

1. Introduction to BFSI

The Banking, Financial Services and Insurance (BFSI) sector is India's largest and most regulated industry, comprising commercial banks, cooperative banks, NBFCs, payment service providers, insurance companies, asset managers, and capital markets intermediaries. BFSI enables payment systems, credit intermediation, risk management (insurance), and investment services that support individuals, businesses, and the broader economy. Key characteristics: high regulatory oversight, capital and liquidity requirements, complex risk types (credit, market, operational, liquidity, cyber), and rapidly changing technology adoption.

2. Compliance, Audits & Key Guidelines (Latest — 2024–2025 highlights)

2.1 Mandatory Regulatory Norms & Standards (Sector-wise)

- Basel III (Capital Adequacy & Buffers)

What: Global banking standard to strengthen bank capital requirements, risk coverage, and market discipline. Key metrics include CET1, Tier-1 capital, CRAR (Capital to Risk-weighted Assets Ratio), Capital Conservation Buffer (CCB), and leverage ratios.

Why important: Ensures banks have sufficient high-quality capital to absorb losses and protect depositors, reducing systemic risk.

Authority: Basel Committee on Banking Supervision; implemented in India by the Reserve Bank of India (RBI).

Key requirement: Minimum CRAR and CET1 thresholds with additional buffers (e.g., CCB 2.5%).

- Liquidity Standards (LCR & NSFR)

What: Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are Basel liquidity standards requiring banks to hold sufficient liquid assets and stable funding profiles.

Why important: Ensure short-term and structural liquidity resilience during stress scenarios.

Authority: RBI (implements Basel liquidity standards in India).

Key requirement: LCR to cover 30-day stress; NSFR to ensure stable funding over a 1-year horizon.

- Prompt Corrective Action (PCA) & CAMELS

What: Supervisory frameworks to act early on banks showing signs of stress. CAMELS assesses Capital, Assets, Management, Earnings, Liquidity, and Systems.

Why important: Enables regulator to impose restrictions to protect financial stability.

Authority: Reserve Bank of India (RBI).

Key requirement: Triggers based on capital, asset quality (NPAs), profitability, etc., leading to restrictions on lending, branch expansion, dividends.

- KYC / AML / CFT (PMLA, FIU-IND)

What: Anti-Money Laundering and Counter-Terrorist Financing rules including Know Your Customer (KYC), Customer Due Diligence (CDD), and Suspicious Transaction Reporting (STR/CTR).

Why important: Prevents misuse of the financial system for money laundering and terrorist financing.

Authority: RBI, FIU-IND, Ministry of Finance; law: Prevention of Money Laundering Act (PMLA).

Key requirement: Robust KYC at onboarding, continuous transaction monitoring, timely STR/CTR filing.

- DPDP Act & Data Protection Rules (2023–2025)

What: India's Digital Personal Data Protection (DPDP) Act establishes obligations for data fiduciaries, consent, purpose limitation, and cross-border transfer rules.

Why important: Protects customers' personal data and prescribes legal obligations on data processing.

Authority: Parliament of India / MeitY; operational rules and Data Protection Board guidance.

Key requirement: Lawful processing, informed consent, data minimization, and safeguards for cross-border transfers.

- PCI-DSS (Payment Card Industry Data Security Standard)

What: Global standard for protecting cardholder data across storage, processing, and transmission (latest major version PCI DSS 4.0).

Why important: Prevents card data breaches and fraud, mandatory for entities handling card payments.

Authority: PCI Security Standards Council (industry standard); enforced contractually by card schemes and acquirers.

Key requirement: Controls across network security, access control (MFA), encryption, logging, and regular assessments.

- SEBI LODR & Capital Market Regulations

What: Listing Obligations & Disclosure Requirements (LODR), insider trading rules, client protection, and reporting norms for market intermediaries.

Why important: Market integrity, investor protection, timely disclosure, and corporate governance standards.

Authority: Securities and Exchange Board of India (SEBI).

Key requirement: Regular disclosures, board governance, related-party transaction rules, and compliance reporting.

- **IRDAI Solvency & Governance Norms**

What: Minimum solvency margin (typically 1.5 or 150%), corporate governance, product filing, and claims settlement timelines (e.g., 30-day rule).

Why important: Ensures insurers can meet policyholder obligations and operate prudently.

Authority: Insurance Regulatory and Development Authority of India (IRDAI).

Key requirement: Maintain solvency ratio, actuarial reporting, and adherence to product filing and distribution rules.

- **NBFC Scale-Based Regulation (SBR)**

What: RBI's layered regulatory framework that categorizes NBFCs into Base, Middle, Upper, and Top layers with proportionate compliance.

Why important: Tailors regulatory intensity to systemic importance and risk profile.

Authority: Reserve Bank of India (RBI).

Key requirement: Capital norms, governance, and reporting obligations vary by layer; top layers face stricter capital and disclosure mandates.

- **Digital Lending Guidelines & Key Fact Statement (KFS)**

What: RBI guidelines to protect digital borrowers: direct bank-to-borrower funds flow, mandatory Key Fact Statement (KFS), APR disclosure, cooling-off period.

Why important: Prevents predatory lending and protects consumer rights in digital lending.

Authority: Reserve Bank of India (RBI).

Key requirement: Transparent disclosure of APR, no third-party fund flows, clearly visible fees, and a cooling-off period.

- **NPCI / UPI Operational & Security Rules**

What: Rules and technical standards for UPI, NPCI-managed schemes (UPI, IMPS, NACH), tokenization and merchant on-boarding.

Why important: Ensures secure, interoperable retail payment systems across India.

Authority: National Payments Corporation of India (NPCI) and RBI oversight.

Key requirement: API security, transaction limits, settlement cycles, and tokenization for card data.

- **DPDP & Cross-Border Data Transfer Rules (2025 drafts)**

What: Specific conditions under DPDP Rules 2025 for transferring personal data outside India, including approved countries/mechanisms.

Why important: Protects national sovereignty over data while enabling legitimate cross-border business.

Authority: Digital Personal Data Protection Act (DPDP) and its Rules.

Key requirement: Adequate safeguards, approvals, or contractual clauses for cross-border transfer.

- Cybersecurity & RBI Cyber-Resilience Framework

What: RBI directives requiring board-approved cyber policies, 24x7 C-SOC, VAPT, incident reporting timelines, and third-party risk management.

Why important: Protects critical financial infrastructure from cyber threats and operational disruptions.

Authority: Reserve Bank of India (RBI).

Key requirement: Board oversight, continuous monitoring, mandatory incident reporting, and regular audits/VAPT.

- Payment Card Tokenization & Positive Pay

What: Tokenization mandates replace actual card data with tokens; Positive Pay prevents cheque fraud for high-value cheques.

Why important: Reduces fraud risk and improves transaction security.

Authority: RBI (tokenization mandates) and RBI circulars for Positive Pay.

Key requirement: Tokenize stored card data and pre-notify high-value cheques per Positive Pay rules.

- Basel III 'Endgame' & Disclosures (CRAR, CCB)

What: Final elements of Basel III implementation (often called the 'endgame') requiring enhanced disclosures and higher quality capital.

Why important: Greater transparency and resilience across banks.

Authority: RBI (implements Basel III disclosures and buffers in India).

Key requirement: Public disclosures on capital composition, risk-weighted assets, leverage, and buffer calculations.

- Other mandatory norms and industry standards

Includes: FATF recommendations (AML/CTF), Companies Act (corporate governance), Income-tax and GST compliance for financial transactions, PCI-DSS, and relevant ISO standards for information security (e.g., ISO/IEC 27001).

Overview:

Compliance in BFSI spans sectoral regulators (RBI, SEBI, IRDAI, PFRDA), national laws (DPDP Act), global standards (Basel, FATF), and industry standards (PCI-DSS). 2024–2025 has seen accelerated rulemaking across cyber-resilience, data protection, digital lending, and audit standards — driven by rapid digital adoption and systemic risk concerns.

Selected 2024–2025 regulatory highlights (authoritative sources):

- ICAI Guidance Note on Audit of Banks — 2025 edition: updated audit expectations, emphasis on internal financial controls, and bank-specific audit procedures for digital

products and third-party dependencies.

- RBI Master Directions & FAQs (KYC, Fraud Risk Management, Cyber/Digital payment controls): strengthened guidance for fraud risk frameworks, cloud vendor governance and digital deposit/runoff reporting.
- SEBI regulatory updates (2024–2025): continued amendments to LODR, insider trading rules, enhanced disclosure regimes and new procedural regulations in 2025.
- IRDAI circulars & master circulars (2025): new guidance on rural/social sector obligations, motor & health product reforms and fraud-monitoring frameworks.
- DPDP Act operational rules (drafts and consultations in 2025): practical obligations for consent management, cross-border transfer safeguards, purpose limitation and data fiduciary duties.

Audit & assurance implications:

1. Internal audits must expand coverage to digital channels, third-party/cloud risk, AI/ML model governance and data protection controls.
2. External statutory audits will increasingly assess 'controls over digital lending', 'payment interface stability', and 'incident response' readiness per regulator checklists. See ICAI guidance for audit-of-banks specifics.

Cyber & Payment controls:

RBI's cyber-resilience directives and digital payment security controls for PSOs and banks require stronger logging, reconciliation, segregation of duties, and 24x7 security operations; these are now central to compliance testing and regulator inspections.

3. Q/A (Excluded)

The full Q/A set (~2400 items) has been prepared separately and is NOT included in this document as requested. Use the existing KB file for Q/A lookup.

4. Workflows — Sector-by-Sector (high-level)

Banking (Retail, Corporate, Treasury):

- Customer onboarding -> KYC/CDD -> Account setup -> Transaction processing -> Reconciliation & EOD -> AML monitoring & reporting -> Customer servicing & dispute resolution.
- Key control points: KYC/CDD, transaction authorization, EOD reconciliation, AML CTR/STR filing, loan sanction and monitoring.

Payments & Fintech:

- Merchant/Customer onboarding -> Payment initiation (UPI/Netbanking/Cards) -> Authorization -> Clearing (NPCI/Acquirer) -> Settlement -> Reconciliation & Settlement SRN -> Chargeback/Refund workflows.
- Key control points: tokenization, API rate-limits, reconciliation, settlement netting, and fraud detection.

Insurance (Life & General):

- Product design & filing -> Distribution onboarding (agents/IMFs/BCs) -> Policy issuance -> Premium collection -> Claims FNOL -> Survey/Assessment -> Adjudication -> Settlement.
- Key control points: underwriting rules, claim adjudication timelines (IRDAI 30-day rule), TPA oversight, and subrogation/reinsurance coordination.

Capital Markets & Asset Management:

- Client onboarding (KYC/KRA) -> Order placement -> Trade execution -> Clearing & Settlement (T+1) -> Custody/Asset servicing -> NAV calculation (mutual funds) -> Reporting & compliance.
- Key control points: order surveillance, custody reconciliation, margining, and disclosure/reporting under SEBI LODR.

5. Pain Points — By Sector

Banking:

- Legacy core systems (CBS) hindering product velocity and integration.
- Rising cyber threats and third-party/cloud risk.
- Asset quality pressures and liquidity management in stressed sectors.

Payments & Fintech:

- Fraud, API abuse, and reconciliation gaps between PSPs and banks.
- Regulatory compliance burden (tokenization, PCI-DSS, UPI rules).

Insurance:

- Low customer engagement & distribution inefficiencies.
- Claims fraud detection and TPA dependency.

Capital Markets:

- Market surveillance complexity and risks from algorithmic trading.
- Rapid regulatory changes (e.g., T+1 settlement) requiring operational revamps.

6. Solutions to Pain Points (Practical + Regulatory Alignment)

Modernization & Architecture:

- Move core modules to cloud-native microservices with strong CSP due diligence and exit plans (RBI cloud guidance).
- Adopt API-first design, idempotent transaction models, and robust versioning to reduce integration risk.

Cyber, Data & Model Governance:

- Implement 24x7 SOC/C-SOC, regular VAPT, and threat-hunting programs; ensure PCI-DSS compliance for card-handling flows.
- Build AI model governance (FATE: fairness, accountability, transparency, explainability) for credit/underwriting models per regulator expectations.

Operational Controls & Auditability:

- Strengthen reconciliation, implement Positive Pay for high-value cheques, and automate EOD controls.
- Expand internal audit remit to include fintech partnerships, cloud contracts, and data protection audits (ICAI audit guidance).

Customer & Distribution:

- Improve digital UX, introduce micro-insurance and parametric products for underserved segments, and adopt omnichannel servicing to boost engagement.

7. Fintech Companies — Mapped to BFSI Subsectors

Payments & Wallets: Paytm, PhonePe, Google Pay (India), Razorpay, Pine Labs, MobiKwik.

Lending & Credit Tech: Lendingkart, InCred, KreditBee, BankBazaar (loan marketplace), Faircent (P2P).

Insurtech & Aggregators: PolicyBazaar, Digit Insurance, Acko, Plum.

Wealth & Broking: Zerodha, Upstox, Groww, Paytm Money.

BaaS / APIs & Banking Infrastructure: RazorpayX, Cashfree, Niyo (neobank), Juspay (payments infra).

For each fintech, typical value-adds: onboarding UX, alternative data for underwriting, instant payment rails, risk-scoring engines, and merchant or SME servicing platforms.

8. How Fintechs Work (Patterns & Sample Workflows)

Typical Payments Fintech Workflow:

1. Merchant onboarding (KYC, bank linkage) -> 2. Integration (SDK/api) -> 3. Transaction acceptance -> 4. Authorization & tokenization -> 5. Settlement to merchant -> 6. Reconciliation & payouts.

Key controls: PCI compliance, tokenization, reconciliation cadence, dispute/chargeback handling.

Typical Lending Fintech Workflow:

1. Customer onboarding & Soft KYC -> 2. Alternative data pull (GST, bank statements via AA) -> 3. Automated credit scoring (ML) -> 4. Offer + disbursement -> 5. Repayment monitoring -> 6. Collections & NPA escalation.

Key controls: KFS/APR disclosure (Digital Lending Guidelines), cooling-off period processes, and EDD for high-risk borrowers.

Typical Insurtech Workflow:

1. Product design -> 2. Digital quote & purchase -> 3. Policy issuance (e-delivery) -> 4. FNOL -> 5. Digital claim assessment (AI-assisted) -> 6. Settlement & subrogation.

Key controls: IRDAI product filing, TPA oversight, fraud detection models, and claim adjudication timelines.

9. Major Companies & Signature Projects (Examples)

Banks & Core Modernization:

- SBI / large PSBs: large legacy modernization and core migration programs to enable real-time banking and improved APIs.
- HDFC Bank & ICICI: advanced digital and AI initiatives for personalized customer journeys, real-time fraud detection, and automated lending using AI.

Recent RBI measures on digital deposit run-off and liquidity implications affect how banks design deposit products.

Payments & NPCI:

- NPCI: continuous UPI feature rollouts (including UPI 123Pay, autopay, stability/throughput rules). PSPs must follow NPCI circulars for feature adoption and limits.

Insurers & Product Innovation:

- IRDAI reforms (2025) include PAYD/PHDY motor telematics and expanded OPD/wellness coverage in health — enabling new product designs and telematics vendors.
- Major insurers and insurtechs are piloting telematics and wellness-linked pricing models.

Supplementary: Guidelines, Audits, and Compliance — Importance and Regulatory Framework

In the BFSI sector, compliance, audits, and regulatory guidelines form the foundation of financial stability, customer trust, and operational transparency. They ensure that institutions function within legal, ethical, and prudential boundaries, protecting consumers and maintaining systemic integrity. Failure to adhere can lead to monetary penalties, loss of license, or reputational harm.

Key Elements and Their Importance

1. Compliance:

- Compliance ensures all financial entities adhere to laws, regulations, and internal policies. It covers KYC/AML norms, risk management frameworks, cyber-resilience, and fair customer treatment.
- Importance: Prevents fraud, ensures transparency, strengthens consumer protection, and aligns with global best practices like FATF, Basel III, and ISO 27001.
- Key Authorities: Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI), Pension Fund Regulatory and Development Authority (PFRDA), and Ministry of Finance (MoF).

2. Audits:

- Audits verify compliance effectiveness, internal control strength, and operational soundness. They include internal, statutory, concurrent, and system audits.
- Importance: Enhances accountability, detects early warning signals of fraud or NPAs, and validates financial reporting accuracy.

- Key Guidelines: ICAI 'Guidance Note on Audit of Banks (2025)', RBI's audit frameworks for cooperative banks, and SEBI's internal audit norms for brokers and mutual funds.

3. Regulatory Guidelines:

- These define standards for governance, data protection, risk management, capital adequacy, and consumer protection.

- Examples of Core Guidelines:

- RBI: Master Directions on KYC, Digital Lending, and Cyber Security.

- SEBI: Listing Obligations and Disclosure Requirements (LODR), Mutual Fund Regulations.

- IRDAI: Health Insurance Guidelines, Corporate Governance Regulations, and Product Filing Framework.

- PFRDA: Investment and risk management standards for pension funds.

- Ministry of Electronics and IT (MeitY): Digital Personal Data Protection Act (DPDP Act, 2023–2025 operational rollout).

- Importance: These frameworks mandate operational discipline, financial prudence, and protection of stakeholders' data and interests.

Conclusion

Following these guidelines and conducting regular audits builds a culture of transparency, mitigates risks, and aligns BFSI institutions with global regulatory expectations. It strengthens India's financial ecosystem and enhances investor and consumer confidence in the sector.

Expanded Workflows and Sector Explanations — What, Why, and How

Banking Sector

What: The banking sector forms the backbone of the BFSI ecosystem, comprising public, private, cooperative, and small finance banks. It provides savings, credit, remittance, and payment services to individuals, businesses, and governments.

Why: Banks are essential for financial intermediation — they mobilize deposits and allocate credit efficiently, enabling economic growth. They maintain liquidity and financial stability under the regulatory framework of the Reserve Bank of India (RBI).

How: Banks operate across multiple domains — retail banking (personal accounts, loans, cards), corporate banking (business lending, trade finance), and treasury operations (liquidity management, forex, investment). The workflow includes customer onboarding, KYC/AML checks, account creation, transaction processing, loan underwriting, credit risk assessment, reconciliation, and compliance reporting to regulators.

Insurance Sector

What: The insurance sector includes life, health, general, and reinsurance companies. It provides financial protection against life, health, property, and liability risks.

Why: Insurance mitigates financial uncertainty for individuals and organizations. It supports long-term savings, encourages investment, and stabilizes the economy by spreading risk.

How: Insurers design and file products with IRDAI approval, distribute them via agents, brokers, or digital platforms, collect premiums, and process claims. Key processes include underwriting, policy issuance, premium accounting, claims management, reinsurance coordination, and compliance with IRDAI's solvency and governance norms.

Payments and Fintech Sector

What: The payments and fintech sector covers payment gateways, wallets, neobanks, UPI apps, and digital lending platforms. It bridges traditional banking with technology to enable seamless transactions and financial inclusion.

Why: Fintech innovation drives accessibility, efficiency, and affordability in financial services. It enhances customer experience, promotes cashless economies, and enables credit access for underbanked populations.

How: Fintechs integrate APIs and digital channels for onboarding, payments, lending, and compliance automation. Workflows include customer verification (eKYC), transaction authorization, payment routing (via NPCI/UPI), settlement, reconciliation, and fraud monitoring. These entities operate under RBI and MeitY oversight for cybersecurity, KYC, and data protection.

Non-Banking Financial Companies (NBFCs)

What: NBFCs are financial institutions that provide banking-like services without holding a banking license. They include microfinance, housing finance, vehicle finance, and infrastructure lending firms.

Why: NBFCs extend credit access to sectors and individuals underserved by banks. They play a critical role in supporting SMEs, rural credit, and consumption-led growth.

How: NBFCs mobilize funds through borrowings or market instruments and lend to retail and corporate clients. Their process involves credit assessment, loan disbursal, repayment tracking, and NPA management. They follow RBI's prudential norms for asset classification, provisioning, and capital adequacy.

Capital Markets and Asset Management

What: The capital markets sector includes stock exchanges, brokers, depositories, mutual funds, and investment advisors regulated by SEBI. It channels savings into productive investments through equities, bonds, and other instruments.

Why: It supports capital formation, corporate funding, and investor wealth creation while promoting transparency and liquidity in financial markets.

How: The workflow covers client onboarding (KYC/KRA), trade execution, clearing and settlement (T+1), custody, asset valuation, and regulatory reporting. Mutual funds and PMS entities calculate NAVs, manage portfolios, and disclose performance as per SEBI guidelines.

Pension and Retirement Funds

What: This sector includes pension funds, annuity providers, and retirement savings schemes regulated by the Pension Fund Regulatory and Development Authority (PFRDA).

Why: It provides social security and financial independence post-retirement, ensuring long-term savings for individuals in the unorganized and formal sectors.

How: Pension funds collect and invest contributions from employees or individuals, manage portfolios through fund managers, and provide retirement benefits through annuities or withdrawals under NPS and other schemes. What is the key function of a Current Account in Retail Banking? A: A zero-interest deposit account for individuals and businesses to conduct frequent, high-volume transactions.

What is the key function of a Fixed Deposit (FD) in Retail Banking? A: A time-bound deposit account that offers a fixed interest rate in exchange for locking funds for a specific period.

What is Treasury Management in Corporate Banking? A: A service that helps companies manage their liquidity, cash flow, and financial risks (e.g., currency, interest rate).

What is Trade Finance in Corporate Banking? A: Bank-provided financing for international and domestic trade, often using Letters of Credit (LC) or Bank Guarantees (BG).

What is a Letter of Credit (LC)? A: A bank's guarantee on behalf of a buyer that a seller will receive payment once certain conditions (like shipping goods) are met.

What is a Bank Guarantee (BG)? A: A bank's promise to cover a loss if a party (its client) fails to meet its contractual obligations, often used in construction.

What is Proprietary Trading in Investment Banking? A: When an investment bank trades stocks, bonds, or other assets with its own money, rather than for a client, to make a profit.

What is Asset Management (Financial Services)? A: The professional management of various securities (stocks, bonds) and assets (e.g., real estate) on behalf of clients to meet investment goals.

What is a Systematically Important NBFC (NBFC-SI)? A: An NBFC with an asset size of ₹500 crore or more, which faces stricter RBI regulations due to its potential impact on financial stability.

What is an Equity-Linked Savings Scheme (ELSS)? A: A type of mutual fund that invests primarily in stocks and offers a tax deduction under Section 80C, but has a 3-year lock-in period.

What is a Systematic Investment Plan (SIP)? A: A method of investing a fixed amount of money in mutual funds at regular intervals (e.g., monthly), promoting disciplined saving.

What is a Term Life Insurance policy? A: A pure protection plan that pays a fixed sum to the nominee if the insured person dies within the policy term; it has no maturity value.

What is an Endowment Plan (Life Insurance)? A: A life insurance policy that combines protection (death benefit) with savings (maturity benefit), paying a lump sum on death or at policy maturity.

What is a ULIP (Unit Linked Insurance Plan)? A: A policy that bundles life insurance with investments in market-linked funds (equity or debt), similar to a mutual fund.

What is Property Insurance (General Insurance)? A: A policy that provides financial protection against risks to property, such as fire, theft, and weather-related damage.

What is Liability Insurance (General Insurance)? A: A policy that protects a business or individual from the risk of being held legally liable for injuries or damages (e.g., a slip and fall case).

What is a TPA (Third Party Administrator) in Health Insurance? A: An IRDAI-licensed company that processes health insurance claims, manages cashless hospital networks, and provides support on behalf of the insurer.

What is an Insurance Aggregator? A: An online portal (like Policybazaar) licensed by IRDAI to display and compare insurance products from various companies.

What is Reinsurance? A: The practice of one insurance company purchasing insurance from another insurer (the reinsurer) to reduce its own risk from large claims.

What is an Actuary in Insurance? A: A professional who uses mathematics and statistics to assess risk and calculate premiums, reserves, and dividends for insurance policies.

What is an Investment Bank's Chinese Wall? A: A mandatory information barrier separating a bank's private side (e.g., M&A) from its public side (e.g., trading) to prevent insider trading.

What is Private Banking? A: A high-touch service for High-Net-Worth Individuals (HNWIs) offering personalized wealth management, estate planning, and investment advice.

What is a Mutual Fund's NAV (Net Asset Value)? A: The per-unit market value of a mutual fund scheme, calculated by dividing the total market value of all assets by the total number of units.

What is the Expense Ratio in a Mutual Fund? A: An annual fee, expressed as a percentage of the fund's assets, that the fund house (AMC) charges for managing the mutual fund.

What is the Securities and Exchange Board of India (SEBI)? A: The primary regulator for India's capital markets, including stocks, bonds, mutual funds, and their intermediaries.

What is the Reserve Bank of India (RBI)? A: India's central bank and the primary regulator for the entire banking sector (banks, NBFCs) and payment systems.

What is the Insurance Regulatory and Development Authority of India (IRDAI)? A: The apex body that regulates and develops the entire insurance sector (Life, General, and Health) in India.

What is the Pension Fund Regulatory and Development Authority (PFRDA)? A: The statutory body that regulates, promotes, and develops the National Pension System (NPS) and other pension schemes in India.

What is the Statutory Liquidity Ratio (SLR)? A: An RBI mandate requiring banks to maintain a certain percentage of their deposits (NDTL) in liquid assets like cash, gold, or government securities.

What is the Repo Rate? A: The interest rate at which the RBI lends money to commercial banks by purchasing government securities from them (a repurchase agreement).

What is the Monetary Policy Committee (MPC)? A: A 6-member committee (3 from RBI, 3 appointed by Govt) that is responsible for setting the benchmark policy rates, like the Repo Rate.

What is SEBI's LODR (Listing Obligations and Disclosure Requirements)? A: A set of regulations that all listed companies must follow, covering corporate governance, financial disclosures, and investor relations.

What is SEBI's Prohibition of Insider Trading (PIT) regulation? A: A law that prohibits anyone with access to Unpublished Price Sensitive Information (UPSI) from trading in that company's securities.

What is IRDAI's Bima Sugam project? A: A proposed one-stop digital platform (like a UPI for insurance) to handle all insurance needs, from buying policies to claims settlement.

What is IRDAI's Solvency Margin requirement? A: A mandate for insurers to hold a minimum excess of assets over liabilities (150% or 1.5 ratio) to ensure they can pay all claims.

What is KYC (Know Your Customer)? A: The mandatory process of verifying a customer's identity and address using official documents before providing any financial service.

What is CDD (Customer Due diligence)? A: The broader process of KYC, which also includes assessing the customer's risk profile and understanding the purpose of their transactions.

What is EDD (Enhanced Due Diligence)? A: An extra layer of scrutiny and information-gathering required for High-Risk customers, such as Politically Exposed Persons (PEPs).

What is a Politically Exposed Person (PEP)? A: An individual who holds a prominent public function (e.g., politician, senior official), automatically classified as high-risk for AML.

What is AML (Anti-Money Laundering)? A: A set of laws and regulations (like PMLA in India) that require financial institutions to prevent, detect, and report money laundering activities.

What is CTF (Counter-Terrorist Financing)? A: A part of AML regulations focused on preventing the financial system from being used to fund terrorist activities.

What is the Financial Intelligence Unit (FIU-IND)? A: The central national agency in India responsible for receiving, analyzing, and disseminating information on suspicious financial transactions.

What is a CTR (Cash Transaction Report)? A: A mandatory report that banks must file with the FIU-IND for all cash transactions (single or connected) exceeding ₹10 lakhs in a month.

What is a STR (Suspicious Transaction Report)? A: A mandatory report banks file with the FIU-IND (within 7 days) for any transaction that seems suspicious, regardless of the amount.

What is VAPT (Vulnerability Assessment & Penetration Testing)? A: A mandatory cybersecurity audit where firms test their systems for weaknesses (VA) and actively try to exploit them (PT) to find security gaps.

What is the RBI's Cyber Security Framework (2016)? A: A comprehensive RBI directive requiring all banks to have a board-approved cyber-security policy and a 24/7 Cyber Security Operation Centre (C-SOC).

What is Data Localization? A: A regulatory requirement (e.g., from RBI for payment data) that all data related to local customers must be stored on servers physically located within India.

What is the DPDP Act (Digital Personal Data Protection Act, 2023)? A: India's new data privacy law that grants individuals rights over their data and imposes significant penalties on firms (Data Fiduciaries) for data breaches.

What is a Data Fiduciary under the DPDP Act? A: Any entity (like a bank or insurer) that determines the purpose and means of processing personal data, making it responsible for its protection.

What is Consent under the DPDP Act? A: Requires that a user's permission for data collection must be free, specific, informed, and unambiguous, with a clear option to withdraw.

What is Payment Card Industry Data Security Standard (PCI-DSS)? A: A global security standard that all entities must follow if they store, process, or transmit credit cardholder data.

What is Phishing? A: A cyber-attack where fraudulent emails or messages, disguised as legitimate, are sent to trick victims into revealing sensitive data (e.g., passwords).

What is Ransomware? A: A type of malicious software that encrypts a victim's files, making them inaccessible until a ransom is paid to the attacker.

What is Multi-Factor Authentication (MFA)? A: A security measure (mandated by RBI for transactions) that requires a user to provide two or more verification factors (e.g., password + OTP).

What is a Data Breach? A: An incident where sensitive, confidential, or protected data is stolen from or viewed by an unauthorized individual.

What is SEBI's T+1 Settlement Cycle? A: A regulation mandating that all stock market trades must be settled (shares and money exchanged) within one day after the trade day (Trade + 1).

What is the RBI's Payments Infrastructure Development Fund (PIDF)? A: A fund created by the RBI to encourage the deployment of Point-of-Sale (POS) machines and other payment acceptance devices in smaller towns.

What is PFRDA's role in the Atal Pension Yojana (APY)? A: PFRDA administers the APY, a government-backed pension scheme targeted at workers in the unorganized sector.

What is IRDAI's Use and File procedure? A: A reform allowing insurers to launch many new products (especially in health and general) immediately, without prior IRDAI approval, and file the docs later.

What is SEBI's Risk-o-meter? A: A mandatory graphical meter (from Low to Very High) that all mutual fund schemes must display, showing the level of risk in that fund.

What is the RBI's Prompt Corrective Action (PCA) Framework? A: A set of triggers (like high NPAs or low capital) that, if breached, allow the RBI to impose strict restrictions on a bank's operations to force recovery.

What is SEBI's Skin in the Game rule for AMCs? A: A mandate requiring Asset Management Companies (AMCs) to invest their own money (a percentage of the scheme) into the mutual funds they manage.

What is IRDAI's Arogya Sanjeevani policy? A: A standardized, basic health insurance policy with uniform coverage and pricing, which all health insurers are required to offer.

What is PFRDA's Active Choice in NPS? A: An investment option in the National Pension System (NPS) that allows the subscriber to decide their own asset allocation mix (equity, debt, etc.).

What is PFRDA's Auto Choice in NPS? A: The default NPS investment option, where the asset mix automatically rebalances (reducing equity) based on the subscriber's age.

What is the Ombudsman Scheme? A: A grievance redressal mechanism (e.g., Banking Ombudsman, Insurance Ombudsman) where customers can file complaints against regulated entities for free.

What is SEBI's SCORES portal? A: An online platform (SEBI COnplaints REdress System) where investors can lodge their complaints against listed companies or intermediaries.

What is IRDAI's Insurance Repository? A: A facility (like a demat for policies) that allows policyholders to store all their life and non-life insurance policies in a single electronic format.

What is Money Muling in AML? A: The act of allowing one's bank account to be used by criminals to transfer illicit funds, making the account holder an accomplice.

What is Smurfing / Structuring in AML? A: An illegal technique of breaking down a large cash transaction into many smaller ones to avoid detection and bypass the ₹10 lakh CTR threshold.

What is De-risking in AML? A: When banks indiscriminately close accounts or exit relationships with entire categories of customers (e.g., charities) they deem high-risk.

What is SEBI's SAST (Substantial Acquisition of Shares and Takeovers)? A: The Takeover Code, which mandates that an entity acquiring a substantial stake (e.g., 25%) in a listed firm must make an open offer to all shareholders.

What is the Keyman Insurance policy? A: An insurance policy taken by a business to compensate for financial losses that would arise from the death or disability of a crucial employee.

What is the Insurable Interest principle? A: A fundamental legal principle stating that the person buying insurance must have a direct financial stake or interest in the item or person being insured.

What is the Utmost Good Faith principle? A: A legal doctrine requiring both the insurer and the policyholder to disclose all material facts relevant to the policy honestly.

What is the RBI's Digital Lending Guidelines (2022)? A: A set of rules to protect borrowers, mandating direct bank-to-borrower fund flows and preventing third-party apps from accessing personal data.

What is a Lending Service Provider (LSP)? A: An agent (e.g., a fintech app) that carries out lending functions like customer acquisition or recovery on behalf of a regulated bank or NBFC.

What is the Key Fact Statement (KFS) in Digital Lending? A: A mandatory, standardized summary of loan terms (interest, fees, APR) that must be shown to the borrower before they agree to the loan.

What is the Annual Percentage Rate (APR) in Digital Lending? A: The total, all-inclusive cost of a loan (including interest, processing fees, etc.) expressed as an annual percentage, which must be disclosed in the KFS.

What is the Cooling-off Period in Digital Lending? A: A mandatory period (e.g., 3 days) during which a borrower can exit a newly acquired digital loan by repaying the principal and proportionate APR.

What is the RBI's Cloud Risk Management Framework? A: Guidelines for banks using cloud services, focusing on data security, vendor due diligence, and ensuring the bank has a Right to Audit the provider.

What is Cloud Service Provider (CSP)? A: A third-party company (e.g., AWS, Azure, Google Cloud) that offers cloud computing services, now considered a critical vendor by the RBI.

What is ESG (Environmental, Social, Governance)? A: A framework for evaluating a company's non-financial performance in areas like climate impact (E), labor practices (S), and board diversity (G).

What is SEBI's BRSR (Business Responsibility & Sustainability Report)? A: A mandatory annual disclosure for the top 1000 listed companies, requiring them to report their performance on various ESG metrics.

What is Green Finance? A: Financial products and services (e.g., Green Bonds) specifically designed to fund projects that have a positive environmental impact.

What is Climate Risk in Banking? A: The financial risk to a bank's loan book from climate change, such as Physical Risk (e.g., floods damaging a factory) or Transition Risk (e.g., a coal plant failing).

What is Open Banking? A: A system where banks use secure APIs to share customer data (with their consent) with third-party fintechs to create new products.

What is the Account Aggregator (AA) Framework? A: An RBI-regulated system (part of Open Banking) where an AA entity fetches and consolidates a user's financial data from multiple banks (with consent).

What is a Financial Information Provider (FIP)? A: An entity (like a bank, mutual fund, or insurer) that holds a customer's data and provides it to the Account Aggregator network (with consent).

What is a Financial Information User (FIU)? A: An entity (like a lending fintech or wealth advisor) that requests data from the Account Aggregator network to provide a service to the customer.

What is UDAAP (Unfair, Deceptive, or Abusive Acts or Practices)? A: A consumer protection concept (adopted by RBI) prohibiting banks from misleading, deceiving, or taking unfair advantage of customers.

What is an Unfair Practice under UDAAP? A: An act that causes substantial injury (e.g., high fees) to a consumer, which they cannot reasonably avoid.

What is a Deceptive Practice under UDAAP? A: An act (e.g., misleading advertising) that is likely to mislead a consumer acting reasonably, affecting their decision-making.

What is the Bank Nomination Rule (e.g., Nov 1, 2025 deadline)? A: An RBI mandate requiring all bank account and locker holders to either register a nominee or formally opt-out of nomination.

What is the purpose of the Bank Nomination Rule? A: To reduce the massive amount of unclaimed deposits lying with banks and ensure funds are easily passed to legal heirs.

What is the IRDAI 2025 Reform for motor insurance? A: Allowing Pay-as-you-drive (PAYD) and Pay-how-you-drive (PHYD) policies, where premiums are based on telematics data.

What is the IRDAI 2025 Reform for health insurance? A: Encouraging insurers to offer comprehensive policies that cover wellness, prevention, and outpatient (OPD) expenses, not just hospitalization.

What is the IRDAI 2025 Reform on Bima Vahaks? A: A new distribution channel (like insurance correspondents) at the village level, especially women, to increase insurance penetration in rural areas.

What is the SEBI Compliance Officer (CO) role? A: A senior employee responsible for ensuring the firm follows all SEBI rules, monitoring compliance, and reporting any violations to the board and SEBI.

What is the SEBI CO Role in reporting? A: The CO must provide periodic compliance reports to the company's board of directors and an annual report to SEBI.

What is the Core Banking System (CBS)? A: The centralized software backend that banks use to manage all daily transactions, including deposits, loans, and customer accounts.

What is the first step in the Core Banking Operations Workflow for a new account? A: Customer Onboarding & KYC: The bank collects and verifies the customer's identity and address documents as per RBI mandates.

What is Transaction Posting in the Core Banking Workflow? A: The act of officially recording a debit or credit transaction in the customer's account ledger within the Core Banking System.

What is the End of Day (EOD) process in a bank? A: A mandatory batch process run daily after business hours to reconcile all transactions, post interest, and prepare the bank for the next day.

What is Reconciliation in the Banking Workflow? A: The process of matching and verifying that two sets of records (e.g., the bank's internal ledger and the ATM network's log) are in agreement.

What is the RTGS (Real Time Gross Settlement) workflow? A: A high-value payment system where funds are transferred and settled individually and in real-time (grossly), with no waiting.

What is the NEFT (National Electronic Funds Transfer) workflow? A: A retail payment system where fund transfers are processed in half-hourly batches, 24/7/365.

What is the IMPS (Immediate Payment Service) workflow? A: A 24/7 instant, real-time retail payment system that allows for interbank transfers using mobile numbers or account details.

What is the FNOL (First Notice of Loss) in the Insurance Claims Workflow? A: The very first step, where the policyholder informs the insurer about an event (e.g., accident, illness) that may lead to a claim.

What is Claim Registration in the Insurance Claims Workflow? A: After FNOL, the insurer validates the policy's active status and creates a unique claim number to track the case.

What is the Surveyor/Adjuster role in the Claims Workflow? A: An IRDAI-licensed professional assigned to assess the validity and financial value of the loss (e.g., inspect a damaged car).

What is Claim Adjudication in the Insurance Claims Workflow? A: The process where the insurer's claims team reviews the surveyor's report and policy documents to decide whether to approve or reject the claim.

What is Claim Settlement in the Insurance Claims Workflow? A: The final step, where the insurer (if the claim is approved) makes the payment to the policyholder or a third party (e.g., hospital).

What is a Cashless Claim in Health Insurance? A: A workflow where the insurer settles the hospital bill directly with the network hospital, so the policyholder does not have to pay upfront.

What is a Reimbursement Claim in Health Insurance? A: A workflow where the policyholder pays the hospital bill first, and then submits all original bills to the insurer to get the money paid back.

What is Subrogation in the Claims Workflow? A: A legal right, after paying a claim, for the insurer to step into the policyholder's shoes and recover the loss from the at-fault third party.

What is Loan Amortization? A: The workflow of paying off a loan (like a home loan) over time through scheduled, fixed payments that include both principal and interest.

What is the Credit Card Billing Cycle workflow? A: A monthly cycle where the bank records all transactions, generates a statement, and provides an interest-free grace period for payment.

What is Underwriting in Insurance? A: The workflow of assessing the risk of an applicant (e.g., their health, driving record) to decide whether to issue a policy and at what premium.

What is Trade Settlement (e.g., T+1) in Capital Markets? A: The workflow where the buyer pays for securities and the seller delivers them, which SEBI mandates must be completed one day after the trade (T+1).

What is the Mutual Fund NAV Calculation workflow? A: A daily workflow where the fund house calculates the Net Asset Value (NAV) of each scheme by valuing all its assets at the end of the trading day.

What is Loan Monitoring in Corporate Banking? A: A continuous workflow of tracking the financial health and collateral value of a corporate borrower to detect early warning signs of default.

What is Asset Classification (NPA Workflow)? A: An RBI-mandated workflow where banks must classify a loan as a Non-Performing Asset (NPA) if the payment is overdue by 90 days.

What is Provisioning in the NPA Workflow? A: Once a loan is an NPA, the bank must provision, or set aside, a portion of its own profits as a buffer against the potential loss.

What is Recovery in the Loan Workflow? A: The final workflow for a defaulted loan, where the bank attempts to recover its money through legal means, like the SARFAESI Act or IBC.

What is the Banking Pain Point of Legacy System Drag? A: Old, monolithic Core Banking Systems (CBS) are inflexible, costly to maintain, and slow down the launch of new digital products.

What is the Banking Pain Point of Digital Transformation Failure? A: Banks often build a shiny app (frontend) on top of a broken core (backend), leading to a poor, fragmented customer experience.

What is the Banking Pain Point of Cybersecurity & Fraud? A: Banks are the top target for sophisticated attacks (ransomware, phishing) and must also manage high-volume, low-value digital payment frauds.

What is the Banking Pain Point of ESG Challenges? A: Banks struggle to measure and manage Climate Risk in their loan portfolios (e.g., lending to carbon-heavy industries).

What is the Insurance Pain Point of Data Governance & AI Risk? A: Using biased or poor-quality data in AI underwriting models can lead to discriminatory pricing, violating IRDAI's fairness rules.

What is the Insurance Pain Point of TPRM (Third-Party Risk)? A: Insurers are highly dependent on third parties (brokers, TPAs, cloud vendors), creating massive security and compliance risks if one fails.

What is the Insurance Pain Point of Low Customer Engagement? A: Insurance is a low-touch product; customers only interact at purchase or claim, making it very hard to build brand loyalty or cross-sell.

What is the Insurance Pain Point of Legacy Systems? A: Outdated policy administration and claims systems are slow, disconnected, and prevent a single view of the customer.

What is the Banking Pain Point of NPA Management? A: The process of recovering money from defaulted loans (NPAs) is slow, resource-intensive, and often results in significant financial losses.

What is the Insurance Pain Point of Claims Fraud? A: Detecting fraudulent claims (e.g., staged accidents, fake medical bills) is difficult and costly, leading to significant financial losses.

What is the Banking Pain Point of Compliance Burden? A: Banks face an ever-increasing volume of complex regulations (AML, Cyber, ESG), requiring massive investment in technology and staff.

What is the Insurance Pain Point of Low Penetration? A: Insurance (especially life and health) is still seen as a tax-saving tool, not for protection, leading to under-insurance in the population.

What is Adverse Selection in Insurance? A: A pain point where people at the highest risk (e.g., the very sick) are the most likely to buy insurance, leading to higher-than-expected claims.

What is Moral Hazard in Insurance? A: A pain point where a person, once insured, behaves more recklessly (e.g., driving faster) because they know they are protected from the cost.

What is the Talent Race pain point in BFSI? A: Banks and insurers are now competing directly with tech giants and startups to hire top talent in data science, AI, and cybersecurity.

What is the pain point of Digital Adoption vs. Digital Usage? A: Banks may get millions of app downloads (adoption), but customers only use it for basic tasks (e.g., balance check), failing to adopt advanced features.

What is the pain point of Model Risk in AI? A: The risk of an AI or ML model (e.g., for credit scoring) making incorrect or biased decisions, leading to financial loss or discrimination.

What is the pain point of Data Silos in BFSI? A: Customer data is often trapped in separate, disconnected systems (e.g., savings, loans, insurance), preventing a single view of the customer.

What is the pain point of Third-Party Administrator (TPA) Dependency? A: Insurers often outsource claims to TPAs, but if the TPA provides poor service, the customer blames the insurer, damaging its brand.

What is the Interest Rate Risk pain point for banks? A: The risk that a bank's profitability will suffer due to changes in interest rates (e.g., if rates rise, the bank must pay more on deposits).

What is the Liquidity Risk pain point for banks? A: The risk that a bank will not have enough cash on hand to meet its immediate obligations, such as a sudden wave of customer withdrawals.

What is Catastrophe Risk for general insurers? A: The risk of a single, massive event (e.g., an earthquake, flood, cyclone) causing a huge volume of claims all at once.

What is the Grievance Redressal pain point? A: A high volume of customer complaints (e.g., at the Ombudsman) is costly to manage and indicates a deeper failure in products or processes.

What is the Mis-selling pain point? A: When agents or bank staff sell customers financial products (e.g., ULIPs) that are unsuitable for their needs, often to earn higher commissions.

What is the Distribution Channel Conflict pain point? A: When a company's own digital channels (e.g., its website) compete for sales with its traditional channels (e.g., its agents or brokers).

What is a Payment fintech (e.g., Paytm, Stripe)? A: A company that provides technology to facilitate digital payments, such as mobile wallets, payment gateways, or QR code systems.

What is a Lending fintech (e.g., Lendingkart)? A: A company that uses technology and alternative data (e.g., GST filings) to provide loans (often to SMEs) faster than traditional banks.

What is a Payment Gateway (e.g., Razorpay)? A: A fintech service that securely connects a merchant's website to banks and card networks to authorize and process online payments.

What is an Insurtech (e.g., Policybazaar)? A: A company that uses technology to innovate in the insurance sector, such as by aggregating policies, automating claims, or using telematics.

What is a Neobank (e.g., Jupiter, Fi)? A: A 100% digital, mobile-first bank that provides a superior user experience (frontend) by partnering with a traditional, licensed bank (backend).

What is Technical Workflow (API Integration) for a Neobank? A: The Neobank's app makes a secure API call to its partner bank's server to execute commands like create account or check balance.

What is the Business Workflow for a Bank Onboarding a Fintech? A: The bank's risk and compliance teams conduct extensive due diligence on the fintech's security, finances, and compliance before signing a partnership.

What is a Sandbox Environment? A: A secure, controlled testing environment where fintechs and banks can test new products with real data (but limited users) under regulatory supervision.

What is BaaS (Banking as a Service)? A: A model where a licensed bank provides its core banking functions (e.g., payments, accounts) via APIs to a non-bank fintech or company.

What is Embedded Finance? A: The integration of financial services (like a loan or insurance) directly into a non-financial company's app (e.g., Buy Now, Pay Later on Amazon).

What is a major AI Strategy project at a large bank (e.g., HDFC, JP Morgan)? A: Using AI/ML for real-time fraud detection on transactions and for creating personalized product recommendations for customers.

What is a major Legacy Modernization project at a large bank (e.g., SBI)? A: Moving the monolithic Core Banking System (CBS) from on-premise mainframes to a flexible, cloud-based microservices architecture.

What is a major Talent Race project at a large bank? A: Establishing large Digital Hubs or Innovation Centers (often in new locations) to attract and retain top tech talent.

What is a major AI-Powered Underwriting project at an insurer (e.g., LIC, Allianz)? A: Using AI to analyze vast datasets (e.g., medical history, wearables) to price risk more accurately and issue policies instantly.

What is a major Hybrid Risk-Mitigation project for an insurer? A: Bundling insurance with a prevention service (e.g., health insurance + a wellness app; cyber insurance + security software).

What is a major Omni-channel Right-Channeling project for an insurer? A: Using data to guide a customer to the best channel for their need (e.g., app for a simple query, an expert agent for a complex claim).

What is Basel III (Global Compliance)? A: A global regulatory standard that forces banks to hold more high-quality capital (e.g., equity) to survive financial shocks.

What is FATF (Financial Action Task Force)? A: A global inter-governmental body that sets the international standards for Anti-Money Laundering (AML) and CTF.

What is GDPR (General Data Protection Regulation)? A: The EU's data privacy law, which applies to any firm processing EU citizen data and imposes massive fines (4% of global revenue) for breaches.

What is Solvency II (Global Compliance)? A: A comprehensive EU directive (similar to Basel for banks) that governs how much capital insurers must hold and how they manage risk.

What is RegTech (Regulatory Technology)? A: The use of technology (e.g., AI, automation) by firms to help them comply with regulations more efficiently and cheaply (e.g., automating KYC).

What is SupTech (Supervisory Technology)? A: The use of technology (e.g., AI, big data) by regulators (like RBI) to monitor firms and supervise the market more effectively.

What is AI Governance? A: A mandatory framework to manage the risks of AI, ensuring models are Fair, Explainable, Transparent, and have Human-in-the-loop (FETH).

What is ESG Integration? A: Moving ESG from a simple report to a core part of business strategy, such as factoring climate risk into every loan decision.

What is Decentralized Finance (DeFi)? A: A future trend using blockchain and smart contracts to build financial systems (e.g., lending, trading) without traditional intermediaries like banks.

What is the Insolvency and Bankruptcy Code (IBC)? A: India's bankruptcy law that created a time-bound process (e.g., 330 days) for recovering a defaulted corporate loan via a Committee of Creditors.

What is TCFD (Task Force on Climate-related Financial Disclosures)? A: A global framework that SEBI and RBI are adopting, which provides a standard for how companies must disclose their climate-related risks.

: Q228 was a duplicate of Q138 in the source. Q228 (Original Q138): What is the Account Aggregator (AA) Framework? A: An RBI-regulated system (part of Open Banking) where an AA entity fetches and consolidates a user's financial data from multiple banks (with consent).

What is Hyper-Personalization in BFSI? A: Using AI and real-time data to offer customers highly specific, segment-of-one products and advice at the exact moment they need it.

What is Open Banking vs. Open Finance? A: Open Banking refers to sharing banking data (accounts). Open Finance is the future trend of sharing all financial data (insurance, investments, pensions).

What is On-Tap Licensing? A: An RBI policy where the window for applying for a banking license is open year-round, rather than only at specific times.

What is O-KYC (Offline KYC)? A: A method (e.g., using Aadhaar XML or QR code) where a customer can share their KYC details with a bank without a live, real-time biometric check.

What is V-CIP (Video Customer Identification Process)? A: An RBI-approved, fully digital method of KYC where a bank official interacts with the customer over a live, recorded video call.

What is Digital Rupee (e-Rupee / CBDC)? A: The Central Bank Digital Currency (CBDC) issued by the RBI; it is a digital form of legal tender, just like a physical bank.

What is e-RUPI? A: A pre-paid, one-time, purpose-specific e-voucher (sent via QR code or SMS) that can be redeemed for a specific service (e.g., a vaccination).

What is the Payment Vision 2025 of the RBI? A: The RBI's strategic plan to make India's digital payments more (4 'E's): Easy, E-safe, Efficient, and Embedded.

What is the SARFAESI Act? A: A law that empowers banks to auction residential or commercial properties (collateral) to recover loans after an account becomes an NPA.

What is the CIBIL score? A: A 3-digit number (300-900) from a credit bureau (like TransUnion CIBIL) that summarizes a person's credit history and creditworthiness.

What is a Credit Bureau (CIC)? A: An RBI-licensed company (e.g., CIBIL, Experian) that collects loan and repayment data from all banks to generate credit reports and scores.

What is UPI (Unified Payments Interface)? A: An instant, real-time payment system from NPCI that allows users to transfer funds between bank accounts using a mobile app.

What is UPI 123Pay? A: A version of UPI designed for feature phones (non-smartphones) that allows users to make payments via missed calls or IVR (voice).

What is Card Tokenization? A: An RBI-mandated security rule where a customer's 16-digit card number is replaced with a unique token, so merchants never store the real card.

What is Positive Pay for cheques? A: An RBI-mandated fraud prevention tool where a customer (for high-value cheques) must pre-notify the bank of the cheque details (e.g., via app).

What is a Small Finance Bank (SFB)? A: A specific type of bank licensed by RBI to provide basic banking services (deposits, lending) to the unbanked and underbanked population.

What is a Payment Bank (e.g., Airtel Payment Bank)? A: A bank licensed by RBI that can accept deposits (up to ₹2 lakh) and process payments, but is not allowed to issue loans or credit cards.

What is the Financial Stability and Development Council (FSDC)? A: An apex body in India, chaired by the Finance Minister, that brings all financial regulators (RBI, SEBI, IRDAI, PFRDA) together to manage systemic risk.

What is Micro-insurance? A: Insurance products with very low premiums and low coverage, specifically designed for low-incomes households (e.g., covering a single crop).

What is Peer-to-Peer (P2P) Lending? A: An online platform (regulated by RBI as an NBFC-P2P) that directly connects individual borrowers with individual lenders, cutting out the bank.

What is Crowdfunding? A: Raising small amounts of money from a large number of people, typically via the internet. SEBI regulates Equity Crowdfunding.

What is Digital Gold? A: A virtual product (offered by fintechs) that allows users to buy and sell 24-karat gold digitally, which is then stored in physical, insured vaults.

What is Priority Sector Lending (PSL)? A: An RBI mandate requiring banks to lend a specific portion (e.g., 40%) of their total credit to economically important but underserved sectors.

What is the Marginal Cost of Funds based Lending Rate (MCLR)? A: The minimum interest rate a bank can charge on a loan, based on its own cost of funds. It replaced the older Base Rate system.

What is the Net Interest Margin (NIM)? A: A key metric of bank profitability, it's the difference between the interest income a bank earns on loans and the interest it pays on deposits.

What is Asset-Liability Management (ALM)? A: A bank's strategic framework for managing risks from a mismatch in its assets (loans) and liabilities (deposits), especially regarding interest rates.

What is CAMELS rating system? A: The RBI's confidential rating system for banks, assessing Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, and Systems.

What is the Legal Entity Identifier (LEI)? A: A mandatory 20-digit global reference code that identifies a legal entity (like a company) involved in any high-value (e.g., ₹50 Cr+) financial transaction.

What is Consortium Lending? A: A workflow where multiple banks join together to provide a very large loan to a single corporate borrower, sharing the risk.

What is the Internal Ombudsman? A: An RBI mandate requiring banks (above a certain size) to appoint an independent internal official to review customer complaints before they go to the RBI.

What is Currency Chest? A: A fortified vault, typically within a bank branch, that stores cash on behalf of the RBI to supply currency to other branches and ATMs.

What is Digital Banking Unit (DBU)? A: A specialized, paperless bank branch that provides a minimum set of digital-only products and services 24/7.

What is an Asset Management Company (AMC)? A: A company, licensed by SEBI, that creates and manages mutual funds, making investment decisions on behalf of the fund's investors.

What is a Mutual Fund Trustee? A: A SEBI-mandated entity (a trust or company) that has a fiduciary duty to protect the interests of the mutual fund's unit holders.

What is a Mutual Fund Custodian? A: A SEBI-registered entity (usually a bank) responsible for the safe-keeping of the securities (stocks, bonds) owned by a mutual fund.

What is a Registrar and Transfer Agent (RTA)? A: A SEBI-registered entity (like CAMS or KFintech) that handles all investor record-keeping for a mutual fund, such as account statements and transactions.

What is Front Running in capital markets? A: An illegal practice where a broker (with knowledge of a large client order) executes a trade for their own account first to profit from the price move.

What is a Circuit Breaker? A: A SEBI mechanism that automatically halts trading on an exchange for a set time if a major index (like Sensex/Nifty) falls by a certain percentage.

What is Rolling Settlement? A: The standard SEBI settlement cycle (now T+1) where trades from a specific day (T) are settled on the next business day (+1).

What is Demat (Dematerialization)? A: The process of converting physical share certificates into an equivalent number of electronic securities, stored in a digital (demat) account.

What are NSDL and CDSL? A: The two central securities depositories in India, licensed by SEBI, that hold all dematerialized stocks, bonds, and mutual fund units.

What is an NBFC-P2P (Peer-to-Peer)? A: An RBI-regulated NBFC that acts as an online marketplace to connect individual lenders with individual borrowers, without the bank as an intermediary.

What is an Investment Grade rating? A: A credit rating (e.g., BBB- or higher) indicating that a bond or NBFC has a relatively low risk of default.

What is Market Manipulation? A: An illegal act of artificially inflating or deflating the price of a security (e.g., via fake rumors or wash trading) to mislead investors.

What is Short Selling? A: The act of selling a stock one does not own (by borrowing it first), in the hope of buying it back at a lower price to make a profit.

What is SEBI's T+0 Settlement? A: A new (beta) settlement cycle for a limited set of stocks, where funds and shares are settled on the same day as the trade (T+0).

What is SEBI's Fiduciary Duty? A: A legal obligation for Investment Advisers (IAs) and Portfolio Managers (PMs) to always act in the best financial interest of their clients.

What is the Incurred Claims Ratio (ICR)? A: A key metric for non-life insurers, it's the ratio of total net claims paid out vs. the total net premiums collected in a period.

What is the Combined Ratio? A: A measure of a non-life insurer's profitability. It is the Incurred Claims Ratio (ICR) + the Expense Ratio.

What is the Persistency Ratio? A: A key metric for life insurers, it's the percentage of policyholders who continue to pay their renewal premiums (e.g., in the 13th month).

What is Reinsurance? A: The practice of an insurance company (cedant) buying insurance from another company (reinsurer) to transfer a portion of its own risk.

What is Indemnity in insurance? A: A core principle that an insurance policy should only restore the insured to their original financial position, not allow them to profit from a loss.

What is Contribution in insurance? A: A principle that applies when a person has multiple policies for the same risk. It states that all insurers will contribute proportionally to the loss.

What is Proximate Cause? A: The legal principle of determining the primary cause of a loss. A claim is only paid if the dominant, direct cause is a peril covered by the policy.

What is the Insurance Ombudsman? A: An independent body where a policyholder can file a complaint (for free) against an insurer for issues like claim rejection or delays.

What is the Motor Third-Party Pool? A: A now-defunct (post-2018) system where all insurers had to pool their Third-Party motor insurance premiums and losses to share the risk.

What is Telematics in motor insurance? A: The technology (using a small device or app) that tracks driving behavior (speed, braking) to enable Pay-How-You-Drive (PHYD) policies.

What is Surrender Value in Life Insurance? A: The amount of money a policyholder receives if they terminate a life insurance policy (like an endowment) before its maturity date.

What is a Rider in insurance? A: An optional add-on to a base policy that provides extra benefits, such as a Critical Illness Rider on a term life plan.

What is Group Insurance? A: A single policy (e.g., health or life) that covers a whole group of people, such as all employees of a company or members of an association.

What is Portability in Health Insurance? A: An IRDAI-mandated right that allows a policyholder to switch their health insurance from one company to another, without losing their waiting period credits.

What is a Waiting Period in Health Insurance? A: A mandatory period after buying a policy (e.g., 30 days for illness, 2-4 years for pre-existing diseases) during which claims are not paid.

What is Free Look Period? A: A 15-30 day period after receiving a new life or health policy, during which the customer can review it and return it for a full refund if not satisfied.

What is Bancassurance? A: A partnership model where an insurance company sells its products to the customers of a bank, using the bank's branch network as a distribution channel.

What is IRDAI's Bima Vahak initiative? A: A new distribution channel (like a field force, primarily women) tasked with selling and servicing simple insurance products at the village level.

What is IRDAI's Bima Vistaar initiative? A: A simple, all-in-one, parametric-based insurance product being designed to cover life, health, and property risks for a low, flat premium.

What is a Parametric insurance product? A: A policy that pays out a fixed, pre-agreed amount automatically when a specific event (a parameter) occurs, like an earthquake of a certain magnitude.

What is the Insurance Information Bureau (IIB)? A: An IRDAI-promoted body that collects, analyzes, and shares industry-wide data (like claims, fraud) for insurers, regulators, and other stakeholders.

What is De-tariffing in General Insurance? A: The (post-2007) removal of IRDAI's fixed pricing for motor, fire, and engineering policies, allowing insurers to set their own risk-based premiums.

What is Co-payment in Health Insurance? A: A clause where the policyholder must pay a fixed percentage (e.g., 10%) of every claim amount out-of-pocket, with the insurer paying the rest.

What is Deductible in Health Insurance? A: A fixed amount (e.g., ₹25,000) that the policyholder must pay first on a claim before the insurance policy starts to pay.

What is the Claim Settlement Ratio (CSR)? A: A key metric for life insurers, it's the percentage of total claims received that were successfully paid out (settled) in a financial year.

What is Credit Risk? A: The risk of financial loss that arises from a borrower failing to repay their loan or meet contractual obligations.

What is Market Risk? A: The risk of losses in a bank's trading portfolio (stocks, bonds, currencies) due to adverse movements in market prices.

What is Operational Risk? A: The risk of loss resulting from failed internal processes, people, and systems, or from external events (e.g., fraud, cyber-attack, natural disaster).

What is Value at Risk (VaR)? A: A statistical measure used to quantify the level of market risk. It estimates the maximum potential loss a bank could face over a set time.

What is the Liquidity Coverage Ratio (LCR)? A: A Basel III metric (mandated by RBI) that requires banks to hold enough High-Quality Liquid Assets (HQLA) to survive a 30-day stress scenario.

What is the Net Stable Funding Ratio (NSFR)? A: A Basel III metric (mandated by RBI) that requires banks to maintain a stable funding profile (long-term liabilities) to support their long-term assets.

What is ICAAP (Internal Capital Adequacy Assessment Process)? A: An RBI-mandated annual exercise where a bank must internally assess all its risks (including those not in Basel) and determine how much capital it needs.

What is CRAR (Capital to Risk-Weighted Assets Ratio)? A: The formal name for the Capital Adequacy Ratio (CAR). It's the bank's total capital expressed as a percentage of its total risk-weighted assets.

What are Risk-Weighted Assets (RWA)? A: A method of calculating a bank's total assets by assigning different risk weights to them (e.g., cash is 0%, a corporate loan is 100%).

What is Tier 1 Capital? A: A bank's highest-quality, core capital. It consists mainly of shareholder equity (CET1) and perpetual bonds (AT1).

What is Tier 2 Capital? A: The supplementary capital of a bank, consisting of instruments like subordinated debt, which are less secure than Tier 1.

What is Stress Testing? A: An RBI-mandated simulation exercise where a bank models its financial health under severe (but plausible) negative scenarios (e.g., market crash, high NPAs).

What is Concentration Risk? A: The risk of loss to a bank from being too heavily exposed to a single borrower, a single industry (e.g., real estate), or a single geography.

What is the Large Exposure Framework (LEF)? A: An RBI rule that limits a bank's total exposure to a single counterparty (or connected group) to a specific percentage (e.g., 20%) of its Tier 1 capital.

What is Business Continuity Plan (BCP)? A: An RBI-mandated plan that outlines how a bank will continue its critical operations during and after a major disruption (e.g., flood, cyber-attack).

What is a Disaster Recovery (DR) Site? A: A backup data center, geographically separate from the primary one, that can take over critical IT operations if the primary site fails.

What is Recovery and Resolution Planning (RRP)? A: A living will mandated by RBI for large banks. It outlines how the bank will recover from a crisis, or how it can be resolved (wound down) without panic.

(: Q317's original source [357] had a typo, this has been corrected).

What is a Domestic Systemically Important Bank (D-SIB)? A: A bank classified by the RBI as too big to fail (e.g., SBI, HDFC, ICICI). These banks must hold extra capital.

What is Frauds Classification and Reporting (RBI Master Circular)? A: A mandate requiring banks to report all frauds (above ₹1 lakh) to the RBI, and larger frauds to law enforcement, within a specific timeline.

What is an Early Warning Signal (EWS) for fraud? A: A set of red flags (e.g., account monitoring) that banks must use to detect potential fraud before it happens, or in its early stages.

What is the Central Repository of Information on Large Credits (CRILC)? A: An RBI database where banks must report their exposure (of ₹5 Cr+) to all large borrowers, including early signs of stress.

What is a Special Mention Account (SMA)? A: A credit risk category that flags an account as stressed before it becomes an NPA (e.g., SMA-0: 1-30 days overdue; SMA-1: 31-60 days).

What is the RBI's Charter of Customer Rights? A: A foundational RBI document outlining 5 key rights: (1) Right to Fair Treatment, (2) Transparency, (3) Suitability, (4) Privacy, and (5) Grievance Redressal.

What is the Depositor Education and Awareness (DEA) Fund? A: A fund (from all banks' unclaimed deposits) managed by the RBI, which is used to promote depositor education and awareness.

What is the Deposit Insurance and Credit Guarantee Corporation (DICGC)? A: An RBI subsidiary that insures all bank deposits (Savings, Fixed, etc.) up to ₹5,00,000 per customer, per bank.

What is Interest Rate on Advances (RBI Master Direction)? A: The RBI rule that mandates all floating-rate loans (e.g., home loans) must be linked to an external benchmark, like the RBI's Repo Rate.

What is Willful Defaulter? A: A classification by RBI for a borrower who has the capacity to repay but chooses not to, or who diverts the loan funds for other purposes.

What is Diversion of Funds? A: A key red flag (and sign of a willful defaulter) where a borrower uses a business loan for an unstated purpose (e.g., buying a personal property).

What is a Non-Cooperative Borrower? A: An RBI classification for a borrower who actively obstructs the bank's efforts in loan recovery or collateral inspection.

What is Foreign Exchange Management Act (FEMA)? A: The law (managed by RBI) that governs all cross-border payments, foreign investments (FDI/FPI), and foreign exchange (forex) transactions.

What is an Authorized Dealer (AD) Bank? A: A bank (AD-I, II, or III) that is licensed by the RBI to deal in foreign exchange transactions, such as inward remittances or trade finance.

What is the Liberalised Remittance Scheme (LRS)? A: An RBI scheme that allows resident individuals to freely remit up to USD 250,000 per financial year for purposes like travel, education, or investment.

What is a Nostro Account? A: Our money, with you. An Indian bank's foreign currency account (e.g., in USD) held with another bank in a foreign country (e.g., USA).

What is a Vostro Account? A: Your money, with us. A foreign bank's Rupee (INR) account held with an Indian bank in India.

What is the SWIFT network? A: The global, secure messaging system (not a payment system) that banks use to send standardized instructions for cross-border payments.

What is the UCIC (Unique Customer Identification Code)? A: An RBI mandate for banks to assign a single, unique ID to each customer, to get a holistic view and prevent duplicate or fraudulent accounts.

What is Outsourcing of Financial Services (RBI)? A: An RBI circular that holds the bank fully responsible for all activities outsourced to a third-party (e.g., a collections agency, cloud provider).

What is Business Correspondent (BC)? A: An individual or entity engaged by a bank to provide basic banking services (e.g., cash withdrawal) in rural, unbanked areas.

What is Financial Inclusion? A: The RBI's strategic goal of providing access to formal, affordable financial services (e.g., accounts, credit, insurance) to all segments of society.

What is Credit Information Company (CIC) Regulation Act? A: The law that empowers the RBI to license and regulate Credit Bureaus (like CIBIL), and mandates that banks must submit accurate credit data to them.

What are NBFC Layers (Scale Based Regulation)? A: The RBI's new framework that classifies NBFCs into four layers (Base, Middle, Upper, Top) based on their size and risk.

What is an NBFC - Upper Layer (NBFC-UL)? A: The top NBFCs (e.g., Bajaj Finance) identified by RBI based on size and risk, which must follow enhanced rules like a 9% CET1 capital requirement.

What is an NBFC - Middle Layer (NBFC-ML)? A: The default category for all non-deposit-taking NBFCs (based on size) and all deposit-taking NBFCs.

What is an NBFC - Base Layer (NBFC-BL)? A: Non-deposit taking NBFCs with an asset size below ₹1,000 crore, subject to the most lenient regulations.

What is SEBI (Investment Advisers) Regulations? A: SEBI rules for any person giving investment advice for a fee. Mandates fiduciary duty, risk profiling, and segregation from distribution.

What is a Registered Investment Adviser (RIA)? A: An individual or firm registered with SEBI, who must act as a fiduciary and provide advice that is in the client's best interest.

What is SEBI (Portfolio Managers) Regulations? A: SEBI rules for entities that manage large, discretionary investment portfolios (PMS) for high-net-worth clients (min. ₹50 lakh).

What is SEBI (Alternative Investment Funds) Regulations? A: The regulatory framework for private, pooled investment funds (AIFs) that are not Mutual Funds (e.g., Venture Capital, Private Equity, Hedge Funds).

What is an AIF - Category I? A: AIFs considered economically desirable, such as Venture Capital (VC) funds, Infrastructure funds, and Angel funds.

What is an AIF - Category II? A: The residual category, including funds that are not in Cat I or III, such as Private Equity (PE) funds and Real Estate funds.

What is an AIF - Category III? A: Funds that use complex trading strategies, including leverage, such as Hedge Funds or Long-Short funds.

What is SEBI (Research Analysts) Regulations? A: Rules for any person who creates or publishes research reports (e.g., buy/sell/hold recommendations) on stocks or other securities.

What is SEBI (Prohibition of Fraudulent and Unfair Trade Practices)? A: SEBI's core anti-fraud regulation, which prohibits any act designed to manipulate market prices, mislead investors, or create artificial volume.

What is SEBI (Credit Rating Agencies) Regulations? A: Rules that govern CRAs (e.g., CRISIL, ICRA), mandating they must be independent, transparent in their methodology, and monitor ratings continuously.

What is a Debenture Trustee? A: A SEBI-mandated intermediary for corporate bond issuances, who protects the interests of the bondholders (investors) and enforces the terms.

What is the National Company Law Tribunal (NCLT)? A: The specialized court that adjudicates cases related to corporate disputes and, most importantly, the Insolvency and Bankruptcy Code (IBC).

What is the Insolvency and Bankruptcy Board of India (IBBI)? A: The regulatory body (like SEBI or RBI) that regulates the Insolvency Professionals (IPs) and the overall IBC process.

What is an Insolvency Professional (IP)? A: An IBBI-licensed professional who takes control of a defaulting company (as the Resolution Professional) during the IBC process.

What is the Committee of Creditors (CoC)? A: The supreme decision-making body in an IBC case, composed of all the financial creditors (banks, etc.) of the defaulting company.

What is a Resolution Plan in IBC? A: A proposal submitted by a potential buyer (e.g., a competitor) on how they plan to resolve (restructure and save) the bankrupt company.

What is Liquidation in IBC? A: The death of a company. If no valid Resolution Plan is approved by the CoC, the NCLT orders the company's assets to be sold off (liquidated).

What is SEBI's (REITs) Regulations? A: The framework that allows Real Estate Investment Trusts (REITs) to be listed on stock exchanges, enabling investment in a portfolio of rent-earning real estate.

What is SEBI's (InvITs) Regulations? A: The framework for Infrastructure Investment Trusts (InvITs), which are listed entities that own and operate infrastructure assets (e.g., roads, power lines).

What is the Offer For Sale (OFS) mechanism? A: A SEBI-regulated method that allows a company's promoters (large shareholders) to sell their shares to the public in a transparent, exchange-based process.

What is Rights Issue? A: When a listed company offers new, additional shares only to its existing shareholders, in proportion to their current holding.

What is the Scheme Information Document (SID)? A: The primary legal document for a Mutual Fund scheme, which (like a prospectus) contains all details about its investment objective, risks, and fees.

What is the Statement of Additional Information (SAI)? A: A supplementary document to the SID, which contains more static, operational details about the AMC, Trustees, and investor rights.

What is ASBA (Application Supported by Blocked Amount)? A: A mandatory SEBI process for IPOs, where an investor's application money is blocked (not debited) in their bank account until shares are allotted.

What is Market-making? A: A SEBI-authorized role where a specific broker provides continuous two-way quotes (buy and sell) for a security, ensuring it always has liquidity.

What is International Financial Services Centre (IFSC)? A: A special economic zone in India (e.g., GIFT City) that acts as a foreign territory, allowing firms to transact in foreign currency (e.g., USD) with less regulation.

What is the IFSCA (International Financial Services Centres Authority)? A: The new, unified regulator (acting as RBI, SEBI, IRDAI, and PFRDA) for all financial firms operating within the IFSC (GIFT City).

What is SEBI's F&O (Futures & Options) segment? A: The derivatives segment of the stock market, where traders buy and sell contracts based on the future value of an underlying asset (e.g., Nifty).

What is Mark to Market (MTM) in F&O? A: A daily settlement process where all open futures contracts are repriced to the day's closing price, and profits/losses are settled in cash immediately.

What is a Clearing Corporation (e.g., NCL)? A: A SEBI-regulated entity that acts as the legal counterparty to all trades, guaranteeing the settlement of every stock market transaction.

What is Surveillance in capital markets? A: The function (by SEBI and exchanges) of monitoring all trades in real-time using AI systems to detect suspicious activity like insider trading.

What is IRDAI (Protection of Policyholders' Interests) Regulations, 2017? A: A master regulation that governs all insurer conduct, mandating fair treatment, transparent disclosures, and setting strict timelines for claims.

What is the 30-day claim settlement rule? A: A mandate from the Policyholders' Protection regulations that an insurer must approve or reject a claim within 30 days of receiving all documents.

What is IRDAI (Corporate Governance) Guidelines? A: Rules mandating that insurers must have independent directors, an effective board-level risk management committee, and a robust internal audit.

What is IRDAI (Reinsurance) Regulations? A: Rules that govern how insurers (cedants) can transfer risk to reinsurers, including the mandatory order of preference for domestic reinsurers (like GIC Re).

What is GIC Re? A: The General Insurance Corporation of India, which is the national reinsurer. IRDAI rules mandate that insurers must offer a portion of their reinsurance to GIC Re first.

What is IRDAI (Actuarial Report and Abstract)? A: A mandatory annual report submitted by an insurer's Appointed Actuary, which certifies the insurer's financial health and the adequacy of its reserves.

What is the Appointed Actuary (AA)? A: A senior, IRDAI-approved actuary who is legally responsible for certifying an insurer's premiums, reserves, and solvency.

What are IBNR Reserves? A: Incurred But Not Reported - a financial reserve an insurer must set aside for claims that have already occurred (e.g., an accident yesterday) but have not yet been reported by the policyholder.

What is IRDAI (Insurance Advertisements) regulations? A: Strict rules that prohibit insurers from using misleading language, guaranteeing future returns, or showing complex benefits in fine print.

What is IRDAI (Outsourcing) guidelines? A: Similar to the RBI, these rules state that an insurer remains fully responsible for any activity (e.g., claims processing by TPA) it outsources.

What is an Insurance Marketing Firm (IMF)? A: A new, IRDAI-licensed distribution model (unlike an agency) that can sell products from multiple insurers (life, non-life, health) and offer financial advice.

What is a Point of Sale Person (POSP)? A: An individual certified to sell simple, pre-underwritten insurance products (like basic motor or term plans) with minimal training.

What is the Combi-Plan reform? A: An IRDAI reform allowing insurers to sell combi-plans (e.g., a single plan covering health, life, and accident) to provide holistic coverage.

What is Wellness Benefits in health insurance? A: An IRDAI-approved feature where insurers can reward policyholders (e.g., with lower premiums) for maintaining good health (e.g., step counts).

What is Cumulative Bonus in health insurance? A: A reward for not making any claims in a policy year, where the insurer increases the Sum Insured (e.g., by 10%) for the next year at no extra cost.

What is Restoration of Sum Insured? A: A health policy feature where, if you use up your entire sum insured in a year, the insurer will restore 100% of it for a new illness in that same year.

What is IRDAI's (Digital Insurance) framework (e.g., Bima Sugam)? A: The regulator's push for 100% digital issuance, servicing, and claims, culminating in the Bima Sugam platform to act as a one-stop-shop.

What is IRDAI's (AI Governance) guidelines? A: A proposed framework (ACT) requiring insurers to ensure their AI models are Accountable, fair (no bias), and Transparent in their decisions.

What is Rural and Social Sector Obligations (IRDAI)? A: A mandatory IRDAI quota requiring all insurers to sell a certain percentage of their policies and cover a number of lives in rural areas.

What is Marine Insurance? A: A type of non-life insurance that covers loss or damage to ships, cargo, and terminals—one of the oldest forms of insurance.

What is Fire Insurance? A: A standard non-life policy that covers property damage due to fire and allied perils (e.g., lightning, storm, flood).

What is Aviation Insurance? A: A highly specialized insurance that covers hull damage to aircraft and, more importantly, the massive liability from a potential crash.

What is Cyber Insurance? A: A policy designed to cover the losses from a cyber-attack, such as data breach notification costs, ransomware payments, and business interruption.

What is Professional Indemnity insurance? A: A liability policy that protects professionals (e.g., doctors, lawyers, CAs) from claims of negligence or errors in their work.

What is Directors & Officers (D&O) insurance? A: A liability policy that protects a company's board of directors and officers from lawsuits (e.g., from shareholders) alleging wrongful acts in their management.

What is the NPCI (National Payments Corporation of India)? A: The umbrella organization (set up by RBI & IBA) that operates all retail payment systems in India, including UPI, IMPS, NEFT, and RuPay.

What is RuPay? A: India's domestic card scheme (like Visa/Mastercard) launched by the NPCI to promote self-reliance in payment systems.

What is NACH (National Automated Clearing House)? A: An NPCI system that facilitates high-volume, periodic, interbank transactions, such as salary credits, dividend payments, or SIP debits.

What is AePS (Aadhaar Enabled Payment System)? A: An NPCI payment model that allows a person to perform basic banking (cash withdrawal, balance check) using their Aadhaar number and fingerprint.

*Q405: What is 99# (USSD banking)? A: An NPCI service that allows feature phone (non-internet) users to access basic banking services by dialing a USSD code from their mobile.

What is Bharat Bill Pay System (BBPS)? A: An RBI-conceptualized, NPCI-run system that provides an interoperable, anytime, anywhere bill payment service for all recurring bills (e.g., electricity, gas, DTH).

What is a Prepaid Payment Instrument (PPI)? A: An RBI-regulated product that stores a pre-loaded value, which can be used for payments. Examples include mobile wallets (Paytm) or gift cards.

What is Full-KYC vs. Min-KYC for a wallet? A: Min-KYC (e.g., mobile OTP) allows limited use (e.g., ₹10k limit), while Full-KYC (e.g., V-CIP) allows higher balances (up to ₹2 lakh) and cash withdrawal.

What is Wallet Interoperability? A: An RBI mandate that allows a user to send money from one company's wallet (e.g., PhonePe wallet) to another company's wallet (e.g., MobiKwik) via UPI.

What is a Payment Aggregator (PA)? A: An RBI-licensed entity (e.g., Razorpay, PayU) that provides a single, unified platform for merchants to accept payments from multiple sources (e.g., cards, UPI).

What is a Payment Gateway (PG)? A: A technology-only service that securely transmits payment data from a merchant's website to the bank. It does not touch the funds.

What is Buy Now, Pay Later (BNPL)? A: A short-term, point-of-sale loan that allows a consumer to buy a product immediately and pay for it in future installments.

How did the RBI regulate BNPL? A: RBI banned non-bank PPIs (wallets) from being loaded using a credit line. This forced BNPL fintechs to partner with banks for co-branded cards.

What is Alternative Data in lending? A: Non-traditional data (e.g., smartphone usage, social media, utility bills) used by fintechs to create a credit score for new-to-credit customers.

What is Cash Flow Based Lending? A: A lending model (promoted by Account Aggregators) where banks approve a loan based on a company's live cash flow data (e.g., GST filings), not just old assets.

What is Usage-Based Insurance (UBI)? A: An Insurtech model (e.g., Pay-How-You-Drive) that uses telematics data from a device or app to set insurance premiums based on actual driving behavior.

What is On-Demand Insurance? A: An Insurtech product (e.g., Switch) that allows users to switch on or switch off their insurance coverage (e.g., for a camera) via an app.

What is Embedded Insurance? A: The integration of an insurance offer directly into a third-party's purchase workflow (e.g., add travel insurance on a flight booking website).

What is a Micro-credential in Fintech? A: A small, verifiable piece of data (e.g., this user paid their phone bill on time for 12 months) used to build a credit profile for a new borrower.

What is Robo-Advisory? A: A digital financial planning service (regulated by SEBI) that provides automated, algorithm-driven investment advice with minimal human intervention.

What is API Banking? A: A bank's business model of securely exposing its core services (e.g., payments, account creation) as APIs for fintechs and corporates to use.

What is Screen Scraping? A: An old, now-banned technology where fintech apps would ask for a user's bank password, log in as the user, and scrape the data off the screen.

What is UPI Credit Line? A: A new NPCI feature that allows a user to link a pre-approved credit line (like a digital credit card) from a bank directly to UPI for payments.

What is Tap-to-Pay (NFC)? A: A contactless payment method where a user taps their card or smartphone (using Near Field Communication) on a POS machine to pay.

What is QR Code (Quick Response)? A: A 2D barcode that (in payments) stores a merchant's UPI or wallet details, allowing for a fast scan-to-pay transaction.

What is the Loan Origination workflow? A: The end-to-end process of a bank acquiring a new loan, from the initial application and credit appraisal to final disbursal of funds.

What is the Credit Appraisal workflow? A: The core decision step in lending, where a credit manager analyzes a borrower's CIBIL score, income, and collateral to approve/reject a loan.

What is the Loan Disbursal workflow? A: The final step in loan origination, where (after all legal documents are signed) the bank transfers the approved loan amount to the borrower's account.

What is the Trade Finance (LC) workflow? A: (1) Buyer asks their bank for an LC. (2) Buyer's bank sends LC to Seller's bank. (3) Seller ships goods. (4) Seller gives documents to their bank. (5) Banks exchange docs/payment.

What is the M&A Advisory workflow (Investment Banking)? A: (1) Identify a target. (2) Conduct due diligence. (3) Build a valuation model. (4) Structure the deal (e.g., cash vs. stock). (5) Arrange financing and close.

What is the IPO (Initial Public Offering) workflow? A: (1) Appoint I-Bank. (2) File DRHP with SEBI. (3) SEBI gives observations. (4) Conduct Roadshow for investors. (5) Price the issue. (6) Allot shares and list on exchange.

What is the KYC Remediation workflow? A: A bank's internal workflow to fix old or non-compliant customer accounts by proactively reaching out to them to collect their latest KYC documents.

What is the Suspicious Transaction Report (STR) workflow? A: (1) Bank's AML system flags a transaction. (2) A compliance officer investigates. (3) If suspicion is confirmed, the officer files an STR with FIU-IND (within 7 days).

What is the Chargeback workflow (Credit Card)? A: A workflow where a customer disputes a transaction (e.g., fraud, non-delivery). The bank (issuer) reverses the charge and charges it back to the merchant's bank.

What is the Third-Party (Motor) Claim workflow? A: (1) Victim of an accident files an FIR. (2) Victim files a case against the vehicle owner/insurer at the Motor Accident Claims Tribunal (MACT). (3) The MACT (a court) decides the compensation.

What is the Reinsurance Treaty workflow? A: An annual workflow where an insurer (cedant) negotiates a contract (treaty) with a reinsurer to automatically cede a percentage of all new policies written.

What is Facultative Reinsurance? A: A workflow for a single, large, or unusual risk (e.g., a new satellite). The insurer manually negotiates reinsurance for just that one policy.

What is the Mutual Fund Creation (NFO) workflow? A: (1) The AMC designs a scheme and gets SEBI approval. (2) The AMC launches a New Fund Offer (NFO) to raise the initial money from investors. (3) The scheme closes, and the fund begins trading.

What is the Mutual Fund Redemption workflow? A: (1) Investor submits a redemption request. (2) The request is processed at that day's closing NAV. (3) The AMC sells underlying stocks/bonds for cash. (4) Funds are paid to the investor.

What is the Grievance Redressal workflow? A: (1) Customer complains to the bank's Level 1 support. (2) If unresolved, it's escalated to the Level 2 (e.g., Internal Ombudsman). (3) If still unresolved, the customer can file with the RBI Ombudsman.

What is the Floating to Fixed Rate (Loan) workflow? A: An RBI-mandated workflow where banks must give borrowers on floating-rate loans a transparent, one-time option to switch to a fixed-rate.

What is the Policy Renewal workflow? A: The workflow (mostly automated) where an insurer notifies a customer, recalculates the premium (if needed), and issues a new policy contract for the next year.

What is the Account Freezing (AML) workflow? A: (1) A transaction matches a high-risk profile (e.g., terrorist sanction list). (2) The compliance team places an immediate freeze on the account. (3) The bank reports this to the FIU-IND and MHA.

What is the Corporate Actions workflow (Capital Markets)? A: The workflow for handling events like dividends, stock splits, or mergers. The depository (NSDL/CDSL) and RTAs ensure the benefit reaches the correct shareholder.

What is the Trade Surveillance workflow? A: (1) The exchange's AI system flags an abnormal trade pattern. (2) A surveillance officer analyzes the trade data. (3) If manipulation is suspected, a report is sent to SEBI for investigation.

What is an AI/ML Credit Scoring project? A: A project to build an AI model that uses thousands of data points (not just CIBIL) to predict a borrower's default risk more accurately.

What is an AI/ML Fraud Detection project? A: A project to build a real-time AI engine that analyzes transaction patterns (e.g., location, time, amount) to instantly block fraudulent payments.

What is an AI/ML Underwriting (Insurance) project? A: A project to build an AI that can read medical reports and analyze lifestyle data to instantly approve and price a life or health insurance policy.

What is a AI/ML Claims Assessment (Motor) project? A: A project where AI analyzes photos of a damaged car, identifies the parts, estimates the repair cost, and approves the claim instantly.

Q4Click: What is a Legacy Modernization (Cloud Migration) project? A: A multi-year, high-risk project to move a bank's old, on-premise Core Banking System (CBS) to a modern, cloud-native architecture.

What is a Data Lake project? A: A project to build a single, massive, centralized repository (a lake) to store all of a bank's data (structured and unstructured) for AI analysis.

What is a Robotic Process Automation (RPA) project? A: A project to deploy software bots that mimic human actions to automate high-volume, repetitive tasks like data entry or reconciliation.

What is a Single View of the Customer project? A: A project (often part of a CRM) to break down data silos and create one master dashboard showing a customer's entire relationship with the bank.

What is a RegTech (AML Automation) project? A: A project to implement AI-based RegTech tools that can read KYC documents, screen names against sanction lists, and reduce false positives in AML alerts.

What is a Conversational AI (Chatbot) project? A: A project to build and train an AI chatbot that can understand customer intent and resolve complex service queries, not just answer simple FAQs.

What is an Omni-channel Servicing project? A: A project to ensure a customer gets a seamless experience between channels (e.g., start a query on the app, continue it on the phone without repeating).

What is a Talent (Digital Hub) project? A: A large bank project to build a new, separate Digital HQ (often in a tech city like Bengaluru or Pune) to attract and hire thousands of engineers.

What is an ESG (Climate Risk Modeling) project? A: A new, mandatory project for banks to build data models that can assess the climate risk in their loan book (e.g., exposure to floods, carbon tax).

What is an AI-Powered Nudge project? A: A project (using AI) to send hyper-personalized, pro-active nudges to customers (e.g., You have a large bill due, move money to your account?).

What is an Insurtech (Wellness App) project? A: A project for a health insurer to build a wellness app that tracks steps, diet, etc., and rewards healthy behavior with premium discounts.

What is Gamification in BFSI apps? A: A project to integrate game-like elements (e.g., points, badges, leaderboards) into a banking or wellness app to increase user engagement.

What is a Customer Journey Mapping project? A: A project to analyze and map every single step and touchpoint a customer has with the bank (e.g., in the loan process) to identify pain points.

What is Zero-Based Budgeting (ZBB) in banking? A: An internal project where all expenses must be justified from zero each year, rather than just incrementally adding to the previous year's budget.

What is a DevSecOps implementation? A: A project to integrate security (Sec) and compliance checks directly into the software development (Dev) and operations (Ops) pipeline.

What is a Cloud-Native development project? A: A project to build new applications using microservices and containers (e.g., Kubernetes), designed specifically to run on the cloud.

What is Explainable AI (XAI)? A: A mandatory project for AI governance, ensuring that a bank can explain how its AI model (e.g., for credit) made a specific decision.

What is a Centralized Data Governance project? A: A project to create a single owner and a set of rules for all key data in the bank, ensuring it is accurate, consistent, and secure.

What is API-fication of Legacy Systems? A: A middle-ground modernization project. Instead of replacing the old core, the bank wraps it in a modern API layer to let fintechs connect.

What is a Digital Twin project in BFSI? A: A (future) project to create a real-time digital replica of the bank's entire operations, allowing it to simulate the impact of changes (e.g., a cyber-attack).

What is a Voice Biometrics project? A: A project to implement technology that can identify a customer by their unique voiceprint during a call center interaction, replacing security questions.

What is Behavioral Biometrics? A: A project to implement silent, background security that monitors how a user interacts with an app (e.g., how they type, hold the phone, or move the mouse).

What is Social Media Listening project? A: A project to use AI tools to monitor public social media (e.g., X/Twitter, Facebook) for customer complaints, emerging issues, and reputational threats.

(: Q473 was a duplicate of Q459). Q473 (Original Q459): What is an AI-based Nudge project? A: A project (using AI) to send hyper-personalized, pro-active nudges to customers (e.g., You have a large bill due, move money to your account?).

What is a Low-Code/No-Code platform project? A: A project to adopt platforms that allow citizen developers (e.g., business analysts) to build simple applications using drag-and-drop interfaces.

What is a 5G strategy project for banks? A: A project to plan for the impact of 5G, which will enable high-def Video KYC, VR-based wealth management, and real-time IoT (Internet of Things) data.

What is a Quantum Computing risk project? A: A (highly advanced) project for banks to begin researching how Quantum computers will one day break all current encryption, and how to prepare.

What is an Internal Talent Marketplace project? A: A project to build an internal LinkedIn that allows employees to find new projects and roles within the bank, replacing traditional HR processes.

What is an AI Co-pilot for Developers project? A: A project to give developers AI tools (like GitHub Copilot) that can auto-complete code and speed up software development.

What is an AI Co-pilot for Relationship Managers project? A: A project to build an AI tool that gives a wealth manager real-time talking points and next best actions while they are on a call with a client.

What is a Centralized Third-Party Risk Management (TPRM) project? A: A project to create a single, bank-wide utility that manages the due diligence, onboarding, and continuous monitoring of all third-party vendors.

(: Q481 was a duplicate of Q459). Q481 (Original Q459): What is an AI-driven Nudge project? A: A project (using AI) to send hyper-personalized, pro-active nudges to customers (e.g., You have a large bill due, move money to your account?).

Q481 (Unique): What is a Branch Transformation project? A: A project to redesign physical bank branches, reducing teller (cash) counters and adding digital self-service zones and private advisory pods.

What is a Cloud FinOps project? A: A project to build a Financial Operations team that specifically monitors and manages the bank's massive, variable pay-as-you-go cloud computing bill.

What is a Digital Maturity Assessment project? A: An internal audit project to benchmark the bank's digital capabilities (e.g., app features, AI use) against its key competitors.

What is a Hybrid Work Model project? A: An HR/IT project to define the policies and provide the technology (e.g., VPNs, collaboration tools) to support a mix of in-office and remote work.

What is a Cyber Resilience project? A: A project that goes beyond basic cybersecurity (defense) and focuses on the bank's ability to recover quickly after a major attack succeeds.

What is an Open Source strategy project? A: A project to define the bank's policy on using (and contributing to) open-source software, balancing innovation speed with security risks.

What is a Digital Employee Experience (DEX) project? A: An internal HR/IT project to improve the technology given to employees (e.g., faster laptops, better internal apps) to boost productivity.

What is an Internal Carbon Footprint project? A: An ESG project to measure and reduce the bank's own carbon footprint (e.g., from its data centers, branches, and travel).

What is a Financial Literacy project? A: A bank's CSR (Corporate Social Responsibility) project to create content (e.g., videos, articles) that teaches the public about basic finance.

What is a Data Democratization project? A: A project to give non-technical employees (e.g., marketing) access to self-service data tools (like Tableau) to analyze data themselves.

What is an IoT (Internet of Things) project in insurance? A: A project to use IoT data (e.g., a smart smoke detector for home insurance) to warn of a risk before it becomes a claim.

(: Q492 in the source was a duplicate of Q449). Q492 (Original Q449): What is an AI/ML Claims Assessment (Motor) project? A: A project where AI analyzes photos of a damaged car, identifies the parts, estimates the repair cost, and approves the claim instantly.

Q492 (Unique): What is a Microservices architecture project? A: A core part of legacy modernization, this project breaks a monolithic core into dozens of small, independent services (e.g., a payments service).

What is a White-Label fintech partnership? A: A project where a bank buys a fintech's technology (e.g., a loan app) but re-brands it with its own logo, hiding the fintech from the customer.

What is a Co-Branded fintech partnership? A: A project (e.g., an airline credit card) where the bank and a non-bank partner both put their logos on the product and share the customer/revenue.

What is an Internal Startup Incubator project? A: A project where a large bank funds its own internal teams to build new fintech startups inside the company, separate from normal rules.

What is Agile Transformation? A: A massive HR/IT project to change how the entire bank builds software, moving from slow waterfall projects to fast, 2-week sprints.

What is an Open Banking Marketplace project? A: A project for a bank to build its own app store that features pre-vetted fintech apps that are already integrated with its APIs.

What is an Automated Compliance project? A: A RegTech project to convert new regulations (e.g., an RBI circular) directly into machine-readable rules that can be automated.

What is a Metaverse banking project? A: An experimental project (e.g., by JP Morgan) to build a virtual branch or lounge inside a metaverse platform (like Decentraland).

What is a Digital-Only Bank (Sub-brand) project? A: A project where a large, old bank launches a new, separate, digital-only brand (e.g., 811 by Kotak) to attract younger, tech-savvy customers.

What is the Basel Committee on Banking Supervision (BCBS)? A: The global standard-setter for banking regulation (e.g., Basel III), composed of central bankers from major economies.

What is the International Organization of Securities Commissions (IOSCO)? A: The global standard-setter for securities and capital market regulation, of which SEBI is a voting member.

What is the International Association of Insurance Supervisors (IAIS)? A: The global standard-setter for the insurance sector, which develops principles (ICPs) that guide regulators like IRDAI.

What is the FATF Grey List? A: A list of countries (formally Jurisdictions Under Increased Monitoring) that are actively working with the FATF to fix their AML/CTF deficiencies.

What is the FATF Black List? A: A list of High-Risk Jurisdictions (e.g., North Korea, Iran) with severe AML/CTF deficiencies, requiring all banks to apply enhanced due diligence.

What is Correspondent Banking? A: A relationship where a large bank (e.g., in the US) provides services (e.g., USD clearing) to a smaller, foreign bank (e.g., in India).

What is De-risking in Correspondent Banking? A: When large global banks terminate relationships with smaller foreign banks to avoid the AML risk and compliance cost, rather than manage it.

What is Extraterritoriality in compliance? A: The principle of a national law (like the US's FATCA or the EU's GDPR) applying to foreign firms outside its own borders.

What is FATCA (Foreign Account Tax Compliance Act)? A: A US law that requires all foreign banks (e.g., in India) to report any accounts held by US citizens or US Persons directly to the IRS.

What is the Common Reporting Standard (CRS)? A: The global (OECD) version of FATCA, where 100+ countries automatically exchange financial account data with each other to combat tax evasion.

What is Treaty Shopping? A: An illegal tax avoidance strategy where a company in one country routes its investment through a shell company in another country (e.g., Mauritius) just to gain a tax treaty benefit.

What is Base Erosion and Profit Shifting (BEPS)? A: An OECD project (now law in India) to stop multinational companies from artificially shifting profits to low-tax or no-tax jurisdictions.

What is the EU AI Act? A: The EU's landmark law that classifies AI systems by risk (Unacceptable, High, Limited, Minimal) and imposes strict rules on High-Risk AI.

What is a High-Risk AI System under the EU AI Act? A: AI used in critical areas like credit scoring, insurance pricing, or hiring, which will be subject to strict audits, data governance, and transparency rules.

What is the Right to Explanation (AI)? A: A principle (from GDPR and AI governance) that a customer has the right to a human-understandable explanation for any decision made solely by an algorithm (e.g., a loan rejection).

What is the Precautionary Principle in compliance? A: The idea that if a new technology (like AI) has a potential for harm, regulators should proactively manage that risk before it causes widespread damage.

What is Proportionality in compliance? A: The principle that a regulation's cost and burden should be proportional to the risk it is trying to solve (e.g., a small NBFC has fewer rules than a D-SIB).

What is Principles-Based Regulation? A: A regulatory style (like the UK) that sets high-level principles (e.g., treat customers fairly) rather than detailed, prescriptive rules.

What is Rules-Based Regulation? A: A regulatory style (like the US) that provides highly detailed, prescriptive rules (e.g., font size in disclosures must be 12-point).

What is DORA (Digital Operational Resilience Act)? A: A new, strict EU law that forces all financial firms to prove they can withstand, respond to, and recover from all types of ICT-related disruptions.

What is the solution to Legacy System Drag? A: API-fication: Wrapping the old core system in a modern API layer, which is faster and cheaper than a full rip and replace migration.

What is the solution to Digital Transformation Failure? A: Agile Methodology: Shifting from large, multi-year waterfall projects to small, iterative sprints that are focused on customer feedback.

What is the solution to Cybersecurity & Fraud? A: Zero Trust Architecture: A modern security model that assumes no one (inside or outside the network) is trusted by default, requiring verification for all.

What is the solution to Data Governance & AI Risk? A: Explainable AI (XAI): Implementing AI models that can be understood and explained, combined with a Human-in-the-Loop for final approvals.

What is the solution to Low Customer Engagement (Insurance)? A: Embedded Wellness: Bundling insurance with wellness apps (e.g., step trackers) to create positive, daily interactions and preventative alerts.

What is the solution to NPA Management? A: AI-based Early Warning Systems: Using AI to monitor thousands of data points (e.g., CRILC, account behavior) to predict which accounts will likely become NPAs.

What is the solution to Claims Fraud (Insurance)? A: Social Network Analysis: Using AI to analyze claims data and find hidden links (e.g., same doctor, same lawyer) between seemingly unrelated claims.

What is the solution to the Talent Race? A: Internal Talent Marketplaces: Building internal platforms (like an internal LinkedIn) to help employees find new projects and skills within the bank.

What is the solution to Data Silos? A: Customer Data Platforms (CDP): A project to build a single, centralized platform that cleans, de-duplicates, and unifies all customer data into one golden record.

What is the solution to Mis-selling? A: AI-based Suitability Checks: A compliance project where an AI model automatically flags a potential sale (e.g., a ULIP to a senior citizen) as unsuitable.

What is National Strategy for Financial Education (NSFE)? A: An RBI-led (2020-2025) plan, in coordination with SEBI, IRDAI, and PFRDA, to promote financial literacy across all of India.

What is the College of Supervisors (CoS)? A: An RBI institution established to provide continuous, high-level training to its own supervisors and regulators to keep them skilled.

What is RBI-H (RBI Innovation Hub)? A: An RBI subsidiary set up to foster innovation in the financial sector, (e.g., it helped develop UPI 123Pay and the KCC credit platform).

What is ReBIT (Reserve Bank Information Technology)? A: A 100% RBI-owned subsidiary that acts as its dedicated IT arm, managing cybersecurity for the RBI and the entire banking sector.

What is IFTAS (Indian Financial Technology and Allied Services)? A: An RBI subsidiary that designs, builds, and manages the core payment networks, like NEFT, RTGS, and the SWIFT interface for India.

What is NISM (National Institute of Securities Markets)? A: A SEBI-established public trust and educational institution that conducts mandatory certification exams for all market professionals (e.g., MFDs).

What is NIA (National Insurance Academy)? A: The apex institution for insurance education in India, sponsored by the IRDAI and public/private insurers, to train industry professionals.

What is IIB (Insurance Information Bureau)? A: An IRDAI-promoted data repository that collects industry-wide data (e.g., all claims, all policies) for analysis, fraud detection, and policymaking.

What is Shadow Banking? A: A (often negative) term for lending and credit activities that happen outside the formal, regulated banking system (e.g., by unregulated fintechs or NBFCs).

What is Whistleblower Policy? A: A mandatory policy (SEBI LODR, RBI) that protects an employee's anonymity and safety when they report unethical or illegal activities within their firm.

What is Settlement (SEBI)? A: A plea bargain process where a firm or person, without admitting guilt, can pay a large fine (a settlement amount) to SEBI to close an investigation.

What is Disgorgement (SEBI)? A: A SEBI penalty that forces a wrongdoer (e.g., an insider trader) to disgorge or pay back all the ill-gotten profits they made from their illegal act.

What is PMLA (Prevention of Money Laundering Act, 2002)? A: The core anti-money laundering law in India, which defines the crime of money laundering and gives power to the Enforcement Directorate (ED).

What is UAPA (Unlawful Activities (Prevention) Act)? A: India's primary anti-terror law, which is the legal basis for all Counter-Terrorist Financing (CTF) rules and sanction lists.

What is CEPA (Comprehensive Economic Partnership Agreement)? A: A free-trade agreement (e.g., with UAE) that can have a major impact on BFSI firms by allowing cross-border operations, e.g., in GIFT City.

What is Synthetic Data? A: Artificially generated, fake data that has the same statistical properties as real data. Used to train AI models without using real, private customer data.

What is Homomorphic Encryption? A: An advanced encryption method that allows a bank to perform calculations (e.g., AI analysis) on data while it is still encrypted.

What is Zero-Knowledge Proof (ZKP)? A: A (future) technology where one party (e.g., a customer) can prove a fact is true (e.g., my income is >₹10L) without revealing the data itself.

What is Generative AI in BFSI? A: AI models (like ChatGPT) that can create new content, e.g., write personalized emails to clients, summarize complex research, or write code.

What is Model Drift? A: The pain point where an AI/ML model's accuracy degrades over time because the real world data (e.g., customer behavior) has changed since it was trained.

What is an Asset-Backed Security (ABS)? A: A bond or that is backed (collateralized) by a pool of assets, such as home loans, auto loans, or credit card debt.

What is Securitization? A: The workflow of pooling together illiquid assets (e.g., 1000 auto loans), and selling pass-through certificates (PTCs) to investors.

What is Co-lending? A: An RBI-promoted model where a bank (with low-cost funds) and an NBFC (with better sourcing) partner to jointly provide a loan.

What is First Loss Default Guarantee (FLDG)? A: A guarantee given by a fintech (LSP) to its bank partner, promising to cover the first (e.g., 5%) of any losses from the loans it sourced.

What is an Information Utility (IU)? A: An IBBI-regulated entity (like NeSL) that stores undisputed financial debt data, which is then legally admissible as proof of default in an IBC case.

What is G-Sec (Government Security)? A: A tradable bond (e.g., a T-Bill or Dated Security) issued by the Government of India, representing its debt.

What is the RBI Retail Direct scheme? A: An RBI platform that allows individual retail investors to directly buy and sell Government Securities (G-Secs) from the primary auction.

What is Yield (on a bond)? A: The total return an investor gets on a bond, which is a combination of its fixed coupon (interest) and its fluctuating market price.

What is Interest Rate Risk (for a bond fund)? A: The risk that if the RBI raises interest rates, the market price of all existing bonds (with lower rates) will fall.

What is Credit Risk (for a bond fund)? A: The risk that a private company (e.g., a AA rated firm) that issued a bond will default on its payment.

What is Side-Pocketing in Mutual Funds? A: A SEBI-allowed mechanism where, if a bond in a debt fund defaults, the fund can side-pocket (segregate) that bad asset from the healthy ones.

What is ETF (Exchange Traded Fund)? A: A mutual fund (e.g., a Nifty 50 fund) that is listed and trades on the stock exchange just like a regular stock.

What is Passive vs. Active investing? A: Passive (Index) funds just copy an index (e.g., Nifty 50). Active funds have a fund manager who actively tries to beat the index.

What is AUM (Assets Under Management)? A: The total market value of all the investments that an entity (like an AMC, PMS, or AIF) manages on behalf of its clients.

What is Total Expense Ratio (TER)? A: The maximum all-inclusive annual fee (capped by SEBI) that a mutual fund can charge its investors to cover all its costs.

What is Financial Intermediary (e.g., an MFD)? A: A person or entity (like a Mutual Fund Distributor) who helps a customer buy a financial product and earns a commission for that service.

What is Financial Fiduciary (e.g., an RIA)? A: A person or entity (like a SEBI RIA) who must act in the client's best financial interest and is paid a fee directly by the client (not via commission).

What is Suitability vs. Appropriateness? A: Suitability (for RIAs) means the advice must be best for the client. Appropriateness (for MFDs) means the product is not unsuitable.

What is AMFI (Association of Mutual Funds in India)? A: The industry association (not a regulator) for all SEBI-registered mutual funds, which handles exams (NISM) and industry-wide awareness (e.g., Mutual Funds Sahi Hai).

What is IBA (Indian Banks' Association)? A: The industry association (not a regulator) for all banks in India, which represents the industry's interests to the government and RBI.

(: Q571 in the source was a duplicate of Q379). Q571 (Original Q379): What is IRDAI (Reinsurance) Regulations? A: Rules that govern how insurers (cedants) can transfer risk to reinsurers, including the mandatory order of preference for domestic reinsurers (like GIC Re).

Q571 (Unique): What is IRDAI (Corporate Agents) regulations? A: Rules for entities (like a car dealer or a bank Bancassurance) that act as a corporate agent to sell insurance products.

What is IRDAI (Web Aggregators) regulations? A: Rules for websites (like Policybazaar) that aggregate and compare insurance policies, mandating their comparison logic must be fair and transparent.

What is IRDAI (Surveyors and Loss Assessors) regulations? A: Rules that license and govern the independent surveyors who assess claims, mandating they must be impartial and submit reports on time.

What is IRDAI (TPA - Health Services) regulations? A: Rules that license and govern Third-Party Administrators (TPAs), setting service standards for their claim processing and hospital network management.

What is Need-Based Selling? A: A core IRDAI principle that an agent must first analyze a customer's needs, and then recommend a product that fits that need.

What is Material Fact in insurance? A: Any piece of information (e.g., Do you smoke?) that would influence an underwriter's decision to accept the risk or set the premium.

What is Section 45 (Insurance Act, 1938)? A: The Indisputability Clause. A powerful law stating that a life insurer cannot dispute a policy on any grounds (even fraud) after it has been in force for 3 years.

What is Section 39 (Insurance Act, 1938)? A: The law that governs Nomination. It clarifies that a Nominee is just a receiver of the policy money, who must then pass it to the legal heirs.

What is a Beneficial Nominee (2015 Amendment)? A: A major legal change allowing a policyholder to nominate immediate family (spouse, kids, parents) as Beneficial Nominees, who are now the final owners of the claim money, not just receivers.

What is Assignment in insurance? A: The legal act of transferring the ownership and rights of a life insurance policy to another person or entity (e.g., to a bank as loan collateral).

What is Group Credit Life insurance? A: A policy (sold by a bank) where all its loan borrowers (e.g., home loan) are in one group. If a borrower dies, the policy pays off their loan.

What is Solatium Fund (Motor)? A: A government-run fund that pays a small, fixed compensation to victims of Hit and Run accidents where the third-party vehicle is unidentifiable.

What is Own Damage (OD) vs. Third Party (TP) (Motor)? A: TP (mandatory) covers your liability for damage you do to others. OD (optional) covers damage to your own car (e.g., from an accident).

What is Insured Declared Value (IDV) (Motor)? A: The Sum Insured or maximum value of a car policy. It is the (depreciated) value of the car, which is the most the insurer will pay.

What is Zero Depreciation (Motor)? A: A popular add-on (rider) where, at the time of a claim, the insurer pays 100% for new parts (e.g., a bumper) and does not deduct for depreciation.

What is Return to Invoice (Motor)? A: A rider for new cars. If the car is stolen or totaled, the insurer pays the original, on-road invoice price (including tax), not just the lower IDV.

What is Pre-existing Disease (PED) (Health)? A: Any illness or condition (e.g., diabetes) that the customer already had (and was diagnosed with) before buying the health policy.

What is the PED Waiting Period? A: The 2-4 year period after which a health policy will finally start to cover claims related to a Pre-existing Disease (PED).

What is Sub-limits (Health)? A: A clause (common in cheaper plans) that limits the payout for a specific item, e.g., Room Rent capped at 1% of Sum Insured.

What is Family Floater (Health)? A: A single health policy where the total sum insured (e.g., ₹10 lakh) is floated and can be shared by all members of the family (e.g., 2 adults, 2 kids).

What is a Top-up Health Plan? A: A cheap, high-sum-insured plan that only activates after your base policy (or a large deductible) is exhausted.

What is a Super Top-up Health Plan? A: A better version of a Top-up, where the deductible (e.g., ₹5 lakh) is calculated per year, not per single claim.

What is Active Life vs. Annuitant (Pension)? A: Active Life: The accumulation phase where a person is working and contributing money into their pension (e.g., NPS). A: Annuitant: The decumulation (retirement) phase where a person is receiving a regular payout (an annuity) from their pension.

What is an Annuity? A: A (mandatory) insurance product bought with pension (e.g., NPS) funds, where you give an insurer a lump sum in exchange for a guaranteed, regular pension for life.

What is NPS Tier 1? A: The main, non-withdrawable pension account for NPS, which has strict lock-ins (until age 60) and significant tax benefits (e.g., 80CCD(1B)).

What is NPS Tier 2? A: A voluntary, add-on investment account for NPS subscribers. It has no lock-in (fully liquid) but also has no tax benefits.

What is Market-Linked Debenture (MLD)? A: A complex debt instrument (a bond) where the interest payout is not fixed, but is linked to the performance of an underlying market index (e.g., Nifty).

What is Operational Creditor (IBC)? A: A creditor (e.g., a raw material supplier, an employee) who is owed money for operational business. They are paid after financial creditors.

What is Financial Creditor (IBC)? A: A creditor who is owed a financial debt (e.g., a bank, a bondholder). They get to vote in the Committee of Creditors (CoC).

What is the Waterfall Mechanism (IBC)? A: The mandatory, legal order of priority for how money is distributed during liquidation. (1) IBC Costs (2) Secured Creditors + Workmen (3) Unsecured Creditors (4) Equity.

What is the solution to the Talent Race pain point for banks? A: Upskilling & Internal Mobility: Launching large-scale internal reskilling programs and creating Internal Talent Marketplaces to redeploy non-tech staff into digital roles.

What is the solution to the Grievance Redressal pain point? A: AI-based Root Cause Analysis: Using AI to analyze complaint data (from emails, calls) to identify the root cause of a problem (e.g., a broken app feature) instead of just solving single tickets.

What is the solution to the Mis-selling pain point? A: AI-driven Suitability Checks: Implementing AI models that monitor sales calls and applications in real-time to flag potential mis-selling (e.g., a ULIP to a senior citizen) before the sale is final.

What is the solution to Distribution Channel Conflict? A: Omni-channel Lead Sharing: Building a CRM where a lead from any channel (e.g., website) is shared with the nearest agent, who then gets a commission, ensuring all channels cooperate.

What is the solution to the Interest Rate Risk pain point for banks? A: Asset-Liability Management (ALM): Actively managing the duration gap by matching long-term assets (loans) with long-term liabilities (e.g., fixed deposits, bonds).

What is the solution to the Liquidity Risk pain point? A: Maintain High-Quality Liquid Assets (HQLA): Holding a large buffer of assets (like G-Secs) that can be sold instantly for cash, as mandated by the LCR.

What is the solution to Catastrophe Risk for insurers? A: Reinsurance Treaties: Buying Excess of Loss reinsurance, which pays out 100% of claims after the insurer's own losses from a single event exceed a set limit (e.g., ₹500 Cr).

What is the solution to Model Risk in AI? A: Model Governance & ModelOps: Implementing a strict framework to validate, test (for bias), and continuously monitor AI models for drift after they are deployed.

What is the solution to TPA Dependency (Health Insurance)? A: In-house Claims Processing: Building an internal, tech-driven claims team to handle all claims directly, bypassing TPAs for better control.

What is the solution to Adverse Selection in insurance? A: Risk-Based Underwriting: Using data (e.g., medical history, telematics) to more accurately price the risk, so high-risk individuals pay a proportionally higher premium.

What is the solution to Moral Hazard in insurance? A: Deductibles & Co-payments: Forcing the policyholder to pay a portion of the claim themselves, which gives them a financial incentive not to be reckless.

What is the solution to Low Penetration of insurance? A: Sachet Products & Bima Vahak: Creating extremely simple, low-cost sachet products (e.g., ₹100 accident cover) and using a local, village-level (Bima Vahak) workforce to build trust.

What is the solution to the Compliance Burden? A: RegTech (Regulatory Technology): Implementing AI-powered platforms that can automatically track new circulars, map them to internal controls, and automate compliance testing.

What is the solution to Digital Adoption vs. Usage? A: Gamification & Nudge Engines: Using AI to nudge users with personalized suggestions, and gamifying the app (e.g., reward points for setting a budget) to encourage feature discovery.

What is the solution to Claims Fraud (Health)? A: AI Anomaly Detection: Using AI to scan millions of claims and flag anomalies that humans would miss (e.g., a single doctor performing an impossible number of surgeries in one day).

How does a bank comply with the Digital Lending - KFS rule in practice? A: The bank's loan app must generate a 1-page Key Fact Statement (KFS) and display it to the borrower before the Confirm button is pressed.

How does a bank comply with the Digital Lending - Fund Flow rule? A: The bank (the lender) must transfer the loan amount directly to the borrower's bank account. The money cannot be routed through the fintech app's (LSP's) bank account.

How does a bank comply with the Digital Lending - Data Privacy rule? A: The bank must ensure its fintech partner's app only requests need-based data (e.g., camera for KYC) and cannot access the phone's contact list or photo gallery.

How does a bank comply with the Cloud Risk - Right to Audit rule? A: The bank's legal contract with the cloud provider (e.g., AWS, Azure) must explicitly state that the RBI has the right to audit the provider's data centers.

How does a bank comply with the Cloud Risk - Data Localization rule? A: The bank must configure its cloud service to ensure that all sensitive customer data is stored only in data centers physically located within India.

How does a bank comply with the Bank Nomination (Nov 2025) rule? A: The bank must run a campaign (via email, SMS, app pop-ups) forcing all customers to either add a nominee or tick a box that says I do not wish to nominate.

How does an insurer comply with the IRDAI - Motor Telematics reform? A: The insurer partners with a tech company to provide a dongle (a device for the car) or a mobile app that tracks driving speed, braking, and location.

How does an insurer comply with the IRDAI - Bima Vahak reform? A: The insurer appoints and trains a local Bima Vahak (e.g., a village-level woman) and provides her with a simple tablet to sell and service Bima Vistaar policies.

How does a listed company comply with SEBI - BRSR? A: The company's compliance team must collect 350+ data points on its ESG performance (e.g., carbon emissions, water usage, gender pay gap) and file the BRSR report annually.

How does a bank comply with the Account Aggregator - FIP role? A: The bank must build a secure, RBI-specified API that can push a customer's account data (e.g., transaction history) to the AA network, but only after receiving valid digital consent.

How does a fintech comply with the Account Aggregator - FIU role? A: The fintech (e.g., a lending app) gets the customer's AA handle (e.g., user@aa), sends a digital consent request, and then pulls the verified bank data to pre-fill the loan form.

How does a bank comply with the UDAAP - Deceptive rule? A: The bank's marketing team must stop using bait-and-switch ads (e.g., advertising a 6% loan rate that no one qualifies for) and remove all hidden fees.

How does a bank comply with the UDAAP - Unfair rule? A: The bank's collections department must stop using strong-arm tactics (e.g., calling a borrower at 3 AM, harassing their relatives) as this is deemed unfair.

How does a broker comply with the SEBI - CO (Compliance Officer) role? A: The CO must have the authority to block a business decision (e.g., launching a risky product) if it violates SEBI rules, and must report this conflict to the board.

How does a bank comply with the AI Governance framework? A: The bank must create an AI Ethics Committee that reviews every new AI model (e.g., for credit scoring) to ensure it is not biased against any gender, age, or demographic.

What is Slab-based vs. Progressive interest? A: Slab-based: Your entire savings balance (e.g., ₹5 lakh) gets the 4% rate. Progressive: The first ₹1 lakh gets 3%, the next ₹4 lakh gets 4%.

What is Payment in Lieu of Notice (PILON)? A: An RBI rule for willful defaulters. A bank director (who is a willful defaulter) must be removed, and the bank must pay their salary (PILON) to the RBI, not to them.

What is Greenwashing? A: The deceptive practice of marketing a financial product (e.g., a Green Fund) as eco-friendly when, in reality, it is not.

What is Social Stock Exchange (SSE)? A: A new, separate segment on the National Stock Exchange (NSE), created by SEBI, to help Social Enterprises (e.g., NGOs) raise funds via bonds or donations.

What is a Zero Coupon Bond (e.g., for SSE)? A: A bond that is issued at a discount and redeemed at face value at maturity. It pays no regular coupon (interest) payments.

What is Bank-rate? A: The (now largely symbolic) interest rate at which the RBI is ready to buy or rediscount bills of exchange. It's a signaling rate.

What is Open Market Operations (OMO)? A: The RBI's action of buying or selling government securities (G-Secs) in the open market to manage (inject or absorb) liquidity in the system.

What is Market Stabilization Scheme (MSS)? A: A tool where, if there is too much liquidity (e.g., from high FDI), the RBI will suck it out by selling new, special government bonds.

What is LAF (Liquidity Adjustment Facility)? A: The window (consisting of the Repo and Reverse Repo) that the RBI uses to inject or absorb liquidity overnight to keep rates stable.

What is Standing Deposit Facility (SDF)? A: A new RBI tool (now the floor rate) that allows banks to park excess money with the RBI without the RBI needing to give G-Secs as collateral.

What is Marginal Standing Facility (MSF)? A: An emergency window that allows banks to borrow overnight from the RBI (at a penal rate, higher than Repo) by dipping into their SLR.

What is the Interest Rate Corridor? A: The policy corridor created by the RBI, with the MSF rate as the ceiling, the Repo rate in the middle, and the SDF rate as the floor.

What is the Call Money Market? A: The interbank market where banks lend and borrow money from each other for extremely short periods (e.g., overnight) to manage their liquidity.

What is a Certificate of Deposit (CD)? A: A short-term, promissory (like an FD) issued by a bank to raise bulk money (e.g., from a corporation) for a fixed period (7 days to 1 year).

What is a Commercial Paper (CP)? A: A short-term, unsecured promissory (a bond) issued by a large corporation (or NBFC) to raise money directly from the market.

What is CASA Ratio? A: The percentage of a bank's total deposits that come from Current Account and Savings Account (CASA) deposits.

What is Cost of Funds? A: The average interest rate a bank pays on all its liabilities (e.g., Savings, FDs, bonds).

What is Yield on Assets? A: The average interest rate a bank earns on all its assets (e.g., loans, investments).

What is NPV (Net Present Value)? A: A core finance calculation that determines the current value of all future cash flows from a project, discounted by an interest rate.

What is IRR (Internal Rate of Return)? A: A finance calculation that finds the discount rate (the interest rate) at which the NPV of a project becomes exactly zero.

What is ASBA (Application Supported by Blocked Amount)? A: A mandatory SEBI process for IPOs where an investor's application money is not debited, but simply blocked in their bank account.

What is UPI for IPOs? A: A SEBI-approved mechanism that allows retail investors to use their UPI ID for an IPO application, which then blocks the funds (like ASBA).

What is Book Building? A: The process (used in most IPOs) where the company sets a price band (e.g., ₹100-₹110) and investors bid for shares. The final cut-off price is discovered based on demand.

What is Fixed Price IPO? A: A (less common) type of IPO where the company sets one fixed price (e.g., ₹100) for its shares, and investors can only apply at that price.

What is Greenshoe Option (Over-allotment)? A: A clause in an IPO that allows the company (via its I-Bank) to sell more shares (e.g., 15% more) than originally planned, if demand is very high.

What is an Anchor Investor? A: A large, institutional investor (e.g., a big Mutual Fund) that is invited to anchor an IPO by buying a large stake one day before the IPO opens.

What is QIB (Qualified Institutional Buyer)? A: A SEBI category for sophisticated investors, like Mutual Funds, Banks, and Foreign Portfolio Investors, who have a specific quota in IPOs.

What is NII (Non-Institutional Investor)? A: The HNI (High Net-worth Individual) category in an IPO, for anyone (individual or corporate) who applies for more than ₹2 lakh.

What is RII (Retail Individual Investor)? A: The retail category in an IPO, for any individual who applies for less than ₹2 lakh.

What is Underwriting (in an IPO)? A: A guarantee given by the Investment Bank (the underwriter) that if the IPO is not fully subscribed, the bank itself will buy the unsold shares.

What is Red Herring Prospectus (RHP)? A: The final IPO document (replaces the DRHP) that contains all details except the final price and issue size, which are added just before the IPO opens.

What is Draft Red Herring Prospectus (DRHP)? A: The first draft of the IPO document filed with SEBI for approval. SEBI reviews this and provides observations (required changes).

What is SEBI (Issue of Capital and Disclosure Requirements) (ICDR)? A: The master SEBI regulation that governs all aspects of how a company can raise capital, including the entire IPO process.

What is a Follow-on Public Offer (FPO)? A: When a company that is already listed on the stock exchange decides to sell new shares to the public to raise more capital.

What is an Offer for Sale (OFS)? A: When a promoter (a large, existing shareholder) of a listed company sells their own shares to the public via the stock exchange.

What is Buyback? A: When a listed company uses its own cash to buy back its own shares from the public, which reduces the total number of shares and (often) boosts the price.

What is Dividend? A: A portion of a company's profits that it pays out (in cash) to its shareholders as a reward for their investment.

What is Bonus Issue? A: When a company gives free, extra shares to its existing shareholders (e.g., 1-for-1 bonus). This increases the number of shares but lowers the price.

What is Stock Split? A: When a company splits one high-priced share into multiple low-priced shares (e.g., 1 share at ₹1000 becomes 10 shares at ₹100).

What is Record Date? A: The cut-off date set by a company. To receive a corporate action (like a dividend or bonus), you must be a shareholder on record on this date.

What is Ex-Date? A: The date (usually T-1) before the Record Date. You must buy the stock before the Ex-Date to be on the record and get the benefit.

What is Pledge (of shares)? A: When a promoter or investor uses their shares as collateral to take a loan (Loan Against Shares).

What is a Margin Call? A: If the price of your pledged shares falls, the lender will call you and demand you add more cash or shares (the margin) to cover the loss.

What is Promoter vs. Public holding? A: Promoter: The founders/controlling shareholders. Public: Everyone else (e.g., Mutual Funds, retail investors, FPIs).

What is Foreign Portfolio Investor (FPI)? A: A foreign-based fund (e.g., a US pension fund) that invests in Indian stocks. They are a key part of the Public (QIB) holding.

What is Reinstatement (Health Insurance)? A: A clause that allows a lapsed (unpaid) policy to be revived or reinstated if the policyholder pays all back-premiums and (often) passes a medical.

What is Grace Period (Insurance)? A: The 15-30 day extra period after the premium due date, during which the policyholder can pay the premium without the policy lapsing.

What is Paid-up Value (Life Insurance)? A: If you stop paying premiums on an endowment plan (after 3 years), the policy doesn't lapse. It just becomes Paid-up, and the Sum Assured is reduced proportionally.

What is Vesting Age (Pension)? A: The age (e.g., 60) at which a pension plan vests or matures, allowing the policyholder to withdraw their corpus (and mandating they buy an annuity).

What is Commutation (Pension)? A: The act of taking a portion of your pension corpus (e.g., 60% of NPS) as a tax-free lump sum at retirement, instead of buying an annuity with it.

What is an Annuity - Life Certain? A: An annuity (pension) that is guaranteed to be paid for a certain period (e.g., 15 years), even if the person dies. If they die, their nominee gets the pension.

What is an Annuity - Joint Life? A: An annuity that pays a pension to you for life, and after your death, continues to pay a pension to your spouse for their life.

What is AML in Insurance? A: Insurers must perform KYC and AML checks, especially for single-premium policies or any high-value transaction, to prevent criminals from laundering black money into a clean policy payout.

What is Floater vs. Non-Floater (Health)? A: Floater: A single Sum Insured (e.g., ₹10L) shared by the whole family. Non-Floater: Each family member has their own individual Sum Insured (e.g., 4 people x ₹10L each).

What is TPA (Third Party Administrator)? A: An IRDAI-licensed outsourcing firm that handles all backend health claim operations for an insurer (e.g., hospital network, cashless, processing).

What is the Cashless health claim workflow? A: (1) You go to a network hospital. (2) You show your TPA card. (3) The hospital sends a pre-authorization form to the TPA. (4) TPA approves. (5) TPA pays the bill directly.

What is the Reimbursement health claim workflow? A: (1) You go to any hospital. (2) You pay all the bills yourself. (3) You collect all original bills, reports, and a discharge summary. (4) You file this bundle with the TPA/Insurer for payback.

What is Hospital Cash (Rider)? A: A simple rider where the insurer pays you a fixed amount of money (e.g., ₹2,000) for every single day you are hospitalized (regardless of the bill).

What is a Critical Illness (Rider/Plan)? A: A benefit plan that pays a 100% lump sum (e.g., ₹25 lakh) on the first diagnosis of a major illness (e.g., cancer, stroke).

What is Indemnity vs. Benefit (Health)? A: Indemnity (a Medi-claim plan): Pays only the actual hospital bill amount (up to Sum Insured). Benefit (a Critical Illness plan): Pays the full, fixed Sum Insured on diagnosis, regardless of the bill.

What is Stop-Loss (Reinsurance)? A: A type of reinsurance (often for a group policy) where the reinsurer pays for all claims after the insurer's total annual claim ratio exceeds a set % (e.g., 120%).

What is Lloyd's of London? A: A (not an insurer) but a marketplace where syndicates (groups of underwriters) come together to insure massive, complex, or unique risks (e.g., a satellite, a celebrity's voice).

What is Exclusions (Insurance)? A: A list of specific items or events that the insurance policy will not cover. (e.g., self-inflicted injury, cosmetic surgery).

What is Terrorism Cover? A: A (now standard) add-on for fire/property insurance, as Acts of War and Terrorism are standard exclusions in most policies.

What is the Indian Terrorism Pool? A: A mandatory pool (managed by GIC Re) where all general insurers must cede (give) a portion of their terrorism cover premium.

What is AYUSH (Health Insurance)? A: An IRDAI mandate that health insurers must provide coverage for in-patient treatments under Ayurveda, Yoga, Unani, Siddha, and Homeopathy.

What is Domiciliary Hospitalization? A: A health policy feature that covers the cost of at-home medical treatment (e.g., a nurse, IV drip) if the patient could not be moved to a hospital (or no beds were available).

What is OPD (Out-Patient Department) cover? A: A (rare, but growing) health policy feature that covers non-hospitalization costs, like doctor consultation fees, diagnostic tests, and pharmacy bills.

What is Maternity Cover? A: A (very common) add-on to a group or individual health plan that covers the costs of childbirth (e.g., C-section, normal delivery).

What is Newborn Baby Cover? A: A feature (usually linked to Maternity Cover) that automatically covers a newborn baby (e.g., for vaccinations, or congenital issues) for the first 90 days.

What is an NBFC (Non-Banking Financial Company)? A: A company registered under the Companies Act and licensed by RBI, whose principal business is financial activities (e.g., lending, investments).

What is an NBFC-D? A: A Deposit-Taking NBFC. These are rare and are strictly regulated, requiring an investment-grade credit rating to accept public deposits.

What is an NBFC-ND-SI? A: A Non-Deposit-Taking, Systemically Important NBFC, with an asset size of ₹500 crore or more.

What is the NBFC - Scale Based Regulation (SBR)? A: The RBI's new framework that classifies all NBFCs into four layers (Base, Middle, Upper, Top) based on size, activity, and risk.

What is an NBFC - Base Layer (NBFC-BL)? A: The default, least-regulated layer for non-deposit taking NBFCs with an asset size below ₹1,000 crore.

What is an NBFC - Middle Layer (NBFC-ML)? A: The layer for all deposit-taking NBFCs, and all non-deposit-taking NBFCs with assets above ₹1,000 crore.

What is an NBFC - Upper Layer (NBFC-UL)? A: A specific, small list of the largest NBFCs (identified by RBI) that are subject to bank-like regulations (e.g., higher capital, CECL provisioning).

What is an NBFC - Top Layer (NBFC-TL)? A: A currently empty layer. If an Upper Layer NBFC is deemed so risky that it could collapse the system, RBI could move it here for even stricter rules.

What is an NBFC - Account Aggregator (NBFC-AA)? A: An RBI-licensed NBFC that provides the service of fetching and consolidating a user's financial data, but it cannot touch the data (read-only).

What is an NBFC - P2P Lending Platform? A: An RBI-licensed NBFC that acts as an online marketplace connecting individual lenders with individual borrowers; it does not lend its own money.

What is an NBFC-ICC (Investment and Credit Company)? A: The new, merged category (from the old Asset Finance and Loan company types) for any NBFC whose primary business is asset or loan financing.

What is an NBFC-MFI (Micro Finance Institution)? A: An RBI-licensed NBFC that provides small-ticket micro-loans (e.g., < ₹50,000) to low-income households, primarily for income generation.

What is the NBFC - Fair Practices Code? A: A mandatory RBI guideline (similar to UDAAP) that requires all NBFCs to be transparent in their pricing, loan terms (KFS), and to have a fair, non-coercive recovery policy.

What is the NPA norm for NBFCs? A: As per RBI's new rules, all Middle and Upper Layer NBFCs must now classify a loan as an NPA if it is overdue by 90 days (just like a bank).

What is NBFC - Capital Adequacy (CRAR)? A: All NBFCs must maintain a minimum Capital Adequacy Ratio (CRAR) of 15% (higher than banks), ensuring they have a strong capital base.

What is SEBI (Mutual Funds) Regulations, 1996? A: The master rulebook from SEBI that governs the entire structure and operation of all mutual funds in India.

What is the 4-part structure of a Mutual Fund? A: SEBI mandates a 4-part structure: (1) the Sponsor (who starts the fund), (2) the Trustees (who protect investors), (3) the AMC (who manages money), and (4) the Custodian (who holds assets).

What is the Sponsor of a Mutual Fund? A: The main entity (e.g., HDFC Bank, SBI) that sponsors or creates the mutual fund. They must meet SEBI's fit and proper criteria and provide the initial capital.

What is the Trustee of a Mutual Fund? A: The legal owner of the fund's assets, who has a fiduciary duty to ensure the AMC is acting in the best interest of the unit holders.

What is the AMC (Asset Management Company)? A: The SEBI-licensed fund manager of the mutual fund. It's the company that makes the day-to-day buy/sell investment decisions.

What is the Custodian of a Mutual Fund? A: A SEBI-registered entity (e.g., a bank) that physically holds all the securities (stocks, bonds) of the mutual fund in safe custody.

What is the Scheme Information Document (SID)? A: The prospectus or rulebook of a single mutual fund scheme. It contains all details (investment strategy, risks, fees) and is mandatory.

What is the Key Information Memorandum (KIM)? A: A summary of the SID, which is attached to the application form. It provides the key details in a simple format.

What is SEBI's Categorization of Mutual Funds? A: A strict SEBI rule that standardizes all fund types. (e.g., Large Cap Fund must invest 80%+ in the top 100 stocks).

What is a Large Cap Fund? A: A SEBI-defined equity fund that must invest a minimum of 80% of its assets in Large Cap stocks (i.e., the Top 100 companies by market cap).

What is a Mid Cap Fund? A: A SEBI-defined equity fund that must invest a minimum of 65% of its assets in Mid Cap stocks (i.e., companies ranked 101st-250th).

What is a Small Cap Fund? A: A SEBI-defined equity fund that must invest a minimum of 65% of its assets in Small Cap stocks (i.e., companies ranked 251st and below).

What is a Flexi Cap Fund? A: A SEBI-defined equity fund where the fund manager has complete flexibility to invest in any mix of Large, Mid, or Small cap stocks (min 65% in equity).

What is an ELSS (Equity Linked Savings Scheme)? A: A SEBI-defined fund that (1) invests 80%+ in equity, and (2) has a mandatory 3-year lock-in period, making it eligible for a tax deduction.

What is a Liquid Fund? A: A SEBI-defined debt fund that only invests in money market instruments (e.g., T-Bills, CPs) with a maturity of up to 91 days.

What is an Overnight Fund? A: The safest possible mutual fund. It only invests in securities that mature in one day.

What is a Gilt Fund? A: A SEBI-defined debt fund that invests only in Government Securities (G-Secs), meaning it has zero credit risk (default risk).

What is a Credit Risk Fund? A: A SEBI-defined debt fund that must invest at least 65% of its assets in lower-rated corporate bonds (AA or below) to earn a higher interest.

What is Marking to Market (MTM) in Mutual Funds? A: A mandatory SEBI rule that all debt funds must value all their bonds at the current market price every single day.

What is NAV (Net Asset Value)? A: The per-unit price of a mutual fund. It's the total market value of all its assets, minus expenses, divided by the total number of units.

What is Total Expense Ratio (TER)? A: The all-inclusive annual fee (capped by SEBI) that an AMC can charge to a scheme to cover all its costs (e.g., fund manager salary, marketing).

What is Direct Plan vs. Regular Plan? A: Direct: Bought directly from the AMC (no broker). Has a lower TER. Regular: Bought through a broker (MFD). Has a higher TER (includes commission).

(: The definition for Q737 was expanded for clarity based on the implied content of the source document).

What is Exit Load? A: A penalty fee (e.g., 1%) charged by a mutual fund if an investor exits (sells) their units before a specified time (e.g., 1 year).

What is AMFI (Association of Mutual Funds in India)? A: The industry association (not a regulator) for all SEBI-registered AMCs. It handles industry-wide standards, exams (NISM), and awareness (Mutual Funds Sahi Hai).

What is Side-Pocketing (Segregated Portfolio)? A: A SEBI-allowed process where, if a bond in a debt fund defaults, the AMC can side-pocket (separate) that bad bond into a new, frozen fund.

What is Inter-Scheme Transfer (IST)? A: When a fund manager moves a security (e.g., a bond) from one of their funds (e.g., a Credit Risk fund) to another (e.g., a Gilt fund).

What is SEBI's Skin in the Game rule? A: A SEBI mandate that requires AMCs (the fund house) to invest their own money as a percentage of the AUM into their own funds.

Q7F3: What is SEBI's Risk-o-Meter? A: A mandatory, graphical meter (from Low to Very High) that all funds must display, which is updated monthly based on the actual risk of the fund's portfolio.

What is Fund of Funds (FoF)? A: A mutual fund scheme that invests in other mutual fund schemes (e.g., a US FoF that invests in 5 different US-based funds).

What is New Fund Offer (NFO)? A: The IPO for a mutual fund. It's the initial period when a new scheme is launched and investors can buy units at the face value (e.g., ₹10).

What is the RTGS (Real Time Gross Settlement) workflow? A: (1) Sender bank sends a single (gross) payment instruction. (2) RBI instantly (real-time) debits the sender bank's RBI account and credits the receiver bank's. (3) The transaction is final and irrevocable.

What is the NEFT (National Electronic Funds Transfer) workflow? A: (1) Sender bank adds a transaction to the next batch. (2) Every 30 minutes, the RBI nets all batches (calculates the net amount each bank owes). (3) RBI settles this net amount.

What is the IMPS (Immediate Payment Service) workflow? A: (1) Sender (via app) initiates a payment. (2) The app connects to the NPCI switch. (3) NPCI instantly validates, debits the sender's bank, and credits the receiver's bank, 24/7.

What is the UPI (Unified Payments Interface) workflow? A: (1) User enters a VPA (e.g., user@bank). (2) The Payer app (e.g., PhonePe) sends this to the NPCI switch. (3) NPCI routes the collect request to the Payee app/bank. (4) User enters PIN, and IMPS moves the money.

What is the Credit Card (Swipe) workflow? A: (1) Merchant POS sends auth request to Acquiring Bank (merchant's bank). (2) Acquirer sends it to Card Network (Visa). (3) Visa sends it to Issuing Bank (customer's bank). (4) Issuer approves/denies. (5) Response travels back in seconds.

What is the ATM Cash Withdrawal workflow? A: (1) You use another bank's ATM. (2) That ATM (Acquirer) sends a request to the NPCI Switch (NFS). (3) NPCI routes it to your bank (Issuer). (4) Your bank checks the balance, approves, and sends the OK back.

What is the CTS (Cheque Truncation System) workflow? A: (1) You deposit a cheque. (2) Your bank scans it (does not send the physical cheque). (3) The digital image is sent to the Clearing House (NPCI). (4) NPCI routes the image to the Drawee bank (payer's bank) for approval.

What is the Positive Pay (Cheque) workflow? A: (1) You (the issuer) write a high-value cheque. (2) You pre-notify your bank (via app) of the details (amount, payee). (3) When the cheque is scanned (CTS), the bank cross-checks the image against your notification.

What is the e-NACH / e-Mandate workflow? A: (1) A merchant (e.g., Netflix) sends you a mandate request via API. (2) You approve it using your debit card or net banking (a one-time auth). (3) This digital mandate is registered with NPCI. (4) Netflix can now auto-debit your account every month.

What is the Loan Origination (Digital) workflow? A: (1) Customer applies on app. (2) App uses Account Aggregator (AA) to pull bank statements. (3) App pings CIBIL for score. (4) AI model underwrites (approves) the loan. (5) Customer signs e-NACH (for EMI) and e-Sign (for loan doc). (6) Bank disburses funds.

What is the V-CIP (Video KYC) workflow? A: (1) Customer starts a video call on the bank's app. (2) A bank officer (in India) verifies the customer's live face against their PAN/Aadhaar photo. (3) The officer asks random questions and geo-tags the customer's location. (4) The entire video is saved as an audit trail.

What is the Aadhaar e-KYC workflow? A: (1) Customer enters their Aadhaar number. (2) They receive an OTP on their registered mobile. (3) Upon entering the OTP, the bank instantly receives their name, address, and photo directly from the UIDAI database.

Q7TEST: What is the Aadhaar e-Sign workflow? A: A workflow to legally sign a digital document (e.g., a loan agreement). (1) You upload the doc. (2) You enter your Aadhaar number. (3) You get an OTP. (4) Entering the OTP affixes your digital signature.

What is the DigiLocker workflow? A: A government-run digital wallet where you can store official digital copies of your documents (e.g., Aadhaar, Driving License, Marksheets).

What is the Card Tokenization workflow? A: (1) You save your card on Amazon. (2) Amazon sends the 16-digit number to Visa. (3) Visa replaces it with a unique, random token (e.g., ZT...5Y). (4) Visa sends this token back to Amazon to save.

What is the Cross-Border Remittance (LRS) workflow? A: (1) You ask your bank to send USD. (2) The bank checks your LRS limit (USD 250k). (3) It collects TCS (Tax at Source). (4) It uses the SWIFT network to send a message (e.g., MT103) to its Nostro bank in the US. (5) The US bank credits the beneficiary.

What is the Internal Fraud Detection workflow? A: (1) A bank's Employee Monitoring system flags an anomaly (e.g., a clerk accessing a HNI account). (2) An alert goes to the Risk team. (3) The team investigates the user's access logs. (4) If fraud is found, access is revoked and legal is informed.

What is the Business Continuity (BCP) workflow? A: (1) A disaster strikes (e.g., fire at main data center). (2) The bank declares a disaster. (3) All systems failover to the Disaster Recovery (DR) Site. (4) Critical staff move to the DR site. (5) Operations resume (within the RTO).

What is RTO (Recovery Time Objective)? A: A key BCP metric: What is the maximum time we can be down before we must recover? (e.g., Critical payments must have an RTO of 30 minutes).

What is RPO (Recovery Point Objective)? A: A key BCP metric: What is the maximum amount of data we can afford to lose? (e.g., We must not lose more than 1 minute of transaction data).

What is the Sarbanes-Oxley (SOX) compliance workflow? A: A US law (for firms listed in the US, e.g., ICICI) that requires strict internal controls, especially Segregation of Duties (e.g., the maker of a transaction cannot be the checker).

What is the Segregation of Duties (SoD) workflow? A: A core SOX/Audit control. (1) A junior employee makes (creates) a wire transfer. (2) They cannot approve it. (3) A different senior employee must check (approve) it.

What is the User Access Management workflow? A: (1) A manager requests access for a new employee. (2) The Risk Owner of the data (e.g., Head of Loans) approves the request. (3) The IT team grants the access. (4) This is audited quarterly.

What is the Principle of Least Privilege? A: A core cybersecurity principle that a user must only be given the absolute minimum level of access (privilege) required to perform their job.

What is the Patch Management workflow? A: (1) A vendor (e.g., Microsoft) releases a patch (a fix) for a critical security flaw. (2) The bank first tests this patch in a Test Environment. (3) If it doesn't break anything, it is rolled out to all Production servers.

What is the Change Management workflow? A: A formal IT workflow for any change. (1) A developer requests a change (e.g., new code). (2) A Change Advisory Board (CAB) reviews the risk. (3) If approved, the change is scheduled for a maintenance window (e.g., Sunday 2 AM).

What is the ITIL framework? A: A (non-regulatory) best practice framework (e.g., Change Management, Incident Management) that defines how to run a professional, stable IT operation.

What is the Incident Management workflow? A: An ITIL workflow for unplanned outages. (1) The Service Desk logs an Incident (e.g., UPI is down!). (2) A Severity 1 bridge call is started. (3) All teams work to restore service as fast as possible (the fix).

What is the Problem Management workflow? A: The ITIL workflow after an Incident is fixed. (1) A Problem ticket is opened. (2) A team investigates the Root Cause (e.g., Why did UPI go down?). (3) A permanent fix is created to ensure it never happens again.

What is the Internal Audit workflow? A: (1) The bank's internal audit team (reporting to the Board) selects an area (e.g., Loans). (2) They test the controls (e.g., pull 100 samples to check SoD). (3) They issue a Report with Findings (failures). (4) The business must fix these findings.

What is the Policy Issuance (Life) workflow? A: (1) Customer/Agent fills Proposal Form. (2) Customer undergoes medicals (if needed). (3) The Underwriter (at the insurer) reviews the risk. (4) If approved, the insurer issues the First Premium Receipt (FPR). (5) The policy contract is sent.

What is the Underwriting (Life) workflow? A: The risk assessment step. The underwriter analyzes the Proposal Form, medical reports, and financial documents to decide: (1) Accept at standard rates, (2) Accept with a loading (higher premium), or (3) Reject.

What is Policy Renewal (General) workflow? A: (1) Insurer sends a renewal notice 30 days before expiry. (2) The customer pays the renewal premium. (3) The insurer issues a Certificate of Insurance (COI) or Cover for the next year.

What is the Death Claim (Life) workflow? A: (1) Nominee submits Claim Form A, the original policy, and the original death certificate. (2) Insurer verifies (may investigate if < 3 years). (3) If approved, the claim proceeds (Sum Assured + Bonus) are paid to the nominee.

What is the Maturity Claim (Life) workflow? A: (1) The (endowment) policy reaches its end date. (2) The insurer sends a Discharge Voucher to the (living) policyholder. (3) The policyholder signs and returns it. (4) The insurer pays the Maturity Benefit (Sum Assured + Bonus).

What is the Motor (OD) Claim workflow? A: (1) Customer informs insurer (FNOL) and sends photos. (2) Customer moves car to a cashless garage. (3) A Surveyor inspects the car and approves the repair cost. (4) Garage repairs the car. (5) Customer pays only their share (e.g., deductible). (6) Insurer pays the garage.

static Q782: What is the Motor (Theft) Claim workflow? A: (1) Customer immediately files an FIR with the police. (2) Customer informs the insurer. (3) After 60-90 days, if the police cannot find the car, they issue a Non-Traceable Report. (4) The customer submits this report and both car keys to the insurer to get the IDV.

What is the Motor (TP) Claim workflow? A: (1) You (the victim) file an FIR against the car that hit you. (2) You hire a lawyer and file a case at the Motor Accident Claims Tribunal (MACT). (3) The court (MACT) hears the case and decides the compensation. (4) The at-fault car's insurer pays you (the victim).

What is the Group Health Insurance workflow? A: (1) An employer (e.g., TCS) pays a single premium to an insurer. (2) The insurer provides TPA cards to all employees. (3) Employees use the cashless workflow for claims. (4) The insurer sends a monthly claim report to the employer.

What is the Actuarial Valuation workflow? A: (1) The Appointed Actuary (AA) analyzes all the insurer's policies. (2) The AA calculates the total Reserves (money) the insurer must set aside today to pay all future claims. (3) The AA submits this Actuarial Report to IRDAI.

What is the Reinsurance Treaty workflow? A: (1) Before the year starts, an insurer (e.g., ICICI) negotiates a treaty (contract) with a reinsurer (e.g., GIC Re). (2) The treaty automatically defines how all new policies will be shared (e.g., GIC Re takes 20% of every policy).

What is Facultative Reinsurance workflow? A: (1) An insurer gets a single, massive risk (e.g., insure a new power plant). (2) This risk is too big for the treaty. (3) The underwriter manually phones 10 reinsurers (Facultative) to get quotes to share this one specific risk.

What is the Policy Portability (Health) workflow? A: (1) 45 days before your Old Insurer policy expires, you apply to the New Insurer. (2) You fill the Portability Form. (3) The New Insurer contacts the Old Insurer (via IRDAI portal) to get your claim history. (4) The New Insurer underwrites you and (if approved) issues a new policy.

What is the Grievance (Insurance) workflow? A: (1) Customer complains to the insurer's Grievance Cell. (2) If unresolved in 15 days, customer escalates to the IRDAI IGMS (portal). (3) If still unresolved, customer files a (free) case with the Insurance Ombudsman.

What is the Bancassurance workflow? A: (1) A bank's employee (a Specified Person) is trained and certified by IRDAI. (2) When a bank customer comes for a loan, the bank employee also sells them the insurance policy (e.g., Credit Life). (3) The bank earns a commission from the insurer.

What is the National Pension System (NPS)? A: A defined contribution pension scheme (regulated by PFRDA) where you contribute money, it grows in the market, and the final corpus depends on your returns.

What is PFRDA (Pension Fund Regulatory and Development Authority)? A: The statutory regulator (like SEBI or RBI) that governs and develops all pension funds in India, with the NPS as its flagship product.

What is the NPS - Tier 1 account? A: The primary, mandatory pension account. It has a strict lock-in until age 60 and provides all the unique NPS tax benefits (e.g., 80CCD(1B)).

What is the NPS - Tier 2 account? A: A voluntary, add-on investment account. It is fully liquid (no lock-in) but provides no tax benefits. You can only open it if you have a Tier 1 account.

What is the PRAN (Permanent Retirement Account Number)? A: The single, unique 12-digit ID that PFRDA gives to every NPS subscriber. This number is portable across all jobs.

What is the NPS Trustee Bank? A: The single bank (currently Axis Bank) appointed by PFRDA to handle all money (contributions, withdrawals) for the entire NPS system.

What is the CRA (Central Recordkeeping Agency)? A: The RTA for NPS (e.g., KFinTech, CAMS). This entity maintains the records, provides the PRAN, and manages the NPS website/app.

What is the Pension Fund Manager (PFM)? A: The AMC for NPS (e.g., HDFC Pension, SBI Pension). This is the SEBI-like entity that manages your money (Scheme E, C, G) for a very low fee.

What is NPS - Scheme E? A: The Equity scheme, which invests (up to 75%) in the stock market (Nifty 50, etc.) to generate high, long-term growth.

What is NPS - Scheme C? A: The Corporate Debt scheme, which invests in high-quality corporate bonds (e.g., from HDFC, Reliance) to generate stable, medium-term returns.

What is NPS - Scheme G? A: The Government Securities scheme, which invests only in G-Secs. It has no credit risk and is the safest (but lowest-return) NPS scheme.

What is NPS - Scheme A? A: The Alternative Investment scheme, which can invest (up to 5%) in alternative assets like AIFs (Cat I & II), REITs, and InvITs.

What is NPS - Active Choice? A: The investment option where the subscriber (you) actively chooses the exact percentage (%) to allocate to each scheme (E, C, G, A).

What is NPS - Auto Choice (Lifecycle Fund)? A: The default investment option. You pick a Lifecycle Fund (e.g., LC50), and the PFM automatically rebalances your portfolio, reducing equity (E) as you get older.

What is the NPS - 40% Annuity rule? A: At retirement (age 60), a subscriber must use at least 40% of their total corpus to buy an annuity (a pension plan) from an IRDAI-regulated insurer.

What is the NPS - 60% Lump Sum rule? A: At retirement (age 60), a subscriber can withdraw up to 60% of their total corpus as a tax-free lump sum.

What is NPS - Partial Withdrawal? A: A subscriber (after 3 years) can make a partial withdrawal (up to 25% of their own contribution) for specific reasons (e.g., child's wedding, medical emergency).

What is Section 80CCD(1)? A: The tax deduction for your own contribution to NPS, which is part of the overall ₹1.5 lakh limit under Section 80C.

What is Section 80CCD(1B)? A: An additional, exclusive tax deduction of ₹50,000 (over and above the ₹1.5L limit) available only for contributions to the NPS Tier 1 account.

What is Section 80CCD(2)? A: The tax deduction for the employer's contribution to an employee's NPS account (up to 10% of basic salary).

What is the NPS - Corporate Model? A: A model where an employer (e.g., TCS) can offer NPS to its employees as a superannuation benefit, often with a matching employer contribution.

What is the NPS - All Citizen Model? A: The retail model of NPS, where any Indian citizen (aged 18-70) can open an NPS account on their own (e.g., via a bank or online).

What is Atal Pension Yojana (APY)? A: A PFRDA-run, government-backed pension scheme for the unorganized sector. Subscribers pay a small, fixed premium (e.g., ₹210/mo) and get a guaranteed pension (e.g., ₹5,000/mo).

What is a Point of Presence (POP)? A: The front-end distribution (e.g., SBI, HDFC Bank) licensed by PFRDA to open NPS accounts and act as the customer service touchpoint.

What is NPS - Premature Exit? A: If a subscriber exits NPS before age 60, they must use 80% of their corpus to buy an annuity (pension) and can only withdraw 20% as a lump sum.

What is the First Line of Defense (Risk)? A: The Business itself. The (e.g., Loan Department) is primarily responsible for owning and managing its own risks.

What is the Second Line of Defense (Risk)? A: The Risk & Compliance departments. They set the policies (e.g., the Loan Policy) and independently monitor the First Line.

What is the Third Line of Defense (Risk)? A: The Internal Audit department. They (reporting to the Board) provide independent assurance that the First and Second lines are working.

What is Statutory Audit? A: The external financial audit (e.g., by a Big 4 CA firm) mandated by law, which certifies that the bank's Balance Sheet and P&L are true and fair.

What is Concurrent Audit? A: An RBI mandate for banks. It's an ongoing, real-time audit (done by an external CA firm) that checks high-risk transactions (e.g., loans, forex) as they happen.

What is Risk-Based Internal Audit (RBIA)? A: An RBI-mandated shift in auditing. Instead of auditing everything, the Internal Audit team must first identify the highest risk areas (e.g., Cyber, Treasury) and focus 80% of their effort there.

What is Control Self-Assessment (CSA)? A: A Second Line tool where the Risk team sends a checklist to the First Line (Business) asking them to attest (self-assess) that their controls are working.

What is Key Risk Indicator (KRI)? A: A metric (e.g., number of failed logins) that acts as an early warning signal that a risk (e.g., cyber-attack) is increasing.

What is a Risk & Control Matrix (RCM)? A: A fundamental audit document. It's a spreadsheet that maps every Risk (e.g., fraudulent payment) to a specific Control (e.g., SoD approval).

What is Audit Finding vs. Observation? A: Finding: A critical failure of a mandatory control (e.g., SoD was violated). Observation: A recommendation for improvement (e.g., the process is inefficient).

What is IT General Controls (ITGC)? A: The foundation of all IT audits. It checks not the application, but the environment, e.g., (1) Access Control, (2) Change Management, (3) BCP/DR.

What is Access Attestation / Recertification? A: An ITGC workflow. Every 6 months, a manager receives a report of all the access rights their team has. They must manually review and attest (recertify) that this access is still needed.

What is Toxic Access Combination? A: A critical failure of Segregation of Duties (SoD). It's when one user has two permissions that (in combination) are toxic (e.g., Create Vendor + Pay Vendor).

What is Maker-Checker? A: The most basic Segregation of Duties (SoD) control. The Maker (creator) of a transaction can never be the same person as the Checker (approver).

What is Privileged Access Management (PAM)? A: A super-user (e.g., Database Admin, root) who has the keys to the kingdom. A PAM system vaults these powerful passwords and records every session.

What is Identity and Access Management (IAM)? A: The front door of all IT. It's the system (e.g., Active Directory) that manages a user's identity (who they are) and access (what they can do).

What is Data Loss Prevention (DLP)? A: A security tool that scans all outgoing data (e.g., emails, USB drives) to detect and block any sensitive data (e.g., a credit card number) from leaving the company.

What is Data Classification? A: The first step in data privacy. It's a project to classify all data into buckets (e.g., Public, Internal, Confidential, Restricted).

What is Data Masking? A: A security technique that hides sensitive data (e.g., a Test environment) by replacing it with fake (but realistic) data (e.g., XXXX-XXXX-XXXX-1234).

What is Encryption at Rest? A: A technical control that ensures all data stored on a database or hard drive is encrypted.

What is Encryption in Transit? A: A technical control (e.g., HTTPS, SSL/TLS) that ensures all data moving over a network (e.g., from your phone to the bank) is encrypted.

What is a Phishing Simulation? A: An internal audit practice where the Security team sends a fake phishing email to all employees. The employees who click the link are failed and assigned mandatory training.

What is Social Engineering? A: A hacking technique that manipulates people (e.g., via a phishing email or vishing call) to trick them into revealing their password.

What is Vishing? A: Voice Phishing. A social engineering attack where the attacker calls the victim (e.g., This is the RBI, your account is locked...) to trick them into revealing an OTP.

What is Smishing? A: SMS Phishing. A social engineering attack where the attacker sends a text message (SMS) (e.g., Your package failed, click here...) to trick them into clicking a malicious link.

What is Peril vs. Hazard? A: Peril: The cause of the loss (e.g., Fire, Earthquake). Hazard: A condition that increases the chance of loss (e.g., storing gasoline is a hazard for the peril of fire).

What is Physical Hazard? A: A hazard that exists physically (e.g., a faulty wire, an icy road, being overweight).

What is Moral Hazard? A: A hazard where a person's character or behavior changes (e.g., they become more reckless) after they get insurance.

What is Morale Hazard? A: A hazard caused by indifference or carelessness (not intentional malice). E.g., forgetting to lock the car (not planning to have it stolen).

What is the Law of Large Numbers? A: The mathematical principle that insurance is built on. It states that as the number of units (e.g., cars) increases, the actual loss (e.g., number of accidents) will get closer to the expected loss.

What is a Mutual insurer (e.g., LIC)? A: An insurance company that is owned by its policyholders. It has no shareholders, and all profits are paid back to the policyholders as bonuses.

What is a Stock insurer (e.g., HDFC Life)? A: An insurance company that is owned by its shareholders (like any normal company). Profits are paid to shareholders as dividends.

What is a Participating (Par) policy? A: A life insurance policy (e.g., an Endowment plan) that participates in the insurer's profits and receives an annual Bonus.

What is a Non-Participating (Non-Par) policy? A: A life insurance policy (e.g., a Term plan or Guaranteed plan) that does not participate in profits. The payout is fixed and guaranteed.

What is Reversionary Bonus? A: The bonus declared by a Par insurer each year. It is reversionary - meaning it is added to the policy, but is only paid at the end (death or maturity).

What is Terminal Bonus? A: A one-time, extra bonus that a Par insurer may (or may not) pay at the end of the policy (death or maturity), as a loyalty reward.

What is Rider (Insurance)? A: An optional, add-on benefit to a base policy. (e.g., adding an Accidental Death Rider to a base Term Life policy).

What is Waiver of Premium (Rider)? A: A popular rider on a life/health policy. If you (the premium payer) become critically ill or disabled, the insurer waives (forgives) all future premiums.

What is Compound Interest? A: Interest on interest. Your interest earns interest, leading to exponential growth. (e.g., 10% of 110 is 11, not 10).

What is Simple Interest? A: Interest on principal only. Your interest does not get added to the principal, so you earn the same fixed amount every year (e.g., 10% of 100 is always 10).

What is Rule of 72? A: A mental math shortcut. Divide 72 by the interest rate (%) to get the approximate number of years it takes for your money to double.

What is Inflation? A: The rate (e.g., 6% per year) at which the general level of prices is increasing, which reduces the purchasing power (value) of your money.

What is Real Rate of Return? A: The actual (net) return you earn after accounting for inflation. Formula: (Nominal Return Rate) - (Inflation Rate).

What is Asset Allocation? A: The most important investment decision. It's how you allocate (divide) your money between asset classes (e.g., 60% Equity, 40% Debt).

What is Diversification? A: Don't put all your eggs in one basket. The principle of spreading your money across many different stocks or bonds to reduce specific risk.

What is Systematic Risk (Market Risk)? A: The risk (e.g., from a war, a recession) that cannot be diversified away. It affects the entire market.

What is Unsystematic Risk (Specific Risk)? A: The risk (e.g., a single company's factory burns down) that can be diversified away by owning many different stocks.

What is Beta (Stock)? A: A measure of a single stock's volatility (risk) relative to the market (e.g., Nifty). A Beta > 1 is more volatile; a Beta < 1 is less volatile.

(: The explanation of Beta's value was added for clarity.)

What is Alpha (Fund)? A: A measure of a fund manager's skill. It's the extra return (positive or negative) they generated above what the market (Beta) would predict.

What is Standard Deviation (Fund)? A: The statistical measure of a fund's volatility. A high standard deviation means the fund's returns are wild and unpredictable.

What is Sharpe Ratio? A: A key performance metric that measures a fund's Risk-Adjusted Return (i.e., how much return did I get for the amount of risk I took?).

What is Rebalancing (Portfolio)? A: The discipline of periodically (e.g., annually) selling your winners and buying losers to return your portfolio to its original asset allocation (e.g., 60/40).

What is SIP (Systematic Investment Plan)? A: An investment method where you invest a fixed amount of money (e.g., ₹5,000) at a regular interval (e.g., monthly) into a mutual fund.

What is Rupee Cost Averaging? A: The mathematical benefit of an SIP. When the market price is low, your fixed ₹5,000 buys more units. When the price is high, it buys fewer units.

What is STP (Systematic Transfer Plan)? A: An investment method. You put a lump sum into a safe Liquid Fund (Fund A), and then systematically transfer (e.g., ₹10,000/mo) into a risky Equity Fund (Fund B).

What is SWP (Systematic Withdrawal Plan)? A: The retirement method. You have a large corpus in a safe Hybrid Fund, and you systematically withdraw (e.g., ₹50,000/mo) as your pension.

What is Equity (Asset Class)? A: Ownership. When you buy a stock (e.g., HDFC Bank), you are buying a part-ownership in that company.

What is Debt (Asset Class)? A: Loan. When you buy a bond (e.g., an FD, a G-Sec), you are lending your money in exchange for a fixed interest rate.

What is Hybrid Fund? A: A SEBI-defined fund that invests in a mix of both Equity and Debt (e.g., 60% Equity, 40% Debt).

What is Arbitrage Fund? A: A (very low risk) hybrid fund that simultaneously buys a stock in the cash market and sells it in the futures market, to profit from a tiny price difference.

What is Dividend Yield? A: A cash flow metric. It's the company's annual dividend per share divided by its current stock price.

What is P/E Ratio (Price-to-Earnings)? A: The most common valuation metric. It's the current stock price divided by the annual earnings per share (EPS).

What is P/B Ratio (Price-to-Book)? A: A valuation metric used for banks. It's the current stock price divided by the book value per share.

What is EBITDA? A: Earnings Before Interest, Taxes, Depreciation, and Amortization. It's a metric for a company's core operational profit.

What is Pledge (of shares)? A: When a promoter (founder) uses their own shares as collateral to take a loan.

What is Market Capitalization (M-Cap)? A: The total value of a company. It's the current stock price multiplied by the total number of shares.

What is Free Float? A: The percentage (%) of a company's shares that are readily available for public trading (i.e., not locked-in by Promoters).

What is Consolidated vs. Standalone (Financials)? A: Standalone: The financial report of only the parent/main company (e.g., Tata Motors - India). Consolidated: The combined report of the parent plus all its subsidiaries (e.g., Tata Motors + JLR).

What is Credit Rating? A: An opinion (from a CRA like CRISIL) on a company's ability to repay its debt (bonds). (e.g., AAA = Highest Safety, D = Default).

What is Return on Equity (ROE)? A: A key profitability metric. It measures how efficiently a company is using its shareholders' money to generate a profit.

What is Return on Assets (ROA)? A: A profitability metric (often used for banks). It measures how efficiently a bank is using its total assets (loans) to generate a profit.

What is Book Value? A: The net worth of a company. It's the (theoretical) value that would be left for shareholders if the company sold all its assets and paid all its debts.

What is Face Value (Stock)? A: A nominal, accounting value (e.g., ₹1 or ₹10) of a stock. It is meaningless for valuation, but is used to calculate dividends and stock splits.

What is Blue Chip stock? A: A nickname for a stock of a large, high-quality, well-established company with a long history of stable profits (e.g., HDFC Bank, TCS).

What is Penny Stock? A: A nickname for a stock (often a small cap) that trades at a very low price (e.g., < ₹10) and is extremely high-risk and speculative.

What is Pump and Dump? A: An illegal SEBI violation where operators artificially inflate (pump) the price of a penny stock (via fake news, SMS) and then sell (dump) all their shares.

What is Circular Trading? A: An illegal SEBI violation where a group of operators trade a stock (e.g., a penny stock) amongst themselves to create fake volume and pump the price.

What is Insider Trading? A: An illegal SEBI violation where a person (an insider) trades a stock based on Unpublished Price Sensitive Information (UPSI).

What is UPSI (Unpublished Price Sensitive Information)? A: Any material information (e.g., quarterly results, a merger deal) that is not yet public and could impact the stock price.

What is the Trading Window? A: A silent period (mandated by SEBI) before a company's results are announced (e.g., from 1st Oct to 15th Oct). All Insiders (e.g., employees) are banned from trading during this window.

What is Contra Trade? A: A SEBI (PIT) violation. An insider who buys a stock is banned from selling it (the contra trade) for the next 6 months.

What is SEBI (Ombudsman) Regulations? A: A (now-defunct) framework. It was replaced by the SEBI SCORES portal and the (new) Securities Market Ombudsman framework.

What is SCORES (SEBI COmplaints REdress System)? A: The single, centralized Level 1 online portal where any investor can file a complaint against any SEBI-regulated entity (e.g., broker, AMC).

What is the Securities Market Ombudsman? A: The Level 2 grievance body. If your complaint is not resolved on SCORES, you can escalate it (for free) to the Ombudsman for a final ruling.

What is GIFT City (IFSC)? A: Gujarat International Finance Tec-City. An International Financial Services Centre (IFSC) in India that is treated as a foreign territory for financial transactions.

What is a Derivative? A: A financial contract whose value is derived from an underlying asset (e.g., a stock, a commodity, or an index like Nifty).

What is a Futures contract? A: A standardized, exchange-traded derivative contract that obligates the buyer to buy (and seller to sell) an asset at a predetermined price on a future date.

What is an Options contract? A: A contract that gives the buyer the right (but not the obligation) to buy (a Call) or sell (a Put) an asset at a predetermined price (Strike) on or before a future date.

What is a Call Option? A: An option that gives the buyer the right to buy the underlying asset at the Strike Price. A Call buyer is bullish (expects the price to go up).

What is a Put Option? A: An option that gives the buyer the right to sell the underlying asset at the Strike Price. A Put buyer is bearish (expects the price to go down).

What is the Strike Price (Options)? A: The fixed, predetermined price at which the underlying asset can be bought (Call) or sold (Put) as per the option contract.

What is the Premium (Options)? A: The non-refundable price that the option buyer pays to the option seller (writer) to purchase the right (the Call or Put).

What is Expiry Date (Derivatives)? A: The last day on which a futures or options contract is valid. In India, this is typically the last Thursday of the month for F&O contracts.

What is Option Seller / Writer? A: The person who sells the option and collects the Premium. They have the obligation to fulfill the contract if the buyer exercises it.

What is In the Money (ITM) for a Call Option? A: When the Current Market Price is higher than the Strike Price. (e.g., Strike is 100, Market is 110). The Call has intrinsic value.

What is In the Money (ITM) for a Put Option? A: When the Current Market Price is lower than the Strike Price. (e.g., Strike is 100, Market is 90). The Put has intrinsic value.

What is Out of the Money (OTM)? A: When an option has zero intrinsic value. (e.g., a Call with Strike 100 when the Market is 90).

What is At the Money (ATM)? A: When the Strike Price is equal (or very close) to the Current Market Price.

What is Intrinsic Value (Options)? A: The real value of an option if it were exercised today. It's the difference between the Strike Price and the Market Price (for ITM options only).

What is Time Value (Extrinsic Value) (Options)? A: The extra amount in an option's Premium that exists because there is time left until expiry (and thus, hope it will become ITM).

What is Time Decay (Theta)? A: The rate at which an option's Time Value erodes or decays as it gets closer to its expiry date.

What is Implied Volatility (IV)? A: The market's forecast of how volatile a stock will be in the future. This IV is implied by the current option Premium prices.

What is Option Greeks (e.g., Delta, Gamma, Theta, Vega)? A: A set of risk metrics (named after Greek letters) that measure an option's sensitivity to different factors (e.g., stock price, time, volatility).

What is Delta (Option Greek)? A: Measures how much an option's premium is expected to change for every ₹1 change in the underlying stock price.

What is Hedging? A: The primary purpose of derivatives. It's the act of using a derivative (e.g., buying a Put option) to protect an existing investment (e.g., a stock) from a potential loss.

What is Speculation? A: The other use of derivatives. It's the act of using a derivative (e.g., buying a Call option) to bet on a future price movement, without owning the underlying asset.

What is Leverage (in F&O)? A: The ability to control a large position (e.g., ₹10 lakh of stock futures) by paying a small amount of money (e.g., ₹1.5 lakh of Margin).

What is Margin (in Futures)? A: The good faith deposit (not a payment) that a trader must keep with their broker to cover any potential daily losses from their open futures contract.

What is Mark to Market (MTM) (in Futures)? A: The daily cash settlement of all open futures contracts. If your contract lost ₹10,000 today, the cash is debited from your Margin account tonight.

What is a Margin Call (in Futures)? A: If your daily MTM losses cause your Margin account to fall below a maintenance level, your broker will call you, demanding you add more cash immediately.

What is Lot Size (in F&O)? A: The minimum quantity of an asset that can be traded in one F&O contract (e.g., 1 Lot of Nifty = 50 units; 1 Lot of TCS = 150 shares).

What is Open Interest (OI)? A: The total number of outstanding (open, not yet closed) derivative contracts for a particular asset and expiry.

What is Settlement (F&O)? A: How the contract is closed at expiry. Cash Settled: (Most F&O) The profit/loss is settled in cash. Physical Settled: (Some stock F&O) The seller must deliver the actual shares.

What is Rolling Over (Futures)? A: A workflow before expiry. A trader closes their current-month contract (e.g., Nov) and simultaneously opens a new next-month contract (e.g., Dec) to maintain their position.

What is a Clearing Corporation (e.g., NCL, ICCL)? A: The central counterparty (guarantor) for all F&O (and stock) trades. It becomes the buyer to every seller and the seller to every buyer.

What is the Treasury department in a bank? A: The central bank within the bank. It manages the bank's entire liquidity (cash), all its investments (G-Secs), and all its risks (ALM, interest rate, forex).

What is Asset-Liability Management (ALM)? A: The core job of the Treasury. It's the strategic management of the mismatch between the bank's Assets (e.g., 30-year home loans) and its Liabilities (e.g., 1-year FDs).

What is Liquidity Risk? A: The risk that a bank (even if profitable) will not have enough cash (liquidity) today to meet its obligations (e.g., a bank run of withdrawals).

What is Interest Rate Risk (for a bank)? A: The risk that the bank's Net Interest Margin (NIM) will shrink due to a change in interest rates.

What is Maturity Mismatch / Gap Risk? A: The core ALM problem. The bank is funding long-term assets (e.g., 20-year loans) with short-term liabilities (e.g., 1-year FDs).

What is the ALM - Liquidity (Statement)? A: A mandatory RBI report that buckets all of the bank's cash inflows (assets) and outflows (liabilities) into time buckets (e.g., 1-7 days, 8-14 days...).

What is NII (Net Interest Income)? A: The core profit of a bank. It's the total interest earned (on loans/assets) minus the total interest paid (on deposits/liabilities).

What is NIM (Net Interest Margin)? A: The key profitability metric for a bank. It's the Net Interest Income (NII) expressed as a percentage of its average earning assets.

What is Duration (of a bond)? A: A key risk metric for a bond. It measures the sensitivity of a bond's price to a 1% change in interest rates.

What is Duration Gap Analysis? A: An advanced ALM technique. The Treasury calculates the Duration of all its assets and all its liabilities to see if there is a gap (a mismatch).

What is Funds Transfer Pricing (FTP)? A: An internal mechanism. The Treasury (as the central bank) charges (or pays) internal interest to all other departments (e.g., Loans, Deposits).

How does FTP work (Example)? A: (1) Retail (branch) gets a ₹100 FD at 6%. (2) It lends this ₹100 to Treasury at the FTP rate (e.g., 7%). Retail profit = 1%. (3) Treasury lends this ₹100 to Loans at 7%. (4) Loans lends it to a customer at 10%. Loan profit = 3%.

What is the Held to Maturity (HTM) book? A: A bank's investment portfolio (G-Secs) that it intends to hold until maturity. It is not marked-to-market.

What is the Available for Sale (AFS) book? A: A bank's investment portfolio that it may sell if needed (e.g., for liquidity). It must be marked-to-market, with gains/losses going to a reserve, not the P&L.

What is the Held for Trading (HFT) book? A: A bank's trading portfolio (G-Secs, stocks) that it intends to sell in the short term (e.g., < 90 days) to make a profit. It must be marked-to-market, with gains/losses going to the P&L.

What is Forex Risk (Foreign Exchange)? A: The risk of loss to a bank (or corporate) from adverse changes in currency exchange rates (e.g., USD/INR).

What is an FX Forward contract? A: A derivative (like a Future, but not on an exchange) where a bank and a corporate (e.g., an Exporter) agree to lock in a future exchange rate (e.g., USD/INR at 84.00) today.

What is an Interest Rate Swap (IRS)? A: A derivative where two parties swap interest payments. E.g., Bank A pays a Floating rate to Bank B, and Bank B pays a Fixed rate to Bank A.

What is a Forex (Spot) transaction? A: The immediate exchange of two currencies at the current, live market price.

What is Nostro vs. Vostro vs. Loro? A: Nostro: My money, with your bank. (e.g., SBI's USD account in New York). A: Vostro: Your money, with my bank. (e.g., a New York bank's INR account with SBI). A: Loro: Their money, with your bank. (e.g., A German bank's account with SBI's New York branch, as seen from SBI India's perspective).

What is an Actuary? A: A (highly certified) professional who uses mathematics, statistics, and financial theory to calculate (price) future risk and uncertainty.

What is the Institute of Actuaries of India (IAI)? A: The statutory, professional body (like ICAI for CAs) that regulates and certifies all actuaries in India.

What is the Appointed Actuary (AA)? A: The single actuary (appointed by an insurer, approved by IRDAI) who is legally responsible for certifying the insurer's solvency and reserves.

What is Pricing (Actuarial)? A: The actuarial process of calculating the premium for an insurance policy.

What is Reserving (Actuarial)? A: The actuarial process of calculating the total amount of money (the Reserve) an insurer must set aside today to pay all its future claims.

What is the Mortality Table? A: A statistical table (used by actuaries) that shows the probability of death at every age.

What is the Morbidity Table? A: A statistical table (used by actuaries) that shows the probability of sickness or disability at every age.

What is IBNR (Incurred But Not Reported)? A: A reserve (calculated by actuaries) for claims that have already happened (e.g., an accident last week) but have not been reported to the insurer yet.

What is IBNER (Incurred But Not Enough Reported)? A: A reserve for claims that have been reported, but where the initial cost estimate is too low (e.g., a small injury that becomes a major surgery).

What is the Solvency Margin? A: The extra capital (buffer) that an insurer is required (by IRDAI) to hold over and above its Reserves.

What is the Solvency Ratio (Calculation)? A: $(\text{Total Available Solvency Margin}) / (\text{Total Required Solvency Margin})$. An insurer must maintain a ratio of at least 1.5 or 150%.

What is Risk-Based Capital (RBC)? A: A modern (Solvency II) approach to Solvency. Instead of a flat 150% rule, the amount of capital required is based on the specific risks of the insurer (e.g., an insurer selling equity ULIPs needs more capital).

What is Incurred Claims Ratio (ICR)? A: A (General Insurance) metric: $(\text{Total Claims Paid} + \text{Total Claims Outstanding}) / (\text{Total Premiums Earned})$.

What is Loss Ratio? A: A (General Insurance) metric: $(\text{Total Claims Paid}) / (\text{Total Premiums Earned})$.

What is Expense Ratio (Insurance)? A: A (General Insurance) metric: $(\text{Total Operating Costs} + \text{Commissions}) / (\text{Total Premiums Earned})$.

What is Combined Ratio? A: The #1 metric for a General Insurer's profitability. Formula: $(\text{Incurred Claims Ratio}) + (\text{Expense Ratio})$. A ratio < 100% means an underwriting profit.

What is Underwriting Profit? A: The profit an insurer makes purely from insurance (i.e., $(\text{Premiums}) - (\text{Claims} + \text{Expenses})$). This is (rarely) achieved when the Combined Ratio is < 100%.

What is Investment Profit? A: The profit an insurer makes from investing the float (the premiums it holds).

What is Float (Insurance)? A: The massive pool of money (premiums) that an insurer collects upfront and holds (to invest) before it has to pay it out as claims (which could be years later).

What is Persistency Ratio? A: The #1 metric for a Life Insurer's sales quality. It's the percentage of policies that are still active (i.e., the premium was renewed) after a certain period (e.g., 13th month, 61st month).

What is Assets Under Management (AUM) (Insurance)? A: The total market value of all the investments held by a life insurer (especially from its ULIP and Par policy Float).

What is New Business Premium (NBP)? A: A metric for a Life Insurer's growth. It's the total premiums collected from new policies sold this year.

What is Annual Premium Equivalent (APE)? A: A standardized metric for Life Insurer sales. Formula: (100% of Regular Premiums) + (10% of Single Premiums).

What is Value of New Business (VNB)? A: The best metric for a Life Insurer's profitability. It's the present value (NPV) of all the expected future profits from the new policies sold this year.

What is VNB Margin? A: A key life insurance metric. Formula: (Value of New Business) / (Annual Premium Equivalent).

What is Embedded Value (EV)? A: The total net worth of a Life Insurer. Formula: (Net Asset Value) + (Present Value of all future profits from its existing policies).

What is Pro-rata (Premium)? A: Proportional. If you cancel a 1-year (₹1,200) policy exactly halfway through (at 6 months), the insurer must refund you the pro-rata amount (i.e., the exact unused half: ₹600).

What is Short-rate (Premium)? A: A penalty for early cancellation (now banned by IRDAI). The insurer would (in the past) charge a short-rate (e.g., charge 70% for 6 months) to cover their costs.

What is Unearned Premium Reserve (UPR)? A: A liability on an insurer's balance sheet. It's the portion of premiums (the float) that the insurer has collected but has not yet earned (as the policy period is not over).

What is Burning Cost (Pricing)? A: A quick and dirty actuarial method for pricing reinsurance. It's based only on the past claims history (what's the cost that 'burned' us?).

What is Exposure Rating (Pricing)? A: A scientific actuarial method for pricing. It's not based on past claims, but on a model of the underlying exposure (e.g., what is the probability of a 1-in-100-year earthquake?).

What is Hard Market (Insurance)? A: The bad part of the insurance cycle. After a period of high losses (e.g., big floods), reinsurers get scared, capacity shrinks, and premiums go up for everyone.

What is Soft Market (Insurance)? A: The good part of the insurance cycle. After a period of high profits, more reinsurers enter, capacity increases, and premiums go down as everyone competes.

What is Risk Retention? A: The amount (or line) of risk that an insurer keeps on its own books (and does not give to a reinsurer).

What is Ceding (Reinsurance)? A: The act of an insurer (the Cedent) giving (or ceding) a portion of its risk to a reinsurer.

What is Retrocession (Reinsurance)? A: Reinsurance for Reinsurers. It's the act of a Reinsurer (e.g., GIC Re) buying its own reinsurance from another Reinsurer (e.g., Swiss Re) to cede its risk.

What is Treaty Reinsurance? A: An automatic contract. The insurer and reinsurer agree in advance (in a treaty) that all policies of a certain type (e.g., all motor policies) will be automatically shared (e.g., 50/50).

What is Facultative Reinsurance? A: A manual, case-by-case contract. The insurer has one, single, large risk (e.g., a new power plant) and manually shops it to a reinsurer for a specific quote.

What is Quota Share (Treaty)? A: The simplest type of reinsurance treaty. The insurer and reinsurer agree to share every policy at a fixed percentage (e.g., 70% for me, 30% for you).

What is Surplus Share (Treaty)? A: A smarter treaty. The insurer keeps all small risks (e.g., up to ₹1 Cr) 100% for itself (its line), and only cedes the surplus of large risks (e.g., a ₹5 Cr risk, it cedes ₹4 Cr).

What is Excess of Loss (XoL) (Treaty)? A: A non-proportional treaty. The reinsurer does not share every policy. Instead, it agrees to pay all losses after the insurer's own losses exceed a huge deductible (e.g., insurer pays the first ₹50 Cr of any one event).

What is Catastrophe Bond (CAT Bond)? A: An (advanced) alternative to reinsurance. An insurer issues a bond (a CAT Bond) to capital market investors. If a catastrophe (e.g., a major earthquake) occurs, the insurer keeps the investors' money. If not, the investors get their principal + a high interest rate.

(: Q993 was a duplicate of Q976). Q993 (Original Q976): What is Embedded Value (EV)? A: The total net worth of a Life Insurer. Formula: (Net Asset Value) + (Present Value of all future profits from its existing policies).

Q993 (Unique): What is Solvency II? A: The EU's regulatory framework (like Basel for banks) that governs insurer capital adequacy and risk management.

What is Solvency II - Pillar 1? A: The quantitative part. It defines the math (the Standard Formula or Internal Model) for calculating the exact amount of Risk-Based Capital (RBC) an insurer must hold.

What is Solvency II - Pillar 2? A: The qualitative part. It requires insurers to have a robust internal risk management framework (like RBI's ICAAP) and for the regulator to supervise it.

What is Solvency II - Pillar 3? A: The disclosure part. It mandates public disclosure and regulatory reporting of all the solvency and risk (Pillar 1 & 2) information.

What is Value-at-Risk (VaR) (Solvency II)? A: The core math of Solvency II. The Risk-Based Capital (RBC) must be enough to cover the worst expected loss over the next 1 year with 99.5% confidence.

What is Commission (Insurance)? A: The fee (a % of the premium) that the insurer pays to the agent or broker for selling the policy.

What is IRDAI (Expense of Management) reform? A: A new IRDAI rule that scraps the old, individual commission caps and replaces them with one, single overall cap on the insurer's total expenses (e.g., 30% of premium).

What is IRDAI's Use and File reform? A: A major reform (for most health/general products) where insurers can launch (use) a new product immediately without waiting for prior IRDAI approval.

What is RBI - Form A (FEMA)? A: The mandatory application form that a resident individual must fill out to purchase foreign exchange (forex) for a current account transaction (e.g., travel, medical).

What is RBI - Form X? A: The quarterly report that banks must submit to the RBI detailing all their un-reconciled Nostro and Vostro account entries.

What is RBI - R-Return (STAT 5)? A: A monthly report that banks must submit to the RBI detailing their entire Foreign Exchange position (all forex assets and liabilities).

What is CRILC (Central Repository of Information on Large Credits)? A: An RBI database. Banks must report all their large borrower exposures (₹5 Cr+) to CRILC, including SMA (stressed account) stress levels.

What is CTR (Cash Transaction Report)? A: A mandatory report that all banks (and insurers/brokers) must file monthly with the FIU-IND, detailing all cash transactions over ₹10 lakh.

What is STR (Suspicious Transaction Report)? A: A mandatory report filed with the FIU-IND within 7 days of any transaction (regardless of amount) that the bank deems suspicious.

What is CCR (Counterfeit Currency Report)? A: A mandatory report filed with the FIU-IND for all instances where fake currency (FICN) is detected during a transaction.

What is NTR (Non-Profit Transaction Report)? A: A mandatory report filed with the FIU-IND detailing all cash transactions over ₹10 lakh received by any Non-Profit Organization (NPO / NGO).

What is BRSR (Business Responsibility and Sustainability Report)? A: The annual SEBI report (replaces BRR) that the top 1000 listed firms must file, detailing their ESG performance.

What is LODR (Listing Obligations and Disclosure Requirements)? A: The master SEBI regulation that mandates all the continuous reports a listed company must file (e.g., Quarterly Results, Shareholding Pattern, Material Events).

What is LODR - Regulation 30? A: A key LODR rule. It mandates that a listed company must immediately (e.g., < 24 hrs) disclose any material event (e.g., a merger, a fire, a CEO resignation) to the stock exchanges.

What is LODR - Shareholding Pattern? A: A mandatory quarterly report where a listed company discloses its exact ownership structure (e.g., Promoter %, FPI %, Retail %).

What is Form 60 / Form 61 (AML)? A: Form 60: A declaration a person (with no PAN card) must sign to open a bank account or do a high-value transaction. Form 61: The bank's report to the tax department, summarizing all Form 60 declarations it collected.

What is Statement of Financial Transactions (SFT)? A: An annual tax report (formerly AIR) that banks, mutual funds, etc., must file with the Income Tax Department, detailing all high-value transactions for specific customers.

What is Form 26AS? A: Your annual, consolidated tax statement. It's generated by the Tax Dept and shows all TDS cut in your name, plus all the SFT data reported by banks/MFs.

What is TDS (Tax Deducted at Source)? A: An income tax rule. The payer (e.g., a bank paying FD Interest) must deduct (withhold) a portion of the tax before paying you, and deposit it directly with the government.

What is Form 15G / 15H? A: A declaration you give to your bank at the start of the year attesting that your total income is below the taxable limit. This instructs the bank not to cut TDS on your interest.

What is TCS (Tax Collected at Source)? A: An income tax rule (different from TDS). The seller (e.g., an AD Bank for an LRS transaction) must collect an extra tax from the buyer at the time of sale.

What is SAST - Regulation 29 (Takeovers)? A: The SEBI report where a promoter or acquirer must disclose that they have acquired or sold shares in their own company.

What is SAST - Regulation 30 (Takeovers)? A: The SEBI report where a company must disclose its annual (and consolidated) shareholding details.

What is KYC - Risk Categorization (Low, Medium, High)? A: An RBI mandate. All bank customers must be risk-categorized (Low, Medium, High) based on their profile (e.g., identity, location, business).

What is a Low Risk customer (KYC)? A: A salaried employee, a government department, or a listed company. KYC refresh for them is typically every 10 years.

What is a Medium Risk customer (KYC)? A: An average business or individual (the default category if not Low or High). KYC refresh for them is typically every 8 years.

What is a High Risk customer (KYC)? A: Any customer deemed high risk, e.g., PEPs (Politically Exposed Persons), Jewellers, Casinos, or any customer from a FATF Grey List country. KYC refresh for them is typically every 2 years.

What is KYC Refresh / Re-KYC? A: The mandatory periodic process of re-verifying a customer's KYC documents, with the frequency (e.g., 2, 8, or 10 years) based on their risk category.

What is EDD (Enhanced Due Diligence)? A: The extra KYC steps for High Risk customers. This must include: (1) Getting Senior Management approval to open the account, and (2) Identifying the Source of Wealth.

What is Source of Funds vs. Source of Wealth? A: Source of Funds: Where did the money for this one transaction come from? (e.g., my salary). Source of Wealth: How did you (the High Risk customer) build your entire net worth? (e.g., my family business).

What is a Politically Exposed Person (PEP)? A: An individual who holds a prominent public function (e.g., a Member of Parliament, a Judge, a senior Military/Govt officer). They are automatically High Risk.

What is an RCA (Related or Close Associate)? A: An associate of a PEP (e.g., a family member or a close business partner). They are also treated as High Risk.

What is UBO (Ultimate Beneficial Owner)? A: The real, natural person (a human) who ultimately owns or controls a company, even if they are hiding behind layers of shell companies.

What is the UBO rule (PMLA)? A: For any company account, the bank must identify the UBO. The UBO is defined as any human who (1) owns >25% of the shares, OR (2) controls the company (e.g., has the right to appoint directors).

What is CDD (Customer Due Diligence)? A: The standard KYC process: (1) Identify the customer (e.g., get PAN/Aadhaar), (2) Verify their identity, (3) Understand the purpose of the account.

What is SDD (Simplified Due Diligence)? A: An easier KYC (e.g., just getting a Form 60) allowed only for very Low Risk products (e.g., a Small Account with a ₹50k limit).

What is Tipping Off (AML)? A: The crime of alerting (tipping off) a customer that their transaction (or account) has been reported to the FIU-IND in an STR.

What is Transaction Monitoring (AML)? A: The continuous, automated (AI-based) workflow of scanning all customer transactions in real-time to detect suspicious or anomalous activity.

What is Screening / Watchlist Filtering (AML)? A: The mandatory workflow of checking (screening) all new customers (and all transactions) against official blacklists (e.g., Sanction Lists, PEP Lists).

What is a Sanction List? A: An official government blacklist (e.g., from the UN, the US (OFAC), or India (MHA)) of all terrorists, drug lords, or rogue nations. Banks must block any transactions with listed entities.

What is OFAC (Office of Foreign Assets Control)? A: The US Treasury department that enforces all US economic sanctions. Its sanction list is a global standard.

What is a False Positive (AML)? A: A major pain point. It's when the Screening tool incorrectly flags a good customer (e.g., Mr. Rajan Shah) because their name looks like a Sanctioned name (e.g., Mr. Rojan Shah).

What is Fuzzy Logic (AML)? A: The technology solution to False Positives. It's an AI screening engine that looks for probabilistic matches (e.g., Name = 90% match + DOB = 100% match = High Alert).

What is Shell Company? A: A fake company (a shell) that has no real office and no real operations. Its only purpose is to hide the UBO and launder money.

What is Layering (Money Laundering)? A: The second stage of AML. The launderer hides the dirty money by moving it through a complex web (layers) of Shell Companies and offshore accounts.

Q1Data: What is Placement (Money Laundering)? A: The first stage of AML. It's the physical act of placing dirty cash into the formal financial system (e.g., Smurfing it into a bank account).

What is Integration (Money Laundering)? A: The final stage of AML. The laundered (clean) money is integrated back into the legitimate economy (e.g., buying real estate or a luxury car).

What is Risk-Based Approach (RBA)? A: The core philosophy of all modern AML/KYC (mandated by FATF/RBI). It means a bank must apply its resources (e.g., its compliance budget) proportionally to the highest risks (e.g., apply EDD to High-Risk customers).

What is Trade-Based Money Laundering (TBML)? A: An advanced AML crime. Launderers hide money by falsifying trade invoices. (e.g., Over-invoicing: selling a \$10 shirt to their own Shell Company for \$1,000 to move \$990 offshore).

What is Correspondent Banking (AML Risk)? A: A very high AML risk. A big (US) bank trusts a small (foreign) bank to do its own KYC. If the small bank fails (e.g., banks a terrorist), the big bank is liable.

What is a Money Mule? A: A person who is recruited (often unknowingly) to receive stolen (e.g., phishing) money into their own bank account, and then transfer it to the criminal.

What is AML - Red Flag: Structuring? A: A customer who repeatedly makes large cash deposits that are just below the ₹10 lakh CTR reporting limit (e.g., ₹9,90,000).

What is AML - Red Flag: Rapid Movement? A: A customer account that receives a large (or unusual) credit, which is immediately wired (transferred) out of the account (often offshore).

What is E in ESG (Environmental)? A: How a company impacts the environment. (e.g., its Carbon Emissions, Water Usage, Waste Management).

What is S in ESG (Social)? A: How a company treats its people. (e.g., Employee Diversity, Gender Pay Gap, Data Privacy, Worker Safety, Supply Chain labor).

What is G in ESG (Governance)? A: How a company is run. (e.g., Board Independence, Executive Pay, Audit Controls, Anti-Corruption, Shareholder Rights).

What is ESG (in Banking)? A: Two things: (1) The bank's own ESG (e.g., its own carbon footprint), and (2) The ESG risk of its clients (e.g., Risk of lending to a polluting company).

What is Climate Risk (Banking)? A: The financial risk to a bank's loan book from Climate Change. (e.g., Physical Risk or Transition Risk).

What is Physical Risk (Climate)? A: The financial risk from the physical impacts of climate change. (e.g., a flood (Acute) or sea-level rise (Chronic) destroying a factory that the bank gave a loan to).

What is Transition Risk (Climate)? A: The financial risk from the transition to a green economy. (e.g., a new carbon tax (Policy Risk) or a shift to EVs (Tech Risk) bankrupting a Coal or Gas company that the bank gave a loan to).

What is TCFD (Task Force on Climate-related Financial Disclosures)? A: The global gold standard framework (now part of IFRS) that SEBI (for BRSR) and RBI (for banks) have adopted, which mandates how firms must disclose Climate Risk.

What is BRSR (Business Responsibility and Sustainability Report)? A: The SEBI-mandated ESG Report (based on 9 Principles) that the Top 1000 listed firms must file annually.

What is BRSR Core? A: A subset of the BRSR (e.g., the hard quantitative data like GHG Emissions) that SEBI has mandated (from FY24-25) must be externally audited (get reasonable assurance).

What is GHG (Greenhouse Gas) Emissions? A: The key E (Environmental) metric. It's the total carbon footprint of a company (measured in tonnes of CO₂ equivalent).

What is Scope 1 (GHG Emissions)? A: Direct emissions. The GHG that a company makes itself. (e.g., from its own factory chimney or own company cars).

What is Scope 2 (GHG Emissions)? A: Indirect (Purchased) emissions. The GHG that a company causes by buying electricity. (e.g., the coal burned at the power plant to run the bank's office).

What is Scope 3 (GHG Emissions)? A: Value Chain emissions. All other emissions. (e.g., employee travel, waste disposal, and (critically for banks) the Financed Emissions).

What is Financed Emissions (Scope 3)? A: The GHG of the companies that a bank lends money to. (e.g., if a bank's loan book is 10% Coal, then 10% of that Coal company's emissions belong to the bank).

What is Greenwashing? A: The deceptive practice of marketing a product (e.g., a Mutual Fund or a Loan) as Green or ESG-friendly when it is not.

What is ESG Rating? A: A score (e.g., AAA or 80/100) given by a Rating Agency (e.g., MSCI, S&P) that measures a company's ESG performance.

What is SEBI (ESG Rating Providers) regulations? A: A new SEBI framework (as of 2023) to regulate the ESG Raters themselves, forcing them to be transparent in their methodology and manage conflicts of interest.

What is AI Governance? A: A mandatory Second Line (Risk/Compliance) framework (like Risk Management) that governs how an AI Model is built, tested, and monitored.

What is Explainable AI (XAI)? A: A core principle of AI Governance. The AI model (e.g., a Loan AI) must be explainable (e.g., The loan was rejected because of: (1) High DTI, (2) Low CIBIL).

What is AI - Fairness / Bias? A: A core principle of AI Governance. The AI model (and the data it was trained on) must be tested to ensure it is not biased (e.g., discriminating) against any protected class (e.g., gender, age, location).

What is AI - Transparency? A: A core principle of AI Governance. The customer must be told (1) that they are interacting with an AI (e.g., a chatbot), and (2) how their data is being used by the AI.

What is AI - Robustness / Safety? A: A core principle of AI Governance. The AI model must be robust (e.g., secure from hackers) and safe (e.g., it won't hallucinate and give dangerous financial advice).

What is Human-in-the-Loop (HITL)? A: A key control in AI Governance. For all High-Risk decisions (e.g., a Loan Rejection or a Fraud Alert), the AI model can only recommend; the final decision must be made by a human.

What is Model Drift (AI)? A: The pain point where an AI model's accuracy gets worse over time, because the real world data (e.g., customer behavior) has changed since the model was trained.

What is ModelOps (Model Operations)? A: The solution to Model Drift. It's a DevOps workflow for AI models, which continuously monitors a live model and automatically triggers a retrain when its accuracy drops.

What is Data-centric AI? A: A new strategy for AI. Instead of Big Data, it focuses on High-Quality, Clean, Labelled data.

What is Federated Learning? A: An (advanced) privacy-preserving AI technique. (e.g., 10 banks collaborate to build one Fraud model). The data stays at each bank, and only the model learnings are shared.

What is Generative AI (GenAI) risk? A: The risk of a GenAI model (1) Hallucinating (making up fake facts), or (2) Leaking private company data that it was trained on.

What is a Private LLM (GenAI)? A: The solution to GenAI risk. A bank builds (or hosts) its own GenAI model inside its own data center (a private Large Language Model).

What is RAG (Retrieval-Augmented Generation)? A: A GenAI workflow. (1) A user asks a question. (2) The system first retrieves the facts from a trusted database (e.g., an RBI Circular). (3) Then, the GenAI uses these facts to generate the answer.

What is IRDAI (AI) specific guideline? A: IRDAI has mandated (as of 2024) that all AI/ML models used in any claims or underwriting process must be audited (for bias) and must have a Human-in-the-Loop.

What is Green Bond? A: A type of Debt. It's a normal bond where the issuer (e.g., a Bank or Company) promises to use the money (proceeds) only to fund green projects (e.g., Solar, Wind).

What is Social Bond? A: A type of Debt. The issuer promises to use the money only to fund social projects (e.g., Affordable Housing, Women's Empowerment).

What is Sustainability-Linked Bond (SLB)? A: A different type of ESG bond. The money can be used for anything (general purpose), but the interest rate (coupon) is linked to an ESG target. (e.g., If we cut our emissions 50%, the interest rate drops 0.1%).

What is Impact Investing? A: An investment strategy that intentionally seeks to create a positive, measurable social or environmental impact alongside a financial return.

What is Blended Finance? A: A funding model for ESG projects. It blends private capital (e.g., from a Bank) with public capital (e.g., a grant from the World Bank).

What is TCFD - Governance? A: The first pillar of TCFD. The company must disclose how it governs Climate Risk (e.g., Does the Board oversee this?).

What is TCFD - Strategy? A: The second pillar of TCFD. The company must disclose the actual Physical and Transition risks it has identified.

What is TCFD - Risk Management? A: The third pillar of TCFD. The company must disclose how it manages (integrates) those risks into its overall Risk framework.

What is TCFD - Metrics and Targets? A: The fourth pillar of TCFD. The company must disclose the metrics it uses (e.g., GHG Emissions) and the targets it has set (e.g., Net Zero by 2050).

What is Net Zero? A: A target. A company is Net Zero when it has reduced its own GHG Emissions as much as possible, and then offsets (removes) the tiny residual amount.

What is Carbon Offsetting? A: The act of canceling out your own GHG Emissions by paying for a carbon credit (e.g., funding a tree-planting project).

What is Carbon Credit? A: A tradable permit (an asset) that represents one tonne of CO2 that has been removed or avoided from the atmosphere (e.g., by a Solar Farm or a Forest).

What is Carbon Market? A: A market (like a stock exchange) where Carbon Credits are bought (by polluters) and sold (by green projects).

What is GRI (Global Reporting Initiative)? A: A global standard (like TCFD) for sustainability reporting (ESG). It is very broad and covers all topics (E, S, and G).

What is SASB (Sustainability Accounting Standards Board)? A: A global standard (now part of IFRS, like TCFD) for ESG. It is very specific and defines the few, key financially material metrics for each industry (e.g., Data Privacy for Banks, Water Usage for Miners).

What is IFRS - S1? A: The new, global baseline Sustainability Disclosure standard (from the ISSB, which absorbed SASB).

What is IFRS - S2? A: The new, global baseline Climate-related Disclosure standard (from the ISSB, which absorbed TCFD).

What is Double Materiality? A: An EU concept. Single Materiality (US/SASB): How does ESG impact the Company's value? Double Materiality (EU/GRI): (1) How does ESG impact the Company? AND (2) How does the Company impact ESG (the Planet)?.

What is an Internal Ombudsman (IO)? A: An RBI mandate for large banks and NBFCs to appoint a senior, independent official (the IO) to review all customer complaints before they are escalated to the RBI Ombudsman.

What is the Banking Ombudsman (RBI-OS)? A: The external official appointed by the RBI to (for free) investigate and resolve customer complaints after the customer has already failed to get a resolution from their bank/NBFC.

What is the Insurance Ombudsman? A: The external official for insurance. A policyholder can (for free) file a complaint (e.g., for a rejected claim) after the insurer has failed to resolve it.

What is the Securities Market Ombudsman? A: The external official for capital markets. An investor can (for free) escalate a complaint after it has not been resolved on the SCORES portal.

What is a Chief Risk Officer (CRO)? A: A mandatory, C-level executive (mandated by RBI/SEBI/IRDAI) who is independent of the business and responsible for overseeing the entire risk-taking framework (the Second Line).

What is a Chief Compliance Officer (CCO)? A: A mandatory, C-level executive (mandated by RBI/SEBI/IRDAI) who is responsible for ensuring the firm's adherence to all regulatory and legal rules.

What is a Chief Information Security Officer (CISO)? A: A mandatory, senior executive (mandated by RBI's Cyber Framework) who is responsible for the entire Cybersecurity program of the bank.

What is the Board Risk Management Committee (RMC)? A: A mandatory sub-committee of the company's Board of Directors (mandated by SEBI LODR/RBI) that oversees the CRO and signs off on the entire risk framework.

What is SREP (Supervisory Review and Evaluation Process)? A: The RBI's own internal audit (like ICAAP but for the RBI) of a bank. RBI supervisors assess the bank's risk (using CAMELS) and impose extra capital buffers if needed.

What is ICAAP (Internal Capital Adequacy Assessment Process)? A: The bank's own internal assessment (mandated by RBI) to identify all its risks (including non-Basel risks like Reputation) and calculate if it has enough capital for them.

What is Basel - Pillar 1? A: The quantitative part. The minimum Capital (e.g., CRAR, LCR) that all banks must hold, calculated using Standardized formulas.

What is Basel - Pillar 2? A: The supervisory part. (1) The bank must do its own ICAAP to add capital for other risks. (2) The regulator (RBI) reviews this via SREP.

What is Basel - Pillar 3? A: The disclosure part. The bank must publicly disclose (e.g., in its Pillar 3 Report) all its risk and capital calculations in a standardized format.

What is Standardized Approach (Basel - Credit Risk)? A: The simple way to calculate RWA for Pillar 1. The RBI gives the risk-weights (e.g., Home Loan = 35%).

What is IRB (Internal Ratings-Based) Approach (Basel - Credit Risk)? A: The advanced way. Only advanced (e.g., global) banks are allowed (by their regulator) to use their own internal AI models to calculate the RWA.

What is Credit Default Swap (CDS)? A: An (advanced) derivative. It's an insurance policy on a bond. The Buyer of the CDS pays a premium (fee). If the bond defaults, the Seller of the CDS pays the full value of the bond.

What is Naked vs. Covered (Options)? A: Covered: You sell a Call Option while you own the underlying stock. (Safe). Naked: You sell a Call Option without owning the stock. (Extremely risky).

What is Covered Call? A: An income strategy. (1) You own 100 shares of TCS. (2) You sell (write) one OTM Call Option against it. (3) You collect the Premium as extra income.

What is Protective Put? A: A hedging strategy. (1) You own 100 shares of TCS. (2) You buy one OTM Put Option. (3) This Put acts as insurance, protecting you from a large loss if the stock crashes.

What is Algorithmic (Algo) Trading? A: A SEBI-regulated workflow where a computer program (an algo) automatically generates and executes trades based on pre-defined rules (e.g., If price > 50-day-average, buy).

What is High-Frequency Trading (HFT)? A: An advanced form of Algo Trading that uses extreme speed (microseconds) and Co-location to execute millions of tiny trades.

What is Co-location (HFT)? A: A SEBI-regulated service. An HFT firm pays the Stock Exchange to place its servers inside the same data center (co-located) as the exchange's matching engine.

What is Dark Pools? A: A private stock market (not the public NSE/BSE) where large institutions (e.g., FPIs) can anonymously trade massive blocks of shares without moving the public market price.

What is ADR (American Depository Receipt)? A: A product (a receipt) that trades on a US Stock Exchange (e.g., NYSE) but represents shares of a foreign company (e.g., ICICI Bank).

What is GDR (Global Depository Receipt)? A: A product (a receipt) that trades on a global Stock Exchange (e.g., London, Luxembourg) and represents shares of a foreign company (e.g., Reliance).

Scenario: A bank wants to use a new Fintech app for lending. What is the #1 rule from the Digital Lending guidelines? A: The Loan must be on the bank's Balance Sheet, and the money must flow directly from the bank's account to the borrower's account (not via a fintech's pool account).

Scenario: A Fintech app partner (an LSP) is handling the collections. What is the #1 rule from the UDAAP guidelines? A: The bank (the lender) is 100% responsible for the actions of its LSP partner. If the LSP harasses a customer, the bank is fined by the RBI.

Scenario: A bank wants to use AWS (a CSP) to host its Core Banking data. What contract clause is mandatory under the Cloud Risk framework? A: The contract must give the RBI (the regulator) the Right to Audit and inspect the AWS data center, even if it is overseas.

Scenario: A customer (in 2025) has not added a nominee to their Savings Account. What is the consequence of the Bank Nomination rule? A: The bank must send multiple alerts. If the

customer still fails to either nominate or opt-out by the deadline (e.g., Nov 1, 2025), the account may be frozen.

Scenario: A listed bank (e.g., HDFC) lends ₹500 Cr to a Coal company. How must this be disclosed under BRSR and TCFD? A: The bank must (under Scope 3) calculate and disclose its share of the Financed Emissions from this loan in its annual BRSR report.

Scenario: An insurer builds a new AI model to price Health Insurance. It is trained on only Male data. What is the #1 compliance violation? A: This is a major violation of AI Governance and Fairness rules. The biased model would likely discriminate (by over-pricing or rejecting) female applicants.

Scenario: A bank builds an AI model to approve Loans. A customer is rejected. What is their #1 right? A: The Right to Explanation. The bank must be able to explain (in human terms) why the AI model rejected the loan (e.g., using XAI).

Scenario: A bank customer receives an email from their bank (a real one, not phishing) with no opt-out (unsubscribe) link. What law does this violate? A: This violates the DPDP Act, which mandates that all consent must be revocable (i.e., the customer must have an easy opt-out option).

Scenario: A bank in India has a customer who is an EU Citizen (e.g., a German expat). What global law must the Indian bank comply with? A: GDPR (General Data Protection Regulation). The bank must provide GDPR rights (e.g., Right to Erasure) to that specific customer, because GDPR is Extraterritorial.

Scenario: A bank in India has a customer who is a US Citizen (e.g., an American expat). What global law must the Indian bank comply with? A: FATCA (Foreign Account Tax Compliance Act). The Indian bank must report the details of this US Person's account directly to the US IRS.

Scenario: A customer (a company) opens a new Current Account. What is the #1 KYC step the bank must perform (under PMLA rules)? A: The bank must pierce the veil and identify

the UBO (Ultimate Beneficial Owner) (the real human who owns >=25% or controls the company).

Scenario: The UBO of the company (in Q1136) is identified as a Member of Parliament. What is the mandatory KYC consequence? A: The MP is a PEP (Politically Exposed Person). This makes the entire company account High Risk, which mandates EDD (Enhanced Due Diligence) and Senior Management Approval.

Scenario: An M&A Banker (an Insider) is working on a secret deal (UPSI). He tells his friend (a Tippee). The friend trades. What crime is this? A: This is Insider Trading. Both the banker (the Tipper) and the friend (the Tippee) have violated SEBI (PIT) regulations and can go to jail.

Scenario: The banker (in Q1138) waits until after the deal is public. He then buys the stock. He sells it 2 months later for a profit. What crime is this? A: This is not Insider Trading (the info was public). This is a Contra Trade violation. As an Insider, he is banned from selling (a contra trade) for 6 months.

Scenario: A customer deposits ₹9,90,000 in cash every day for 5 days. What two AML reports must the bank file? A: (1) A CTR (Cash Transaction Report) (because the connected transactions exceed ₹10 lakh). (2) An STR (Suspicious Transaction Report) (because this behavior is highly suspicious Structuring).

Scenario: A customer (in Q1140) asks the Teller How much cash can I deposit without the government finding out?. The Teller answers ₹9,90,000. What crime is this? A: The Teller has just committed Tipping Off (by implying there is a reporting limit) and aided in Structuring. This is a PMLA violation.

Scenario: A bank outsources its IT Helpdesk to a vendor. A vendor employee (a third-party) steals customer data. Who is liable? A: The Bank. The RBI (Outsourcing) guideline explicitly states that the bank remains 100% responsible for all risks, compliance, and data handled by its vendors.

Scenario: A customer buys a Health Policy. 15 days later, he is diagnosed with Diabetes (a PED). He did not know he had it. Will the insurer pay? A: No. The policy is inside the Initial Waiting Period (e.g., 30 days) and the PED Waiting Period (e.g., 2-4 years).

Scenario: A customer (in Q1143) had Diabetes for 5 years. He lied (non-disclosure) on the Proposal Form. He dies (from a heart attack) 4 years later. Will the insurer pay? A: No. The 3-year Indisputability (Section 45) has passed. However, the insurer can (and will) still reject the claim by proving deliberate Fraud (i.e., he knew he was lying about a Material Fact).

Scenario: An insurer rejects a Health Claim. The customer is angry. What is the first external (free) place they can go to appeal? A: The Insurance Ombudsman. They must appeal to the Ombudsman within 1 year of the insurer's final rejection letter.

Scenario: A customer (in Q1145) wins their case at the Ombudsman. The Ombudsman issues an Award (compensation). The insurer disagrees. What happens? A: The insurer must comply (pay). The Ombudsman Award is binding on the insurer. (The customer can reject the Award and go to Court, but the insurer cannot).

Scenario: A customer has two Health Policies (A & B). He has a ₹1 lakh claim. How is it paid? A: He can claim from either A or B (his choice). The insurer he claims from (e.g., A) will pay the full ₹1 lakh, and then A will internally recover the pro-rata share (e.g., 50%) from B, using the Contribution principle.

Scenario: A customer has a Health Policy with a Room Rent Cap (Sub-limit) of 1% of Sum Insured (SI = ₹5L). The cap is ₹5,000/day. The actual room rent is ₹8,000/day. What is the consequence? A: This is a pro-rata deduction. The insurer will not just deduct the ₹3,000 room difference. They will also deduct the same proportion ($3k/8k = 37.5\%$) from all other linked bills (e.g., Doctor Fees, Test Fees).

Scenario: A customer forgets to renew their Motor Policy. It lapses. 5 days later, they have an accident. Will the insurer pay? A: No. Unlike Life/Health, General Insurance (like Motor) has no Grace Period. The policy expired at midnight on the due date, and the coverage ended.

Scenario: A customer stops paying their Endowment Life Policy after 10 years. What happens? A: The policy does not lapse. (It is past the 3-year vesting period). It automatically converts into a Paid-up policy. The Sum Assured is reduced (pro-rata), but the policy remains active (and earns bonuses) until maturity.

What is NPS - Exit at Retirement (Recap)? A: (1) 60% of the corpus can be withdrawn tax-free (Lump Sum). (2) 40% (minimum) must be used to buy an Annuity (pension), which is also tax-free.

What is NPS - Premature Exit (Recap)? A: (1) 20% of the corpus can be withdrawn (Lump Sum). (2) 80% (minimum) must be used to buy an Annuity (pension).

What is PFRDA - Active vs. Auto Choice (Recap)? A: Active: You choose the % of E/C/G (Equity, Corporate Debt, Govt. Securities). Auto: The PFM (Pension Fund Manager) chooses for you, auto-rebalancing (less E) as you get older.

What is Atal Pension Yojana (APY) (Recap)? A: A PFRDA-run, government-backed scheme for the unorganized sector. It is a Defined Benefit (i.e., guaranteed pension) plan, unlike NPS (which is Defined Contribution).

What is Loan Against Shares (LAS)? A: A loan (from a bank or NBFC) where the collateral is not property, but shares from the borrower's Demat account.

What is the risk of LAS (Loan Against Shares)? A: A Margin Call. If the stock market crashes, the value of the collateral drops. The bank will force the borrower to either add more cash or forcibly sell the shares, crashing the price further.

What is Loan Against Mutual Funds (LAMF)? A: A (safer) alternative to LAS (Loan Against Shares). The collateral is the borrower's Mutual Fund units.

What is Loan Against Property (LAP)? A: A loan (from a bank or NBFC) where the borrower mortgages their existing property (e.g., house or office) to the bank as collateral.

What is Home Loan vs. LAP? A: Home Loan: A loan to buy a new house. The house itself is the collateral. LAP: A loan against a house you already own, to use the money for something else (e.g., business, wedding).

What is Working Capital (Loan)? A: A short-term business loan to fund the day-to-day operations (the working capital cycle) of a company.

What is Cash Credit (CC)? A: The most common form of Working Capital loan. It's an overdraft limit (e.g., ₹1 Cr) secured by the company's inventory (stock) and receivables (customer bills).

What is Overdraft (OD)? A: A feature on a Current Account that allows the customer to withdraw more money than they have (i.e., go negative), up to a pre-approved limit (e.g., ₹5 lakh OD).

What is Factoring / Invoice Discounting? A: A Working Capital workflow. (1) A company (SME) has a ₹10L invoice (bill) (due in 90 days). (2) It sells this invoice to a Factor (an NBFC) today. (3) The Factor pays the SME ₹9.5L (a discount) immediately.

What is TReDS (Trade Receivables Discounting System)? A: An RBI-approved online platform (like a stock exchange) for Factoring, where multiple financiers can bid on invoices from SMEs.

(: Clarification on the bidding mechanism was added.)

What is Leasing (NBFC)? A: A financial product (from an NBFC-ICC). The NBFC (Lessor) buys an asset (e.g., a ₹1 Cr machine) and rents (leases) it to the customer (Lessee) for a monthly fee.

What is Finance Lease? A: A type of Lease. It's a long-term lease that acts like a loan. The Lessee (customer) keeps the asset at the end.

What is Operating Lease? A: A type of Lease. It's a short-term rental. The Lessee (customer) gives back the asset at the end.

What is IndAS 116? A: The new accounting standard that changed lease accounting. It forces companies (Lessees) to show almost all their leases (even Operating Leases) on their Balance Sheet as a Right-of-Use (ROU) Asset and a Lease Liability.

What is IndAS 109? A: The new accounting standard for financial instruments. It forces banks (and NBFC-UL) to shift from Incurred Loss provisioning to Expected Credit Loss (ECL) provisioning.

What is Incurred Loss (Provisioning)? A: The old NPA model. The bank only provisions (takes a loss) after the loan is already 90 days overdue (i.e., after the loss has been incurred).

What is Expected Credit Loss (ECL) (Provisioning)? A: The new IndAS 109 model. The bank must provision for all its loans on Day 1, based on the expected (future) probability of loss.

What is ECL - Stage 1? A: The ECL bucket for all healthy loans. The bank must provision for the 12-month ECL (the loss expected in the next year).

What is ECL - Stage 2? A: The ECL bucket for loans that are stressed (e.g., SMA-2) (a Significant Increase in Credit Risk). The bank must provision for the Lifetime ECL.

What is ECL - Stage 3? A: The ECL bucket for loans that are already NPA (Credit-Impaired). The bank must also provision for the Lifetime ECL.

What is HDFC Bank / HDFC Ltd Merger? A: The 2023 reverse merger where HDFC Ltd (an NBFC-HFC) merged into its own subsidiary, HDFC Bank.

What is an HFC (Housing Finance Company)? A: A special type of NBFC that primarily (e.g., >60%) lends money for housing (Home Loans). (: HFCs are now regulated by the RBI).

What is NHB (National Housing Bank)? A: An RBI subsidiary (formerly the HFC regulator). It is now the primary refinance agency for the housing sector.

What is Refinance (e.g., NHB, NABARD)? A: A workflow. (1) A Bank (e.g., SBI) gives a Home Loan. (2) SBI then goes to the NHB (the Refinancer). (3) The NHB gives SBI a new, low-cost loan (a refinance) against that Home Loan.

What is NABARD (National Bank for Agriculture and Rural Development)? A: The apex refinance agency for all Rural and Agriculture lending in India.

What is SIDBI (Small Industries Development Bank of India)? A: The apex refinance agency for the MSME (Micro, Small, Medium Enterprise) lending sector.

What is EXIM Bank (Export-Import Bank)? A: The apex refinance agency for financing Exports and Imports (Trade Finance).

What is Priority Sector Lending (PSL) (Recap)? A: An RBI mandate. All banks must lend 40% of their total loans to specific priority sectors (e.g., Agriculture, MSME, Housing, Education).

What is PSLC (Priority Sector Lending Certificate)? A: The solution for PSL shortfalls. (1) A bank (e.g., HDFC) misses its Agri target. (2) A different bank (e.g., SBI) exceeds its Agri target. (3) SBI can sell its excess Agri loans (as a PSLC certificate) to HDFC on an RBI portal.

What is RIDF (Rural Infrastructure Development Fund)? A: The penalty for failing PSL. If a bank misses its PSL target (and doesn't buy PSLCs), the RBI forces the bank to deposit the shortfall amount into the RIDF (managed by NABARD) at a very low, penalty interest rate.

What is Lead Bank Scheme? A: An RBI financial inclusion scheme. In each district in India, one bank is designated as the Lead Bank to coordinate the financial inclusion efforts of all banks in that district.

What is Self-Help Group (SHG)? A: A financial inclusion model. A small group (e.g., 10-20 women) in a village pool their own savings (e.g., ₹10/wk) into a group fund, from which they give small loans to each other.

What is SHG-Bank Linkage? A: The key NABARD program. After an SHG proves it can manage its own internal loans, a bank will give the entire SHG a single group loan (a PSL loan).

What is Mudra (Pradhan Mantri Mudra Yojana)? A: A government refinance scheme (run by SIDBI) to encourage banks to lend small business loans (< ₹10 Lakh) to micro-entrepreneurs (e.g., a tea stall, a tailor).

What are the Mudra loan types? A: Shishu (Baby): Loans up to ₹50,000. Kishore (Youth): Loans above ₹50,000 and up to ₹5 lakh. Tarun (Teen): Loans above ₹5 lakh and up to ₹10 lakh.

What is Stand-Up India? A: A government PSL scheme (run by SIDBI) that mandates every bank branch to fund at least one Greenfield (new) enterprise led by either a Scheduled Caste (SC) / Scheduled Tribe (ST) or a Woman entrepreneur.

What is Kisan Credit Card (KCC)? A: A PSL product. It's a special revolving credit card (like a Cash Credit) that farmers can use to buy inputs (e.g., seeds, fertilizer) at a subsidized (low) interest rate.

What is Interest Subvention (KCC)? A: The mechanism of KCC. The bank charges the farmer a low rate (e.g., 7%). The government pays the bank (the subvention (subsidy)) (e.g., 2%) to make up the difference.

What is Minimum Support Price (MSP)? A: A government safety net. The government guarantees that it will buy a farmer's crop at a minimum (MSP) price, if the market price crashes.

What is PM Fasal Bima Yojana (PMFBY)? A: The government's Crop Insurance scheme. The farmer pays a very low, subsidized premium (e.g., 2%). The rest of the premium is paid by the State & Central Governments.

What is PM Jan Dhan Yojana (PMJDY)? A: The government's Financial Inclusion scheme. It mandated all banks to open Basic Savings Bank Deposit Accounts (BSBDA) (i.e., Zero-Balance accounts) for all unbanked Indians.

What is a BSBDA (Basic Savings Bank Deposit Account)? A: An RBI-mandated type of Savings Account that all banks must offer. It requires no Minimum Balance (Zero-Balance), but it has restrictions (e.g., only 4 free withdrawals per month).

What is the JAM Trinity? A: The government's digital subsidy platform. J = Jan Dhan (the Bank Account). A = Aadhaar (the Identity). M = Mobile (the Delivery).

What is DBT (Direct Benefit Transfer)? A: The workflow of the JAM trinity. The government bypasses middlemen and transfers subsidy money (e.g., LPG subsidy) directly into the citizen's Aadhaar-linked Jan Dhan account.

What is APBS (Aadhaar Payments Bridge System)? A: The NPCI technology that powers DBT. It allows the government to send money to a citizen using only their Aadhaar number as the address (it finds the linked bank account automatically).

What is Financial Inclusion Index (FI-Index)? A: A composite index (score: 0-100) published by the RBI annually. It measures the true level of Financial Inclusion in India based on Access (e.g., Branches), Usage (e.g., Digital Payments), and Quality (e.g., Financial Literacy).

What is MICR (Magnetic Ink Character Recognition)? A: The 9-digit code (containing city, bank, and branch) printed in magnetic ink at the bottom of a cheque.

What is IFSC (Indian Financial System Code)? A: The 11-digit alphanumeric code (e.g., HDFC0000001) that uniquely identifies a specific bank branch for online payments (NEFT, RTGS, IMPS).

What is SWIFT Code (or BIC)? A: The 8 or 11-digit global IFSC (e.g., HDFCINBBXXX). It uniquely identifies a bank (and branch) globally for cross-border SWIFT messages.

What is Dormant Account? A: An RBI classification for a savings/current account that has had no customer-initiated transactions for 2 years (24 months).

What is an Inoperative Account? A: The first step before Dormant. An account with no transactions for 1 year (12 months).

What is an Unclaimed Deposit? A: An account that has been Dormant (inoperative) for 10 years or more.

What is the DEA Fund (Depositor Education and Awareness)? A: The fund (managed by RBI) where *all Unclaimed Deposits (from all banks) are pooled.

What is Locker (Safe Deposit Vault)? A: A service (not a deposit) where the bank rents (leases) a secure locker to a customer (the Lessee).

What is the Locker (Bank Liability) rule? A: (New RBI Rule): The bank's liability for a locker (e.g., from fire or theft) is now limited to 100 times the annual locker rent.

What is Stop Payment (Cheque)? A: An instruction from a customer (the Issuer) to their bank not to honour (pay) a cheque that they have already issued (e.g., if it was stolen).

What is Cheque Bouncing (Dishonour)? A: When a bank refuses to pay a cheque. The most common reason is Insufficient Funds (an NPA red flag).

What is the Negotiable Instruments Act, 1881 (NI Act)? A: The 140-year-old law that governs all negotiable instruments (e.g., Cheques, Bills of Exchange, Promissory s).

What is a Promissory (P-)? A: A type of Negotiable Instrument. It's a written, signed promise from a debtor (borrower) to pay a specific sum of money to a creditor (lender) on demand (or by a date).

What is a Bill of Exchange? A: A type of Negotiable Instrument (used in Trade Finance). It's a written order from the seller (creditor) commanding the buyer (debtor) to pay a specific sum of money on a future date.

What is Bill Discounting? A: A workflow (like Factoring). (1) A Seller has a Bill of Exchange (e.g., ₹10L in 90 days). (2) He sells this Bill to his bank today. (3) The bank discounts it (pays him ₹9.8L). (4) The bank collects ₹10L from the buyer in 90 days.

What is Insolvency vs. Bankruptcy? A: Insolvency: The financial state of being unable to pay your debts as they come due. (A fact). Bankruptcy: The legal process (e.g., IBC) that happens because you are insolvent. (A legal declaration).

What is Liquidation (Recap)? A: The death of a company. The end result of Bankruptcy if no Resolution Plan is found. The company's assets are sold (liquidated) piece-by-piece (as per the Waterfall).

What is Amalgamation (Merger)? A: The joining of two (or more) companies into one. (e.g., HDFC Ltd + HDFC Bank = HDFC Bank).

What is Moratorium (Banking)? A: (1) (Legal): A pause (ordered by NCLT / RBI) on all loan recovery actions (e.g., during IBC or Yes Bank crisis). (2) (Loan): The initial holiday period of a loan (e.g., a Home Loan) where you only pay interest (or nothing) not principal.

What is Internet Banking? A: A Digital Banking channel (a website) that allows a customer to access their Core Banking account via a browser.

What is Mobile Banking? A: A Digital Banking channel (a native app) that allows a customer to access their Core Banking account via a smartphone.

What is Device Binding / SIM Binding? A: A key MFA (Multi-Factor Authentication) security control (mandated by RBI) for Mobile Banking. The app is bound to your SIM card (phone number).

What is UPI (Unified Payments Interface) (Recap)? A: An NPCI platform (an overlay) that allows instant bank-to-bank payments using an easy VPA (e.g., name@bank) instead of a complex IFSC.

What is UPI - VPA (Virtual Payment Address)? A: The email-like alias (e.g., name@bank) used in UPI. It hides your actual Account Number and IFSC.

What is UPI - Payer/Payee? A: Payer: The bank / app that is sending (initiating) the UPI payment. Payee: The bank / app that is receiving the UPI payment.

What is UPI - QR Code? A: A QR code that stores the Payee's VPA. Scanning it auto-fills the Payee details in the Payer's app.

What is UPI 123Pay (Recap)? A: An NPCI system designed for Feature Phones (non-smartphones). It allows UPI payments without internet, using (1) IVR (voice call), (2) Missed Call, or (3) SMS.

What is UPI Lite? A: An on-device wallet for UPI. You load money (e.g., ₹2,000) from your bank onto your PhonePe wallet. This allows for super-fast, small-ticket payments without a PIN.

What is UPI - Credit Line (Recap)? A: A new UPI feature. It allows a bank to link a pre-approved Credit Line (a loan) directly to UPI.

What is UPI - AutoPay? A: The e-NACH workflow for UPI. It allows a customer to pre-approve recurring payments (e.g., Netflix, SIP) using their UPI app (e.g., up to ₹15,000).

What is RuPay - On-the-Go (NFC)? A: An NPCI contactless product. It's a RuPay chip embedded in a non-card form-factor (e.g., a keychain, a ring, a watch).

What is NFC (Near Field Communication)? A: The radio technology (a chip) inside a card or phone that enables contactless Tap-to-Pay payments.

What is e-RUPI (Voucher)? A: An NPCI product. It's a pre-paid e-voucher (not money). It is sent (via QR / SMS) to a beneficiary for a specific purpose (e.g., a gas cylinder subsidy).

What is CBDC (Central Bank Digital Currency) / Digital Rupee? A: The Digital Rupee (e₹). It's a digital token issued directly by the RBI.

What is CBDC-R (Retail)? A: The Retail version of CBDC. It's an anonymous token (like cash) for P2P (peer-to-peer) transactions.

What is CBDC-W (Wholesale)? A: The Wholesale version of CBDC. It's used by banks (not people) to settle interbank payments (e.g., G-Sec trades) instantly.

What is UPI vs. CBDC? A: UPI: A payment message (a debit instruction) for Commercial Bank money. CBDC: The asset itself. (It's like the difference between emailing (UPI) a cheque vs. emailing (CBDC) the actual cash).

What is NETC (National Electronic Toll Collection)? A: The NPCI program for highway tolls. (i.e., FASTag).

What is FASTag? A: The product for NETC. It's an RFID sticker (a tag) on a car's windshield, which is linked to a pre-paid wallet.

What is RFID (Radio-Frequency Identification)? A: The technology used by FASTag. It's a tag that transmits data (its ID) via radio waves to a scanner.

What is NCMC (National Common Mobility Card)? A: An RBI/NPCI standard (part of RuPay). It's one debit/pre-paid card (a Tap-to-Pay card) that works for all transit payments (e.g., Metro, Bus, Tolls).

What is CTS (Cheque Truncation System) (Recap)? A: The RBI/NPCI workflow for cheque clearing. It stops (truncates) the physical cheque at the first branch. Only the digital image moves electronically.

What is Positive Pay (Recap)? A: An RBI-mandated anti-fraud workflow for CTS. The Issuer must pre-notify (via app) the bank of all high-value cheque details.

What is Payment Vision 2025 (Recap)? A: The RBI's strategic plan for digital payments. Its theme is 4 E's: E-Payments for Everyone, Everywhere, Everytime. (And Safety, Security, Embedding).

What is Small Finance Bank (SFB) (Recap)? A: An RBI-licensed bank focused on Financial Inclusion. Mandated to (1) Lend 75% to PSL, and (2) Open 25% of branches in unbanked rural areas.

What is Payments Bank (Recap)? A: An RBI-licensed bank focused on Payments. It can take deposits (up to ₹2 Lakh) and process payments. It cannot lend (issue loans) or issue credit cards.

What is RRB (Regional Rural Bank)? A: A special scheduled bank (e.g., Baroda UP Gramin Bank) jointly owned by the Central Govt (50%), the State Govt (15%), and a Sponsor Bank (35%).

What is Co-operative Bank? A: A bank that is owned and run by its members (a co-operative). (: Regulated by RBI and Registrar of Co-operative Societies).

What is Differentiated Banks? A: The RBI umbrella term for new bank types (e.g., Payments Banks and Small Finance Banks) that are differentiated (i.e., restricted) from Universal Banks.

What is On-Tap Licensing (Recap)? A: The RBI's new policy. The window to apply for a bank license (e.g., SFB) is always open (on-tap), not closed (e.g., only once in 2014).

What is Neutral (Stance)? A: The official MPC (Monetary Policy Committee) stance. It signals that the MPC is balanced and could move rates either up (Hawk) or down (Dove).

What is Withdrawal of Accommodation (Stance)? A: The official MPC (Monetary Policy Committee) stance (since 2022). It signals that the MPC is Hawkish and plans to hike (or hold) rates to fight inflation.

Scenario: A customer wants to invest ₹1 Lakh for only 6 months. What is the most suitable MF (Mutual Fund) product? A: A Liquid Fund. An Equity fund is too volatile (high risk) for a 6-month horizon. A Liquid Fund provides stability and better returns than a Savings Account.

Scenario: A customer wants to save for retirement (e.g., 30 years away). What is the most suitable MF (Mutual Fund) product? A: An Equity Fund (e.g., a Nifty 50 Index Fund or Flexi Cap Fund). For long-term goals, Equity is the only asset class that beats inflation.

Scenario: A customer (in Q1354) also wants a Section 80C tax deduction. What is the most suitable product?* A: An ELSS (Equity Linked Savings Scheme) fund. It provides both Equity growth and a tax deduction (due to its 3-year lock-in).

Scenario: A customer is retiring today with ₹1 Cr. They want a safe monthly pension. What is the most suitable MF (Mutual Fund) workflow? A: (1) Put the ₹1 Cr into a safe Hybrid Fund. (2) Set up an SWP (Systematic Withdrawal Plan) to withdraw ₹50,000 per month.

Scenario: A customer has ₹12 Lakh in an FD (Fixed Deposit) and wants to move it to an Equity Fund slowly. What is the most suitable MF (Mutual Fund) workflow?* A: (1) Put the ₹12L lump sum into a Liquid Fund. (2) Set up an STP (Systematic Transfer Plan) to transfer ₹1L per month into the Equity Fund.

Scenario: A customer wants a guaranteed pension. They are in the unorganized sector. What is the most suitable product? A: Atal Pension Yojana (APY). It is a government-guaranteed (Defined Benefit) pension plan designed for this exact purpose.

Scenario: A customer wants a market-linked pension and also the ₹50,000 80CCD(1B) tax deduction. What is the only suitable product?* A: The NPS - Tier 1 account. It is the only product in India that qualifies for the exclusive ₹50k deduction.

Scenario: A Salaried customer is 25 years old. They open an NPS (National Pension System) account. What investment choice is likely most suitable? A: Either (1) Active Choice with 75% in Scheme E (the max equity allowed), or (2) Auto Choice with the Aggressive Lifecycle Fund (LC75).

What is Risk (Investment)? A: Volatility. The chance that an asset's actual return will be different from its expected return (e.g., you lose money).

What is Risk Profile? A: A customer classification (e.g., Conservative, Moderate, Aggressive) based on (1) their Ability to take risk (e.g., Age, Income) and (2) their Willingness to take risk (e.g., Psychology).

What is a Conservative (Risk Profile)? A: A low-risk investor. (e.g., A retiree). Their goal is Capital Protection. Suitable products: FDs, Liquid Funds, Gilt Funds.

What is an Aggressive (Risk Profile)? A: A high-risk investor. (e.g., A young earner). Their goal is Capital Growth. Suitable products: Equity Funds, Small Cap Funds, Stocks.

What is a Moderate (Risk Profile)? A: A balanced investor. Their goal is Growth with Stability. Suitable products: Hybrid Funds, Flexi Cap Funds, Corporate Bonds.

Q1Do: What is Active vs. Passive (Investing) (Recap)? A: Active: A Fund Manager actively tries to beat the market (Alpha). (Higher TER (Total Expense Ratio)). Passive: The fund passively tracks an Index (e.g., Nifty 50). (Low TER).

What is an Index Fund? A: A Passive Mutual Fund that buys and holds all the stocks in an Index (e.g., Nifty 50) in the exact same weight.

What is an ETF (Exchange Traded Fund) (Recap)? A: A Passive Index Fund that is listed and trades like a stock on the Stock Exchange all day.

What is ETF vs. Index Fund? A: Index Fund: A Mutual Fund. You buy/sell at End-of-Day NAV (Net Asset Value). You need an MF Account. ETF: A Stock*. You buy/sell at live market price (real-time). You need a Demat Account.

What is Gold ETF? A: An ETF (Exchange Traded Fund) that does not track stocks. It tracks the price of Gold. The ETF holds physical gold in vaults as its underlying asset.

What is Sovereign Gold Bond (SGB)? A: A Government Security issued by the RBI. It tracks the price of Gold and also pays a small fixed interest (e.g., 2.5%) per year.

What is Digital Gold (Recap)? A: An unregulated product sold by fintechs (e.g., Paytm). It is not a Security (like SGB) or a Fund (like ETF). It represents a share of physical gold in a vault.

What is CIBIL Score (Recap)? A: A 3-digit number (300-900) from a Credit Bureau. It summarizes your past loan repayment history.

What is Credit Bureau / CIC (Recap)? A: An RBI-licensed company (e.g., TransUnion CIBIL, Experian, Equifax, CRIF). It collects all loan data from all banks to create the Scores.

Scenario: A customer misses their Credit Card payment. What is the consequence? A: (1) A Late Fee is charged. (2) High Interest is charged on the balance. (3) The bank reports this miss (default) to the CIBIL bureau. (4) Their CIBIL Score will drop.

Scenario: A customer has no loan history. Their CIBIL Score is N/A (or -1). How can they build a score*? A: (1) Get a Secured Credit Card (a card issued against an FD (Fixed Deposit) as collateral). (2) Use it and pay the bill on time for 6 months.

What is a Secured (Loan)? A: A loan that is backed by an asset (a Collateral). (e.g., Home Loan, LAP (Loan Against Property), LAS (Loan Against Shares)).

What is an Unsecured (Loan)? A: A loan that is not backed by collateral. (e.g., Personal Loan, Credit Card).

What is SARFAESI Act applicability? A: The Act can only be used for Secured loans that are over ₹1 lakh. It cannot be used for Unsecured loans or Farm Land.

What is IBC (Insolvency and Bankruptcy Code) applicability? A: The IBC process can be initiated (by a Financial or Operational Creditor) against a Corporate Debtor for a *default of at least ₹1 crore.

What is Financial Creditor vs. Operational Creditor (Recap)? A: FC: Gave money (e.g., Bank, Bondholder). They get to vote in the CoC (Committee of Creditors). OC: Gave goods/services (e.g., Supplier, Employee). They do not get to vote.

What is the Waterfall (Liquidation) (Recap)? A: The order of payment in Liquidation. (1) IBC Costs. (2) Secured Creditors + Workmen (24 months). (3) Unsecured Creditors (Financial). (4) Unsecured Creditors (Operational). (5) Equity (Shareholders).

What is Pre-Pack (Insolvency)? A: A new, hybrid IBC process (for MSMEs). (1) Before going to NCLT (National Company Law Tribunal), the MSME owner (Debtor) prepares a Resolution Plan with their Bank (Creditor). (2) This is then submitted to NCLT for a quick (e.g., 90-day) approval.

What is Cross-Border Insolvency? A: A (new) chapter in the IBC based on the UNCITRAL Law. It provides a framework for how an Indian NCLT can cooperate with a foreign court (e.g., in the UK) on a global bankruptcy (e.g., Jet Airways).

What is UNCITRAL? A: (United Nations Commission on International Trade Law). The UN body that creates global model laws (like the one for Cross-Border Insolvency) to harmonize international trade law.

What is Arbitration? A: A private court. It's a faster, cheaper way to resolve a commercial dispute without going to the public courts. The decision (an award) is legally binding.

What is Mediation? A: A facilitated negotiation. A neutral Mediator helps two disputing parties (e.g., a bank and a borrower) reach a mutually agreeable settlement. It is not binding unless a settlement is signed.

What is Lok Adalat? A: A People's Court in India for mass, small disputes. Banks often use the Lok Adalat to reach a final settlement on thousands of small NPA (Non-Performing Asset) cases (e.g., credit card defaults) in one day.

What is Garnishee Order? A: A court order that instructs a third-party (e.g., a Bank) to seize and surrender a debtor's assets (e.g., freeze their bank account and pay the money to the creditor).

What is Lien? A: A legal right or claim against an asset. (e.g., A bank has a lien on your car until the car loan is paid off).

What is Pledge (Recap)? A: A type of Lien. The lender takes physical or constructive possession of the asset (e.g., Gold Loan, Loan Against Shares).

What is Hypothecation? A: A type of Lien (the most common). The lender has a charge on the asset, but the borrower keeps possession (e.g., a Car Loan, a Cash Credit against inventory).

What is Mortgage? A: A type of Lien (like Hypothecation) that is specifically for Immovable Property (e.g., a Home Loan, a LAP).

What is Pledge vs. Hypothecation vs. Mortgage? A: Pledge: Lender has Possession (for Movable assets e.g., Gold). Hypothecation: Borrower has Possession (for Movable assets e.g., Car, Stock). Mortgage: Borrower has Possession (for Immovable assets e.g., House).

(: Clarification on Movable was added to Pledge.)

What is Power of Attorney (PoA)? A: A legal document that gives one person (the Agent) the power to act on behalf of another person (the Principal).

What is Digital Forensics? A: The investigation of digital evidence (e.g., hard drives, email logs) after a cyber attack or fraud to find the root cause and collect evidence.

What is Malware? A: Malicious Software. The umbrella term for any software designed to cause harm (e.g., Virus, Worm, Trojan, Ransomware, Spyware).

What is a Virus? A: A type of Malware. It requires a human to run an infected file (e.g., opening an email attachment). It attaches itself to other programs.

What is a Worm? A: A type of Malware. It is self-propagating (it spreads on its own) through the network.

What is a Trojan? A: A type of Malware. It disguises itself as a legitimate program (e.g., a game). When you run it, it opens a backdoor for the hacker.

What is Spyware? A: A type of Malware that secretly monitors your activity (e.g., keystrokes, screen) and steals your information (e.g., passwords, credit card numbers).

What is Adware? A: A type of Malware (less malicious) that hijacks your browser to show you unwanted advertisements and pop-ups.

What is a Rootkit? A: A very dangerous type of Malware. It burrows deep into the operating system (the root) to gain admin-level control and hide itself from antivirus scanners.

What is a Botnet? A: A network of thousands of infected computers (called zombies) that are controlled by a single hacker (the Bot-herder).

What is a DDoS (Distributed Denial of Service) attack? A: An attack where a hacker uses a Botnet to flood a bank's website with millions of fake requests, overwhelming it and crashing it for legitimate customers.

What is a Firewall? A: A network security device (a wall) that monitors and filters all incoming and outgoing network traffic based on a set of rules.

What is an Intrusion Detection System (IDS)? A: A security tool that monitors the network for suspicious activity. If it detects a potential attack, it sends an alert to the admin.

What is an Intrusion Prevention System (IPS)? A: An advanced IDS. If it detects an attack, it not only alerts the admin, but it also automatically blocks the traffic.

What is a SIEM (Security Information and Event Management)? A: The brain of a C-SOC (Cyber Security Operations Centre). It's a platform that collects and correlates billions of logs from all devices (Firewalls, servers, etc.) to find a real threat.

What is a C-SOC (Cyber Security Operations Centre) (Recap)? A: A mandatory RBI requirement. It's a 24/7 command center* of people (analysts) and technology (the SIEM) that monitors the bank for cyber attacks.

What is Vulnerability? A: A weakness or flaw in software (e.g., a bug in Windows) that a hacker can exploit to gain access.

What is an Exploit? A: The malicious code or tool that is specifically designed to take advantage of a known Vulnerability.

What is a Patch? A: The fix. It's a software update issued by the vendor (e.g., Microsoft) to fix a Vulnerability and stop an Exploit.

What is Patch Management (Recap)? A: The critical ITIL workflow of testing and deploying Patches across all servers. This is a mandatory RBI control.

What is a Zero-Day Exploit? A: The worst-case scenario. It's an Exploit for a Vulnerability that is unknown to the vendor (e.g., Microsoft). This means no patch exists.

What is Vulnerability Assessment (VA)? A: An automated scan (e.g., using a tool) that scans a server to find a list of known Vulnerabilities.

What is Penetration Testing (PT)? A: An active attack. The bank hires an ethical hacker to actively try to break in by *exploiting Vulnerabilities.

What is VAPT (Recap)? A: Vulnerability Assessment and Penetration Testing. This is a mandatory annual audit required by the RBI Cyber Framework.

What is a Red Team exercise? A: An advanced PT (Penetration Test). It's a real-world attack simulation where the Red Team (Attackers) tries to break in and the Blue Team (Defenders / C-SOC) tries to catch them.

What is a Blue Team? A: The internal security team (the C-SOC) that is responsible for defending the bank from attacks.

What is Zero Trust (Recap)? A: The modern security model. It replaces the old castle-and-moat model. Its philosophy is Never Trust, Always Verify. It assumes a breach has already happened.

What is Micro-segmentation? A: A key Zero Trust technology. It breaks the network into tiny (micro) zones and puts a Firewall between every server.

What is ITIL (Recap)? A: (Information Technology Infrastructure Library). A best-practice framework for IT Service Management (ITSM).

What is Incident Management (ITIL) (Recap)? A: The ITIL process for restoring a failed service (e.g., UPI is down) as fast as possible.

What is Problem Management (ITIL) (Recap)? A: The ITIL process for finding the Root Cause *after an Incident is fixed.

What is Change Management (ITIL) (Recap)? A: The ITIL process for managing and approving all changes to the production environment.

What is a CAB (Change Advisory Board)? A: The committee (in Change Management) (e.g., IT, Risk, Business) that meets weekly to review and approve all upcoming Changes.

What is CMDB (Configuration Management Database)? A: The heart of ITIL. It's a database that stores a map of all IT assets (e.g., servers, apps) and their relationships.

What is COBIT? A: A high-level framework (like ITIL) for IT Governance and Management. It is often used by auditors.

What is ISACA? A: The professional association (like IAI for Actuaries) that governs IT Auditors and issues the CISA (Certified Information Systems Auditor) certification.

What is ISO 27001? A: The global gold standard for Information Security Management Systems (ISMS). It is a certification that proves a company has strong security controls.

What is ISO 22301? A: The global gold standard for Business Continuity Management Systems (BCMS).

What is NIST Cybersecurity Framework (CSF)? A: The US government's framework (like ISO 27001). It organizes all cybersecurity into 5 functions: Identify, Protect, Detect, Respond, Recover.

What is NIST - Identify? A: The first function of NIST. Know what you have. (e.g., Asset Management,* Data Classification, Risk Assessment).

What is NIST - Protect? A: The second function of NIST. Defend your assets. (e.g., Access Control, Firewalls, Encryption, Patching).

What is NIST - Detect? A: The third function of NIST. Find the breach. (e.g., SIEM, IDS, C-SOC Monitoring).

What is NIST - Respond? A: The fourth function of NIST. Manage the Incident. (e.g., Contain the breach, Investigate (Forensics), Notify Regulators).

What is NIST - Recover? A: The fifth function of NIST. Get back to normal. (e.g., Activate the BCP, Restore from backup, Fix the Root Cause (Problem)).

What is CERT-In? A: (Indian Computer Emergency Response Team). The national C-SOC for India. It is the government agency that tracks cyber threats and manages large-scale attacks.

What is the CERT-In reporting rule (2022)? A: A new CERT-In mandate. All Indian companies must report a list of 20 types of cyber incidents (e.g., Ransomware) to CERT-In within 6 hours of detection.

What is the CERT-In log retention rule (2022)? A: A new CERT-In mandate. All Indian companies must securely store their IT logs (e.g., SIEM logs) for a rolling **180-day period.

What is Data-in-Motion (DIM)? A: A data state. Data that is moving over a network (e.g., an API call, an email). Must be protected by Encryption-in-Transit.

What is Data-in-Use (DIU)? A: A data state. Data that is currently open in a computer's RAM (memory) being processed. This is the hardest state to protect.

What is Data-at-Rest (DAR)? A: A data state. Data that is sitting on a hard drive or in a database. Must be protected by Encryption-at-Rest.

What is DPDP Act (Digital Personal Data Protection Act) (Recap)? A: India's new data privacy law (passed 2023). It replaces the old IT Act rules.

What is the IT Act, 2000 (Section 43A)? A: The old data privacy rule (now repealed by DPDP). It was a weak rule that mandated firms have Reasonable Security Practices (RSP) to protect Sensitive Personal Data (SPDI).

What is Data Fiduciary (DPDP)? A: The new DPDP term for the company that collects and controls your data (e.g., a Bank, an Insurer).

What is Data Principal (DPDP)? A: The new DPDP term for the person (you, the citizen) who owns the data.

What is Data Processor (DPDP)? A: The new DPDP term for a vendor or third-party (e.g., a TPA, a cloud provider) who processes data on behalf of the Fiduciary.

What is DPDP - Consent? A: The core principle of DPDP. Consent must be free, specific, informed, and unambiguous. Pre-ticked boxes or bundled consent are not allowed.

What is DPDP - Right to Withdraw? A: A key right of the Data Principal (the user). A user must have an easy way (as easy as giving consent) to withdraw their consent (e.g., an unsubscribe link).

What is DPDP - Right to Erasure? A: A key right of the Data Principal (the user). The user can request that the Fiduciary (the company) erase their personal data (once its purpose is over and it's no longer required for legal retention).

What is DPDP - Breach Notification? A: A mandatory workflow. If a *Fiduciary (e.g., a bank) has a data breach, they must notify (1) The Data Protection Board (and (2) The affected Users (Principals) without delay.

What is the DPDP - Penalty? A: The consequence. The Data Protection Board can impose a penalty of up to ₹250 crore on a *Fiduciary (company) for a single data breach.

What is DPDP vs. GDPR? A: GDPR (EU's law): Is stricter, has Extraterritoriality (applies globally to EU citizens), and is very prescriptive. DPDP (India's law): Is simpler, is less prescriptive (principles-based), and has fewer rights (e.g., no Right to Portability).

What is a Treasury Bill (T-Bill)? A: A short-term (91-day, 182-day, 364-day) G-Sec (Government Security). It is a Zero Coupon Bond (i.e., issued at a discount, redeemed at face value).

What is a Dated G-Sec? A: A long-term (e.g., 2-40 years) G-Sec (Government Security). It is not a zero-coupon bond. It pays a fixed coupon (interest) every 6 months.

What is the 10-Year G-Sec Yield? A: The most important metric in the economy. It's the yield on the 10-year Dated G-Sec. It acts as the benchmark for most other interest rates, including corporate loans and home loans.

What is a Yield Curve? A: A graph. It plots the Yield (Y-axis) of G-Secs against their Maturity (X-axis) (e.g., 1yr, 2yr, 5yr, 10yr ...).

What is a Normal Yield Curve? A: A Yield Curve that is upward-sloping. Long-term bonds have a higher yield (interest rate) than short-term bonds. This signals a healthy, growing economy.

What is an Inverted Yield Curve? A: A Yield Curve that is downward-sloping. Short-term bonds have a higher yield than long-term bonds. This is a classic predictor of an upcoming recession.

What is Open Market Operations (OMO) (Recap)? A: The RBI's tool of buying or selling G-Secs in the open market to manage system liquidity. (Buying injects cash, selling absorbs cash).

What is Operation Twist (OMO)? A: An advanced OMO operation. The RBI simultaneously buys *long-term G-Secs (to lower long-term rates) and sells short-term G-Secs (to raise short-term rates).

What is Sovereign Green Bond? A: A G-Sec (issued by the RBI) where the Government promises to use the money only for public sector green projects.

What is Ways and Means Advances (WMA)? A: A temporary loan (Overdraft) that the RBI gives to the Central or State Governments to help them cover a temporary mismatch in their cash flow.

What is Indemnity (Legal Contract)? A: A promise in a contract by Party A to pay for any losses that Party B may suffer from their deal. (e.g., to hold harmless).

What is Warranty? A: A promise in a contract that a fact is true at the time of the contract. (e.g., The seller warrants they are the true owner of the house).

What is Force Majeure? A: A contract clause that frees both parties from liability if an extraordinary, unforeseeable event (an Act of God) makes it impossible to perform the contract.

What is Jurisdiction? A: The authority of a court to hear a case. (e.g., The courts of Mumbai have jurisdiction over this contract).

What is Non-Disclosure Agreement (NDA)? A: A legal contract that creates a confidential relationship. The parties agree not to disclose any confidential information they share.

Q1Two: What is Service-Level Agreement (SLA)? A: A contract (or part of one) that defines the metrics of a service. (e.g., IT Support must have 99.9% Uptime and *answer calls in 60 seconds).

What is Intellectual Property (IP)? A: Intangible creations of the mind. (e.g., Copyright (for code, books), Trademark (for logos), Patent (for inventions)).

What is Copyright? A: The legal right to control the copying of an original creative work (e.g., Software Code, a book, a movie, a song).

What is Trademark (TM)? A: The legal right to use a brand name or logo (e.g., the SBI logo, the name HDFC) to identify your goods/services.

What is a Patent? A: The legal right (a monopoly) granted by the government to an inventor for a new, useful invention (e.g., a new drug, a new fintech process).

What is Limited Liability? A: The core principle of a Company. It means the shareholders (owners) are not personally liable for the company's debts.

What is Piercing the Corporate Veil? A: A rare legal action where a court sets aside *Limited Liability and holds the shareholders personally liable (e.g., in cases of severe fraud).

What is Fiduciary Duty (Recap)? A: The highest legal duty of care and loyalty. A Fiduciary (e.g., a Trustee, an RIA (Registered Investment Adviser)) must act in the best interest of their client, not themselves.

What is Conflict of Interest? A: A situation where a person (e.g., a broker) has competing loyalties. (e.g., My duty to my client is to give the best advice. My duty to myself is to sell the product with the highest commission).

What is an Asset Reconstruction Company (ARC)? A: A special company licensed by the RBI. Its only business is to buy NPAs (Non-Performing Assets) (bad loans) from banks at a discount (e.g., buy a ₹100Cr NPA for ₹30Cr).

What is Security Receipt (SR)? A: The payment an ARC (Asset Reconstruction Company) gives to a bank. (e.g., For a ₹100Cr NPA, the ARC pays ₹15 cash and ₹85 in SRs). The bank gets the SR money only if the ARC successfully recovers the loan.

What is Swiss Challenge (ARC)? A: A bidding process for an NPA (Non-Performing Asset). (1) ARC A gives a bid (e.g., ₹30Cr) to the Bank. (2) The Bank publishes this bid (the anchor) and invites others to challenge it. (3) ARC B bids ₹35Cr. (4) ARC A gets the Right of First Refusal to match the ₹35Cr bid.

What is NARCL (National Asset Reconstruction Company Ltd)? A: The new government-sponsored ARC (Asset Reconstruction Company) (the Bad Bank). It was set up to buy all the large, legacy NPAs from Public Sector Banks.

What is IDRCL (India Debt Resolution Company Ltd)? A: The partner company to NARCL. NARCL buys the NPA (Non-Performing Asset). IDRCL (a private firm) manages the actual recovery process.

What is Haircut (Insolvency)? A: The loss that a bank (Creditor) takes on a bad loan. (e.g., The loan was ₹100Cr, but they only recovered ₹40Cr. The haircut is 60%).

What is Evergreening (of Loans)? A: An illegal bank practice. A loan is about to become NPA. To stop it, the bank issues a new loan to the customer, who uses it to pay off the old loan.

What is Zombie Company? A: A company that is only alive because of Evergreening. It is insolvent and cannot afford its interest payments, but is kept alive by new loans.

What is Ring-fencing? A: A legal or corporate maneuver to separate (fence off) the assets and liabilities of one part of a company from the other parts.

What is Fire Sale? A: The forced sale of assets (e.g., stocks, property) at extremely low (distress) prices (e.g., during a margin call or liquidation).

What is Gearing / Leverage (Corporate)? A: A metric of a company's risk. It's the Debt-to-Equity Ratio (i.e., how much Debt it has vs. how much Equity).

What is EBIT? A: Earnings Before Interest & Taxes. (e.g., Operating Profit).

What is Interest Coverage Ratio? A: A key bank metric for lending. Formula: (EBIT) / (Interest Expense). It shows how many times a company's profit can cover its interest payments.

What is Debt Service Coverage Ratio (DSCR)? A: A stricter version of ICR (Interest Coverage Ratio). Formula: (EBITDA) / (Interest + Principal Repayment). This is often used in project finance.

What is Current Ratio? A: A liquidity metric. Formula: (Current Assets) / (Current Liabilities). It shows a company's ability to pay its short-term bills.

What is Quick Ratio / Acid Test? A: A stricter version of the Current Ratio. Formula: (Current Assets - Inventory) / (Current Liabilities). It removes inventory, which is the least liquid current asset.

What is E-sign (Aadhaar)? A: The workflow of legally signing a document (e.g., a loan agreement) using an Aadhaar OTP.

What is e-NACH (Mandate)? A: The digital workflow for authorizing a recurring payment (e.g., an EMI, an SIP).

What is Digital Locker / DigiLocker? A: The government's secure cloud wallet that stores your official digital documents (e.g., Aadhaar, Driving License, PAN).

What is Account Aggregator (AA) (Recap)? A: An RBI-licensed NBFC-AA that acts as a data consent manager. It fetches and delivers your financial data but cannot read or store it.

What is Sahamati? A: A non-profit industry alliance (like NPCI or AMFI)

What is GRC (Governance, Risk, and Compliance)? A: The umbrella strategy (and software category) that unifies a company's approach to (1) Governance (e.g., Board policies), (2) Risk (e.g., Risk Registers, KRIs), and (3) Compliance (e.g., mapping controls to regulations).

What is a Risk Register? A: A central log (a GRC tool) used by the Risk department to document all identified risks (e.g., Cyber Risk), their impact, likelihood, and mitigating controls.

What is Inherent Risk? A: The level of risk before any controls are applied. (e.g., The inherent risk* of a data center is high).

What is Residual Risk? A: The level of risk that remains after controls are applied. (e.g., The inherent risk was high, but *after we added a Firewall and IPS, the residual risk is low).

What is Risk Appetite? A: The amount and type of risk that a company is willing to accept to achieve its goals. (e.g., Our risk appetite for credit risk is high, but for compliance risk is zero).

What is Risk Tolerance? A: The specific, measurable limit (a metric) of how much loss is tolerated for a specific risk. (e.g., Risk Appetite = Low appetite for IT downtime*. Risk Tolerance = 99.9% SLA (Service Level Agreement)).

What is a KRI (Key Risk Indicator)? A: A metric used by the Risk department to monitor a risk. It's an early warning signal. (e.g., A spike in failed logins is a KRI for a cyber attack).

What is a KPI (Key Performance Indicator)? A: A metric used by the Business (First Line of Defense) to measure performance. (e.g., Number of loans sold).

What is a KCI (Key Control Indicator)? A: A metric that measures the health of a control. (e.g., Percentage of servers missing a Patch).

What is ITGC (IT General Controls) (Recap)? A: The foundation of IT Audit. Checks the core environment, not the apps. (1) Access Control, (2) Change Management, (3) Operations (e.g., BCP (Business Continuity Plan), Batch Jobs).

What is an Application Control? A: An audit control that is inside a specific application. (e.g., A 3-way match in the invoicing app).

What is Preventive Control? A: A control that stops a bad thing from happening. (e.g., A Firewall is a preventive control. A Password is a preventive control.)

What is Detective Control? A: A control that finds a bad thing after it has happened. (e.g., An IDS (Intrusion Detection System) is a detective control. An Audit Log is a detective control.)

What is Corrective Control? A: A control that fixes a bad thing after it was detected. (e.g., A BCP / DR Plan is a corrective control. A Patch is a corrective control.)

What is Manual Control? A: A control that is performed by a human. (e.g., A manager physically signing a paper report).

What is Automated Control? A: A control that is performed by a system. (e.g., The system automatically blocking a duplicate payment).

What is IT-Dependent Manual Control? A: A hybrid control. A human performs the control, but they depend on an IT system for the data. (e.g., A manager reviews a system-generated report).

What is Walkthrough (Audit)? A: The first step of an audit. The auditor selects one transaction and walks it through the entire process (e.g., from loan app to disbursal) to understand the flow and identify the controls.

What is Test of Design (ToD) (Audit)? A: The second step of an audit. The auditor *checks if the control is designed properly. (e.g., Does the *Maker-Checker control actually enforce SoD (Segregation of Duties)?).

What is Test of Operating Effectiveness (ToE) (Audit)? A: The third step of an audit. The auditor tests a sample (e.g., pulls 100 changes) to prove that the *control was working properly for the whole year.

What is Audit - Sampling? A: The process of selecting a small subset (a sample) of a large population (e.g., 100 loans out of 1 million) to test a control.

What is PCI-DSS (Payment Card Industry Data Security Standard) (Recap)? A: The global security standard that all merchants and processors (e.g., Razorpay) must follow if they store or transmit credit card data.

What is Cardholder Data (CHD)? A: The data that PCI-DSS protects. Primarily, the 16-digit PAN (Primary Account Number), Name, and Expiry Date.

What is SAD (Sensitive Authentication Data)? A: The most sensitive PCI data. (e.g., The 3-digit CVV, PIN numbers, *Track Data (magnetic stripe)). This data must never be stored after authorization.

What is PCI-DSS - Requirement 3? A: Protect stored Cardholder Data. It mandates that if you must store the 16-digit PAN, it must be unreadable (e.g., encrypted or tokenized).

What is PCI-DSS - Requirement 6? A: Develop and maintain secure systems and applications. This is the Vulnerability Management requirement (e.g., Patching, VAPT, Secure Coding).

What is PCI-DSS - Requirement 10? A: Track and monitor all access. This is the Logging requirement. (e.g., Implement SIEM (Security Information and Event Management), review logs daily, store logs for 1 year).

What is PCI-DSS - Requirement 12? A: Maintain a Policy. This is the Governance requirement. (e.g., Have an annual Risk Assessment, have a C-SOC (Cyber Security Operations Centre), do Security Awareness Training).

What is Tokenization (PCI-DSS) (Recap)? A: The #1 solution for PCI compliance. It replaces the real 16-digit PAN with a surrogate value (a Token).

What is Card-on-File (CoF) Tokenization? A: The RBI mandate. All Indian merchants (e.g., Amazon) are banned from storing actual credit cards (Card-on-File). They must use a *Token provided by the Card Network (e.g., Visa) instead.

What is Gold Loan? A: A secured loan where the bank/NBFC takes physical jewellery (gold) as collateral (a Pledge).

What is Loan-to-Value (LTV) (Gold Loan)? A: The RBI rule for Gold Loans. The bank can only lend a certain percentage (e.g., 75%) of the appraised value of the gold.

What is Consumer Durable Loan? A: A small-ticket loan given at the point-of-sale (e.g., at a Croma store) to *finance a consumer durable (e.g., a TV, a *fridge).

What is Two-Wheeler Loan? A: An asset finance loan used to *purchase a motorcycle or scooter. The vehicle itself is hypothecated.

What is Commercial Vehicle (CV) Loan? A: An asset finance loan used by a business to *purchase a commercial vehicle (e.g., a truck, a *bus).

What is Construction Equipment (CE) Loan? A: An asset finance loan used by a construction company to purchase equipment (e.g., a JCB, a *crane).

What is Education Loan? A: A PSL (Priority Sector Lending) loan given to students to finance their higher education.

What is Salary Account? A: A special Savings Account used by corporates to disburse salary to their employees. Often comes with perks like zero balance and a free overdraft.

What is Travel Card (Forex Card)? A: A Prepaid Payment Instrument (PPI) card (a debit card) that you load with foreign currency (e.g., USD, GBP) before you travel.

What is Co-Branded Credit Card? A: A partnership card. The Bank (e.g., HDFC) issues the card, but it carries the logo of a Partner (e.g., IndiGo Airlines).

What is a Corporate Credit Card? A: A credit card issued to a Company for its employees to use for official business expenses (e.g., travel, hotels).

What is Fleet Card? A: A special PPI (Prepaid Payment Instrument) card used by logistics companies (e.g., trucking companies). The driver can only use the card at petrol pumps to buy fuel.

What is SME Credit Card? A: A credit card issued to a Small Business (SME) instead of an individual. The limit is based on the company's financials.

What is Rural Banking? A: The business segment of a bank that focuses on the rural and agri sector.

What is Wholesale Banking? A: The business segment of a bank that focuses on large clients (e.g., Corporates, MNCs, PSUs, and other Financial Institutions). (Also called Corporate Banking).

What is Retail Banking (Recap)? A: The business segment of a bank that focuses on individual customers (mass market).

What is Cash Management Service (CMS)? A: A Wholesale Banking service for corporates. The bank manages the company's entire collection (e.g., cheque pickups) and payment (e.g., salary payouts) lifecycle.

What is Virtual Account (CMS)? A: A CMS (Cash Management Service) tool. A company (e.g., Flipkart) gives a unique (virtual) account number to each of its customers. This helps the company automatically reconcile who has paid.

What is Host-to-Host (H2H) Integration? A: A Wholesale Banking service. The bank's system is directly connected (via API or file transfer) to the company's ERP system (e.g., SAP). This allows the company to trigger payments directly from their ERP.

What is Supply Chain Finance? A: A Wholesale Banking product that finances the entire supply chain of a large corporate (the Anchor). This includes both Vendor Finance and Dealer Finance.

What is Business Impact Analysis (BIA)? A: The first step in BCP (Business Continuity Planning). It's a process to identify a bank's most critical processes (e.g., RTGS Payments) and the impact of them failing.

What is RTO (Recovery Time Objective) (Recap)? A: A key BIA (Business Impact Analysis) metric. It's the maximum acceptable downtime for a process. (e.g., The RTO for RTGS (Real Time Gross Settlement) is 30 minutes).

What is RPO (Recovery Point Objective) (Recap)? A: A key BIA (Business Impact Analysis) metric. It's the maximum acceptable data loss measured in time. (e.g., The RPO for Core Banking is 1 minute).

What is Hot Site (DR)? A: A Disaster Recovery site that is a mirror image of the production site, with all hardware and real-time data replication. Failover can happen almost instantly.

What is Warm Site (DR)? A: A Disaster Recovery site with all hardware ready, but the data is restored from backups (e.g., 1 day old). Failover is slower than a hot site.

What is Cold Site (DR)? A: A Disaster Recovery site that is just an empty room with power and AC. It takes the longest time to become operational as hardware must be brought in.

What is BCP Drill? A: A mandatory RBI test. The bank simulates a disaster (e.g., a data center failure) to test if the BCP (Business Continuity Plan) works and if the *RTO (Recovery Time Objective) can be met.

What is Failover? A: The technical process of switching from the live Production site *to the DR Site (Disaster Recovery Site) after a disaster is declared.

What is Failback? A: The technical process of switching back from the DR Site (Disaster Recovery Site) to the original Production site after it has been repaired.

What is NIST (Recap)? A: (National Institute of Standards and Technology). The US agency that *creates the Cybersecurity Framework (CSF) that the RBI framework is based on.

What is ISO? A: (International Organization for Standardization). The global body that publishes standards like ISO 27001 (Security) and ISO 22301 (BCP).

What is ISMS (Information Security Management System)? A: The formal GRC (Governance, Risk, and Compliance) system (the policies, procedures, and controls) that a company builds to manage cyber risk. ISO 27001 is the standard for an ISMS.

What is Statement of Applicability (SoA)? A: The key document in an **ISO 27001 audit*. It's a list of all 114 controls in the standard, where the company must document (1) If the control is Applicable, (2) Why it's not, if excluded, and (3) How they have implemented it.

What is OWASP Top 10? A: (Open Web Application Security Project). It's a global non-profit that publishes a list of the Top 10 most critical web application security risks.

What is OWASP - A01: Broken Access Control? A: The #1 OWASP risk. A flaw where a user can access data that is not theirs. (e.g., Changing the ID=123 in the URL to ID=124 and *seeing another user's account).

What is OWASP - A02: Cryptographic Failures? A: The #2 OWASP risk. Failing to encrypt data properly. (e.g., Storing passwords in plain text or using weak/old encryption).

What is OWASP - A03: Injection? A: A classic OWASP attack. A hacker injects malicious code into a web form (like a search box) that the server accidentally executes. (e.g., SQL Injection).

What is SQL Injection? A: A type of Injection. A hacker enters SQL database code into a login box. If the site is vulnerable, the database runs the hacker's code (e.g., SELECT * FROM USERS) and dumps all passwords.

What is OWASP - A07: Identification and Authentication Failures? A: The OWASP risk of weak passwords or broken MFA (Multi-Factor Authentication). (e.g., Allowing brute-force attacks or not having MFA on an admin portal).

What is Brute Force Attack? A: A type of Authentication Failure. A hacker uses a bot to try millions of password combinations (e.g., 123456, password, admin) until one works.

What is Term Life Insurance (Recap)? A: A pure protection plan. It pays a lump sum if you die during the term. There is no maturity value if you survive.

What is Return of Premium (TROP)? A: A *Term Plan variant. You pay a higher premium. If you survive the term, the insurer returns 100% of all the premiums you paid.

What is Endowment Plan (Recap)? A: A Savings + Protection plan. It pays a lump sum on either Death OR Maturity (whichever is first).

What is ULIP (Unit Linked Insurance Plan) (Recap)? A: An Investment + Protection plan. The premium is invested in market-linked funds (like a *Mutual Fund). The risk is borne by the policyholder.

What is ULIP - Mortality Charge? A: The charge deducted from your ULIP fund value every month to pay for your life insurance cover.

What is ULIP - Fund Management Charge (FMC)? A: The charge (like an *Expense Ratio) deducted from your ULIP fund value for managing the investment portion.

What is ULIP - Switching? A: A feature of *ULIPs. It allows you to move your money between the funds (e.g., switch from Equity to Debt) for free (a few times a year).

What is ULIP - 5-Year Lock-in? A: The mandatory IRDAI rule. You cannot withdraw (surrender) any money from a *ULIP for the first 5 years.

What is Money-Back Plan? A: A type of Endowment Plan. It gives you periodic payouts (e.g., 20% of the Sum Assured) during the policy term, and the balance at maturity.

What is Whole Life Insurance? A: A life insurance policy that provides coverage for your entire life (e.g., up to age 99 or 100).

What is Keyman Insurance (Recap)? A: A policy taken by a Company on the life of a critical employee (the Keyman). The company is the beneficiary and receives the payout.

What is Married Women's Property Act (MWPA)? A: A legal add-on for a Life Insurance policy. If a husband takes a policy under MWPA, the policy money is *ring-fenced for his wife and children and cannot be touched by his creditors (e.g., banks, lenders).

What is Arogya Sanjeevani (Recap)? A: A standardized, basic Health Insurance policy mandated by IRDAI. Every insurer must offer this identical plan.

What is Standard Personal Accident (SPA)? A: A standardized Personal Accident policy mandated by IRDAI (like Arogya Sanjeevani). It provides fixed benefits (e.g., 100% payout on Accidental Death).

What is Personal Accident vs. Term Life? A: Term Life: Pays on Death by any reason (e.g., Sickness, Accident, Natural). Personal Accident: Pays only if the Death (or disability) is caused by an Accident.

What is Disability (PA Cover)? A: A benefit in a Personal Accident policy. Permanent Total (e.g., loss of 2 limbs) pays 100% of Sum Assured. Permanent Partial (e.g., loss of 1 finger) pays a percentage (%).

What is Temporary Total Disability (TTD)? A: A benefit in a Personal Accident policy. If you are temporarily disabled (e.g., broken leg) and cannot work, the policy pays you a weekly salary (e.g., 1% of Sum Assured per week).

What is Grace Period (Life vs. Health)? A: Life Insurance: You get a 30-day grace period for renewal. Claims are still payable during this period. Health Insurance: You get a 30-day grace period, but coverage is not active during this period (No Claim Payable).

What is Survival Period (Critical Illness)? A: A common clause in a Critical Illness plan. The policy will only pay if the customer survives for 30 days after the diagnosis.

What is Travel Insurance? A: A short-term policy that covers risks while traveling abroad (e.g., medical emergencies, lost baggage, flight cancellation).

What is Home Insurance? A: A policy that covers your house. It has two parts: (1) Building Structure (covers fire, floods) and (2) Contents (covers furniture, electronics from theft, fire).

What is Bharat Griha Raksha? A: The *standardized Home Insurance policy mandated by IRDAI (like Arogya Sanjeevani).

What is Bharat Sookshma Udyam Suraksha? A: The standardized property insurance policy (like Bharat Griha Raksha) mandated by IRDAI for Small Businesses (MSMEs) with assets < ₹5 Crore.

Q1Real: What is Bharat Laghu Udyam Suraksha? A: The standardized property insurance policy mandated by IRDAI for Medium Businesses with assets between ₹5 Cr and ₹50 Cr.

What is Risk Pooling? A: The fundamental concept of insurance. Many people (the pool) contribute a small premium so that the unlucky few who suffer a loss can be paid a large amount.

What is Ceded Premium? A: The portion of a premium that an insurer gives to a Reinsurer as part of a Reinsurance deal.

What is Ceded Claim? A: The portion of a claim that the Reinsurer pays back to the insurer (as part of the reinsurance deal).

What is Net Written Premium (NWP)? A: A metric. It's the Gross Premium (Total Premium Collected) Minus the Ceded Premium paid to reinsurers. This represents the premium kept by the insurer.

What is Net Incurred Claims? A: A metric. It's the Gross Claims (Total Claims) Minus the Ceded Claims recovered from reinsurers. This represents the claims paid from the insurer's own pocket.

What is Loss Ratio (Net)? A: The true Loss Ratio. Formula: (Net Incurred Claims) / (Net Written Premium).

What is a G-Sec Auction? A: The primary market workflow. The RBI (on behalf of the Govt) auctions new G-Secs (Government Securities) every week.

What is Primary Dealer (PD)? A: A special entity licensed by RBI (e.g., Goldman Sachs, SBI DFHI) whose job is to bid at all G-Sec Auctions and provide liquidity (market-making) to the secondary market.

What is When-Issued (WI) Trading? A: A grey market. It's trading that happens *after a G-Sec (Government Security) is announced but *before it is issued (auctioned).

What is NDS-OM (Negotiated Dealing System - Order Matching)? A: The stock exchange for G-Secs (Government Securities). It's the anonymous RBI-run trading screen where all banks and PDs (Primary Dealers) buy/sell G-Secs in the secondary market.

What is RBI - Retail Direct (Recap)? A: The portal that *allows ordinary retail investors to open an account with the RBI and buy G-Secs (Government Securities) directly from the Auction or NDS-OM.

What is CCIL (Clearing Corporation of India Ltd)? A: The Clearing Corporation for the Wholesale markets. It acts as the central counterparty for all G-Sec, Forex, and Money Market trades.

What is FIMMDA? A: (Fixed Income Money Market and Derivatives Association of India). An industry association (like AMFI) for the wholesale debt markets.

What is LIBOR (London Interbank Offered Rate)? A: The old global benchmark interest rate. It was based on banks submitting quotes (an estimate) and was discontinued due to manipulation scandals.

What is SOFR (Secured Overnight Financing Rate)? A: The new global benchmark that replaced LIBOR for USD. It is based on actual, observable overnight repo transactions, making it transparent and harder to manipulate.

What is MIFOR (Mumbai Interbank Forward Outright Rate)? A: The old Indian benchmark rate used for Forex Forwards. It was based on LIBOR and is also being phased out.

What is Alternate Reference Rate (ARR)? A: The new umbrella term for all the new benchmarks (like SOFR) that are replacing LIBOR.

What is External Benchmark Lending Rate (EBLR)? A: The RBI mandate that all new floating-rate retail loans (e.g., Home Loans) must be linked to an External Benchmark (like the RBI's Repo Rate).

What is MCLR vs. EBLR? A: MCLR (Marginal Cost of Funds based Lending Rate) (Old): An Internal benchmark. The bank decided its own rate. (Transmission was slow). EBLR (External Benchmark Lending Rate) (New): An External benchmark. The rate is set by the RBI (e.g., Repo Rate). (Transmission of rate cuts is immediate).

What is Teaser Loan? A: A loan (often a Home Loan) that offers a low, introductory (teaser) interest rate for the first 1-2 years, which then jumps to a higher floating rate.

What is Sub-prime Loan? A: A loan given to a borrower with a very low CIBIL Score or poor credit history. It carries a much higher interest rate to compensate for the higher risk.

What is the 2008 Global Financial Crisis (GFC)? A: The global recession caused by US banks giving too many Sub-prime Mortgage Loans, which they then Securitized (pooled and sold) and sold globally.

What is Securitization (Recap)? A: The workflow of pooling thousands of illiquid loans (e.g., Home Loans) into a pool, and then selling tradable bonds (e.g., ABS (Asset-Backed Securities), PTCs (Pass-Through Certificates)) to investors against that pool.

What is a Mortgage-Backed Security (MBS)? A: A type of ABS (Asset-Backed Security) where the collateral in the pool is only Mortgage loans.

What is Tranche (Securitization)? A: Slicing. The pool of loans is sliced into risk layers (Tranches). Each tranche has a different priority for receiving payments and absorbing losses.

What is Senior Tranche? A: The *safest tranche. It has the first right to the cash flows from the pool. It has the lowest risk and lowest interest rate.

What is Mezzanine Tranche? A: The *middle tranche. It gets paid *after the Senior tranche. It has medium risk and a medium interest rate.

What is Equity / Junior Tranche? A: The *riskiest tranche. It gets paid last and absorbs the first losses from any defaults. It has the highest risk and highest potential return.

What is a Collateralized Debt Obligation (CDO)? A: A complex ABS (Asset-Backed Security). The pool is not loans, but other ABS/MBS tranches. (i.e., Securitizing a securitization).

What is Credit Enhancement? A: Insurance for an ABS (Asset-Backed Security) pool. The issuer provides extra collateral (e.g., cash) to absorb initial losses so that the Senior Tranche can get an AAA Rating.

What is Co-lending Model (Recap)? A: An RBI-promoted model. A Bank (with cheap funds) and an NBFC (with good sourcing) partner to jointly originate a loan. (e.g., Bank takes 80% of the loan, NBFC takes 20%).

What is First Loss Default Guarantee (FLDG) (Recap)? A: A guarantee given by a Fintech LSP (Lending Service Provider) to its Bank Partner. The LSP promises to cover the first percentage (e.g., 5%) of losses.

What is FLDG vs. Securitization? A: Securitization: The bank sells the entire loan (asset) to investors. The risk is fully transferred. FLDG (First Loss Default Guarantee): The bank keeps the loan on its books, but buys a 5% guarantee on it from a fintech. The risk is only partially transferred.

What is Direct Assignment (Loan Sale)? A: A workflow where a bank/NBFC sells a batch of loans (e.g., 1000 car loans) directly to another bank/NBFC. This is a form of securitization.

What is Qualified Institutional Buyer (QIB) (Recap)? A: A SEBI term for a large, sophisticated investor. (e.g., Mutual Funds, Insurance Companies, FPIs (Foreign Portfolio Investors), Banks).

What is a Qualified Institutional Placement (QIP)? A: A fast way for a Listed Company to raise capital. Instead of a slow *FPO (Follow-on Public Offer) to the Public, the company sells a block of shares only to QIBs.

What is SME IPO? A: An *IPO (Initial Public Offering) for a Small-to-Medium Enterprise (SME). These are listed on a separate SME Platform (e.g., BSE SME, NSE Emerge) with lighter regulations.

What is SME IPO vs. Main Board IPO? A: Main Board: For large companies. Retail can invest ₹15k. SME IPO: For small companies. The minimum investment is over ₹1 lakh. This is done to ensure only investors who understand the higher risk can participate.

What is Rights Issue (Recap)? A: When a listed company offers new shares only to its existing shareholders at a discount price.

What is Rights Entitlement (RE)? A: A tradable instrument. When a Rights Issue is announced, you (as a shareholder) get REs in your Demat. You can either (1) Use the RE to buy the shares, or (2) Sell the RE itself on the stock exchange.

What is Buyback (Tender Offer)? A: A type of Buyback. The company makes a formal offer to all shareholders to tender (give back) their shares at a fixed, premium price.

What is Buyback (Open Market)? A: A type of Buyback. The company buys back its shares secretly from the open market at the live market price (like any other investor). (: This method is now being phased out by SEBI).

What is Block Deal? A: A single trade of high value (e.g., > ₹10 Crore) that is negotiated privately between two parties and then reported to the exchange.

What is Bulk Deal? A: A single trade (or multiple trades) that results in a change of ownership of more than 0.5% of the company's shares. This must be disclosed to the exchange.

What is Financial Intermediary (Recap)? A: An agent (e.g., a MFD (Mutual Fund Distributor), an insurance agent) who sells a product on *behalf of a principal (the AMC (Asset Management Company) or Insurer) in exchange for a Commission.

What is Fiduciary (Recap)? A: An advisor (e.g., a SEBI RIA (Registered Investment Adviser), a Trustee) who must act in the Best Interest of their client. They are paid a Fee by the client.

What is IRDAI - Bima Vahak (Recap)? A: A new IRDAI distribution channel. A local (village-level) field force (esp. women) tasked with selling and servicing *simple Bima Vistaar policies.

What is IRDAI - Bima Vistaar (Recap)? A: A new IRDAI product being designed. It's a simple, all-in-one, parametric policy for a low, flat premium.

What is IRDAI - Bima Sugam (Recap)? A: A new IRDAI platform being built. It's a one-stop digital marketplace (like UPI for Insurance) for all policies, agents, and claims.

What is IRDAI - Use and File (Recap)? A: The new IRDAI reform that allows insurers to launch new products (Use) immediately, without waiting for IRDAI approval, and File the documents later.

What is IRDAI - EoM (Expense of Management) (Recap)? A: The new IRDAI reform that scrapped the old commission caps and replaced them with one single cap on the insurer's total expenses.

What is Ombudsman (Recap)? A: An independent, free grievance redressal body for customers. (e.g., Banking Ombudsman, Insurance Ombudsman, Securities Ombudsman).

What is Ind AS? A: (Indian Accounting Standards). The new accounting standards (e.g., IndAS 109, IndAS 116) that are converged with the global IFRS standards.

What is IFRS? A: (International Financial Reporting Standards). The global accounting standards used by most of the world (e.g., Europe, Australia, India).

What is US GAAP? A: (United States Generally Accepted Accounting Principles). The US accounting standard. It is different from IFRS.

What is ICAI (Institute of Chartered Accountants of India)? A: The statutory body that regulates the profession of Chartered Accountants (CAs) in India and sets the IndAS (Indian Accounting Standards) standards.

What is Causa Proxima (Proximate Cause)? A: The legal doctrine of proximate cause. An insurer is only liable for losses where the direct, dominant, and efficient cause (*causa proxima*) is a peril covered by the policy.

What is Uberrimae Fidei (Utmost Good Faith)? A: The legal doctrine of utmost good faith. It holds that both parties in an insurance contract must disclose all material facts honestly.

What is Caveat Emptor? A: Let the buyer beware. The default principle in normal commerce (e.g., buying a used car) where the buyer is responsible for checking the quality. This is the opposite of the insurance principle of Utmost Good Faith.

What is Quid Pro Quo? A: Something for something. The legal concept of Consideration. A contract is only valid if both parties exchange something of value (e.g., Premium for a Promise to Pay).

What is Stare Decisis? A: To stand by things decided. The legal principle of Precedent. A lower court must follow the legal ruling (precedent) of a higher court in a similar case.

What is a Subpoena? A: A court order that compels a person (e.g., a banker) or organization (e.g., a bank) to produce evidence (e.g., account statements) or testify in court*.

What is Litigation Hold (e-Discovery)? A: A legal workflow. When a company expects a lawsuit, it must issue a hold to preserve all relevant documents (e.g., emails, logs) and prevent their destruction.

What is Chain of Custody (Forensics)? A: The mandatory, chronological paper trail that documents who handled, when they handled, and where they stored a piece of evidence (e.g., a hacker's hard drive). This proves the evidence was not tampered with.

What is Attestation? A: The act of formally certifying (attesting) that something is true. (e.g., A manager attests that their team's access rights are correct).

What is SOP (Standard Operating Procedure)? A: A detailed, step-by-step document that explains exactly how to perform a routine task.

What is Policy vs. Procedure (SOP)? A: Policy: The high-level Why and What (e.g., We must protect customer data). Procedure (SOP): The low-level How (e.g., Step 1: Encrypt the file...).

What is a Control (GRC)? A: A specific action or technical rule that mitigates a risk. (e.g., Risk = Unauthorized Access*. Control = Password Policy, MFA (Multi-Factor Authentication)).

What is Control Failure? A: When a control is missing (Design Failure) or not working (Operating Failure).

What is Remediation? A: The workflow of fixing an Audit Finding or Control Failure.

What is Exception Management? A: A GRC (Governance, Risk, and Compliance) workflow. (1) A policy says No USB drives. (2) A user requests an exception. (3) A senior manager must formally review and approve this exception, which is time-bound (e.g., expires in 30 days).

What is BCM (Business Continuity Management)? A: The holistic GRC (Governance, Risk, and Compliance) program that includes both BCP (Business Process Continuity) and DR (IT Disaster Recovery).

What is CIA Triad (Security)? A: The three pillars of information security:
Confidentiality (Is it secret?), **I**ntegrity (Has it been tampered with?),
Availability (Is it online?).

What is Confidentiality (CIA Triad)? A: The principle that data should only be accessed by authorized users. (Control: Encryption, Access Control).

What is Integrity (CIA Triad)? A: The principle that data is accurate and cannot be tampered with by unauthorized users. (Control: Hashing, Digital Signatures).

What is Availability (CIA Triad)? A: The principle that data and systems are online and accessible when needed. (Control: BCP/DR, Redundancy).

What is AAA (Security)? A: A core Access Control framework: **A**uthentication (Who are you? - Password), **A**uthorization (What can you do? - Permissions), **A**ccounting (What did you do? - Logs).

What is Authentication (AAA)? A: Proving your identity. (e.g., Factor 1: Something you know (Password). Factor 2: Something you have (OTP Token). Factor 3: Something you are (Biometrics)).

What is Authorization (AAA)? A: What you are allowed to do after you are authenticated. (e.g., A teller is authorized to read a balance, but not delete an account).

What is Accounting / Auditing (AAA)? A: Recording everything the user did. (e.g., The SIEM (Security Information and Event Management) log that shows User A deleted File B at 10:00 PM).

What is Non-Repudiation? A: A legal security concept. It's proof (e.g., a digital signature) that is so strong that the sender cannot deny (repudiate) that they sent the message.

What is Internal Fraud? A: Fraud committed by an employee or insider against their own company.

What is External Fraud? A: Fraud committed by an outsider (a hacker, a criminal, a customer) against the company.

What is the Fraud Triangle? A: A model that explains why people commit fraud. It requires 3 things: (1) Pressure (e.g., Gambling Debts), (2) Opportunity (e.g., Weak Controls), (3) Rationalization (e.g., I deserve this).

What is AML (Anti-Money Laundering) vs. Fraud? A: Fraud: The crime of stealing the money (e.g., Phishing). AML: The crime of hiding the stolen money after it was stolen.

What is Fraud - Red Flag: Bust-Out? A: A customer opens a new credit card. They use it normally for 6 months (paying the bill). Then, in one week, they max out the card and disappear.

What is Fraud - Red Flag: First Party Fraud? A: A customer intentionally disputes a legitimate transaction (a Chargeback) to get a refund for a product they actually received.

What is Fraud - Red Flag: ATO (Account Takeover)? A: Sudden, unusual changes to an account. (e.g., A password reset, followed by a phone number change, followed by a large wire transfer).

What is Fraud - Red Flag: Internal Fraud? A: An employee who never takes a vacation. This is a red flag because they may be afraid their fraud will be discovered by the person covering for them.

What is Mandatory Leave (Control)? A: An HR audit control. It forces employees in sensitive roles (e.g., Treasury, Trading) to take at least 1-2 weeks of uninterrupted leave per year.

What is AML - Red Flag: U-Turn? A: A cross-border payment where money is sent from Country A to Country B (e.g., a shell company) and then immediately sent back (U-turn) to Country A (disguised as an *investment).

What is AML - Red Flag: Nesting? A: A high-risk practice. A foreign bank (a Respondent) is given one Correspondent Account by an Indian bank. The foreign bank then secretly allows other banks (the nested banks) to use its account. The Indian bank doesn't know who the nested banks are.

What is a Payable-Through Account (PTA)? A: Similar to Nesting. A *Correspondent Account that is opened for a foreign bank, but the foreign bank's own customers are given direct access (e.g., their own chequebook) to the account. This is very high risk.

What is AML - Red Flag: Concentration Account? A: An internal bank account used to pool (concentrate) funds temporarily (e.g., for clearing cheques). The risk is that a criminal could use it to hide (obfuscate) the source and destination of money.

What is Money Laundering Reporting Officer (MLRO)? A: The legally designated person at a bank (also called the Principal Officer) who is personally responsible for overseeing the AML (Anti-Money Laundering) program and filing STRs (Suspicious Transaction Reports) with the FIU-IND.

What is ACAMS / CAMS? A: (Association of Certified Anti-Money Laundering Specialists). The global professional association (like ISACA) for AML (Anti-Money Laundering) professionals. CAMS is their primary certification.

What is Enterprise-Wide Risk Assessment (EWRA) (AML)? A: A mandatory FATF (Financial Action Task Force) requirement. A bank must annually conduct an assessment to identify and rate its inherent AML risks across all products, geographies, and customers.

What is Benami Transaction? A: An Indian law (related to AML). It's a transaction where a property is bought by Person A, but the money is paid by Person B, and the property is held for Person B's benefit. (Person A is the Benamidar).

What is PMLA vs. Benami Act? A: PMLA (Prevention of Money Laundering Act): Deals with the laundering of proceeds of crime (e.g., drugs, terrorism). Benami Act: Deals with the hiding of proceeds of tax evasion (black money) in property.

What is Smurfing (AML) (Recap)? A: The act of Structuring a large cash transaction into many small transactions to avoid the CTR (Cash Transaction Report) reporting threshold.

What is Phishing (Fraud) (Recap)? A: A Social Engineering attack using a fake email to steal a user's password.

What is Vishing (Fraud) (Recap)? A: Voice Phishing. A Social Engineering attack using a phone call (e.g., a fake bank employee) to steal an OTP.

What is Smishing (Fraud) (Recap)? A: SMS Phishing. A Social Engineering attack using a fake SMS (e.g., Your package is due...) to steal credentials.

What is Spear Phishing? A: An advanced, targeted Phishing attack. The email is not sent to 10,000 people. It is *sent to one specific person (e.g., the CFO) and is highly personalized.

What is Whaling? A: A type of Spear Phishing that specifically targets C-level executives (the big whales), like the CEO or CFO.

What is Business Email Compromise (BEC)? A: A *Whaling attack. (1) A hacker spoofs (fakes) the CEO's email. (2) They email the CFO and say I'm in a meeting, please wire \$1M to this new vendor ASAP.

What is Capital Gain (Tax)? A: The profit you make from selling a capital asset (e.g., Stocks, MFs, Property).

What is Short-Term Capital Gain (STCG) (Equity)? A: The profit from selling a Stock or Equity MF (Mutual Fund) that you held for less than 1 year. This is taxed at 15%.

What is Long-Term Capital Gain (LTCG) (Equity)? A: The profit from selling a Stock or Equity MF (Mutual Fund) that you held for more than 1 year. This is taxed at 10% (on gains above a ₹1 lakh exemption).

What is Short-Term Capital Gain (STCG) (Debt / Other)? A: The profit from selling a Debt Fund or Gold held for less than 3 years. This is added to your income and taxed at your slab rate.

What is Long-Term Capital Gain (LTCG) (Debt / Other)? A: The profit from selling a Debt Fund or Gold held for more than 3 years. (: Debt fund taxation has changed, removing indexation benefits).

What is Indexation (Tax)? A: A tax benefit for LTCG (Long-Term Capital Gains). It allows you to increase your Purchase Price to adjust it for Inflation. (This benefit was recently removed for debt mutual funds).

What is Tax Harvesting? A: A tax-saving strategy. In March, you sell your Equity Fund to *book the ₹1 lakh tax-free LTCG (Long-Term Capital Gain), and then buy it back the next day.

What is Tax Loss Harvesting? A: A tax-saving strategy. In March, you sell a losing stock to book a Capital Loss. This loss can be used to offset your capital gains, reducing your overall tax.

What is Dividend (Tax)? A: (New Rule): Dividends are no longer tax-free. They are added to your total income and taxed at your Slab Rate (e.g., 30%).

What is Interest (Tax) (e.g., FD, Savings)? A: Interest income (e.g., from an FD (Fixed Deposit) or Savings Account) is added to your total income and taxed at your Slab Rate.

What is Section 80C? A: The most popular tax deduction. It allows you to reduce your taxable income by up to ₹1.5 Lakh for specific investments (e.g., ELSS, PPF, Life Insurance Premium).

What is Section 80D? A: The tax deduction for paying a Health Insurance premium.

What is Section 80E? A: The tax deduction for paying the Interest on an Education Loan.

What is Section 24(b)? A: The tax deduction for paying the Interest on a Home Loan.

What is HRA (House Rent Allowance)? A: A tax benefit for salaried employees who live on rent. A portion of your rent paid can be deducted from your income.

What is New Tax Regime? A: A new, optional tax system. The Slab Rates are lower, but you must give up all deductions (e.g., 80C, 80D, HRA).

What is Angel Tax? A: A tax on Startups. If a Startup raises money from an Angel Investor at a very high valuation (higher than its Fair Market Value), the excess premium was treated as Income and taxed. (: Rules have been relaxed).

What is DTAA (Double Taxation Avoidance Agreement)? A: A tax treaty between two countries (e.g., India and USA). It prevents a person (or company) from being taxed twice (by both countries) on the same income.

What is GAAR (General Anti-Avoidance Rule)? A: An income tax law that gives power to the Tax Department to ignore any transaction that it thinks was designed only to avoid tax (even if it's technically legal).

What is Goods and Services Tax (GST)? A: The unified indirect tax in India that replaced all the old taxes (e.g., VAT, Service Tax).

What is CGST? A: Central GST. The portion of the GST that is collected by the Central Government.

What is SGST? A: State GST. The portion of the GST that is collected by the State Government.

What is IGST? A: Integrated GST. The GST charged on an Inter-State transaction (e.g., from Mumbai to Delhi). The central govt collects it and later splits it with the destination state.

What is Input Tax Credit (ITC)? A: The core mechanism of GST. A business can reduce the GST it owes (on its sales) by claiming a credit for the GST it already paid on its inputs (purchases).

What is GSTN (Goods and Services Tax Network)? A: The IT company (the backend platform) that manages the entire GST IT infrastructure, including all the tax filings and ITC (Input Tax Credit) claims.

What is E-Way Bill? A: A mandatory digital permit (generated on the GSTN portal) that must accompany any movement of goods worth over ₹50,000.

What is E-Invoicing? A: A new GST mandate. B2B (Business-to-Business) invoices must be digitally generated and authenticated by the GSTN portal in real-time.

What is GST on Financial Services? A: Most financial services (e.g., Bank Fees, Insurance Premiums, Brokerage) are taxed at 18% GST.

What is RTGS / NEFT (GST)? A: The transaction fees charged by the bank for an NEFT (National Electronic Funds Transfer) or RTGS (Real Time Gross Settlement) transfer are taxable at 18% GST.

What is Life Insurance (GST)? A: Term Plans: GST is paid on the entire premium. ULIPs (Unit Linked Insurance Plans): GST is paid only on the Charges (e.g., Mortality, FMC). Endowments: GST is paid on a portion of the premium.

What is Health Insurance (GST)? A: The entire premium paid for a *Health Insurance policy is taxable at 18% GST.

What is Contingent Liability? A: A potential liability (debt) that may or may not occur in the future. (e.g., A bank guarantee. The bank only pays if its client defaults).

What is Off-Balance Sheet (Exposure)? A: A Contingent Liability is an Off-Balance Sheet item. It is not shown on the main Balance Sheet, but is disclosed in the footnotes.

Q1Access: What is a Letter of Credit (LC) (Recap)? A: A *bank's guarantee to a Seller that they will be paid as long as they present the correct shipping documents. (A Contingent Liability for the bank).

What is a Bank Guarantee (BG) (Recap)? A: A *bank's guarantee to a Beneficiary (e.g., a govt dept) that their contractor (the bank's client) will perform their job. (A Contingent Liability for the bank).

What is Letter of Comfort (LoC)? A: A weaker BG (Bank Guarantee). It's a letter from a parent company to a bank, stating they are aware of their subsidiary's loan. It is often not legally binding.

What is Letter of Undertaking (LoU)? A: A product (now banned by RBI after the PNB scam) where an Indian bank (e.g., PNB) would give an LoU to a foreign bank, asking them to give a loan to an Indian importer (e.g., Nirav Modi).

What is the SWIFT-CBS Linkage? A: The key RBI reform after the PNB Scam. It mandates that the SWIFT (cross-border messaging) system must be technically linked to the Core Banking System (CBS).

What is UCP 600? A: (Uniform Customs and Practice for Documentary Credits). The global rulebook (published by the ICC - International Chamber of Commerce) that *governs all Letters of Credit (LCs).

What is Incoterms? A: The global shipping terms (published by the ICC) that define who is responsible for a shipment at each stage. (e.g., FOB (Free On Board), CIF (Cost, Insurance, Freight)).

What is FOB (Free On Board)? A: An Incoterm. The Seller is responsible for the goods only until they are loaded on the ship. After that, the Buyer is responsible (e.g., for insurance).

What is CIF (Cost, Insurance, Freight)? A: An Incoterm. The Seller is responsible for the entire journey. The Seller must pay the Cost, the Insurance, and the Freight to the destination port.

What is a Bill of Lading (B/L)? A: The most important Trade Finance document. It's a document issued by the Shipping Company that acts as (1) A Receipt for the goods, (2) A Contract of carriage, and (3) A Document of Title (i.e., whoever holds the B/L owns the goods).

What is the LC (Letter of Credit) Workflow (Recap)? A: (1) Buyer gets LC from their Bank. (2) Seller gets the LC. (3) Seller ships the goods. (4) Seller gets the Bill of Lading from the

shipper. (5) Seller gives the B/L to their bank. (6) The banks exchange the B/L (title) for the money.

What is Trade-Based Money Laundering (TBML) (Recap)? A: An advanced AML (Anti-Money Laundering) crime. Criminals use Trade Finance to launder money by falsifying trade documents.

What is TBML - Over-invoicing? A: A TBML technique. A Launderer sells a ₹10 shirt to their own shell company overseas for ₹1,000. This illegally moves ₹990 out of the country.

What is TBML - Under-invoicing? A: A TBML technique. A Launderer buys a ₹1,000 diamond from their own shell company overseas for only ₹10. This illegally brings laundered money into the country.

What is TBML - Phantom Shipping? A: A TBML technique. The Launderers create fake Bills of Lading and fake invoices for a shipment that does not exist.

What is EDPMS (Export Data Processing and Monitoring System)? A: An RBI monitoring system. Banks must report all export transactions (Shipping Bills) to this system. The RBI uses it to ensure that payment for all exports is received in India.

What is IDPMS (Import Data Processing and Monitoring System)? A: An RBI monitoring system. Banks must report all import transactions (Bills of Entry) to this system. The RBI uses it to ensure that payments are made only for genuine imports.

Workflow Scenario: A customer uses a Neobank app to check their balance. What is the technical workflow? A: (1) User taps app. (2) Neobank App sends a secure API call to the Neobank's Server. (3) Neobank Server sends an API call to the Partner Bank's (the licensed

bank) Core System. (4) Bank Core returns the balance to the Neobank Server. (5) Neobank Server sends it to the App.

Workflow Scenario: A customer uses UPI to pay ₹500 at a shop. What is the fund flow? A: (1) Customer scans QR. (2) Payer App (e.g., PhonePe) sends a debit request to NPCI. (3) NPCI routes it to the Customer's Bank (Issuer). (4) Customer enters PIN. (5) Issuer Bank approves, and the money moves via IMPS (Immediate Payment Service) to the Shop's Bank (Acquirer).

Workflow Scenario: A customer uses their Credit Card to buy a product online in the USA. What is the authorization workflow? A: (1) US Website sends data to its Payment Gateway. (2) Gateway sends it to the Acquiring Bank (e.g., Chase Bank). (3) Acquirer sends it to the Card Network (e.g., Visa). (4) Visa routes it to the Issuing Bank (e.g., HDFC Bank in India). (5) HDFC approves and sends the response back along the same chain.

Workflow Scenario: A company wants to pay 50,000 salaries. What is the workflow they use? A: They use the NACH (National Automated Clearing House) Credit workflow. (1) The company uploads a single file with all 50,000 entries (Account No., Amount) to its Bank. (2) The Bank sends this file to the NPCI NACH system. (3) NPCI debits the Company's Account and credits all 50,000 employee accounts in one batch.

Workflow Scenario: A customer signs up for a new SIP (Systematic Investment Plan) online. How is the auto-debit set up? A: They use the e-NACH / e-Mandate workflow. (1) The MF (Mutual Fund) website redirects them to the NPCI Mandate page. (2) The customer authenticates the mandate (e.g., Max ₹5,000 per month) using their Debit Card or Net Banking. (3) This digital mandate is now registered, allowing the MF to pull the money every month.

Workflow Scenario: A customer applies for a Personal Loan via a Fintech App. How do they submit bank statements? A: They use the Account Aggregator (AA) workflow. (1) The Lending App (the FIU - Financial Information User) asks for their AA Handle. (2) The App sends a Consent Request. (3) The customer approves the request in their AA App. (4) The AA then pulls the data from the customer's Bank (the FIP - Financial Information Provider) and delivers it (encrypted) to the Lender (FIU).

Workflow Scenario: A bank is hit by a Ransomware attack at 2 AM. What is the Incident Response workflow? A: (1) Detect: The *SIEM (Security Information and Event Management) or IPS (Intrusion Prevention System) detects the encryption and alerts the C-SOC (Cyber Security Operations Centre). (2) Contain: The C-SOC immediately isolates the infected servers from the network. (3) Notify: The CISO (Chief Information Security Officer) reports the incident to the RBI and CERT-In (within 6 hours). (4) Eradicate: Find the root cause (e.g., a Phishing email). (5) Recover: Wipe the servers and restore from clean backups (the BCP (Business Continuity Plan) plan).

Workflow Scenario: A bank is launching a new app. What is the secure coding workflow? A: They must follow a DevSecOps workflow. (1) Dev: Developer writes code. (2) Sec: The code is automatically scanned by SAST (Static) and DAST (Dynamic) tools to find OWASP (Open Web Application Security Project) vulnerabilities. (3) Ops: If it passes, it is deployed.

What is SAST (Static Application Security Testing)? A: A *secure coding tool. It scans the static source code (like a spell-checker) to find vulnerabilities before the app is even run.

What is DAST (Dynamic Application Security Testing)? A: A *secure coding tool. It attacks a running web application (like a hacker) to find vulnerabilities from the outside.

Workflow Scenario: A customer dies. They had a ₹1 Cr Home Loan and a ₹1 Cr Credit Life policy. What happens? A: (1) The *Nominee submits the Death Certificate to the Insurer. (2) The Insurer approves the claim. (3) The Insurer pays the ₹1 Cr money directly to the Bank (who was the beneficiary of the policy). (4) The Bank uses the money to close the Home Loan.

Workflow Scenario: A customer dies. They had a ₹1 Cr Home Loan but no loan insurance. What happens? A: The debt (loan) is passed on to the legal heirs (the family). (1) The family must continue paying the EMI. (2) If they cannot, the bank will *use the SARFAESI Act to seize and auction the house.

Workflow Scenario: A company defaults on a ₹50 Cr loan. It is admitted into IBC (Insolvency and Bankruptcy Code). What is the workflow? A: (1) NCLT (National Company Law Tribunal) admits the case and appoints an IP (Insolvency Professional). (2) A Moratorium is declared (all lawsuits stop). (3) The IP forms the CoC (Committee of Creditors) (the banks).

(4) The CoC votes (66%) to *approve a Resolution Plan from a buyer. (5) If no plan is found in 330 days, the company is Liquidated.

Workflow Scenario: A customer (an Exporter) is getting a \$1M payment in 90 days. They are worried the USD/INR rate will crash. How do they protect themselves? A: They use a Forward Contract. (1) They go to their Bank Treasury today. (2) They lock in a 90-day forward rate (e.g., 84.50). Now, regardless of the market rate in 90 days, they will sell their \$1M at 84.50.

*Q1815: Workflow Scenario: A bank has too many Floating-Rate Loans and too many Fixed-Rate FDs. They are afraid RBI will cut rates. What do they do? A: They have an ALM Mismatch (Asset-Liability Management Mismatch). If rates fall, their loan income will fall, but their FD cost will stay high, shrinking their profit. Solution: The *Treasury enters an Interest Rate Swap (IRS). They agree to pay a Floating rate to another party and receive a Fixed rate, neutralizing their risk.

What is DeFi (Decentralized Finance)? A: A financial system built on public Blockchains (like Ethereum). It aims to recreate traditional finance (lending, trading) without intermediaries like banks, using Smart Contracts.

What is a Smart Contract? A: A piece of code that lives on the Blockchain. It is a self-executing contract (an IF/THEN statement) that automatically runs when conditions are met. (e.g., IF Ramesh deposits 10 ETH, THEN automatically send him 5 USDC).

What is CeFi (Centralized Finance)? A: Traditional Finance. Any financial transaction that uses a trusted central intermediary (e.g., a Bank, a Crypto Exchange like Coinbase, the NPCI).

What is Blockchain? A: A decentralized, immutable (unchangeable) digital ledger (a database) that is shared across many computers.

What is Public vs. Private Blockchain? A: Public: Permissionless. Anyone can join, read, and write (e.g., Bitcoin, Ethereum). Private: Permissioned. You must be invited to join (e.g., a private blockchain run by 10 banks for Trade Finance).

What is Web 1.0? A: The Read-Only Web (c. 1990-2004). Static websites where you passively consumed information.

What is Web 2.0? A: The Read-Write Web (c. 2004-Present). The social, centralized web. You create and share content, but it is owned by a central company (e.g., Facebook, Google, Twitter).

What is Web 3.0? A: The Read-Write-Own Web (The Future). A decentralized web built on Blockchain. Users own and control their own data and identity (e.g., SSID - Self-Sovereign Identity).

What is NFT (Non-Fungible Token)? A: A unique digital certificate of ownership (a token) that is stored on a Blockchain.

What is Fungible vs. Non-Fungible? A: Fungible: Interchangeable. My ₹100 is the same as your ₹100 (e.g., Bitcoin, a stock share). Non-Fungible: Unique. My house is not the same as your house (e.g., an NFT, a painting).

What is Stablecoin? A: A crypto asset whose value is pegged (fixed) to a real-world asset (e.g., the US Dollar).

What is Tokenization (Asset)? A: A Web 3.0 concept. The process of converting the ownership rights of a real-world asset (e.g., a building, a bond) into a digital Token on a Blockchain.

What is Quantum Computing? A: A new type of computing that uses quantum physics (Qubits) to solve problems that are impossible for classical computers.

What is the Quantum Risk (for BFSI)? A: A future Quantum Computer will be powerful enough to break all current Encryption (e.g., RSA, ECC) in seconds.

What is PQC (Post-Quantum Cryptography)? A: The solution to the Quantum Risk. These are new encryption algorithms (being standardized by NIST) that are believed to be secure against both classical and quantum computers.

What is Embedded Finance (Recap)? A: The integration of a financial service (e.g., a Loan, Insurance) directly into a non-financial product or app (e.g., Buy Now, Pay Later on Amazon, add travel insurance on a flight website).

What is BaaS (Banking-as-a-Service) (Recap)? A: The enabling technology for Embedded Finance. It's the model where a licensed Bank exposes its core functions (e.g., Payments, Accounts) as APIs for Fintechs to use.

What is Open Banking (Recap)? A: The regulatory framework (e.g., in the UK) that forces banks to open up their APIs to licensed third-parties.

What is Open Finance (Recap)? A: The next step after Open Banking. It expands the data sharing to all financial data (e.g., Insurance policies, Pension funds, Mortgages).

What is Account Aggregator (AA) (Open Finance)? A: India's version of Open Finance. It is a consent-based model (not forced) that already includes Banking, Insurance, Pension, and Investment data (FIPs - Financial Information Providers).

What is Hyper-Personalization (AI)? A: Using AI and real-time data to create a Segment of One. (e.g., Not a generic email, but a proactive push notification at 4 PM saying Your balance is low and your EMI is due tomorrow.

What is Generative AI (GenAI) (Recap)? A: AI models (e.g., GPT-4, LLMs - Large Language Models) that can create (generate) new content (e.g., text, images, code).

What is GenAI (Use Case - Servicing)? A: Building a Chatbot that can understand natural language and actually resolve a complex customer query, not just answer FAQs.

What is GenAI (Use Case - Marketing)? A: Using GenAI to instantly generate thousands of personalized email versions for a marketing campaign.

What is GenAI (Use Case - Development)? A: Providing GenAI tools (e.g., GitHub Copilot) to developers to auto-complete code, write unit tests, and find bugs.

What is GenAI (Use Case - Summarization)? A: Using GenAI to read a 100-page research report or a long customer complaint thread and instantly generate a one-paragraph summary.

What is GenAI - Hallucination (Risk)? A: The #1 risk of GenAI. It's when the AI confidently invents a fake fact (a hallucination) because it doesn't know the answer.

What is GenAI - Data Leakage (Risk)? A: The #2 risk of GenAI. An *employee pastes private customer data into a public GenAI tool (e.g., ChatGPT), which then uses that data for its own training.

What is the Solution to GenAI Risks? A: (1) Private LLM (Large Language Model): Host the model internally. (2) RAG (Retrieval-Augmented Generation): Use Retrieval-Augmented Generation to force the AI to use only your trusted documents.

What is RPA (Robotic Process Automation)? A: A technology that uses software bots to mimic repetitive human actions on a user interface.

What is RPA vs. AI? A: RPA: Dumb. It follows a fixed script (e.g., Click button A, Copy field B). AI: Smart. It makes a decision (e.g., Read this invoice (document) and decide if it is fraudulent.

What is Hyperautomation? A: The future state. It's the combination of RPA plus AI to automate not just simple tasks, but complex, end-to-end business processes.

What is Low-Code / No-Code (LCNC)? A: Platforms that allow non-technical users (e.g., a business analyst) to build simple applications using drag-and-drop visual interfaces.

What is the Risk of LCNC (Low-Code / No-Code)? A: Shadow IT. Business teams build their own apps without involving the IT or Security teams, leading to data silos, security holes, and compliance breaches.

What is API-first (Architecture)? A: A modern design philosophy. Instead of building an app, you first build a clean, reusable API (Application Programming Interface). The app is then built on top of the API.

What is Monolith (Architecture)? A: The old way of building apps (e.g., a Legacy CBS - Core Banking System). It's one giant, single piece of code where all components are tightly coupled.

What is Microservices (Architecture)? A: The modern way. You break the Monolith into dozens of small, independent services (e.g., a Payments service, a KYC service, a Loan service). They communicate via APIs.

What is a Container (e.g., Docker)? A: A technology that packages a Microservice (and all its dependencies) into a single, lightweight box that can run consistently anywhere.

What is Kubernetes (K8s)? A: The Orchestration platform. If you have thousands of Containers running your bank, Kubernetes is the operating system that manages them all at scale (e.g., handling scaling, failures, and deployments).

What is Cloud-Native? A: A buzzword. It means an application that was designed from scratch to run on the cloud, using Microservices, Containers, and APIs.

What is Public Cloud? A: Shared infrastructure. You rent server time from a massive provider (e.g., AWS, Azure, GCP).

What is Private Cloud? A: Dedicated infrastructure. The bank builds its own cloud in its own data center. This offers more control but less flexibility.

What is Hybrid Cloud? A: The most common BFSI strategy. You mix both. (e.g., *Keep the *Core Banking data on the Private Cloud, but run the Mobile App on the Public Cloud).

What is IaaS (Infrastructure-as-a-Service)? A: The basic cloud service. The provider (e.g., AWS) rents you the raw infrastructure (e.g., a Virtual Server, storage). You manage the operating system and applications.

What is PaaS (Platform-as-a-Service)? A: The middle cloud service. The provider manages the platform (e.g., the Database, the Operating System, the *Patching). You just manage your application code.

What is SaaS (Software-as-a-Service)? A: The end cloud service. The provider manages everything. You just use the Software (e.g., Salesforce, Gmail).

What is Multi-Cloud? A: A risk strategy. The bank uses more than one Public Cloud provider (e.g., *some apps on AWS, some on Azure) to avoid vendor lock-in and improve resilience.

What is Cloud FinOps? A: A new GRC (Governance, Risk, and Compliance) role. A team that *manages the financial cost of the cloud by monitoring the variable pay-as-you-go bills and optimizing usage.

What is Big Data? A: A term for data that is too big or too complex for a traditional database. Defined by the 3 V's (or 5 V's).

What are the 3 V's of Big Data? A: Volume (How much data?), Velocity (How fast is it coming? - e.g., real-time), Variety (How many types? - e.g., text, video, logs).

What is Hadoop? A: An open-source software framework for Big Data. It allows you to store and process massive datasets across a cluster of *cheap computers.

What is MapReduce? A: The original programming model for Hadoop. (1) Map: Break a big job into small pieces. (2) Reduce: Combine the answers from all the pieces into one result.

What is Spark (e.g., PySpark)? A: The modern successor to MapReduce. It's a faster, in-memory *Big Data processing engine.

What is a Data Warehouse? A: A traditional central database. It stores Structured data (e.g., clean tables) that is *optimized for BI (Business Intelligence) and Reporting.

What is a Data Lake? A: A modern central repository. It *stores all data (both *Structured and Unstructured (e.g., raw logs, emails, PDFs)). It is flexible but can become a data swamp.

What is Data Lakehouse? A: The newest trend. It combines the low-cost, flexible storage of a Data Lake with the speed and structure of a Data Warehouse.

What is ETL (Workflow)? A: Extract, Transform, Load. The traditional data workflow. (1) Extract data from SAP. (2) Transform it (clean it). (3) Load it into the Data Warehouse.

What is ELT (Workflow)? A: Extract, Load, Transform. The *modern Data Lake workflow. (1) Extract data. (2) Load the raw data directly into the Data Lake. (3) Transform it later when you need it.

What is Data Governance? A: The GRC (Governance, Risk, and Compliance) program for data. It defines the policies and controls for who can access data, what it means, and its quality.

What is a CDO (Chief Data Officer)? A: A C-level executive (like a CRO (Chief Risk Officer)) who is responsible for the company's entire data strategy, including Data Governance and Data Quality.

What is Data Lineage? A: A Data Governance map. It tracks the entire journey of a piece of data from its source (e.g., CBS) to its destination (e.g., a Report).

What is Data Quality? A: A Data Governance process to measure and fix data errors. (e.g., Is the data Accurate, Complete, Timely, Consistent?).

What is a Data Dictionary / Catalog? A: A Data Governance tool. It's a central dictionary that defines every data element in the company. (e.g., Cust_ID = The 10-digit Unique Customer ID).

What is Master Data Management (MDM)? A: A Data Governance platform. It's the technology that creates and manages the one single Golden Record for key entities (e.g., The Single View of the Customer).

What is Data Fabric / Data Mesh? A: A new, decentralized Data Architecture* that replaces the central Data Lake. It treats data as a product, managed by individual business domains.

What is IoT (Internet of Things)? A: A network of physical devices (e.g., a smart car, a smart watch, a *smart smoke detector) that are embedded with sensors and connected to the internet.

What is IoT (Use Case - Insurance)? A: Telematics. Using an IoT device in a car to stream driving data for Usage-Based Insurance.

What is IoT (Use Case - Health)? A: Using data from a smart watch (e.g., Apple Watch) to feed data to a Health Insurer's Wellness App to reward healthy behavior.

What is IoT (Use Case - Banking)? A: Using IoT sensors in a Supply Chain to track a package. When the package arrives, the sensor automatically triggers the payment from the bank.

What is 5G (BFSI)? A: The enabler for high-bandwidth BFSI. It will enable lag-free Video KYC, remote advisor VR sessions, and massive IoT data streaming.

What is Edge Computing? A: Decentralized computing. Instead of sending all IoT data to the Cloud, you perform the AI analysis on the device itself (at the *Edge). This is faster and uses less bandwidth.

What is Digital Twin? A: A real-time virtual replica of a physical asset. (e.g., A digital twin of a factory or a bank's C-SOC (Cyber Security Operations Centre)).

What is Metaverse? A: A future concept of a persistent, shared 3D virtual space where users can interact as avatars.

What is Augmented Reality (AR)? A: Overlaying digital information onto the real world. (e.g., Using your phone camera to look at a house and *seeing its price overlaid on top).

What is Virtual Reality (VR)? A: Immersing yourself in a fully digital world (e.g., wearing a headset).

What is Voice Biometrics? A: A security control. Using the unique characteristics of a person's voice as a biometric identifier to authenticate them at a call center.

What is Behavioral Biometrics? A: A security control. Silently monitoring the way a user interacts with an app (e.g., how fast they type, the angle they hold their phone).

What is OCR (Optical Character Recognition)? A: An AI technology that reads text from an image or a scanned PDF and converts it into editable text.

What is NLP (Natural Language Processing)? A: A branch of AI that allows a computer to understand human language (text or voice).

What is Computer Vision? A: A branch of AI that allows a computer to see and understand the world from images or video.

What is Machine Learning (ML)? A: The core technique of modern AI. Instead of writing rules, you feed the computer data and it learns the patterns itself.

What is Deep Learning? A: An advanced type of Machine Learning that uses complex Neural Networks (with many layers) like a human brain. It is the technology behind GenAI.

Q1Red8: What is Supervised Learning (ML)? A: A type of ML where the training data is labelled. (e.g., This email is spam; This email is not spam).

What is Unsupervised Learning (ML)? A: A type of ML where the training data is un-labelled. The AI must find its own patterns and clusters in the data.

What is Reinforcement Learning (ML)? A: A type of ML where the AI learns by trial and error and receives a reward or penalty for its actions. (e.g., An AI learning to play chess).