notes

### Recurring Deposit Account

- Amount invested on monthly basis for a fixed rate of return
- Tenure from 6 months to 10 years
- Period of deposit is minimum six months and maximum ten years.
- No premature withdrawals are allowed
- Banks provide loan facility against Recurring Deposits.



Notes



## *Liabilities Products*

### Interest Calculation

- The interest on savings account is calculated on daily outstanding balance.
- The formula for the same is as follows:
  - **Interest on savings account**
  - **equals**
  - **Daily balance \* Rate of interest \* No. of days/365**

Notes



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## Retail Banking

- Is the annual growth of your investments over a specific period.
- Measure of earnings on your investments every year during a given interval.
- CAGR can be negative too

Notes

## Retail Banking

- AQB is the average balance to be maintained over a complete quarter.
- It is sum of the end of day balance for each day in a quarter, divided by number of days in the quarter
- AQB differs for various banks and various accounts.
- Bank account holders are required to maintain a minimum AQB, failing which Banks levy a penalty charge for non-maintenance



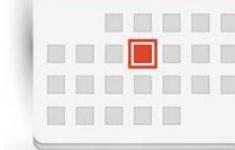
Average Quarterly  
Balance

Notes

# Retail Banking

- AMB is the average balance to be maintained in the account over a period of a complete month.
- It is sum of the end of day balance for each day in a month, divided by number of days in the month
- AMB differs for various banks and various accounts.
- Bank account holders are required to maintain a minimum AMB, failing which Banks levy a penalty charge for non-maintenance

monthly



Average Monthly  
Balance

Notes

## Nomination

- It is a facility available to individuals, proprietorships and safe deposit lockers
- Only living individual can be nominated per bank account, irrespective of number of holders
- Trusts & Pets cannot be nominated
- Customers can nominate individuals who can claim the balance in accounts or contents of locker Only one nominee is permitted for a saving account, multiple nominations can be made for Lockers
- All accounts/lockers should be nominated



Notes

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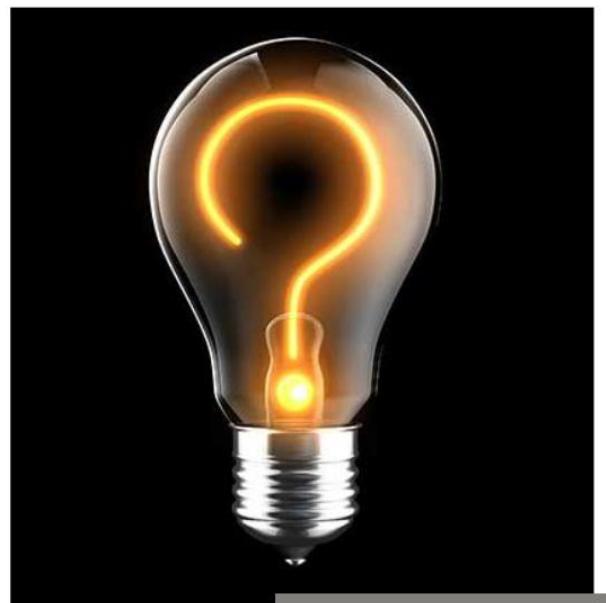
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- Think and share your response



Notes

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# KYC - Customer Acceptance Policy

- KYC:
  - Customer Identification Process
  - Customer Acceptance Policy
  - Monitoring of Transactions
  - Risk Management



Notes

## KYC - Customer Acceptance Policy

- Explicit criteria for acceptance of customers
- No account is to be opened in anonymous or fictitious names
- Parameters of risk perception to be clearly defined
- Not to open a new account or close an existing account where the bank is unable to apply due diligence



Notes

## KYC - Customer Identification Process

- Identifying the customer by using a source document
- Obtaining address proof
- Recent colored photograph
- Verify firm identification
- Obtain proof of address of the firm
- Legal ownership document
- Operating and Signing instruction
- Documents obtained at account opening & updated periodically



Notes



# KYC - Customer Identification Process

## Documents

### Individuals

- (i) Passport
- (ii) PAN card
- (iii) Voter's Identity Card
- (iv) Driving license
- (v) Identity card (subject to the bank's satisfaction)
- (vi) Letter from a recognized public authority or public servant
- vii. Telephone bill
- viii. Bank account statement
- ix. Letter from any recognized public authority
- x. Electricity bill
- xi. Ration card
- xii. Letter from employer (subject to satisfaction of the bank)

Notes



# KYC - Customer Identification Process Documents

## Partnership Firms

- (i) Registration certificate, if registered
- (ii) Partnership deed
- (iii) Power of Attorney granted to a partner or an employee of firm to transact business on its behalf
- iv. Officially valid document identifying partners, persons with POA, addresses
- v. Telephone bill in the name of firm/partners
- vi. Names of all partners & addresses

Notes



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# KYC - Customer Identification Process Documents

## Companies

- (i) Certificate of incorporation and MoA & AoA
- (ii) Resolution of the Board of Directors to open an account, authority to operate the account
- (iii) POA by its managers, to transact business on its behalf
- iv. Copy of PAN allotment letter
- v. Copy of the telephone bill
- v. Copy of any License issued by Government
- vi. Any other legal document issued by Government

Notes



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## Monitoring of Transactions

- Banks should understand the usual activities of the customer
- Special attention to all complex, unusual and large transactions, especially in cash
- Monitoring should depend on the risk sensitivity of the account
- Risk categorization of accounts should be periodically reviewed



Notes

## Risk Profiling

- Risk profile contains customer's identity, social/financial status, nature of business activity etc.
- Source of funds and regular pattern to be seen
- Risk categorization reviewed periodically for all customers
- Customers can be profiled as:
  - Low Risk
  - Medium Risk
  - High Risk



Notes

## Prevention of Money Laundering Act 2002

- Prevent, control money laundering
- Confiscate, seize the property from the laundered money
- Deal with other issues with money laundering in India
- AML compliance - four pillars:
  - Development of internal policies, procedures and controls,
  - Designation of AML office,
  - Training of employees and
  - Independent testing



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Notes

## *Stages in Money Laundering*

- **Placement** - Initial entry of the "dirty" proceeds of crime into the financial system
- **Layering** - The ownership and source of money is disguised.
- **Integration** - Money is returned to the criminal through legitimate sources



Notes

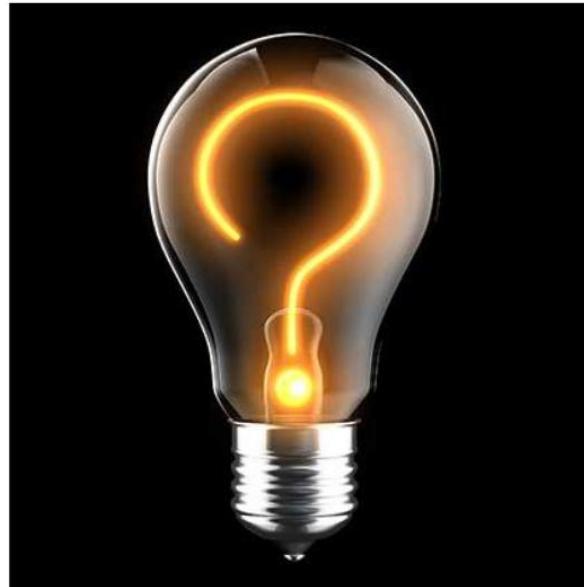
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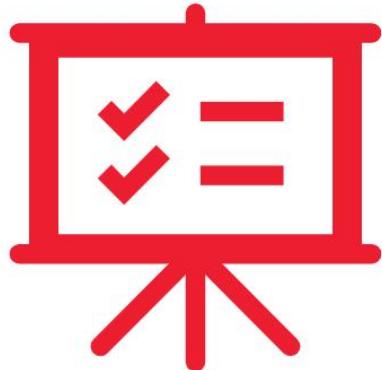
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# Let's do a quick recap

- Savings Account - Individual, Joint, Minor, HUF, NR (NRO, NRE, FCNR, RFC)
- Current Account - Proprietorship, Partnership, Company
- Fixed Deposits (incl. TDS)
- Recurring Deposits
- KYC/AML
- Interest Calculation, CAGR, AQB, AMB
- Locker Facility
- Nomination

Notes



# THANK YOU

Notes



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