



## DIPLOMA IN BANKING & FINANCE

### Rules & Syllabus 2020

#### ABOUT THE DIPLOMA

There will be a growing demand for qualified manpower for the banking and finance sector in the coming years on account of expansion of volume of business and large scale retirement of personnel. Banking and finance industry will require professionally qualified manpower endowed with banking and finance knowledge and skills together with technology-familiarity, customer orientation and hands-on application skills who can be assigned to various desks/jobs with minimal training intervention at the bank level.

In view of the huge current as well as potential demand for the professionally qualified manpower for the banking and finance sector, and to ensure a steady stream of industry-ready professionals at the entry-level, IIBF has designed this course as professional qualification who aspire for a career in banking and finance.

The course will give knowledge inputs to the candidates and expose them to the operational processes and modern banking environment so that they can man the counters at the bank from the first day of their joining the bank. It is expected that successful candidates of Diploma in Banking & Finance would have a competitive edge and will be absorbed by banks and financial institutions and Diploma in Banking & Finance would emerge as a preferred professional qualification with graduation for employment in banking and finance industry.

#### **Hosting of the Resume of successful candidates on IIBF's website for employment:**

IIBF will host on its website details of all the successful candidates and make it available to its member Banks/ Institutions which include Reserve Bank of India, State Bank of India, Public Sector Banks, Private Sector Banks, Foreign Banks, Co-operative Banks and IT/ BPO companies providing services to banking industry, for considering them for employment.

**INDIAN BANKS ASSOCIATION (IBA) HAS APPROVED DIPLOMA IN BANKING & FINANCE EXAMINATION CONDUCTED BY IIBF AS A DESIRABLE QUALIFICATION ALONG WITH OTHER PRESCRIBED ENTRY LEVEL QUALIFICATION FOR RECRUITMENT IN BANKS.**

#### SALIENT FEATURES

- Diploma in Banking & Finance will impart banking and finance knowledge and skills together with technology-familiarity and customer-orientation
- High quality academic rigor and specially prepared courseware.
- Candidates undertaking the course will have comprehensive and up-to-date knowledge in the subject of banking and finance. The Diploma offers practical insights into the subjects while, at the same time, emphasizes robust theoretical foundation.
- The course will make the candidates job ready.
- The course is so designed that most employers would value it for talent scouting.
- This will ensure that banks can reduce their post recruitment training intervention.
- The course is cost effective and at the same time high in quality. At an additional fee, candidates can seek educational support in the form of e-learning/ virtual classes/ contact classes.
- The diploma carries professional recognition among the banking and finance community as it is equivalent to banking industry recognized JAIB qualification of IIBF.
- The certification is backed by a system of high professional standards of the Institute.

## EDUCATIONAL SUPPORT

- Specially developed courseware.
- e-learning support/ Class room learning.

## ELIGIBILITY

1. Non-Members of Institute.
2. Candidates must have passed the 12<sup>th</sup> standard examination in any discipline or its equivalent or Candidate who have completed BC/BF examination conducted by IIBF (Members of the Institute are not eligible for DB&F examination since they are eligible to appear for JAIIB examination. In case if any Member of the Institute appears for DB&F examination, their result/ certificate will be liable for cancellation)

## SUBJECTS OF EXAMINATION

- (1) Principles & Practices of Banking,
- (2) Accounting & Finance for Bankers,
- (3) Legal & Regulatory Aspects of Banking

## PASSING CRITERIA:

1. Minimum marks for pass in the subject is 50 out of 100.
2. Candidates securing at least 45 marks in each subject with an aggregate of 50% marks in all subjects of examination in a single attempt will also be declared as having completed the Examination.
3. Candidates will be allowed to retain credits for the subject they have passed in an attempt till the expiry of the time limit for passing the examination as mentioned below:

## TIME LIMIT FOR PASSING THE EXAMINATION:

1. Candidates will be required to pass the examination within a time limit of 2 years (i.e. 4 consecutive attempts).
2. Candidates not able to pass examination within stipulated time period of two years are required to re-enroll themselves afresh. Such candidates will not be granted credit/s for subject/s passed, if any, earlier.
3. Time limit of 2 years will start from the date of application for first attempt. Attempts will be counted irrespective of whether a candidate appears for any examination or otherwise.

## EXAMINATION FEES/ REGISTRATION FEES:

Description	Fees*
First attempt fee	Rs.3,500/-
2nd attempt fee	Rs.1,300/-
3rd attempt fee	Rs.1,300/-
4th attempt fee	Rs.1,300/-

\* Plus convenience charges and Taxes as applicable

**Please Note: Candidates are required to Register for every attempt separately.**

As a measure to streamline the traffic for registration, Institute will charge regular examination fee to candidates who registers for the examination during the first week of registration. For second and third week of registration, the fees will be regular examination fee plus Rs. 100/- and fourth week of registration, the fees will be regular examination fee plus Rs. 200/-. **In case, the registration date is extended beyond 4 weeks the examination fees will be regular examination fee plus Rs. 200/- for the extended days.** The fee once paid will **NOT** be refunded or adjusted on any account

## MEDIUM OF EXAMINATION:

Examination will be conducted in English only.

## PATTERN OF EXAMINATION:

- (i) Question Paper will contain approximately 120 objective type multiple choice questions for 100 marks including questions based on case studies/ case lets. The Institute may however vary the number of questions to be asked for a subject

- (ii) The examination will be held in Online Mode only
- (iii) There will NOT be negative marking for wrong answers.

#### **DURATION OF EXAMINATION:**

The duration of the examination will be of 2 hours.

#### **PERIODICITY AND EXAMINATION CENTRES:**

- a) Examination will be conducted on pre-announced dates published on IIBF Web Site. Institute conducts examination on half yearly basis, however periodicity of the examination may be changed depending upon the requirement of banking industry.
- b) List of Examination centers will be available on the website. (Institute will conduct examination in those centres where there are 20 or more candidates.)

#### **“CLASS OF PASS” CRITERIA:**

1. The Institute will consider the FIRST PHYSICAL ATTEMPT of the candidate at the examination as first attempt for awarding class. In other words, the candidate should not have attempted any of the subject/s pertaining to the concerned examination any time in the past and has to pass all the subject as per the passing criteria and secure prescribed marks for awarding class. Candidates re-enrolling for the examination after exhausting all permissible attempts as per the time limit rule will not be considered for awarding class.
2. First Class: 60% or more marks in aggregate and pass in all the subjects in the FIRST PHYSICAL ATTEMPT
3. First Class with Distinction: 70% or more marks in aggregate and 60 or more marks in each subject in the FIRST PHYSICAL ATTEMPT.

#### **PROCEDURE FOR APPLYING FOR EXAMINATION:**

Application for examination should be registered online from the Institute's website [www.iibf.org.in](http://www.iibf.org.in). The schedule of examination and dates for registration will be published on IIBF website.

#### **PROOF OF IDENTITY:**

Non-members applying for Institute's examinations/courses are required to attach/ submit a copy of any one of the following documents containing Name, Photo and Signature at the time of registration of Examination Application. Application without the same shall be liable to be rejected.

- 1) Photo ID Card issued by Employer or 2) PAN Card or 3) Driving License or 4) Election Voter's ID Card or 5) Passport 6) Aadhaar Card

#### **STUDY MATERIAL/ COURSEWARE:**

The Institute has developed a courseware to cover the syllabus. The courseware (book) for the subject/s will be available at outlets of publisher/s. Please visit IIBF website [www.iibf.org.in](http://www.iibf.org.in) under the menu “Exam Related” for details of book/s and address of publisher/s outlets. Candidates are advised to make full use of the courseware. However, as banking and finance fields are dynamic, rules and regulations witness rapid changes. Therefore, the courseware should not be considered as the only source of information while preparing for the examinations. Candidates are advised to go through the updates put on the IIBF website from time to time and go through Master Circulars/ Master Directions issued by RBI and publications of IIBF like IIBF Vision, Bank Quest, etc. All these sources are important from the examination point of view. Candidates are also to visit the websites of organizations like RBI, SEBI, BIS, IRDAI, FEDAI etc. besides going through other books & publications covering the subject/ exam concerned etc. Questions based on current developments relating to the subject/ exam may also be asked.

#### **CUT-OFF DATE OF GUIDELINES/IMPORTANT DEVELOPMENTS FOR EXAMINATIONS:**

The Institute has a practice of asking questions in each exam about the recent developments/ guidelines issued by the regulator(s) in order to test if the candidates keep themselves abreast of the current developments. However, there could be changes in the

developments/ guidelines from the date the question papers are prepared and the dates of the actual examinations.

In order to address these issues effectively, it has been decided that:

- (i) In respect of the examinations to be conducted by the Institute for the period February to July of a calendar year, instructions/ guidelines issued by the regulator(s) and important developments in banking and finance up to 31st December will only be considered for the purpose of inclusion in the question papers".
- (ii) In respect of the examinations to be conducted by the Institute for the period August to January of a calendar year, instructions/ guidelines issued by the regulator(s) and important developments in banking and finance upto 30th June will only be considered for the purpose of inclusion in the question papers.

The table given below further clarifies the situation.

<b>Particulars Developments for Examination/s</b>	<b>Cut-off Date of Guidelines/ Important Developments for Examination/s</b>
For the examinations to be conducted by the Institute for the period February 2020 to July 2020	31st December 2019
For the examinations to be conducted by the Institute for the period August 2020 to January 2021	30th June 2020

### **TUTORIAL/ CONTACT PROGRAMMES:**

Tutorial/ Contact programmes may be organized by the Institute at various centres. For details in this regard candidates may visit Institute's website [www.iibf.org.in](http://www.iibf.org.in).

### **E-LEARNING:**

Institute facilitates e-learning to all the JAIIB, DB&F and CAIIB papers to enhance the understanding of the concepts. Candidates can access the e-learning (From Desktops and Laptops only) through our website [www.iibf.org.in](http://www.iibf.org.in) at their convenience and from their place of choice. The user id and password will be sent to all the candidates registered for the said examinations at their registered email id with the Institute.

### **VIDEO LECTURES:**

Institute facilitates video classes (pre-recorded video classes) for all the JAIIB, DB&F and CAIIB (compulsory subjects). These Video lectures have been uploaded on the You Tube channel of the institute.

### **DISCLAIMER:**

The above said facilities of e-learning and video lectures offered to the candidates is solely at the discretion of the Institute and subject to such terms/ conditions as may be deemed fit by the Institute from time to time. Hence no candidate has any right/ claim whatsoever against the Institute by reason of any technical glitches or any shortcomings as the case may be and the decision of the Institute in the event of any dispute there under will be final and conclusive.

### **SYLLABUS**

The details of the prescribed syllabus which is indicative are furnished in the booklet. However, keeping in view the professional nature of examinations, all matters falling within the realm of the subject concerned will have to be studied by the candidate as questions can be asked on all relevant matters under the subject. Candidates appearing for the examination should particularly prepare themselves for answering questions that may be asked on the latest developments taking place under the various subject/s of the said examination although those topics may not have been specifically included in the syllabus. The Institute also reserves to itself the right to vary the syllabus/ rules/ fee structure from time to time. Any alterations made will be notified from time to time. Further, questions based on current developments in banking and finance may be asked.

Candidates are advised to refer to financial newspapers/ periodicals more particularly "IIBF

VISION” and “BANK QUEST” published by the Institute.

A separate Module (Module E) on “ETHICS IN BANKS AND FINANCIAL INSTITUTIONS” has been added in the paper “Principles & Practices of Banking”

## **PAPER 1 – PRINCIPLES & PRACTICES OF BANKING**

### *MODULE A – INDIAN FINANCIAL SYSTEM*

#### **Indian Financial System – An Overview**

Role of RBI, Commercial Banks, NBFs, PDs, FIs, Cooperative Banks, CRR, SLR; Equity & Debt Market; IRDA

#### **Banking Regulation**

Constitution, Objectives, Functions of RBI; Tools of Monetary Control; Regulatory Restrictions on Lending

#### **Retail Banking, Wholesale and International Banking**

Retail Banking- Products, Opportunities; Wholesale Banking, Products; International Banking, Requirements of Importers & Exporters, Remittance Services; Universal Banking; ADRs; GDRs; Participatory Notes

#### **Role of Money Markets, Debt Markets & Forex Market**

Types of Money & Debt Market Instruments including G-Secs; ADs, FEMA, LIBOR, MIBOR, etc.

#### **Role and Functions of Capital Markets, SEBI**

Overview of Capital Market; Stock Exchange; Commonly used Terms; Types of Capital Issues; Financial Products/ Instruments including ASBA, QIP; SEBI; Registration of Stock Brokers, Sub-brokers, Share Transfer Agents, etc. QIBs.

#### **Factoring, Forfeiting Services and Off-Balance Sheet items**

Types & advantages of Factoring & forfeiting services; Types of off-balance sheet items

#### **Risk Management, Basel Accords**

Introduction to Risk Management; Basel I, II & III Accords

#### **CIBIL, Fair Practices Code for Debt Collection, BCSB**

Role and Functions of CIBIL; Fair Practices Code for Debt Collection; Codes of BCSBI

#### **Recent Developments in the Financial System**

Structure, Reforms in the Indian Financial System; recent developments in Money, Debt, Forex Markets; Regulatory Framework; Payments and Settlement System

### *MODULE B – FUNCTIONS OF BANKS*

#### **Banker Customer Relationship**

Types; Different Deposit Products & Services; Services to Customers & Investors

#### **KYC/ AML/ CFT norms**

PMLA Act; KYC Norms

#### **Bankers’ Special Relationship**

Mandate; POA; Garnishee Orders; Banker’s Lien; Right of Set off

#### **Consumer Protection - COPRA, Banking Ombudsman Scheme**

Operational Aspects of COPRA Act & Banking Ombudsman Scheme

#### **Payment and Collection of Cheques and Other Negotiable Instruments**

NI Act; Role & Duties of Paying & Collecting Banks; Endorsements; Forged Instruments; Bouncing of Cheques; Its Implications; Return of Cheques; Cheque Truncation System

#### **Opening accounts of various types of customers**

Operational Aspects of opening and Maintaining Accounts of Different Types of Customers including Aadhaar, SB Rate Deregulation

#### **Ancillary Services**

Remittances; Safe Deposit Lockers; Govt. Business; EBT

#### **Cash Operations**

Cash Management Services and its Importance

#### **Principles of Lending, Working Capital Assessment and Credit Monitoring**

Cardinal Principles; Non-fund Based Limits; WC; Term Loans; Credit Appraisal Techniques; Sources of WC Funds & its Estimation; Operating Cycle; Projected Net WC; Turnover Method; Cash Budget; Credit Monitoring & Its Management; Base Rate

## **Priority Sector Advances**

Targets; Sub-Targets; Recent Developments

## **Agricultural Finance**

Types of Agricultural Loans; Risk Mitigation in agriculture (NAIS, MSP etc.)

## **Micro, Small and Medium Enterprises**

MSMED Act, 2006 Policy Package for MSMEs; Performance and Credit Rating Scheme; Latest Developments

## **Government Sponsored Schemes**

SGSY; SJSRY; PMRY; SLRS

## **Self Help Groups**

Need for & Functions of SHGs; Role of NGOs in Indirect Finance to SHGs; SHGs & SGSY Scheme; Capacity Building

## **Credit Cards, Home Loans, Personal Loans, Consumer Loans**

Operational Aspects, Advantages, Disadvantages & Guidelines of Credit Cards; Procedure and Practices for Home Loans, Personal Loans and Consumer Loans

## **Documentation**

Types of Documents; Procedure; Stamping; Securitisation

## **Different Modes of Charging Securities**

Assignment; Lien; Set-off; Hypothecation; Pledge; Mortgage

## **Types of collaterals and their characteristics**

Land & Buildings; Goods; Documents of Title to Goods; Advances against Insurance Policies, Shares, Book Debts, Term Deposits, Gold, etc.; Supply Bills

## **Non-Performing Assets**

Definition; Income Recognition; Asset Classification; Provisioning Norms; CDR Financial Inclusion BC; BF; Role of ICT in Financial Inclusion, Mobile based transactions, RSETI

## **Financial Literacy**

Importance of financial literacy, customer awareness

## **MODULE C – BANKING TECHNOLOGY**

### **Essentials of Bank Computerization**

Computer Systems; LANs; WANs; UPS; Core Banking

### **Payment Systems and Electronic Banking**

ATMs; HWAK; PIN; Electromagnetic Cards; Electronic Banking; Signature Storage & Retrieval System; CTS; Note & Coin Counting Machines; Microfiche; NPC; RUPAY

### **Data Communication Network and EFT systems**

Components & Modes of Transmission; Major Networks in India; Emerging Trends in Communication Networks for Banking; Evolution of EFT System; SWIFT; Automated Clearing Systems; Funds Transfer Systems; Recent Developments in India

### **Role of Technology Upgradation and its impact on Banks**

Trends in Technology Developments; Role & Uses of Technology Upgradation; Global Trends; Impact of IT on Banks

### **Security Considerations**

Risk Concern Areas; Types of Threats; Control Mechanism; Computer Audit; IS Security; IS Audit; Evaluation Requirements

### **Overview of IT Act**

Gopalakrishna Committee Recommendations

### **Preventive Vigilance in Electronic Banking**

Phishing; Customer Education; Safety Checks; Precautions

## **MODULE D – SUPPORT SERVICES - MARKETING OF BANKING SERVICES/ PRODUCTS**

### **Marketing – An Introduction**

Concept; Management; Products & Services; Marketing Mix; Brand Image

### **Social Marketing/ Networking**

Evolution, Importance & Relevance of Social Marketing/ Networking

## **Consumer Behavior and Product**

Consumer Behavior; Product Planning, Development, Strategies, etc.; CRM

## **Pricing**

Importance, Objectives, Factors, Methods, Strategies of Pricing; Bank Pricing

## **Distribution**

Distribution Channels; Channels for Banking Services; Net Banking; Mobile Banking

## **Channel Management**

Meaning, Levels, Dynamics, Advantages

## **Promotion**

Role of Promotion in Marketing; Promotion Mix

## **Role of Direct Selling Agent/ Direct Marketing Agent in a bank**

Definition; Relevance; Banker as DSA/ DMA; Delivery Channels in Banks; Benefits

## **Marketing Information Systems – a longitudinal analysis**

Functions & Components of MKIS; MKIS Model; Use of Computers & Decision Models; Performance of MKIS; Advantages

## *MODULE E – ETHICS IN BANKS AND FINANCIAL INSTITUTIONS*

### **Ethics, Business Ethics & Banking: An Integrated Perspective**

Business Ethics, Ethical Foundation and Banking Ethics in Global and Indian Contexts

### **Ethics at the Individual Level**

Values, Norms, Beliefs, Morality, Conflict, Integrity, Golden Rule, Dilemmas, Decision-Making.

### **Ethical Dimensions: Employees**

Obligation to Bank/ Third Parties, Abuse of Official Position, Sexual Harassment, Conflict of Interest, Fair Accounting Practices, HRM Ethics, Employees as Ethics Ambassadors & Managers as Ethical Leaders

### **Work Ethics and the Workplace**

Work Ethics, Benefits of Ethical Behavior, Unethical Behavior: Causes and Remedies, Code of Ethics Manual, Whistleblowing in Banks, Whistleblowing Laws in India

### **Banking Ethics: Changing Dynamics**

Ethics and Technology, Data Security and Privacy, Intellectual Property Rights, Patents and Proprietary Rights, Ethics of Information Security, Cyber Threats, Digital Rights Management

## **PAPER 2 – ACCOUNTING & FINANCE FOR BANKERS**

### *MODULE A – BUSINESS MATHEMATICS AND FINANCE*

### **Calculation of Interest and Annuities**

Calculation of Simple Interest & Compound Interest; Calculation of Equated Monthly Instalments; Fixed and Floating Interest Rates; Calculation of Annuities; Interest Calculation using Products/ Balances; Amortization of a Debt; Sinking Funds

### **Calculation of YTM**

Debt- Definition, Meaning & Salient Features; Loans; Introduction to Bonds; Terms associated with Bonds; Cost of Debt Capital; Bond value with semi-annual Interest; Current Yield on Bond; Calculation of Yield-to- Maturity of Bond; Theorems for Bond Value; Duration of Bond; Properties of Duration; Bond Price Volatility

### **Capital Budgeting**

Present Value and Discounting; Discounted Technique for Investment Appraisal; Internal Rate of Return (IRR); Method of Investment Appraisal; NPV and IRR compared; Investment Opportunities with Capital Rationing; Investment Decision making under condition of uncertainty; Expected NPV Rule; Risk Adjusted Discount Rate Approach for NPV Determination; Sensitivity Analysis for NPV Determination; Decision Tree Analysis for NPV Estimation; Payback Methods; ARR.

### **Depreciation and its Accounting**

Depreciation, its types and methods; Comparing Depreciation Methods

### **Foreign Exchange Arithmetic**

Fundamentals of Foreign Exchange; Forex Markets; Direct and Indirect Quote; Some Basic Exchange Rate Arithmetic – Cross Rate, Chain Rule, Value date, etc.; Forward Exchange Rates – Forward Points; Arbitrage; Calculating Forward Points; Premium/ discount; etc.

## *MODULE B – PRINCIPLES OF BOOKKEEPING & ACCOUNTANCY*

### **Definition, Scope and Accounting Standards**

Nature and Purpose of Accounting; Historical Perspectives; Origins of Accounting Principles; Accounting Standards in India and its Definition and Scope; Generally Accepted Accounting Principles of USA (US GAAP); Transfer Pricing; Overview of IFRS; Difference between GAAP & IFRS.

### **Basic Accountancy Procedures**

Concepts of Accountancy; Going Concern Entity; Double Entry System; Principle of Conservatism; Revenue Recognition and Realization; Accrual and Cash Basis.

### **Maintenance of Cash/ Subsidiary Books and Ledger**

Record Keeping Basics; Account Categories; Debit and Credit Concepts; Accounting and Columnar Accounting Mechanics; Journals; Ledgers; subsidiary books; etc.

### **Bank Reconciliation Statement**

Need for Bank Reconciliation; Causes of Differences; Preparation of Bank Reconciliation Statement; How to prepare a Bank Reconciliation Statement when Extracts of Cash Book and Pass Book are given; Adjusting the Cash Book Balance; Advantages of Bank Reconciliation Statement.

### **Trial Balance, Rectification of Errors and Adjusting & Closing Entries**

Meaning of a Trial Balance; Features and Purpose of a Trial Balance; Types of Trial Balance and Preparation of a Trial Balance; Disagreement of a Trial Balance; Classification of Errors; Location of Errors; Rectification of Errors; Suspense Account and Rectification; Rectification of Errors when Books are closed; Adjusting and Closing Entries.

### **Capital and Revenue Expenditure**

Expenditure; Distinction between Capital and Revenue Expenditure; Deferred Revenue Expenditure; Receipts; General Illustrations.

### **Bills of Exchange**

Types of Instruments of Credit; Term and Due Date of a Bill; Certain Important Terms; Accounting Entries to be Passed; Accommodation Bill etc.

## *MODULE C – FINAL ACCOUNTS*

### **Balance Sheet Equation**

Balance Sheet Equation; Computation of Balance Sheet Equation.

### **Preparation of Final Accounts**

Preparation of Trading A/C; Profit and Loss A/C; Profit & Loss Appropriation Account; Balance Sheets

### **Ratio Analysis**

Meaning of Accounting Ratios; Classification of Ratios; Uses of Accounting Ratios; Limitations of Accounting Ratios; Calculation and interpretation of various Ratios; Different Users and their Use of Ratios.

### **Final Accounts of Banking Companies**

Definition and Functions of a Bank; Requirements of Banking Companies as to Accounts and Audit; Significant Features of Accounting Systems of Banks; Principal Books of Accounts; Preparation and Presentation of Financial Statements of Banks; CMA Format; Accounting Treatment of Specific Items; Preparation of Profit and Loss Account; Comments on Profit and Loss Account; Important Items of Balance Sheet; Disclosure Requirements of Banks; Additional Disclosures prescribed by RBI; Disclosures required under BASEL norms.

### **Company Accounts I & II**

Definition and Types of Companies; Distinction between Partnership and Limited Liability Company; Classes of Share Capital; Issue of Shares; General Illustrations Non-Voting Shares; Form of Balance Sheet; Legal Requirements for Assets; Legal Requirements for Liabilities; Legal Requirements for Profit & Loss A/c; Preparation of Final Accounts



## **Accounting in a Computerized Environment**

Meaning, features of and terms used in Computerized Accounting; Difference between Computerized and Manual Accounting; Advantages and Disadvantages of Computerized Accounting; Functions performed by Computerized Accounting Softwares available in the Market; Computerization – Scope and Experiences in Banking; The Core Banking Components; Information Security; Internet and World Wide Web – Influences on Banking  
*MODULE D – BANKING OPERATIONS*

### **Banking Operations & Accounting Functions**

Preparation of Vouchers, cash receipt and payment entries, clearing inward and outward entries, transfer debit and credit entries, what is KYC and what are the different documents to satisfy KYC, verify KYC and authenticity of documents, operational aspects in regard to opening of all types of accounts, scrutiny of loan applications/ documents, allowing withdrawals and accounting entries involved at various stages, operational aspects of CBS environment etc., Back office operations in banks, handling of unreconciled entries in banks.

## **PAPER 3 – LEGAL & REGULATORY ASPECTS OF BANKING**

### *MODULE A – REGULATIONS AND COMPLIANCE*

#### **Legal Framework of Regulation of Banks**

Business of Banking; Constitution of Banks; RBI Act, 1934; Banking Regulation Act, 1949; Role of RBI; Govt. as a Regulator of Banks; Control over Co-operative Banks; Regulation by other Authorities.

#### **Control over Organization of Banks**

Licensing of Banking Companies; Branch Licensing; Paid up Capital and Reserves; Shareholding in Banking Companies; Subsidiaries of Banking Companies; Board of Directors; Chairman of Banking Company; Appointment of Additional Directors; Restrictions on Employment; Control over Management; Corporate Governance; Directors and Corporate Governance.

#### **Regulation of Banking Business**

Power of RBI to Issue Directions; Acceptance of Deposits; Nomination; Loans and Advances; Regulation of Interest Rate; Regulation of Payment Systems; Internet Banking Guidelines; Regulation of Money Market Instruments; Banking Ombudsman; Reserve Funds; Maintenance of CRR, SLR; Assets in India.

#### **Returns Inspection, Winding up, Mergers & Acquisitions**

Annual Accounts & Balance Sheet; Audit & Auditors; Submission of Returns; Preservation of Records and Return of Paid Instruments; Inspection and Scrutiny; Board for Financial Supervision; Acquisition of Undertakings; Amalgamation of Banks; Winding up of Banks; Penalties for offences.

#### **Public Sector Banks and Co-operative Banks**

SBI and its Subsidiaries; Regional Rural Banks; Nationalized Banks; Application of BR Act to Public Sector Banks; Disinvestment of Shares by Govt.; Co-operative Banks

#### **Financial Sector Legislative Reforms**

Need, Approach for Financial Sector Legislative Reforms; Important Reforms

#### **Recent Legislative Changes in RBI Act**

Recent Legislative Changes in RBI Act, Need thereof

#### **Financial Sector Development Council**

Role and Functions of Financial Sector Development Council

### *MODULE B – LEGAL ASPECTS OF BANKING OPERATIONS*

#### **Different Types of Borrowers**

Types of Borrowers; Limited Liability Partnership

#### **Types of Credit Facilities**

Cash Credit, Overdraft, Demand Loans, Term Loans, Bill Finance

#### **Secured and Unsecured Loans, Registration of Firms and Incorporation of Companies**

Definition of Secured and Unsecured loans; Need for Secured Loans; Registration of Firms; Consequences of Non-registration of Firms; Incorporation of a Company

## **Indemnities**

Definition of Contract of Indemnity; Features of Indemnity Contract & Guarantee; Scope and Application of Indemnity Contracts to Banks; Obligations of a Banker; Precaution & Rights of an Indemnity Holder

## **Bank Guarantees**

Definition and Types of Bank Guarantees; Banker's Duty to Honor Guarantee; Precautions to be taken for Issuance of Bank Guarantee; Precautions to be taken for Payment under Bank Guarantee; Invocation & Enforcement.

## **Letters of Credit**

General Considerations of Letters of credit; Parties to a Letter of credit; Types of Letters of credit; Documents under a Letter of credit; UCPDC 600; Banks obligation for payment of Letter of credit.

## **Deferred Payment Guarantees**

Purpose of DPGs; Methods of Payment

## **Laws Relating to Bill Finance**

Class of Bills and Laws Governing Bills; Classification of Bills; Categories of Bill Finance; Bill Finance and Legal Position of Banker

## **Various Types of Securities**

Types of Securities; Escrow Arrangements; Trust and Retention Arrangements.

## **Laws Relating to Securities and Modes of Charging – I**

Mortgage; Types of Mortgage; Enforcement of Mortgages

## **Laws Relating to Securities and Modes of Charging – II**

Lien; Pledge; Hypothecation; etc.

## **Registration and Satisfaction of Charges**

Definition of Charge; Procedure for Registration of Charge; Effect of Non-registration of Charges; Provisions of Law relating to Registration of Charges

## **Case Laws on Responsibility of Paying Bank**

Negotiable Instruments Act and Paying Banks; Liability of Paying Banker; Payment in due course; Payment in Good Faith; Whether Payment under Mistake Recoverable

## **Case Laws on Responsibility of Collecting Bank**

Statutory protection to Collecting Bank; Duties of Collecting Bank

## **MODULE C – BANKING RELATED LAWS**

### **Recovery of Debts due to Banks and Financial Institutions Act, 1993(DRT Act)**

Objective of the Act, Constitution of Tribunal, Procedure to be followed, Enforcement process

### **Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act (SARFAESI)**

Constitutional Validity; Definitions; Regulation & Reconstruction; Enforcement of Security Interest; Central Registry; Offences & Penalties; Miscellaneous Provisions

### **Banking Ombudsmen Scheme**

Purpose; Extent; Definitions; Establishment; Powers; Procedure for Redressal Grievance

### **Bankers Books Evidence Act, 1891**

Applicability; Definition; Important Provisions

### **The Legal Services Authorities Act, 1987**

Lok Adalats- Organization; Jurisdiction; Disposal of Cases; Awards

### **The Consumer Protection Act, 1986 and CERSAI**

Preamble, Extent & Definitions; Consumer Protection Councils; Consumer Disputes Redressal Agencies; Objectives and important provisions of Central Registry of Securitisation Asset Reconstruction and Security Interest of India

### **The Law of Limitation**

Definition; Computation of Limitation; Important Provisions in schedule to the Limitation Act

### **Tax Laws**

Income Tax; Commodity Transaction Tax; Service Tax

### **Negotiable Instruments Act, 1881**

Applicability; Definition; Important Provisions

### **Payment & Settlements Systems Act, 2007**

Applicability; Definition; Important Provisions

## **MODULE D – COMMERCIAL LAWS WITH REFERENCE TO BANKING OPERATIONS**

### **Indian Contract Act, 1872**

Meaning and essentials of contract; Contract of Indemnity & Rights of Indemnity Holder; Contract of Guarantee; Contract of Bailment; Contract of Pledge; Contract of Agency

### **The Sale of Goods Act, 1930**

Features; Sale & Agreement to Sell; Conditions and Warranties; Express & Implied; Rights of Unpaid Seller

### **Indian Partnership Act, 1932**

Definition & Types of Partnerships; Relation of partners to one another & to third Parties; Minor admitted to benefits of partnership; Dissolution of a firm; Effect of non registration; Limited liability partnerships formation, registration, rights and liabilities of partners

### **Definition and features of a company**

Definition & Features of a Company; Distinction between Company and Partnership

### **The Companies Act, 1956 (Now Companies Act, 2013)**

Definition, Features & Types of companies; Memorandum and Articles of Association; Doctrine of Ultra Vires, Constructive Notice, Indoor Management; Membership of Company-Acquisition, Cessation, Register, Rights & Duties of Members, Prospectus; Directors; Winding up of Companies

### **Foreign Exchange Management Act, 1999**

Important Terms; Powers of RBI, Regulation and Management; Directorate of Enforcement

### **Transfer of Property Act, 1882**

Sale, Mortgage of Immovable Property; Types of Mortgages; Sale with and without court intervention; Lease of Immovable Property

### **The Right to Information Act, 2005**

Applicability; Definition; Important Provisions

### **Right to Information and Obligation of Public Authorities**

Obligations; Procedure; Disposal; Appeal; Orders; Penalties.

### **The Prevention of Money Laundering Act, 2002**

Obligations; Records to be Maintained; Procedure for Maintaining & Furnishing Information; Maintenance & Verifications of Records of Identity of Clients.

### **Information Technology Act, 2000**

Definitions; Electronic Governance; Certifying Authorities; Digital Signature Certificates; Penalties; Appeal.

## **IMPORTANT RULES/ INFORMATION FOR CANDIDATES**

### **1. ADMIT LETTER OF EXAMINATIONS:**

- a. While registering for the examination/ course candidates will have provision to choose venue and examination time slot of his/her choice for each subject as per their preference on first-cum-first-serve basis.
- b. **Candidates are required to take utmost care and precaution in selecting Centre, Venue and Time slot, as there is no provision to change the Centre, Venue and Time slot in the system. Hence no request for change of centre, venue and time slot will be entertained for any reason.**
- c. After successful registration of examination, real time admit letter will be generated for the candidate/s. **Candidate/s will be able to save, download and print admit letter.** Admit letters will also be emailed to the candidates in their email id registered with the Institute.
- d. Admit letter will be hosted on Institute's website [www.iibf.org.in](http://www.iibf.org.in) under the menu 'Examination/Courses>Admit Letter'

- e. For downloading and printing of admit letter from the above mentioned website, candidates will have to enter the following:
  - i. Membership or registration number as **login id**
  - ii. **Edit profile password.**
  - iii. If candidates do not remember their Edit profile password, they have to click on the 'Forgot password/ Get Password' button after entering the Membership or Registration number. On clicking fresh edit profile password will be sent to their registered email id.
- f. Candidates are required to **produce printed copy of admit letter** along with Membership identity card or any other valid photo ID card in original (Aadhaar card/ e-Aadhaar/ Employer's card/ PAN Card/ Driving License/ Election voter's card/ Passport etc.) at the examination venue.
- g. In the absence of printed copy of Admit Letter and Original Photo Identity Card, candidates will be denied permission to write Examination.
- h. Admit letter is valid only for the examination, date/s and centre/venue mentioned in the admit letter.

## 2. MOBILE PHONES

- a. Mobile phones and other electronic/ smart gadgets (except calculator as permissible) are not allowed in the examination hall. It is clarified that mere possession of mobile phone and other electronic/ smart gadgets in the examination hall whether in switch off mode or silent mode shall also be deemed to be resorting to adoption of unfair means in the examination.

## 4. USE OF CALCULATOR

- a. Candidates will be allowed to use battery operated portable calculator in the examination. The calculator can be of any type up to 8 functions i.e. (Addition, Subtraction, Multiplication, Division, Percentage, Sq.-root, Tax+ and Tax -), 12 digits.
- b. Attempt to use any other type of calculator not complying with the specifications indicated above or having more features than mentioned above shall tantamount to use of unfair means. Scientific calculator is not allowed.

## 5. OTHER RULES/ INFORMATION

- a. Candidates should ensure that they sign the Attendance Sheet.
- b. Candidates are advised to reach the Examination Venue before the reporting time mentioned in the admit letter. **No candidate/s will be permitted to enter the Examination Venue after the gate closing time mentioned in the admit letter.**
- c. **No candidate will be permitted to leave the examination venue in the first 60 minutes from the scheduled start time of the examination.**
- d. **Candidates should occupy the seat mentioned against each subject in the Admit letter.**
- e. Candidates would be able to login to the system only with the password mentioned in this Admit Letter. This password should not be disclosed to others. Keep it safe to avoid the possible misuse.
- f. If the examination could not commence on scheduled time or there is delay due to Failure of power, Technical snag of whatsoever nature or for any such reason having bearing upon the conduct of examination; candidates have to:
  - i. Wait till resumption of power supply/ solving of technical snag.
  - ii. Take-up the examination at other venue arranged by the examination conducting authority.
  - iii. Follow instructions given by the examination conducting authority.
- g. Candidates are required to strictly follow all the instructions given by the examination conducting authority during the examination and adhere to Rules of the examination.

- h. Violation of any of the Rules/ Instructions, misuse of the Admit Letter will be considered to be an act of serious misconduct and the Institute will take action as per the Rules of the examination, which will also be reported to the employer of the candidate.

#### **6. RULES, PENALTIES FOR MISCONDUCT/ UNFAIR PRACTICES:**

- Communication of any sort between candidates or with outsiders is not permitted and complete silence should be maintained during the examination.
- Copying answers from other candidates/ other printed/ Electronic material or permitting others to copy or consultation of any kind will attract the rules relating to unfair practices in the examination.
- No candidate shall impersonate others or allow others to impersonate himself/herself at the examination.
- No candidate shall misbehave/ argue with the Examination Conducting Authorities at the centre.
- Candidates have to compulsorily return any papers given including that given for rough work to invigilator.
- Candidates should not possess and/ or use books, notes, periodicals, etc. in the examination hall at the time of examination/ or use mathematical tables, slide rules, stencils etc. during the examination.

If any candidate violates any of the above rules, it will be considered to be an act of misconduct and he/she will be liable for punishment.

**PLEASE REFER INSTITUTE'S WEBSITE UNDER THE MENU "EXAM RELATED" FOR DETAILS OF DEBARMENT PERIOD FOR UNFAIR PRACTICES ADOPTED BY CANDIDATES DURING CONDUCT OF INSTITUTE'S EXAMINATIONS.**

#### **6. RESULT ADVICE/ CONSOLIDATED MARKSHEET/ FINAL CERTIFICATE**

- Result Advice of candidates will be hosted on Institute's website on declaration of result, which can be downloaded by the candidates.
- Consolidated mark sheet for candidates completing examination having more than one subject, will be available on the Institute's website after the declaration of results. Candidates can download the same after entering login credentials using their membership number and edit profile password.
- Final certificate:** Digitally Signed Certificate will be issued to the candidates who have enrolled and passed the examination. The Certificate will be emailed to the email-id of the candidate registered with the Institute, within 3 weeks from the date of declaration of result.

#### **MULTIPLE CHOICE QUESTIONS (MCQs) AND ANSWERS**

"The Institute conducts its examinations through Multiple Choice Questions (MCQs). These MCQs are part of the Question Bank of the Institute and its Intellectual Property. As a matter of policy, these MCQs and their answers will not be shared by the Institute with the candidates or others and no correspondence in this regard will be entertained."

#### **CONTACT DETAILS:**

Register your queries through website [www.iibf.org.in](http://www.iibf.org.in) > Members/ Candidates Support Services (Help) or email all your queries to [care@iibf.org.in](mailto:care@iibf.org.in)

#### **MEMBER SUPPORT SERVICE OFFICE:**

Indian Institute of Banking & Finance  
191-F, Maker Towers, 19th Floor,  
Cuffe Parade, Mumbai - 400 005  
Tel.: 022-2218 3302/ 2218 5134

#### **FOR TRAINING/ CONTACT CLASSES RELATED QUERIES CONTACT:**

Leadership Centre  
Indian Institute of Banking & Finance  
Kohinoor City, Commercial-II, Tower-I, 3rd Floor,  
Kiroil Road, Off L. B. S. Marg, Kurla West, Mumbai 400 070.  
Tel.: 022-6850 7000, E-mail: [training@iibf.org.in](mailto:training@iibf.org.in)

## PROFESSIONAL DEVELOPMENT CENTRES

South Zone	North Zone	East Zone
Indian Institute of Banking & Finance No. 94, Jawaharlal Nehru Road, (100 Feet Road), Opp. Hotel Ambica Empire, Vadapalani, Chennai – 600 026. Tel. : 044-2472 2990/ 2472 8587 E-mail : iibfsz@iibf.org.in	Indian Institute of Banking & Finance 102-113, Vikrant Towers, 1st Floor, 4 Rajendra Place, New Delhi – 110 008. Tel. : 011-2575 2191/ 92 E-mail : iibfnz@iibf.org.in	Indian Institute of Banking & Finance Avani Heights, 2 <sup>nd</sup> Floor, 59A, Jawahar Lal Nehru Road, Kolkata – 700 020. Tel. : 033-46032850 E-mail : iibfez@iibf.org.in

**CORPORATE OFFICE:** Indian Institute of Banking & Finance, Kohinoor City,  
Commercial-II, Tower-1, 2nd Floor, Kirol Road, Kurla (West), Mumbai - 400 070  
Tel.: 022-6850 7000