IMPORTANT TERMS ON BANKING , FINANCE & ECONOMICS FOR RBI GR B / SBI PO / IBPS PO EXAM (Written & Interview) BY DAS SIR,(09038870684) KOLKATA.

1.Net Working Capital Formula:

NWC = CURRENT ASSETS - CURRENT LIABILITY

The formula for net working capital (NWC), sometimes referred to as simply working capital, is used to determine the availability of a company's liquid assets by subtracting its current liabilities.

Use of Net Working Capital Formula
Net working capital is used in various other financial formulas that deal with cash flows. Examples of these formulas include the free cash flow to equity formula and free cash flow to firm formula.
In the formula for free cash flow to equity, the change in net working capital is subtracted. An increase in net working capital is considered a negative cash flow and not available for equity. In other words, an increasing requirement for capital for short term operations in the company is not available to equity.

The variables of the net working capital formula are the same as those used in the current ratio. The current ratio formula instead divides current assets by current liabilities. And such, a company with a current ratio of greater than 1 will have positive net working capital. These formulas, along with others, are referred to as liquidity ratios as they are measures of a company's ability to meet its short term obligations.

2.Definition of 'Debt-Service Coverage Ratio - DSCR'

In corporate finance, it is the amount of cash flow available to meet annual interest and principal payments on debt, including sinking fund payments.

In government finance, it is the amount of export earnings needed to meet annual interest and principal payments on a country's external debts.

In personal finance, it is a ratio used by bank loan officers in determining income property loans. This ratio should ideally be over 1. That would mean the property is generating enough income to pay its debt obligations.

In general, it is calculated by:

PAT+DEP+INTEREST ON TERM LOAN / INSTALMENT OF TERM LOAN +INTEREST ON TERM LOAN

Debt-Service Coverage Ratio (DSCR)

A DSCR of less than 1 would mean a negative cash flow. A DSCR of less than 1, say .95, would mean that there is only enough net operating income to cover 95% of annual debt payments. For example, in the context of personal finance, this would mean that the borrower would have to delve into his or her personal funds every month to keep the project afloat. Generally, lenders frown on a negative cash flow, but some allow it if the borrower has strong outside income.

3.What is BPLR ? Meaning of BPLR ? Define BPLR. What does BPLR stands for in banking?

In banking parlance, the BPLR means the Benchmark Prime Lending Rate. However, with the introduction of Base Rate (explained below), BPLR has now lost its importance and is made applicable normally only on the loans which have been sanctioned before the introduction of Base Rate (i.e. July 2010).

The BPLR system, introduced in 2003, fell short of its original objective of bringing transparency to lending rates. This was mainly because under the BPLR system, banks could lend below BPLR. For the same reason, it was also difficult to assess the transmission of policy rates of the Reserve Bank to lending rates of banks

Thus, BPLR was / is the interest rate that commercial banks normally charge (or we can say they were expected to charge) their most credit-worthy customers. [Although as per Reserve Bank of India rules, Banks were free to fix Benchmark Prime Lending Rate (BPLR) for credit limits over Rs.2 lakh with the approval of their respective Boards yet BPLR was to be declared and made uniformly applicable at all the branches. The Asset-Liability Management Committee (ALCO) of respective bank fixed interest rates on Deposits and Advances, subject to their reporting to the Board immediately thereafter. The banks were also to declare the maximum spread over BPLR with the approval of the ALCO/Board for all advances]

4.What is Base Rate ? Define Base Rate. Meaning of Base Rate ? Which categories of loans are exempted from Base Rate ?

The Base Rate is the minimum interest rate of a Bank below which it cannot lend, except in cases allowed by RBI.

The Base Rate system has replaced the BPLR system with effect from July 1, 2010. Base Rate shall include all those elements of the lending rates that are common across all categories of borrowers. Banks may choose any benchmark to arrive at the Base Rate for a specific tenor that may be disclosed transparently.

There can be only one Base Rate for each bank. However, banks have the freedom to choose any benchmark to arrive at a single Base Rate but the same needs to disclosed transparently.

As per RBI guidelines (as in July 2012), the following categories of loans could be priced without reference to Base Rate :-

(a) DRI Advances;
(b) Loans to banks' own employees including retired employees;
(c) Loans to banks' depositors against their own deposits

Base Rate Guidelines for Restructured Loans :

In case of restructured loans, if some of the WCTL, FITL etc needs to be granted below the Base Rate for the purpose of viability, and there are recompense etc. caluses, such lending will not be constructed as a violation of the Base Rate guidelines.

What are the Guidelines for applicability of Base Rate where subvention or Refinance is available :

Cases Where Subvention is Available

(i) Interest Rate Subvention on Crop Loans :
In case of crop loans up to Rupees three lakh, for which subvention is available, banks should charge farmers the interest rates as stipulated by the Government of India. If the yield to the bank (after including subvention) is lower than the Base Rate, such lending will not be construed a violation of the Base Rate guidelines.
As regards the rebate provided for prompt repayment, since it does not change the yield to the banks [mentioned at (a) above] on such loans, it would not be a factor in reckoning compliance with the Base Rate guidelines.

(ii) Interest Rate Subvention on Export Credit

Interest rates applicable for all tenors of rupee export credit advances will be at or above the Base Rate. In respect of cases where subvention of Government of India is available, banks will have to reduce the interest rate chargeable to exporters as per Base Rate system by the amount of subvention available. If, as a consequence, the interest rate charged to exporters goes below the Base Rate, such lending will not be construed a violation of the Base Rate guidelines.

Cases where Refinance Is Available :

(a) Financing of Off-Grid and Decentralised Solar applications Government of India, Ministry of New and Renewable Energy (MNRE) has formulated a scheme on financing of Off-Grid and Decentralised Solar (Photovoltaic and Thermal) applications as part of the Jawaharlal Nehru National Solar Mission (JNNSM). Under the scheme, banks may extend subsidized loans to entrepreneurs at interest rates not exceeding five percent, where refinance of two percent from Government of India is available. Such lending at interest rates not exceeding five percent per annum where refinance of Government of India is available, would not be considered a violation of our Base Rate Guidelines.

(b) Extending financial assistance under Micro Credit scheme of National Scheduled Tribes Finance and Development Corporation (NSTFDC) and various schemes of National Handicapped Finance and Development Corporation (NHFDC) : Banks may charge interest at the rates prescribed under the schemes of NSTFDC /NHFDC to the extent refinance is available. Such lending, even if it is below the Base Rate, would not be considered a violation of our Base Rate Guidelines. Interest rate charged on the part not covered under refinance should not be below Base Rate.

5.Definition of 'Debt/Equity Ratio'

A measure of a company's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the company is using to finance its assets.

DE RATIO= TOTAL LIABILITIES / EQUITY

Debt/Equity Ratio
Note: Sometimes only interest-bearing, long-term debt is used instead of total liabilities in the calculation.

Also known as the Personal Debt/Equity Ratio, this ratio can be applied to personal financial statements as well as corporate ones.

Explanation of 'Debt/Equity Ratio'

A high debt/equity ratio generally means that a company has been aggressive in financing its growth with debt. This can result in volatile earnings as a result of the additional interest expense.

If a lot of debt is used to finance increased operations (high debt to equity), the company could potentially generate more earnings than it would have without this outside financing. If this were to increase earnings by a greater amount than the debt cost (interest), then the shareholders benefit as more earnings are being spread among the same amount of shareholders. However, the cost of this debt financing may outweigh the return that the company generates on the debt through investment and business activities and become too much for the company to handle. This can lead to bankruptcy, which would leave shareholders with nothing.

The debt/equity ratio also depends on the industry in which the company operates. For example, capital-intensive industries such as auto manufacturing tend to have a debt/equity ratio above 2, while personal computer companies have a debt/equity of under 0.5.

6.Demand & Time Liabilities Of A Bank

Demand Liabilities' include all liabilities which are payable on demand and they include current deposits, demand liabilities portion of savings bank deposits, margins held against letters of credit/guarantees, balances in overdue fixed deposits, cash certificates and cumulative/recurring deposits, outstanding Telegraphic Transfers (TTs), Mail Transfer (MTs), Demand Drafts (DDs), unclaimed deposits, credit balances in the Cash Credit account and deposits held as security for advances which are payable on demand. Money at Call and Short Notice from outside the Banking System should be shown against liability to others.Time Liabilities are those which are payable otherwise than on demand and they include fixed deposits, cash certificates, cumulative and recurring deposits, time liabilities portion of savings bank deposits, staff security deposits, margin held against letters of credit if not payable on demand, deposits held as securities for advances which are not payable on demand and Gold Deposits.

7.Promissory Note—Introduction & Features

The Sec. 4 of the debatableinstruments act characterizes a Promissory Note as an Instrument in composing(not being a monetary order or a money note) holding an unconditionalundertaking, marked by the producer, to pay a certain entirety of cash just toor to the request of a notable individual or to the bearer of the instrument.
The individual who makespromissory note and guarantees ton e peers pay is known as the creator and the individual to whom the measure ispayable is known as the payee. It is dependably drawn by the debt holder in favorof lender. A promissory note must be in composing, holding an unconditionalguarantee to pay certain cash to a specific individual. It must be properlystamped. Beneath is the example of a Promissory Note.

Crucial Characteristics of a Promissory Note:

Writing: The promissory note to be legitimate must be in composing.Oral guarantee to pay certain entirety after some opportunity is not called apromissory note. It may be in any structure composed or printed.

Promise to Pay: The promissory note to be legitimate must holdexpress undertaking or guarantee to pay certain measure on certain date. Asimple tolerating of an obligation is not promissory note. A substantialpromissory note must hold the accompanying sentence.

"iPromise to pay X on request Rs. ________________/- "

Unconditional Undertaking: The guarantee to must be unconditional,supreme and ought not rely on upon happening or not happening an occasion. Casein point, the report holds a sentence. "I guarantee to pay at the earliestopportunity a total of Rs. 10,000. It can't be distinguished as promissory notesuch premises will make doubt of installment and in this way it is not aguarantee.

Signed by the Maker: The promissory note to be good must be markedby the borrower who makes it. It might be marked by the operator additionally,yet the Agent must indicate that he is marking in the interest of an accountholder else he will be directly obligated.

The creator must be certain: The promissory note must demonstrateplainly who the individual undertaking to pay the measure is. Creator is takenas certain if from the portrayal of the producer, sufficient evidenceaccompanies about his character.

Payable to a Certain Person: The payee must be sure. The instrumentmust relate to sureness to whom the measure is payable. The payee may bediscovered either by name or designation. The promissory note is payable just toospecific individual named or recognized not to a bearer on interest.

Promise to Pay Money and Money Only: The promissory note may aswell hold a certain entirety of legitimate delicate cash just not merchandise.A guarantee to convey merchandise either in the elective or expansion to cashdoes not constitute a promissory note.

Amount Payable must be certain: The sum payable on promissory notemust be sure and unmistakable. Consistent with Sec. 5 of the NegotiableInstruments Act, the entirety payable may be sure, inspire of the waythat,

It incorporatesfuture investment, or

It is payable ata demonstrated rate of trade, or

It is payable asper the course of trade.

Delivery Essential: The promissory note is to be conveyed to leaserby the borrower. Unless it is conveyed, it doesn't constitute as a promissorynote.

Other Formalities: alternate customs in regards to number, spot,date thought and so on however typically key not vital in law. Be that as itmay the promissory note must be legitimately stamped as needed by the IndianStamps Act.

8.What is PLR?

A: The Prime charge per unit is that the charge per unit charged by banks to their most trusty customers (usually the foremost outstanding and stable business customers). the speed is nearly perpetually constant amongst major banks. changes to the prime rate ar created by banks at constant time; though, the prime rate doesn't change on any regular basis. The Prime Rate is sometimes adjusted at constant time and in correlation to the adjustments of the Fed Funds Rate. The rates rumoured below are based mostly upon the prime rates on the primary day of every various month. Some banks use the name "Reference Rate" or "Base loaning Rate" to visit their Prime loaning Rate.

9.Cash equivalent (CP)?

Ans : cash equivalent (CP) is AN unsecured securities industry instrument issued within the variety of a debt instrument.
Corporate, primary dealers (PDs) and also the all-India money establishments (FIs) that are permissible to boost short resources below the umbrella limit mounted by the depository financial institution of Asian country are eligible to issue CP.
Period: CP may be issued for maturities between a minimum of seven days and a most up to at least one year from the date of issue.

10.Treasury Bills (T-bills)?

Ans: Treasury bills or T-bills, that are securities industry instruments, are short term debt instruments issued by the govt. of Asian country and are presently issued in 3 tenors, namely, 91 day, 182 day and 364 day. Treasury bills are zero coupon securities and pay no interest.

11.What is ASSOCHAM?

The Associated Chambers of Commerce and Industry of India (ASSOCHAM), India's premier apex chamber covers a membership of over 2 lakh companies and professionals across the country. It was established in 1920 by promoter chambers, representing all regions of India. As an apex industry body, ASSOCHAM represents the interests of industry and trade, interfaces with Government on policy issues and interacts with counterpart international organizations to promote bilateral economic issues. President-Swati Piramal

12.What is a NBFC?

A non-banking financial company (NBFC) is a company registered under the Companies Act, 1956 and is engaged in the business of loans and advances, acquisition of shares/stock/bonds/debentures/securities issued by government, but does not include any institution whose principal business is that of agriculture activity, industrial activity, sale/purchase/construction of immovable property.

NBFCs are doing functions akin to that of banks; however there are a few differences:

(i)A NBFC cannot accept demand deposits (demand deposits are funds deposited at a depository institution that are payable on demand -- immediately or within a very short period -- like your current or savings accounts.)

(ii) it is not a part of the payment and settlement system and as such cannot issue cheques to its customers; and

(iii) Deposit insurance facility of DICGC is not available for NBFC depositors unlike in case of banks.

13.What is Liquidity Adjustment Facility(LAF)?

A tool used in monetary policy that allows banks to borrow money through repurchase agreements. This arrangement allows banks to respond to liquidity pressures and is used by governments to assure basic stability in the financial markets.

14.What is Bancassurance?

It is the term used to describe the partnership or relationship between a bank and an insurance company whereby the insurance company uses the bank sales channel in order to sell insurance products.

15.What is Wholesale Price Index(WPI)?

The Wholesale Price Index (WPI) is the index used to measure the changes in the average price level of goods traded in wholesale market. A total of 435 commodity prices make up the index. It is available on a weekly basis. It is generally taken as an indicator of the inflation rate in the Indian economy. The Indian Wholesale Price Index (WPI) was first published in 1902, and was used by policy makers until it was replaced by the Producer Price Index (PPI) in 1978.

16.What is Consumer price Index(CPI)?

It is a measure estimating the average price of consumer goods and services purchased by households.

17.What is Venture Capital?

Venture capital is money provided by an outside investor to finance a new, growing, or troubled business. The venture capitalist provides the funding knowing that there’s a significant risk associated with the company’s future profits and cash flow. Capital is invested in exchange for an equity stake in the business rather than given as a loan, and the investor hopes the investment will yield a better-than-average return.

18.What is FCCB?

A Foreign Currency Convertible Bond (FCCB) is a type of convertible bond issued in a currency different than the issuer's domestic currency. In other words, the money being raised by the issuing company is in the form of a foreign currency. A company may issue an FCCB if it intends to make a large investment in a country using that foreign currency.

19.What is Capital Account Convertibility(CAC)?

It is the freedom to convert local financial assets into foreign financial assets and vice versa at market determined rates of exchange. This means that capital account convertibility allows anyone to freely move from local currency into foreign currency and back.

The Reserve Bank of India has appointed a committee to set out the framework for fuller Capital Account Convertibility.

Capital account convertibility is considered to be one of the major features of a developed economy. It helps attract foreign investment. capital account convertibility makes it easier for domestic companies to tap foreign markets.

20.What is Current Account Convertibility?

It defines at one can import and export goods or receive or make payments for services rendered. However, investments and borrowings are restricted.

21.How RTGS is different from National Electronics Funds Transfer System (NEFT)?

Ans. NEFT is an electronic fund transfer system that operates on a Deferred Net Settlement (DNS) basis which settles transactions in batches. In DNS, the settlement takes place with all transactions received till the particular cut-off time. These transactions are netted (payable and receivables) in NEFT whereas in RTGS the transactions are settled individually. For example, currently, NEFT operates in hourly batches. [There are twelve settlements from 8 am to 7 pm on week days and six settlements from 8 am to 1 pm on Saturdays.] Any transaction initiated after a designated settlement time would have to wait till the next designated settlement time Contrary to this, in the RTGS transactions are processed continuously throughout the RTGS business hours.

22.DIFFERENCE BETWEEN FDI AND FII

Both FDI and FII is related to investment in a foreign country. FDI or Foreign Direct Investment is an investment that a parent company makes in a foreign country. On the contrary, FII or Foreign Institutional Investor is an investment made by an investor in the markets of a foreign nation.

In FII, the companies only need to get registered in the stock exchange to make investments. But FDI is quite different from it as they invest in a foreign nation.

The Foreign Institutional Investor is also known as hot money as the investors have the liberty to sell it and take it back. But in Foreign Direct Investment, this is not possible. In simple words, FII can enter the stock market easily and also withdraw from it easily. But FDI cannot enter and exit that easily. This difference is what makes nations to choose FDI’s more than then FIIs.

FDI is more preferred to the FII as they are considered to be the most beneficial kind of foreign investment for the whole economy.

Foreign Direct Investment only targets a specific enterprise. It aims to increase the enterprises capacity or productivity or change its management control. In an FDI, the capital inflow is translated into additional production. The FII investment flows only into the secondary market. It helps in increasing capital availability in general rather than enhancing the capital of a specific enterprise.

The Foreign Direct Investment is considered to be more stable than Foreign Institutional Investor. FDI not only brings in capital but also helps in good governance practises and better management skills and even technology transfer. Though the Foreign Institutional Investor helps in promoting good governance and improving accounting, it does not come out with any other benefits of the FDI.

While the FDI flows into the primary market, the FII flows into secondary market. While FIIs are short-term investments, the FDI’s are long term.

Summary
1. FDI is an investment that a parent company makes in a foreign country. On the contrary, FII is an investment made by an investor in the markets of a foreign nation.
2. FII can enter the stock market easily and also withdraw from it easily. But FDI cannot enter and exit that easily.
3. Foreign Direct Investment targets a specific enterprise. The FII increasing capital availability in general.
4. The Foreign Direct Investment is considered to be more stable than Foreign Institutional Investor

23.Non Performing Assets (NPA)

An asset, including a leased asset, becomes non performing when it ceases to generate income for the bank.

Net NPA

Gross NPA – (Balance in Interest Suspense account + DICGC/ECGC claims received and held pending adjustment Payment received and kept in suspense account + Total provisions held).

Coverage Ratio

Equity minus net NPA divided by total assets minus intangible assets.

Slippage Ratio

(Fresh accretion of NPAs during the year/Total standard assets at the beginning of the year)*100

24.Substandard Assets

A substandard asset would be one, which has remained NPA for a period less than or equal to 12 months. Such an asset will have well defined credit weaknesses that jeopardize the liquidation of the debt and are characterised by the distinct possibility that the banks will sustain some loss, if deficiencies are not corrected.

25.Doubtful Asset

An asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months. A loan classified as doubtful has all the weaknesses inherent in assets that were classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, - on the basis of currently known facts, conditions and values - highly questionable and improbable.

26.Definition and Meaning of White Label ATM - India ?

White Label ATM or White Label Automated Teller Machines or WLAs in India will be owned and operated by Non Bank entities. From such White Label ATM customer from any bank will be able to withdraw money, but will need to pay a fee for the services. These white label automated teller machines (ATMs) will not display logo of any particular bank and are likely to be located in non traditional places.

27.Description and Meaning of Brown Label ATMs :

'Brown label' ATM are those Automated Teller Machines where hardware and the lease of the ATM machine is owned by a service provider, but cash management and connectivity to banking networks is provided by a sponsor bank whose brand is used on the ATM.
The `brown label' has come up as an alternative between bank-owned ATMs and 'white label' ATMs. As in India white label ATMs were not allowed by RBI (in February, 2012, RBI has issued the draft guidelines for introduction of white ATMs, but final approval has yet to come.), the concept of Brown Label ATMs started picking up.

28.Definition of 'Basel Committee On Bank Supervision'

A committee established by the central bank governors of the Group of Ten countries in 1974 that seeks to improve the supervisory guidelines that central

banks or similar authorities impose on both wholesale and retail banks. The committee makes banking policy guidelines for both member and non-member countries and helps authorities to implement its suggestions.
Investopedia Says
Investopedia explains 'Basel Committee On Bank Supervision'

Though the committee itself does not have any superior authority over the governments and central banks to which it makes recommendations, its guidelines are broadly followed and well regarded in the international central banking and finance community.

BASEL 2 OBJECTIVES:

The final version aims at:
Ensuring that capital allocation is more risk sensitive;
Enhance disclosure requirements which will allow market participants to assess the capital adequacy of an institution;
Ensuring that credit risk, operational risk and market risk are quantified based on data and formal techniques;
Attempting to align economic and regulatory capital more closely to reduce the scope for regulatory arbitrage.
While the final accord has at large addressed the regulatory arbitrage issue, there are still areas where regulatory capital requirements will diverge from the economic capital.
The accord in operation[edit]

Basel II uses a "three pillars" concept – (1) minimum capital requirements (addressing risk), (2) supervisory review and (3) market discipline.
The Basel I accord dealt with only parts of each of these pillars. For example: with respect to the first Basel II pillar, only one risk, credit risk, was dealt with in a simple manner while market risk was an afterthought; operational risk was not dealt with at all.
The first pillar
The first pillar deals with maintenance of regulatory capital calculated for three major components of risk that a bank faces: credit risk, operational risk, and

market risk. Other risks are not considered fully quantifiable at this stage.
The credit risk component can be calculated in three different ways of varying degree of sophistication, namely standardized approach, Foundation IRB, Advanced IRB and General IB2 Restriction. IRB stands for "Internal Rating-Based Approach".
For operational risk, there are three different approaches – basic indicator approach or BIA, standardized approach or STA, and the internal measurement approach (an advanced form of which is the advanced measurement approach or AMA).
For market risk the preferred approach is VaR (value at risk).
As the Basel II recommendations are phased in by the banking industry it will move from standardised requirements to more refined and specific requirements that have been developed for each risk category by each individual bank. The upside for banks that do develop their own bespoke risk measurement systems is that they will be rewarded with potentially lower risk capital requirements. In the future there will be closer links between the concepts of economic and regulatory capital.
The second pillar
This is a regulatory response to the first pillar, giving regulators better 'tools' over those previously available. It also provides a framework for dealing with systemic risk, pension risk, concentration risk, strategic risk, reputational risk, liquidity risk and legal risk, which the accord combines under the title of residual risk. Banks can review their risk management system.
It is the Internal Capital Adequacy Assessment Process (ICAAP) that is the result of Pillar II of Basel II accords.
The third pillar
This pillar aims to complement the minimum capital requirements and supervisory review process by developing a set of disclosure requirements which will allow the market participants to gauge the capital adequacy of an institution.
Market discipline supplements regulation as sharing of information facilitates assessment of the bank by others, including investors, analysts, customers, other banks, and rating agencies, which leads to good corporate governance. The aim of Pillar 3 is to allow market discipline to operate by requiring institutions to disclose details on the scope of application, capital, risk exposures, risk assessment processes, and the capital adequacy of the institution. It must be consistent with how the senior management, including the board, assess and manage the risks of

the institution.
When market participants have a sufficient understanding of a bank's activities and the controls it has in place to manage its exposures, they are better able to distinguish between banking organizations so that they can reward those that manage their risks prudently and penalize those that do not.
These disclosures are required to be made at least twice a year, except qualitative disclosures providing a summary of the general risk management objectives and policies which can be made annually. Institutions are also required to create a formal policy on what will be disclosed and controls around them along with the validation and frequency of these disclosures. In general, the disclosures under Pillar 3 apply to the top consolidated level of the banking group to which the Basel II framework applies.

BASEL 3:

General Overview

Unlike Basel I and Basel II which are primarily related to the required level of bank loss reserves that must be held by banks for various classes of loans and other investments and assets that they have, Basel III is primarily related to the risks for the banks of a run on the bank by requiring differing levels of reserves for different forms of bank deposits and other borrowings. Therefore contrary to what might be expected by the name, Basel III rules do not for the most part supersede the guidelines known as Basel I and Basel II but work alongside them.
Key principles

Capital requirements
The original Basel III rule from 2010 was supposed to require banks to hold 4.5% of common equity (up from 2% in Basel II) and 6% of Tier I capital (up from 4% in Basel II) of "risk-weighted assets" (RWA). Basel III introduced "additional capital buffers", (i) a "mandatory capital conservation buffer" of 2.5% and (ii) a "discretionary counter-cyclical buffer", which would allow national regulators to require up to another 2.5% of capital during periods of high credit growth.
Leverage ratio
Basel III introduced a minimum "leverage ratio". The leverage ratio was calculated

by dividing Tier 1 capital by the bank's average total consolidated assets; The banks were expected to maintain a leverage ratio in excess of 3% under Basel III. In July 2013, the US Federal Reserve Bank announced that the minimum Basel III leverage ratio would be 6% for 8 Systemically important financial institution (SIFI) banks and 5% for their insured bank holding companies.

Liquidity requirements

Basel III introduced two required liquidity ratios. The "Liquidity Coverage Ratio" was supposed to require a bank to hold sufficient high-quality liquid assets to cover its total net cash outflows over 30 days; the Net Stable Funding Ratio was to require the available amount of stable funding to exceed the required amount of stable funding over a one-year period of extended stress.

I HOPE THIS TOPICS WILL HELP YOU IN YOUR PREPARATION OF THE GA SECTION OF THE RBI GR B/SBI PO/IBPS PO EXAM.IF YOU LIKE MY WORK PLZ SHARE IT.

BEST OF LUCK FOR YOUR EXAMS AHEAD—DAS SIR