Q.1 What are the Different technics for credit risk mitigation

a) Obtaining Security or Guarantees
b) Insurance Cover
c) Prescribing Margins
d) a & b
e) a, b and c

Answer: - a, b and c

Q.2 To take credit decisions, Bank may accept all types of securities, financial, non-financial, as collateral, but acceptance of a security for credit decision shall broadly depend upon some principles, which one is not correct;

a) Adequacy & liquidity
b) Marketability
c) Legality & enforceability
d) Legal certainty of title
e) Visibility

Answer: visibility

Q.3 Substitution can be done by the respective sanctioning authority if substituted property is similar and value is same, Substitution of the following collateral securities to be avoided:

a) Substitution of Residential/Commercial property with industrial/agricultural property.
b) Substitution of constructed property with open land.
c) Substitution of Financial Collateral with non-financial collateral of more than 150% of value of the financial collateral.
d) a & b
e) b & c

Answer: - a & b

Q. 4 The limitation period for Pledge Agreement is

a) 3 years from the date of cause of action.
b) 12 years from the date of cause of action
c) 1 year from the date of cause of action
d) Limitation not applicable.
e) 3 years from the date of payment of the invoked amount.

Answer: - Limitation not applicable.

Q. 5 Minimum permissible investment in Sovereign Gold Bonds is 1 gram of gold. Maximum ceilings for investment in Sovereign Gold Bonds for HUF, per fiscal is

a) 4 KG
b) 1 KG
c) 20 KG
d) 10 KG
e) 5 KG

Answer: - 4 KG

Q. 6 To assess the impact of market risk, Risk Management Department conducts stress testing in case of housing loans. As per the stress testing policy, the scenario of fall in housing prices and subsequent increase in Loan to Value ratio is assessed on a .... basis to estimate the impact on CRAR.

a) Monthly
b) Quarterly
c) Half Yearly
d) Yearly
e) Fortnightly

Answer:- Quarterly

Q. 7 Obtaining guarantee from parent company whose credit worthiness/ value is dependent on the borrower or obtaining security of a company whose cash flows depends on the borrower is

a) Concentration Risk
b) Correlation Risk
c) Residual Risk
d) Idiosyncratic Risk
e) None of these

Answer:- Correlation Risk

Q.8 Fixed Assets inspection shall be carried out once in........ for primary security and once ....for collateral security.

a) Six months and in a year
b) 3 months and in a year
c) 12 months and in two years
d) 1 month and in two years
e) None of the above

Answer:- Six months and in a year

Q. 9 In case of 10 or more upto 20 collateral properties, Inspection charges to be levied .... the prescribed charges. In case of more than 20 collateral properties, Inspection charges to be levied .... the prescribed charges.

a) 2 times and 3 times respectively
b) 3 times and 4 times respectively
c) 1.5 times and 1.2 times respectively
d) 1.5 times and 2 times respectively
e) 1.2 times and 1.5 times respectively

Answer:- 1.2 times and 1.5 times respectively

Q. 10 Property worth Rs. .... cores and more shall be inspected by the Branch Head i.e. Branch Manager / Chief Manager / Asst. General Manager. An Officer in Scale IV and above may carry out inspection where Dy. General Manager is the in-charge of the Branch.

a) Ten
b) Five
c) Two
d) Three
e) Four

Answer:- Five

Q. 11 For credit limits up to Rs........ Lacs, the valuation of property, offered only as collateral security, should be made by the Bank Officials themselves and details of such valuation should be incorporated in the simplified format.

a) 50
b) 20
c) 25
d) 100
e) 10

Answer:- 10

Q. 12 As per the RBI's Basel-II guidelines on New Capital Adequacy Framework (NCAF) uniform credit risk measurement approach is to be followed by all the banks. Which method is being followed by our Bank to measure Credit Risk?

a) Standardized Approach
b) Advanced Approach
c) Standardized Advanced Approach

d) Normal Approach
e) No measurement approaches

Answer:- Standardized Approach

Q. 13 Banks are required to adjust both the amount of the exposure to the counter-party and the value of any collateral received in support of that counter-party to take account of possible future fluctuations in the value of either, due to market movements. These adjustments are referred to as

a) Margin
b) Loan to Value
c) Commission
d) Haircut
e) Primary security

Answer:- Haircut

Q. 14 In case of composite commercial real estate projects, the margin requirement for land acquisition by private developer will be

a) 50%
b) 75%
c) 100%
d) 25%
e) 20%

Answer: 100%

Q. 15 ....netting is confined to loans / advances and deposits, where bank has legally enforceable netting arrangements. This netting arrangements are allowed where specific lien with proof of documentation subsists.

a) On Balance Sheet
b) Off Balance Sheet
c) Party wise
d) Contract wise
e) None of the above

Answer:- On Balance Sheet

Q. 16 Bank shall take a wholesome view of the account in distress, rather than short-term view of recovering critical amount. The depletion in primary security will be normally characterized by anyone or more of the following, except

a) Reduction in turnover in operative accounts
b) Frequent request for ad-hoc/excess without cogent reason/justifications or non-adjustment as per commitment
c) Non-achieving of targeted level of sale/production but utilizing credit limits in full
d) Creation of fixed asset by own sources
e) Heavy WIP vis-à-vis industry acceptable level, the non-movement of finished goods, rejection of goods

Answer:- Creation of fixed asset by own sources

Q. 17 Under which approach of credit risk measurement, the risk weights for various types of credit exposures/ asset class are determined using a specified formula. Under this method banks are required to provide the internal risk parameters associated with each obligor like (Probability of Default) and facility (Loss Given Default, Maturity and Exposure At Default) as inputs in this specified formula for determining risk weight.

a) Advanced approach
b) Standardized approach
c) Generalized approach
d) Focused approach
e) None of the above

Answer:- Advanced approach

Q. 18 The effective Loss Given Default for collateralized transaction with eligible financial collateral is expressed as

a) Effective Loss Given Default = Loss Given Default / The current value of the exposure
b) Effective Loss Given Default = The current value of the exposure * Exposure value after risk mitigation
c) Effective Loss Given Default = Loss Given Default * Exposure value after risk mitigation
d) Effective Loss Given Default = Loss Given Default * (Collaterals/ Exposure value after risk mitigation)
e) Effective Loss Given Default = Loss Given Default *(The current value of the exposure / Exposure value after risk mitigation)

Answer:- Effective Loss Given Default = Loss Given Default *(The current value of the exposure / Exposure value after risk mitigation)

Q. 19 What will be the Credit conversion factors for short-term self-liquidating trade letters of credit arising from the movement of goods (e.g. documentary credits collateralized by the underlying shipment) for both issuing bank and confirming bank.

a) 50%
b) 20%
c) 75%
d) 100%
e) 10%

Answer:- **20%**

Q. 20 Whether loans for consumption, without collateral would be treated as microfinance loans?

a) Yes, all collateral-free loans to individual/s belonging to low-income households
b) No, the purpose is to be defined
c) No, loans upto 50 thousand can be defined as microfinance loans
d) No, loans upto 1 lac can be defined as microfinance loans
e) Yes, all collateral backed or collateral-free loans to individual/s belonging to low-income households

Answer:- Yes, all collateral-free loans to individual/s belonging to low-income households

Q. 21 NBFC-MFIs shall maintain a capital adequacy ratio consisting of Tier I and Tier II Capital which shall not be less than 15 per cent of its aggregate risk weighted assets. The total of Tier II Capital at any point of time shall not exceed 100 per cent of Tier I Capital. To bring uniformity on par with other NBFCs while lending, it is prescribed that NBFC-MFIs shall maintain a CRAR at a level of

a) 1% above the regulatory required level of 15%
b) 1.5% above the regulatory required level of 15%
c) 2% above the regulatory required level of 15%
d) 5% above the regulatory required level of 15%
e) 2.5% above the regulatory required level of 15%

Answer:- 2% above the regulatory required level of 15%.

Q. 22 The aggregate loan provision to be maintained by MFI at any point of time shall not be less than

a) 1% of the outstanding loan portfolio
b) 50% of aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more
c) Average of a & b
d) Higher of a & b
e) Lower of a & b

Answer:- Higher of a & b

Q. 23 If a loan is backed by hypothecation of any security, will this loan be considered collateral-free and classified as a microfinance loan?

a) Yes, as it can be treated as collateral free
b) No, Loans backed by hypothecation of any security shall not be treated as microfinance loans
c) It is upon bank to classify such advance microfinance
d) Yes, all small loans upto 1 lac should be treated as microfinance loan
e) None of the above

Answer:- No, Loans backed by hypothecation of any security shall not be treated as microfinance loans

Q. 24 Five standards ratios and their benchmark standards shall be considered for all microfinance proposals, to NBFC-MFI, finance from our bank. Operational Self Sufficiency Ratio, Portfolio At Risk, Operating Cost Ratio, Total Cost Ratio and Average Borrower per Credit Officer, what is benchmark for Total Cost Ratio (Total cost during the period divided by average outstanding loan portfolio)

a) Less than 50%
b) Less than 25%
c) Less than 75%
d) Less than 100%
e) Less than 30%

Answer:- Less than 30%

Q. 25 Institutions like MFI may not match the repayment obligations from internal accruals. MFI will repay mainly from the recovery from their members, not from cash profit. While assessing the loan, instead of Debt Service Coverage Ratio (DSCR), the past and projected recovery pattern (Micro clients to MFI) should be ascertained, which should be more than.....%.

a) 75%
b) 80%
c) 90%
d) 95%
e) 99%

Answer:- 90%

Q. 26 What kind of facilities can be sanctioned to MFIs?

a) Only Term Loan facility
b) Only Working capital loan facility

c) Both term loan and working capital facility
d) As per the requirement of MFI
e) Only non-fund based facilities

Answer:- Only Term Loan facility

Q. 27 The maximum period for repayment of Term Loans shall be linked to fixation of repayment schedule by MFI to their clients while on-lending, normally 36 months or 12 quarters [excluding moratorium of maximum 3 months/one quarter]. This may, however, be increased in respect of MFIs having long term asset portfolio or higher gestation requirements,

a) up to 72 months or 24 quarters
b) up to 84 months or 28 quarters
c) up to 60 months or 20 quarters
d) up to 96 months or 32 quarters
e) up to 120 months or 40 quarters

Answer:- up to 60 months or 20 quarters

Q. 28 Branches are required to assign "MFI" label in all loan accounts of Microfinance Institutions, Scheme code-............ for Term loan, Purpose of advances to be entered as 65921

a) RA032
b) RA028
c) RA024
d) RA018
e) RA012

Answer:- RA028

Q. 29 Exposure cap to MFIs is fixed at Rs 4000.00 crore till 30.09.2024. The exposure cap is valid from 01.10.2023 to 30.09.2024. This cap excludes direct exposure to micro borrowers through SHG/JLG/other models under BC model. Exposure to single MFI shall be restricted to

a) Rs 400.00 crores
b) Rs 500.00 crores
c) Rs 550.00 crores
d) Rs 600.00 crores
e) Rs 650.00 crores

Answer:- Rs 600.00 crores

Q. 30 What is limit of monthly loan repayment obligations of a household as a percentage of monthly household income apply to microfinance as well as non-microfinance loans given to low-income households?

a) 50 per cent
b) 40 per cent
c) 60 per cent
d) 75 percent
e) 30 percent

Answer:- 50 per cent