KARPAGAM ACADEMY OF HIGHER EDUCATION

Semester IV

16BPU402 BUSINESS PROCESS SERVICES IN BANKING

PROGRAMME OUTCOME

This paper represents the Banking systems Act, role of banks in economic development in India and US. This paper provides the basics of types of cards, various procedures relating banking like Mortgage, Loan and advances.

PROGRAMME LEARNING OUTCOME

- To provide good understanding of Overview of banking and various technology used in banking sector.
- To acquaint the students with the basic knowledge of law relating to banking operation and various procedures.

Unit I

Overview of Banking: Functions and Products of a Bank - Liabilities—Deposits Assets-Loans and Advances – Payments - Risk Management - Financial Accounting - Customer Service Data&Voice, covering maintenance, disputes and complaints - Metrics management productivity, quality SLA Tracking and monitoring - Pricing methodologies available - Commonly available Certifications ISO-COPC-CMMI-PCI etc - Risks and Controls-AML-KYC-Info security etc. - Account Originations - Account Servicing - Issuer of Cheque Books/Cards Pins - AML/KYC Checks - Account Conversions and Closures - Customer Correspondence - ATM Management - Time Deposits – Placements – Maintenance – Breakage - Booking and Top up - Roll Over - Payment Processing - Retail Wealth Management - Mutual Fund processing – Equities – Bonds - Structured Notes - Corporate actions – Reconciliation - Risk -Control and Information Security.

Unit II

Basics of Cards: Types of Cards, transaction overview, components of Cards - Entities involved, overview on associations – Originations - Policy, Account opening,dispatch,delivery,Card Maintenance - Payments - Concepts, applications, investigations, Statement validations - Products on Cards - Rewards programs, merchandising offers - Authorization and Risk reviews - Settlement lifecycle,authorisations,settlement and reconciliation - Accounting and Interchange settlement, settlements to associations - Parameter Design - Referral authorization - Financial Accounting - Bank A/c and payment Reconciliations - GL and ATM Reconciliations - Customer Relationship Management - Dispute Processing and Fraud Investigations - Collections including Data Review, Field Collections and A/c maintenances and Collection Audit.

Unit III

Procedures: Lead Generation - Regulation Requirements - Mortgage Originations - Sales/ New Application Management - Support and Settlement Services - Pre Underwriting, Underwriting - Verification and Closing - Quality Control and Repurchase - Mortgage Servicing - Customer Service - A/c Maintenance - Payment Processing - A/c Closure – Collection - Default Management - Front End Activities - Foreclosure and Loss Mitigation – Bankruptcy - Support functions - Quality Assurance - Domain Learning and Development - Regulatory Agencies.

Unit IV

Cash Management Overview: Cash Management Product Suite A Glance and Brief on all – products - Payments Life Cycle - Payments Originations and various products in Originations – phase - Introduction to Funds Transfer - Various types of Funds transfer(Clearing, Treasury Payments, Bills receivables, Collections, lockbox, loans/deposits - Bulk Remittances etc - Pre Funds Transfer - A/c Opening and Maintenance - Workflow Management - Funds Transfer – Payments - Instruction Acceptance - Payment Security - Call Back and Other Controls - Routing and Accounting Entries - Settlement and Payment Structuring - Various Clearing Systems –Overview - Post Funds Transfer - Nostro Reconciliations - Proofing - Investigations - Financial Messaging - Tracking - MIS and Treasury Reporting - Amendments and Collections - Risk management around payments- few case studies.STP Analysis and Improvements.

Unit V

Introduction to Trade : Parties & Terminology used in International Trade, Risks Associated & its mitigants, Role of banks & Documents in International Trade - Letter of Credit (L/C) – Parties to L/C & Types of L/C – Issuance, Advising, Amendment, Confirmation, Document Checking, Acceptance & Payment - Collection - Parties to Collection & Types of Collection - Document Checking, Acceptance & Payment - Method of Payment – Advance, Open Account, Documentary Collection & Documentary Credit - Guarantee / SBLC – Types of Guarantee – Issuance, Amendment, Claim / Settlement & Cancellation - Reimbursement – Authorization, Claim / Payment, Clean Payment, Irrevocable Undertaking, FI Advance - Loans & Finances **-** Syndicated Loans, Corporate Advances, Receivable Finance, Supplier Finance, Commodity Finance, Channel Finance & Bill Finance / Discounting - Basics and outline of UCP 600, ISBP, URC 522, URR 725, URDG and ISP98 - Value Added Services - After Service– Customer Service (Voice / Non-voice), Investigation, Reconciliation, Proofing & Reporting - Trade Compliance - Trade Advisory / Customer Owner - Overview on specialized training course for CDCS certification.

Suggested Readings

Text Book

TCS BPS study material

KARPAGAM ACADEMY OF HIGHER EDUCATION
(Established Under Section 3 0f UGC Act,1956)
COIMBATORE – 641021

Lecture Plan

Name of the Faculty : Deepthi Nivasini. K
Department : Department of Commerce
Subject : Business Process Services in Banking
Subject Code : 16BPU402
Class : II B. Com BPS
Year and Semester : 2017 – 2018, Semester IV

S. No	Lecture Duration (Hrs)	Topics to be covered	Support Material
1.	2	Bank – Functions and Products	T: 7-13
2.	2	Types of risks and its mitigation	T: 15-18
3.	2	Risk management regulators	T: 19-22
4.	2	Anti-money Laundering- Meaning, stages	T: 35
5.	2	Anti-money Laundering Regulators	T: 36
6.	2	Information Security	T: 42, 43
7.	2	KYC – policies and its six key elements	T: 37-41
8.	2	Account origination, Demat accounts	T: 41,42
9.	2	Payment processing	T: 43-51
10.	2	Mutual funds processing	T: 54-56
11.	2	ATM Management	T: 5-20
12.	2	Recapitulation and discussion of important questions	
Total No. of Hours planned for Unit- I			**24**
Unit-II- Basics of Cards			
1.	2	Types of cards, components and entities involved	T: 5, 6
2.	2	Card features and associated equipment, transactions	T: 7-10
3.	2	Card settlement, Maintenance, settlement lifecycle	T: 13
4.	2	Fraud management, Card collections	T: 23-25
5.	2	Card operations, Chargeback	T: 17-21

6.	2	Card transaction Authorisation	T: 10-12
7.	2	Card transaction cycle	T: 9,10
8.	2	Account Servicing, card pin issuance	T: 22-31
9.	2	Technologies involved	T: 35
10.	2	Statement generation	T: 14
11.	2	Types of Transaction – On us and Off – us transactions	T: 12
.12.	2	Recapitulation and Discussion of important questions	
Total No. of Hours planned for Unit- II			**24**
Unit III- Procedures			
1.	2	Mortgage – Concepts and terms	T: 5
2.	2	Mortgage products, schemes and programmes	T: 6,7,10,11
3.	2	Mortgage on loan cycle	T:13
4.	2	Underwriting-Verification and closing	T: 15-18
5.	2	Secondary Market players, mortgage repurchasing	T: 19
6.	2	Mortgage servicing	T: 20
7.	2	Default Servicing activities	T: 21-24
8.	2	Mortgage insurance, Mortgage frauds	T: 25-27
9.	2	Front end activities, foreclosure and loss mitigation	T: 22
10.	2	Bankruptcy cases	T:23
11.	2	Recent developments in Mortgage industry	T: 29
12.	2	Recapitulation and discussion of important questions	
Total No. of Hours planned for Unit- III			**24**
1.	2	Overview of major kinds of payment systems	T: 6,7
2.	2	Types of fund transfers	T:10
3.	2	How financial transactions are transferred through SWIFT	T: 12,13
4.	2	Clearing Systems	T: 20
5.	2	Post Account opening, NOSTRO, VOSTRO accounts, reconciliation	T: 21
6.	2	Risks associated with Net settlements	T: 22-23
7.	2	Modes of Payment	T: 23
8.	2	MIS and Treasury reporting	T: 5
9.	2	Financial Messaging	W1

10.	2	MICR, ECS	T: 12
11.	2	Fund transfers	T: 15
12.	2	Recapitulation and discussion of important questions	
Total No. of Hours planned for Unit- IV			**24**
1.	2	International trade – Parties and Terminologies used	T: 5-10
2.	2	Risks associated with international trade and its mitigants	T: 10-13
3.	2	Documents in international trade	T: 44-50
4.	2	Letter of credit, types, parties and issuance	T: 55-58
5.	2	Payments in international trade	T: 14-18
6.	2	Documentary collection and documentary credit	T: 19-29
7.	2	SBLC, Guarantee and its types	T: 51-54, 41
8	2	Reimbursement, authorisation claim and payment	T: 54-56
9.	2	Syndicated loans, supply chain financing, Bill discounting	T: 59, 60
10.	2	Importance of trade finance professionals in banking services	T: 62
11.	2	Basics of UCP 600, Overview on CDCS certification training course	T: 57-58,63
12.	2	Recapitulation and discussion of important questions	
Total No. of Hours planned for Unit- V			**24**

Text Books:

TCS Material

Websites
https://www.treasury – management.com
www.treasury.gov
tradesamaritan.com
www.finra.org
www.investigatinganswers.com

SYLLABUS

Overview of Banking: Functions and Products of a Bank - Liabilities—Deposits Assets-Loans and Advances – Payments - Risk Management - Financial Accounting - Customer Service Data&Voice, covering maintenance, disputes and complaints - Metrics management productivity, quality SLA Tracking and monitoring - Pricing methodologies available - Commonly available Certifications ISO-COPC-CMMI-PCI etc - Risks and Controls-AML-KYC-Info security etc. - Account Originations - Account Servicing - Issuer of Cheque Books/Cards Pins - AML/KYC Checks - Account Conversions and Closures - Customer Correspondence - ATM Management - Time Deposits – Placements – Maintenance – Breakage - Booking and Top up - Roll Over - Payment Processing - Retail Wealth Management - Mutual Fund processing – Equities – Bonds - Structured Notes - Corporate actions – Reconciliation - Risk -Control and Information Security.

BANK- MEANING

A bank is a financial institution that accepts deposits from the public and creates credit.Banks operate by borrowing funds-usually by accepting deposits or by borrowing in the money markets. Banks borrow from individuals, businesses, financial institutions, and governments with surplus funds (savings).

FUNCTIONS OF A BANK:

The basic function of any bank is to accept deposits from the public for the purpose of lending loans to the public and invest the amount in securities.

- Acceptance of deposits and lending loans are called as the primary functions of any bank
- The secondary functions at present are – selling gold coins, insurance products and mutual fund products. Apart from the above the banks open demat accounts and undertake remittance services namely; issue of demand drafts, online remittance facilities like RTGS and NEFT etc.,
- The banks also provide safe deposit locker facilities and safe custody services to the customers.

Banks work as financial intermediates. They collect the money from those having excess money and provide them liquidity, safety and assured return on the sum deposited by them. The Banks then lend the same money to needy persons. The banks provide the borrowers safety against the exploitation and excessive interest charged by the non-institutional money lenders.Along with other the banks facilitate payments between different parties by providing cheque facility internet and mobile banking and other channels. Banks provide other facilities like locker, safe deposit locker, act as an agent of insurance companies, credit card facilities as well. The risk arises from the occurrence of some expected or unexpected events in the economy or the financial markets. Risk can also arise from staff oversight or mala fide intention, which causes erosion in asset values and, consequently, reduces the bank's intrinsic value.

Risks and Controls: Risk Management

There are many types of risks that banks face, some of them are

1. Credit risk
2. Market risk
3. Operational risk
4. Liquidity risk

Credit risk

The Basel Committee on Banking Supervision (or BCBS) defines credit risk as the potential that a bank borrower, or counter party, will fail to meet its payment obligations regarding the terms agreed with the bank. It includes both uncertainty involved in repayment of the bank's dues and repayment of dues on time.

Market risk

The Basel Committee on Banking Supervision defines market risk as the risk of losses in on- or off-balance sheet positions that arise from movement in market prices. Market risk is the most prominent for banks present in investment banking. These investment banks include Goldman Sachs (GS), Morgan Stanley (MS), JPMorgan (JPM), Bank of America (BAC).

Major components of market risks

The major components of market risk include:

- Interest rate risk
- Equity risk
- Foreign exchange risk
- Commodity risk

Interest rate risk

It is the potential loss due to movements in interest rates. This risk arises because a bank's assets usually have a significantly longer maturity than its liabilities. In banking language, management of interest rate risk is also called asset-liability management (or ALM).

Equity risk

It is the potential loss due to an adverse change in the stock price. Banks can accept equity as collateral for loans and purchase ownership stakes in other companies as investments from their free or investible cash. Any negative change in stock price either leads to a loss or diminution in investments' value.

Foreign exchange risk

It is the potential loss due to change in value of the bank's assets or liabilities resulting from exchange rate fluctuations. Banks transact in foreign exchange for their customers or for the banks' own accounts. Any adverse movement can diminish the value of the foreign currency and cause a loss to the bank.

Commodity risk

It is the potential loss due to an adverse change in commodity prices. These commodities include agricultural commodities (like wheat, livestock, and corn), industrial commodities (like iron, copper, and zinc), and energy commodities (like crude oil, shale gas, and natural gas). The commodities' values fluctuate a great deal due to changes in demand and supply. Any bank holding them as part of an investment is exposed to commodity risk.

Market risk is measured by various techniques such as value at risk and sensitivity analysis. Value at risk is the maximum loss not exceeded with a given probability over a given period of time. Sensitivity analysis is how different values of an independent variable will impact a particular dependent variable.

Liquidity risk

Liquidity by definition means a bank has the ability to meet payment obligations primarily from its depositors and has enough money to give loans. So liquidity risk is the risk of a bank not being able to have enough cash to carry out its operations.

MONEY LAUNDERING

Legitimization (washing) of illegally obtained money to hide its true nature or source (typically the drug trade or terrorist activities). Money laundering is effected by passing it surreptitiously through legitimate business channels by means of bank deposits, investments, or transfers.

Methods and Stages of Money Laundering

There are three stages involved in money laundering; placement, layering and integration.

- **Placement** –This is the movement of cash from its source. On occasion the source can be easily disguised or misrepresented. This is followed by placing it into circulation through financial institutions, casinos, shops, bureau de change and other businesses, both local and abroad. The process of placement can be carried out through many processes including:

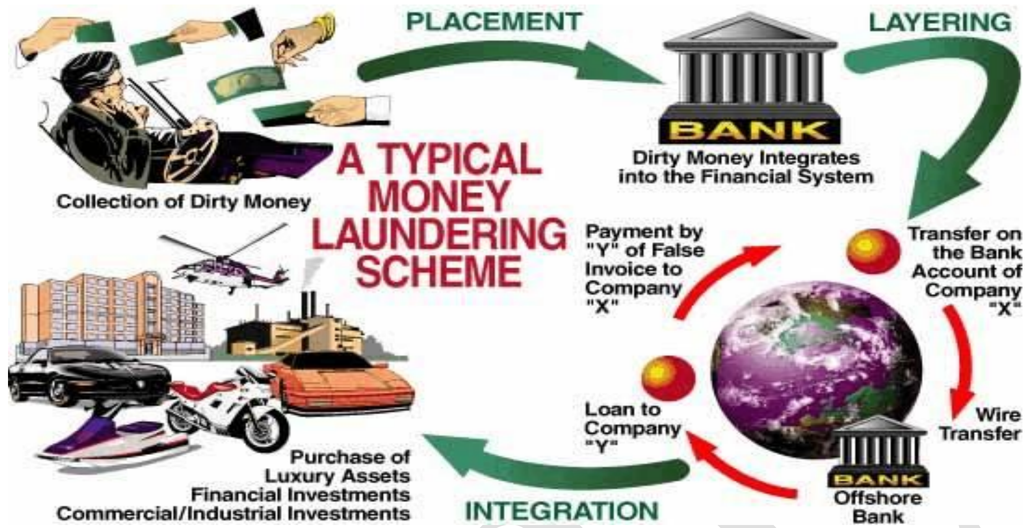
1. Currency Smuggling – This is the physical illegal movement of currency and monetary instruments out of a country. The various methods of transport do not leave a discernible audit trail.
2. Bank Complicity – This is when a financial institution, such as banks, is owned or controlled by unscrupulous individuals suspected of conniving with drug dealers and other organised crime groups. This makes the process easy for launderers. The complete liberalisation of the financial sector without adequate checks also provides leeway for laundering.
3. Currency Exchanges – In a number of transitional economies the liberalisation of foreign exchange markets provides room for currency movements and as such laundering schemes can benefit from such policies.
4. Securities Brokers – Brokers can facilitate the process of money laundering through structuring large deposits of cash in a way that disguises the original source of the funds.
5. Blending of Funds – The best place to hide cash is with a lot of other cash. Therefore, financial institutions may be vehicles for laundering. The alternative is to use the money from illicit activities to set up front companies. This enables the funds from illicit activities to be obscured in legal transactions.
6. Asset Purchase – The purchase of assets with cash is a classic money laundering method. The major purpose is to change the form of the proceeds from conspicuous bulk cash to some equally valuable but less conspicuous form.

- **Layering** – The purpose of this stage is to make it more difficult to detect and uncover a laundering activity. It is meant to make the trailing of illegal proceeds difficult for the law enforcement agencies. The known methods are:

1. Cash converted into Monetary Instruments – Once the placement is successful within the financial system by way of a bank or financial institution, the proceeds can then be converted into monetary instruments. This involves the use of banker's drafts and money orders.
2. Material assets bought with cash then sold – Assets that are bought through illicit funds can be resold locally or abroad and in such a case the assets become more difficult to trace and thus seize.

- **Integration** – This is the movement of previously laundered money into the economy mainly through the banking system and thus such monies appear to be normal business earnings. This is dissimilar to layering, for in the integration process detection and identification of laundered funds is provided through informants. The known methods used are:

1. Property Dealing – The sale of property to integrate laundered money back into the economy is a common practice amongst criminals. For instance, many criminal groups use shell companies to buy property; hence proceeds from the sale would be considered legitimate.
2. Front Companies and False Loans – Front companies that are incorporated in countries with corporate secrecy laws, in which criminals lend themselves their own laundered proceeds in an apparently legitimate transaction.
3. Foreign Bank Complicity – Money laundering using known foreign banks represents a higher order of sophistication and presents a very difficult target for law enforcement. The willing assistance of the foreign banks is frequently protected against law enforcement scrutiny. This is not only through criminals, but also by banking laws and regulations of other sovereign countries.
4. False Import/Export Invoices – The use of false invoices by import/export companies has proven to be a very effective way of integrating illicit proceeds back into the economy. This involves the overvaluation of entry documents to justify the funds later deposited in domestic banks and/or the value of funds received from exports.



ANTI MONEY LAUNDERING

Anti money laundering (AML) refers to a set of procedures, laws and regulations designed to stop the practice of generating income through illegal actions.

The Financial Action Task Force sets the international standard for combating money laundering. Formed in 1989 by leaders of countries and organizations around the world, the FATF is an international body of governments that sets standards for stopping money laundering and promotes the implementation of these standards. Because laundering money is one way in which terrorists finance their activities, money laundering and terrorism go hand in hand. The FATF is, therefore, also dedicated to the setting and implementation of standards for fighting terrorist financing and other threats to the international financial system.

The FATF developed a series of recommendations that were adopted in February 2012 to give its 35 member countries and two regional organizations a comprehensive set of measures to implement in the fight against money laundering, terrorist financing and financing of the proliferation of weapons of mass destruction. The FATF promotes the implementation of these measures, but the leaders of each member country carry out the measures on a national level. Each country must adapt the measures to make them appropriate for its own circumstances. To assist members in implementing the recommended anti-money-laundering measures, the FATF provides them with guidance and best practices.In 2000, the FATF began using a name-and-shame system that publicly announced countries that failed to produce and enforce comprehensive AML laws and had minimal to zero participation in the international crusade against illegal moneymaking activities.

Combating the Financing of Terrorism (CFT) involves investigating; analyzing, deterring and preventing sources of funding for activities intended to achieve political, religious or ideological goals through violence and the threat of violence against civilians. By tracking down the source of the funds that support terrorist activities, law enforcement may be able to prevent some of those activities from occurring. Instead of trying to catch a criminal plotting or committing an act of terrorism through other means such as surveillance, law enforcement addresses the problem from the money side by detecting suspicious financial transactions and tracking down all the individuals and organizations involved in those transactions.

CFT includes teaching financial investigative techniques to law enforcement, teaching prosecutors to win money laundering cases, and training financial supervisory and regulatory authorities to identify suspicious activity. CFT efforts may examine charities, underground banking entities, and registered money service businesses, among other entities. Also known as Counter financing of Terrorism.

Know your customer ('KYC')

Know your customer ('KYC') is the process of a business identifying and verifying the identity of its clients.The term is also used to refer to the bank and anti-money laundering regulations which governs these activities. Know your customer processes are also employed by companies of all sizes for the purpose of ensuring their proposed agents, consultants, or distributors are anti-bribery compliant. Banks, insurers and export creditors are increasingly demanding that customers provide detailed anti-corruption due diligence information.

Banks usually frame their KYC policies incorporating the following four key elements:

- Customer Acceptance Policy;
- Customer Identification Procedures;
- Monitoring of Transactions; and.
- Risk management.

STRUCTURED NOTE

A structured note is a debt obligation that also contains an embedded derivative component that adjusts the security's risk/return profile. The return performance of a structured note will track both that of the underlying debt obligation and the derivative embedded within it.

MUTUAL FUND

A mutual fund is an investment vehicle made up of a pool of moneys collected from many investors for the purpose of investing in securities such as stocks, bonds, money market instruments and other assets.

INFORMATION SECURITY

Information security is the practice of preventing unauthorized access, use, disclosure, disruption, modification, inspection, recording or destruction of information. It is a general term that can be used regardless of the form the data may take (e.g., electronic, physical).

Information security (IS) is designed to protect the confidentiality, integrity and availability of computer system data from those with malicious intentions.
Digital signatures can improve information security by enhancing authenticity processes and prompting individuals to prove their identity before they can gain access to computer data.

Various types of mutual funds exist to cater to different needs of different people.

- Equity or Growth Funds

These invest predominantly in equities i.e. shares of companies

The primary objective is wealth creation or capital appreciation.

They have the potential to generate higher return and are best for long term investments.

Examples would be

"Large Cap" funds which invest predominantly in companies that run large established business

"Mid Cap" funds which invest in mid-sized companies.

"Small Cap" funds that invest in small sized companies

"Multi Cap" funds that invest in a mix of large, mid and small sized companies.

"Sector" funds that invest in companies that are related to one type of business. For e.g. Technology funds that invest only in technology companies

"Thematic" funds that invest in a common theme. For e.g. Infrastructure funds that invest in companies that will benefit from the growth in the infrastructure segment

- Income or Bond or Fixed Income Funds

These invest in Fixed Income Securities, like Government Securities or Bonds, Commercial Papers and Debentures, Bank Certificates of Deposits and Money Market instruments like Treasury Bills, Commercial Paper, etc.

These are relatively safer investments and are suitable for Income Generation.

Examples would be Liquid, Short Term, Floating Rate, Corporate Debt, Dynamic Bond, Gilt Funds, etc.

- Hybrid Funds

These invest in both Equities and Fixed Income, thus offering the best of both, Growth Potential as well as Income Generation.

Examples would be Aggressive Balanced Funds, Conservative Balanced Funds, Pension Plans, Child Plans and Monthly Income Plans, etc.

Unit 1	**option A**	**option B**	**option C**	**option D**	**Answers**
_____________are persons of unsound mind.	minors	lunatics	illiterates	HUFs	lunatics
Lending involves many _____________	benefits	transactions	change	risks	risks
_____________risk arises from funding of long term loans by short term loans	Interest rate	Liquidity	Commodity price	Equity price	Liquidity
The SOX Act contains ________titles or sections.	12	11	10	15	11
The Service auditor's report for which the frequency of review is generally once in a year is________	Type 1 report	Type 2 report	Type 3 report	Type 4 report	Type 1 report
____________is also known as the Public Company Accounting Reform and Investor Protection Act	US PATRIOT	SOX	BSA	PMLA	SOX
The bill was enacted as a reaction to scandals and breakdowns such as Enron, Tyco International, Adelphia and WorldCom	US PATRIOT	SOX	BSA	PMLA	SOX
Similar to SOX, Indian reporting requirements are defined as ___________	AAS 24	IAS	SAS 70	SOX	AAS 24
_____________is a supervisory rating system to ascertain a bank's overall condition	SOX	CAMELS	BASEL	PMLA	CAMELS
According to CAMELS rating banks are assessed on _______factors	five	two	three	six	six
________refers to cleansing proceeds of crime, so that it appears to come from a legitimate source	money laundering	money trading	money making	money matching	money laundering
_____________is disposing off or relieving the criminal in possession of large amount of cash	Placement	Structuring	Layering	Integration	Placement
____________is sometimes referred to as structuring	Placement	Structuring	Layering	Integration	Layering
____________refers to under - or over - valuing invoices	money laundering	money trading	money making	trade based laundering	trade based laundering
______________act was signed by president George Bush after the 9/11 attacks	US PATRIOT	SOX	BSA	PMLA	US PATRIOT
The PML Act issued in India in 2002 had the main objective to provide for _________of property involved in money laundering	confiscation	controlling	communication	concealing	confiscation
____________procedures enable banks to know their customers and their business	documentation	identification	KYC	AML	KYC
KYC guidelines are based on the recommendations made by ______________on AML and CFT	FATF	OFAC	BSA	US PATRIOT	FATF
______________is a body of the US treasury department	FATF	OFAC	BSA	US	OFAC

				PATRIOT	
Banks should appoint ________officer to act independently and report directly to senior management or Board of Directors	Secret	Proper	Principal	Audit	Principal
In banks maker and checker job responsibilities are assigned under_______________	seggregation of duties	systems and controls	money making	Management	seggregation of duties
The PMLA in India has prescribed for banks to maintain a record of transactions of value more than rupees _________lakh	12	15	10	1	10
Under records preservation policy of KYC, banks have to maintain all records of customer transactions for atleast _________years	4	5	6	2	5
Banks are required to report to ___________	CBI	RBI	FIU	IOU	FIU
Which of the following is a non-individual customer type?	minors	non resident	foreign national	sole proprietorship	sole proprietorship
Banks lease their immovable property-safes, deposit lockers and customers hire them under a stamped agreement of _________________	Lease	Memorandum of Letting	Interest	Repayment	Memorandum of Letting
. A ______________lien gives the right to retain possession only of those goods for which credit was given.	Particular	General	Appropriate	Interest	Particular
Banker has an___________ right to charge interest for advances and commission for services rendered.	express	implied	general	legal	implied
In case of ____________accounts are opened under guardianship of father/mother or court appointed legal guardian.	Lunatic’s	Minor	illiterate’s	HUF	Minor
Demat request form has to be submitted to ____________	Depository	central govt.	depository participant	registrar	depository participant
____________is India's first WLA	WLA-Hindustan	WLA-Hindukush	WLA-INDICASH	WLA-Automatic	WLA-INDICASH
As per RBI guidelines a maximum of _______free transactions are allowed per month at INDICASH	10	7	8	5	5
The first Indicash ATM was inauguarated on 27th June_____	2012	2013	2015	2016	2013
______________is the party making the payment	payer	payee	beneficiary	bank	payer
_______is the party receiving the payment	beneficiary	payer	registrar	bank	beneficiary

____________________cannot be a nominee.	Depositors	Non individual entity	Businessmen	Illiterate	Non individual entity
______________are widely used for nonresident account operations where customer/principal cannot be present.	POS	POAs	HUFs	WIP	POAs
The risk that a change in the prices of production inputs will adversely impact the manufacturer.	Liquidity risk	Forex risk	Commodity Price risk	Interest rate risk	Commodity Price risk
________is also known as the Public Company Accounting Reform and Investor Protection Act and was enacted by two US congressmen.	BCBS	SOX	BASEL committee	ALM	SOX
_______is sometimes referred to as structuring.	Layering	Placement	Integration	Laundering	Layering
BASEL is in _____________	Switzerland	Germany	India	Paris	Switzerland
_________is the risk of loss resulting from inadequate or failed internal processes and systems.	Market risk	Operational risk	Reputational risk	Credit risk	Operational risk
As per CAMELS ratings banks with an average score of less than two are considered to be _______institutions.	High Quality	Low Quality	Moderate	Less Satisfactory	High Quality
As per SAS 70, there are _________types of service auditor's report.	2	3	4	5	2
BASEL III is to be implemented by _____________2018.	23rd January	3rd August	31st March	31st April	31st March
Which of the following stages in money laundering involves purchasing of high value items (boats, cars, art work, and diamonds)	Layering	Placement	Integration	Laundering	Layering
FATF was set up in 1989 by the___________ summit in Paris	G-5	G-10	G-11	G-7	G-7
The Unlawful Activities (Prevention) Act (UAPA) belongs to	Switzerland	Germany	India	Paris	India
_________procedures help banks to know their customers.	CFT	AML	NEFT	KYC	KYC
OFAC issues the ____________list	GST	SDN	BCP	NCCT	SDN
___________ monitoring is essential for an understanding of the normal and reasonable activity of the customer	Ongoing	Periodic	Closure	Risk	Ongoing
ECS is an electronic mode of payment/receipt for transactions that are repetitive in nature routed through the ____bank	sponsor	collective	corresponding	central	central
______________provide cardholders with a credit facility and the possibility of deferring payment	debit cards	credit cards	forex cards	diners cards	credit cards
RTGS and NEFT are payment settlement systems with RBI at	MICR	IFSC	SDN	NCCT	IFSC

the center routing all tansactions between various banks with the help of _____________					
Our account maintained with our correspondent bank in another country	VOSTRO	NOSTRO	MIRROR	MIRROR NOSTRO	NOSTRO
Other bank's account maintained with us	VOSTRO	NOSTRO	MIRROR	MIRROR NOSTRO	VOSTRO
In case of mutual funds the sponsor must contribute a minimum of __________to the net worth of AMC	50%	40%	30%	60%	40%
Investing in growth funds requires risk tolerance and a holding period of greater than _____years	2	3	4	5	3
A Systematic Investment Plan refers to ____________investing in a mutual fund	day to day	periodic	yearly	hourly	periodic

Unit 2	option A	option B	option C	option D	Answers
__________is a debt in which the borrower pledges property or a collateral as a security	redeemable loan	debenture	secured loan	unsecured loan	secured loan
__________is a debt in which the borrower does not have any property or a collateral as a security	redeemable loan	debenture	secured loan	unsecured loan	unsecured loan
_____is a plastic card issued by financial institutionson behalf of a merchant or an organisation to their customers for purchase of goods	co-branded card	virtual card	private label card	affinity card	private label card
The issuing bank instead of providing plastic cards provides only card number, expiry date and CVV to the card holder	co-branded card	virtual card	private label card	affinity card	virtual card
Cards offered to employees of large companies to fund official expenses	corporate card	co-branded card	virtual card	private label card	corporate card
Certain percentage of purchase through this card goes to charity	co-branded card	virtual card	private label card	affinity card	affinity card
A merchant can send transactions to the bank in ______different ways	2	4	5	3	3
If minimum amount due is paid by the customer then _____will not be charged	late payment fee	interest	Total amount due	charges	late payment fee
If the transaction is ________the association will not be involved in the settlement process	off-us	on-us	not for us	away	on-us
These are transactions where the issuing bank and the acquiring bank are different.	off-us	on-us	not for us	away	off-us
__________is a unique 12 character alphanumeric identification alloted for a security	IFSC	ISIN	IISC	PIN	ISIN
It is a product with very low balance requirement for financial inclusion	minor account	mirror account	no frill account	corporate account	no frill account
It is a term deposit in foreign currency,source of funds outside india and all account holders being NRIs	FCNR	NRE	NRO	RFC	FCNR
______are used primarily for transfer and management of assets	public co.	HUF	Sole proprietorsh ip concern	trusts	trusts
Business firm established operated and owned by sole individual	public co.	HUF	Sole proprietorsh	trusts	Sole proprietorshi

			ip concern		p concern
The bank that acts as an intermediary between the remitting bank and benificiary bank	Correspondent bank	Remitting bank	RBI	Beneficiary bank	Corresponde nt bank
In __________payment system, the payment is cleared transaction by transaction	NEFT	RTGS	SWIFT	ECS	RTGS
In __________payment system, the payment is cleared batch wise	NEFT	RTGS	SWIFT	ECS	NEFT
________accounts are replica of the actual NOSTRO accounts	VOSTRO	NOSTRO	MIRROR	Savings	MIRROR
________is when a company buys majority stake of a target company's shares	Acquisition	Merger	Restructurin g	Structuring	Acquisition
_________is an event where two or more companies merge into a new company aiming to be more competitive	Acquisition	Merger	Restructurin g	Structuring	Merger
___________is when an entity is unable to repay a debt	Liquidation	Spin off	Bankruptcy	Reverse split	Bankruptcy
The issuing company offers to repurchase its own shares/securities from existing shareholders	Liquidation	Spin off	buy-back program	Reverse split	buy-back program
_________machine reads the magnetic stipe, where details of the card as well as cardholder are captured	EDC	Printer	Fax	Computer	EDC
__________card uses a chip to enable the cardholder to authorise any transaction	Debit	co-branded card	Credit	Smart	Smart
In a credit card digits 1-6 specify the _____needed to identify the bank	PIN	BIN	IFSC	ISIN	BIN
An authorisation request is also referred to as a ________transaction	base 2	base	base 3	base 1	base 1
Upto one month the bank allows the cardholder to transact if payment is not made and after that, the bank will _______the card	stop	freeze	block	delete	block
Feeding the customer details provided in the application into the system is called______	data entry	referrals	underwritin g	list check	data entry
Checking for any existing accounts of customer is called _______	de-duplication	data entry	referrals	underwriting	de-duplication
The ______________performs the first step in issuing a credit card to an individual.	RBI	AFU	FIU	CBI	AFU

When multiple loans are obtained for the same property exceeding the actual value of property.	Short gunning	Property flipping	Document fraud	Income fraud	Short gunning
________facilitates bulk transfer from one account to many accounts.	Cheque	ECS	DD	Warrant	ECS
_____________account is opened by business men wherein they have daily banking transactions	Savings	Current	FCRA	EEFC	Current
The risk that a change in the prices of production inputs will adversely impact the manufacturer.	Liquidity risk	Forex risk	Commodity Price risk	Interest rate risk	Commodity Price risk
Where the association makes a decision on behalf of the issuer is called ________processing.	Card	Straight through	POS	Stand in	Stand in
The settlement cycle between the time the cardholder does a transaction and the time it reflects in his account is ________days.	2-3 days	3-5 days	5-6 days	4-5days	3-5 days
Cash Advance fee is the fee that is charged by the bank when a cardholder withdraws cash using his ___________card.	Credit	Debit	Smart	Forex	Credit
This amount is charged when the cheque payment made by the cardholder bounces.	Cash advance fee	Forex fee	Late payment fee	Return repayment fee	Return repayment fee
The Unlawful Activities (Prevention) Act (UAPA) belongs to	Switzerland	Germany	India	Paris	India
When a transaction is being made with a lost or stolen card, the issuing bank gives a _______message.	Capture card	Processing	Stop	Remit	Capture card
_________is a mechanism ti transfer messages.	ISIN	BCP	SWIFT	IFSC	SWIFT
______ is a customer identification process.	AMC	CAP	KYC	EEFC	KYC
Techniques or stages inolved in "money laundering" does not include:	Placement	Layering	Collection	Integration	Collection
Which one is NOT a High risk customer:	Politician	Travel Agent	Arms Dealer	Salaried person	Salaried person
___________ is a list of know terrorists, money launderes, fraudsters, criminals issued by OFAC	NCCT	SDN	ISIN	FATF	SDN
Which statement for Non Resident External	can have resident	Account is	Interest	Funds credited in	can have

(NRE) account is incorrect ?	account holder	maintained in Forign currency	amount is taxeble at 30%	the account muct have source in forign country	resident account holder
Which statement is NOT correct about HUF customer ?	consists of person lineally descended from a common ancestor and their wives	Minors are not part of the HUF	Eldest male member is the Karta of HUF	All other members are called Co Parcenors	Minors are not part of the HUF
CIBL is for :	Credit Information	Customer Information	Central Investigatio n	Company Investigation	Credit Information
Which one is NOT required for a Credit Score ?	Payment history	Amount Owned	Length of credit history	Applicant's age	Applicant's age
A Credit card custumer pays minimum amount of the total outstanding on the payment due date. Will he have to pay interest on outstanding amount ?	Yes	No	It is interest free Paid	None of these	Yes
Which one is NOT a a participant in a credit card transaction ?	Merchant	Issuing Bank	Card Association	Central Bank - RBI / Federal Reserve etc.	Central Bank - RBI / Federal Reserve etc.
Diners Card is a	Credit Card	Prepaid Card	Debit Card	Charge Card	Charge Card
Interchange fee is collected by the _____________	Card Issuing Bank	card association	aquiring bank	corresspondent bank	card association
XYZ bank customer performs a transaction at ABZ merchant outlet.ABZ merchant submits the change to NBC bank. The transaction is called:	Off us transaction	Neutral transaction	On us transaction	None of the above	Off us transaction
Card Issuing Bank	card associations	aquiring bank	corresspond ent bank	Card Issuing Bank	card associations
Acquiring Bank	Merchant Where transaction is done	Card Association (Visa / Master Card)	Issuing Bank	Acquiring Bank	Issuing Bank
Which one of the following is not a Card Asssociation?	Visa Master Card	Master Card	American Express	Citi Bank	Citi Bank

EEFC account is	Interest bearing account which mitigates exchange risk	Current account in forign currency	Savings account in forign currency	Both a and b	Both a and b
A private limited company becomes public limited by issuing IPOs for general public subscription to raise money for ____________	expansion	allotment	reinvestmen t	distribution	expansion

SYLLABUS

Basics of Cards: Types of Cards, transaction overview, components of Cards - Entities involved, overview on associations – Originations - Policy, Account opening,dispatch,delivery,Card Maintenance - Payments - Concepts, applications, investigations, Statement validations - Products on Cards - Rewards programs, merchandising offers - Authorization and Risk reviews - Settlement lifecycle,authorisations,settlement and reconciliation - Accounting and Interchange settlement, settlements to associations - Parameter Design - Referral authorization - Financial Accounting - Bank A/c and payment Reconciliations - GL and ATM Reconciliations - Customer Relationship Management - Dispute Processing and Fraud Investigations - Collections including Data Review, Field Collections and A/c maintenances and Collection Audit.

PLASTIC CARDS

Credit cards or debit cards are called as Plastic cards. Plastic cards are one of the most popular forms of payment. In fact plastic cards are an inevitable part of our life. They allow card holders users to pay for goods and services easily and conveniently and provide an alternative to cash and cheques. As Credit Cards and Debit cards are, used as alternative to money such as cash or cheque and are made of plastic, they are also called as Plastic money. Plastic cards are issued to users by a variety of organisations (called as card issuers) such as banks, retailers such as Big Bazaar, Shopper Stop. There are various plastic card schemes such as MasterCard, Visa, American Express, Diners Club, Maestro etc. These operators work behind the scene to make sure that card works. The types of cards issued and their levels of functionality vary from card issuer to card issuer and between the different card schemes under which the cards are issued.Cards that are made of plastic are called as plastic cards. The identification card, Membership card, Smart Card, Credit Card, debit cards are all plastic cards. Some examples of Plastic cards are shown below:

Types of Plastic Cards

There are basically two kinds of Plastic cards which are commonly used to buy goods and services: Debit Card and Credit Card

Debit Card

Debit card is linked to the account of the card holder i.e. one who owns the cards. They are usually issued by Banks and financial associations. When one uses a debit card the money is immediately deducted directly from one's account associated with card. A debit card is a way to "pay now" Eg. SBI Debit Card.

Credit Card

It is a small plastic card that is issued by financial institutions such as banks. There is a limit to which one can buy on credit card. So, even if you have Rs 1, 00,000 in your account, your credit limit is only Rs 50,000. You need to repay the amount bought on credit by a due date.

Comparing Credit Card and Debit Card

Credit is like buying money, goods and services now but paying for it in future. As in buying the two people or business involved are buyer and seller. In credit the person who agrees to provide money, goods, services etc is called as creditor or lender and one who takes money, goods or services for promise of future payment is called as debtor or borrower.

Other Kinds of Cards

There are different types of plastic money available in the market today. Such as Credit cards, Debit cards, add-on cards, charge cards, co-branded cards, affinity cards or Diners Club cards.

- Charge card carries all the features of credit cards. However, after using a charge card you will have to pay off the entire amount billed, by the due date. If you fail to do so, you are likely to be considered a defaulter and will usually have to pay up a steep late payment charge. In case of credit card, one can pay late payment fee if one misses the due date. Popular charge cards are American Express cards also called as Amex cards

- Photo card: if card holder photograph is imprinted on a card, then card is known as a photo card. This helps identify the user of the credit card and is therefore considered safer.
- Global cards allow one the flexibility and convenience of using a credit card rather than cash or travellers checks while travelling abroad for either business or personal reasons.
- Co-branded cards are credit cards issued by card companies that have tied up with a popular brand for the purpose of offering certain exclusive benefits to the consumer.For example, the Citi-Times card gives you all the benefits of a Citibank credit card along with a special discount on Times Music cassettes, free entry to Times Music events, etc.
- Affinity Card An affinity credit card program allows an organization to offer its members and supporters–those who have an “affinity” for that organization–a credit card that promotes the organization’s brand and imagery each time a cardholder uses the card. When the card is used, a certain percentage is contributed to the organisation /institution by the card issuer.
- An add-on card allows you to apply for an additional credit card within the overall credit limit. You can apply for this card in the name of family members like your father/ mother/ spouse/ brother/ sister/ children above 18 years of age. You are liable to make good all the payments for the purchases made using the add-on card(s). Your billing statement would reflect the details of purchases made using the add-on card. Normally an issuing bank permits two add-on cards per credit card.

Details on front of a typical plastic debit/credit card:

1. Issuing bank logo,

2. Card number,

3. Card brand logo such as VISA or MasterCard,

4. Expiry date,

5. Cardholder's name

Back side of debit or credit card

Magnetic stripe: The stripe on the back of a credit card is a magnetic stripe, often called a magstripe. Information such as the name of the card holder, expiry date of card, card number etc. is found in the magnetic strip. The magnetic stripe is read by swiping past a reading head and the information stored is sent to the acquirer's bank.

Signature strip: The card holder signs on the Signature strip. The merchant needs to verify that the signature on the card matches the signature on the receipt.

Card Security Code or Credit card Validation (CCV) number: CCV is an authentication scheme.

EMV

EMV which stands for Europay, MasterCard and Visa — is a global standard for cards equipped with computer chips and the technology used to authenticate chip-card transactions. They might be called any of the following terms: Smart card, Chip card, Smart-chip card.

EMV Card

Just like magnetic-stripe cards, EMV cards are processed for payment in two steps: card reading and transaction verification. Instead of going to a register and swiping the card, you are going to do ‘card dipping ‘instead, which means inserting the card into a terminal slot and waiting for it to process. The magnetic stripes on traditional credit and debit cards store contain unchanging data. Whoever accesses that data gains the sensitive card and cardholder information necessary to make purchases. That makes traditional cards prime targets for counterfeiters, who convert stolen card data to cash

Unlike magnetic-stripe cards, every time an EMV card is used for payment, the card chip creates a unique transaction code that cannot be used again. If a hacker stole the chip information from one specific point of sale, typical card duplication would never work because the stolen transaction number created in that instance wouldn’t be usable again and the card would just get denied,

EMV technology will not prevent data breaches from occurring, but it will make it much harder for criminals to successfully profit from what they steal.

While the plastic card has been the standard for a half century, recent developments show alternative forms of payment rising to prominence, including online services such as mobile wallets, cell phone apps, PayPal,

Analysing Credit Card Number

Credit card number has a lot of information.Number of digits in credit card varies from 13 to 19 depending on issuer.

First six digits of the credit card represent the card issuer. The first digit is called as the system number. It is the Major Industry Identifier (MII), which represents the type of institution that issued the card. For example, American Express, Diner’s Club are in the travel and entertainment category, VISA, MasterCard are in the banking and financial category. Digits 7 to last but one digit of credit card number are for account number

Last digit is the check digit. Credit cards numbers use check digits to guard against mistakes and to check for validity. A check digit in a credit card number is used as: It can determine if a person keys in a number incorrectly. If a credit card is scanned it can determine of the scanner made a mistake. The check digit is calculated based on some pattern and it is verified with the check digit on the card. If the check digit calculated matches the check digit on the card, the card is valid.

Details of Credit Card Numbers

Maximum length of a credit card number is 19 digits. Since the 7 digits are reserved, account number field is 19 – 7, or 12 digits. Each issuer therefore has a trillion (1,000,000,000,000) possible account numbers.

Various parties involved when one uses Plastic cards

Mr. Kumar wants to buy a Sony T.V with ICICI credit card with a MasterCard logo. The shopkeeper at Sony Showroom swipes the ICICI credit card on a machine provided by SBI banks. In the example Mr. Kumar is the card holder, ICICI bank is the card issuer, merchant is shop or Sony Showroom and SBI Bank is the acquirer and MasterCard is the card association.

CARD ASSOCIATION

A card association is a network of issuing banks and acquiring banks that process payment cards of a specific brand. Familiar payment card association brands include China UnionPay, RuPay, Visa, MasterCard, American Express, Discover, Diner's Club, and JCB. Visa, MasterCard and American Express issuers co-brand with their card association. for example, "Citi-MasterCard".

Card details

- Cardholder is an individual to whom a plastic card is issued. Typically, this individual is also responsible for payment of all charges made to that card.

- Card Issuer is an institution that issues cards to cardholders. This institution is also responsible for billing the cardholder for charges.
- Credit Card association – An association of card-issuing banks such as Visa, MasterCard, etc. that set transaction terms for merchants, card-issuing banks, and acquiring banks.
- Merchant – The individual or business accepting card payments for products or services sold to the cardholder also called as Card Accepter.
- Acquirer – an organization that collects (acquires) credit authorization requests from Card accepters and provides guarantees of payment. The merchant swipes the card on the acquirer's swipe machine. He submits all the signed slips to acquirer and collects payments from acquirer.

NOSTRO ACCOUNT

Nostro account refers to an account that a bank holds in a foreign currency in another bank. Nostros, a term derived from the Latin word for "ours," are frequently used to facilitate foreign exchange and trade transactions.

VOSTRO ACCOUNT

A VOSTRO account is an account a correspondent bank holds on behalf of another bank. These accounts are an essential aspect of correspondent banking in which the bank holding the funds acts as custodian for or manages the account of a foreign counterpart.

MIRROR ACCOUNT

The replica of this account is maintained by the bank in its own books for operational purposes in local currency and is known as a Nostro mirror account. It is maintained by the local bank (XYZ) for accounting of inflows and outflows of forex taking place from a Nostro account of the bank.

The Life Cycle of a Credit Card Transaction

This article deals with the life cycle of a credit card transaction. This method is used for both retail and Internet / MOTO transactions. Processing events and activities may vary slightly for any one merchant, merchant bank, or Issuer, depending on card and transaction type, and the processing system used.

The follow steps listed below is what happens when a credit card is processed.

1. Cardholder presents the credit card at the point-of-sale. For Internet or Keyed in transactions, the cardholder provides the merchant with the account number, expiration date, billing address and any special codes on the card.
2. Merchant swipes the card or enters the information by hand, enters the purchase amount and transmits the authorization request to the Acquirer.
3. Acquirer electronically sends the authorization request into Interchange.
4. Interchange passes on the authorization request to the Issuer.
5. Issuer approves or declines the transaction.
6. Interchange forwards the Issuer's authorization response to the Acquirer.
7. Acquirer forwards the response to the Merchant.
8. Merchant receives the authorization response and completes the transaction accordingly.
9. Merchant closes the batch and submits the transactions to the acquirer through their merchant account.
10. Acquirer electronically submits transactions into Interchange for settlement. It also credits the merchant's checking account for the submitted transactions once settlement information is received from Visa and MasterCard Interchange (called funding).
11. Interchange facilitates settlement by sending settled transaction information to the issuer and acquirer and providing both with information on what to credit the merchant, what to debit the cardholder and the type and amount of the interchange fees that are to be paid by the acquirer to the issuer.
12. Issuer posts the transactions to the cardholder accounts and sends the monthly statements to its cardholders.
13. Cardholder receives statements and pays issuer.

Member banks (both Issuers and Acquirers) do not always handle the processing of the transactions (authorizations, clearing and settlement) themselves. In many cases they outsource this to third party processors. Examples are Global Payments, Vital, Paymentech and First Data.

ATM RECONCILIATIONS

Forecasting is one small piece of active ATM Cash Management. The larger process that delivers clear discernibility and tight control of the movement of cash from cash load to cash load can "make or break" your opportunity to run effectual, profitable ATMs. Moderately than a singular focus on forecasting, a broader perception and application of the detailed analysis required to tighten the Cash Cycle can assistance drive greater success at the ATM.

Automatic teller machines are handy when you require cash on the fly and you are not near your bank. The problem is that if you are not careful, you can run into real difficulties when you become overdrawn on checks because of the cash you withdrew from an ATM. You can also undertake you have less money in your account than in reality if you do not take into account deposits you have made through an ATM. The ATM Reconciliation and ATM Compare programs both automate the daily balancing of the ATM network. Once the transaction report from the Data Processing system and the ATM Network report file are downloaded to a PC's disk the program loads the transactions, run's the reconcilement program and generate a report of unmatched items between the two systems.

The ACE Report Activity Analysis program is the newest separately available piece of the ATM Reconciliation program suite of tools. The Report Activity Analysis tool loads the transactions from the Incurable or Member activity reports and provides a wide range of summary analysis competences. These can be modified for the customer at a very negligible cost. The standard reports contain a summary of Terminal activity by ATM, cutoff carry over calculations, member against non-member activity and fee totaling. For member activity reports the program can scan for large transactions above any threshold desired as well as accounts with heavy activity.

The ATM Compare program is designed for the smaller institution having just one Network to balance with the Network driving a small number the ATM machines. This easy to use program rapidly loads transactions from the network activity report and DP system activity report, compares them and offers a list of unmatched transactions to research and resolve. This is normally the most time consuming part of balancing the ATM activity each day.

The ATM Reconciliation program contains both of the tools above and is fully customized for each customer. In addition to the comparison report can capture GL transaction amounts for the daily balancing of the network, the institutions ATM's, etc. The program can support multiple balancing end points, interrupt processors foreign and cardholder activity, compare individual network transactions from combined reports or any other comparison or selection principles the institution might have. Additions to the program have been done to capture and post service charges for ATM inquiries and check cashing at Shared branches, to report large deposits and withdrawals, accounts with a lot of activity on a day, capturing of credit union and individual ATM balancing items from the network reports, totals of activity by ATM per month, etc. There is even a Cash balancing feature for following the Cash in the ATM and confirm the balance when it replaced over a time period from daily to weekly or extended.

Important Benefits

- Reports transactions not found on DP system and ATM switch.
- Captures Information from the reports and files you already use, NO custom interfaces or extracts obligatory.
- Eradicates printing the ATM and DP system transaction reports.
- Search and review transactions in online screens.

On-us, Issuer and Acquirer Reconciliation

- The critical ATM transaction types like On-us, Issuer (Remote-on-us) and Acquirer (Not-on-us) generate huge volumes of complex data in real-time. Banks may lose their customers if they fail to reconcile these day-to-day multiple transactions with their internal books.
- Unfortunately, banks are practicing manual accounting methodologies to settle their ATM transaction data. In addition, the un-scalable internal systems are further delaying the reconciliations, thus leaving the pending exceptions un-reconciled.
- These exceptions are found more in the case of the issuer and acquirer transactions, where settlements are often delayed. As a consequence, the customers are losing their trust on host banks. And, looking at the spurt of private & public banks and unlimited offers, customer loyalty is a million-dollar question.

ATM Cash Tally and ATM Cash Reconciliation

- ATM Cash reconciliation supports in monitoring the entire life cycle of an ATM transaction. The life cycle starts from the point of cash load into an ATM to the point of cash dispense.

- ATM Cash Tally will help banks to reconcile the cash in ATM and Cash dispensed on a daily basis with respect to Cash balance report from the vendor, Electronic Journal, Switch and the Host data.

- Cash tally will help the Banks to match these entries and provide tally and un-tally reports. Based on these reports, the banks can see the overage and shortage of the Cash in ATMs.

Some of the challenges of ATM Cash Reconciliation include:

- Handling the ATM dispensing Errors
- Missing transactions/broken transactions during cut off
- More resource requirement to reconcile the ATMs
- Manual error while verifying the data of EJs, Host Banks & General Ledger
- Refunds and charge backs
- Handling high volume of data
- Back office operational risks
- Process governance
- Auditability

- If these challenges are unmanageable with existing systems, let us check how automated solutions help in increasing the operational efficiency.

Automated Reconciliation Solutions

- Automated solutions enable banks to enhance customer satisfaction, reduce costs, generate incremental revenue and improve the efficiency of their self-service channel.

- ATM Cash reconciliation solutions leverage the settlement processes and confirm the operational stability through accurate matching of cash withdrawal, and cash replenishment at the client managed ATMs.

- The automated bank ATM Cash reconciliation software always maintains an amicable relationship between the Electronic Journal, Host bank Switch, General Ledger (GL) and Cash Replenishment Vendor report.

Some of the benefits of automated solutions include,

- Accurate representation of all Customer transactions
- Cash Replenishment
- Admin Transactions
- Operational Stability
- Customizable approaches, by tailoring the Electronic Journal, Host bank Switch,
- General Ledger (GL) and Cash Replenishment Vendor report
- One-point dashboard for all ATMs status
- High-end Graphical Representation for the untallied and Shortage ATMs
- Manual Tally options
- Relax Matching facility for the Un-tallied ATMs
- Reliable matching of Cash Withdrawal with Switch/Vendor Report/GL
- Accurate Tally between EODs/Loading time
- ATM Cash Balancing with Physical and Logical Cash Representation
- In addition, they simplify all the complexities faced due to various parties like merchant POS log, settlement & POS gateway.

UNIT 3					
	option A	option B	option C	option D	Answers
Which one of the following is NOT a major secondary market investor ?	Fannie Mae	Ginnie Mae	Freddie Mac	Jenny Mae	Jenny Mae
Aged people with less or no income can avail …. This product as their source of income :	Reverse Mortgage	Balloon Mortgage	HELOC	Mortgage Refinance	Reverse Mortgage
Expand MBS	Mortgage Backed Securities	Market Based Securities	Money Based Securities	Major Based Securities	Mortgage Backed Securities
Ginnie Mae was formed in________.	1968	1972	1950	1982	1968
___________________is the distribution of dividend as shares rather than cash	dividend reinvestment	stock dividend	bonus	buy back	stock dividend
No new company is created by__________	merger	spin off	acquisition	none of the above	acquisition
________is the cash payment made to the investor for sharing the profits of a company	bonus	commission	dividend	fee	dividend
___________is where the current shareholders receive new shares for free	bonus	commission	dividend	fee	bonus
________is the process of splitting certain parts of the company and establishing independent business	merger	spin off	acquisition	none of the above	spin off
_________is when an entity is unable to repay debt or interest when they are due	Liquidation	bankruptcy	spin off	reverse split	bankruptcy
The issuing company offers to repurchase its own shares from existing shareholders	dividend reinvestment	stock dividend	bonus	buy back	buy back
______________is an arrangement to utilise the dividend amount to buy more shares from the stock market	dividend reinvestment	stock dividend	bonus	buy back	dividend reinvestment
The ________load is payable in case the investment is made through an agent	exit load	back end load	entry	recurring	entry
_______load is levied to discourage early exit by investors	exit load	front end	entry	recurring	exit load
The ________load is not applicable in case of direct application received by the AMC	exit load	back end load	entry	recurring	entry
For providing services of qualified staff the AMC collects fee called as__________ratio	operating	liquid	service	expense	expense
If the ___________load declines with the longer investment tenor it is called contingent deferred sales charges	exit load	front end	entry	recurring	exit load

_________is the fees charged by AMCs to employ highly experienced and qualified staff to take care of investments	exit load	back end load	entry	recurring charges	recurring charges
________is the largest stock exchange founded in 1792	NYSE	BSE	NSE	NASDAQ	NYSE
________is Asia's first stock exchange	NYSE	BSE	NSE	NASDAQ	BSE
___________is an electronic stock exchange	NYSE	BSE	NSE	NASDAQ	NASDAQ
________is where the securities are created here by Initial public offer of stocks and bonds to investors by companies	primary market	secondary market	bear market	bull market	primary market
_______is where investors trade previously-issued securities	primary market	secondary market	bear market	bull market	secondary market
_______is when the economy is doing well, with rising stock prices	primary market	secondary market	bear market	bull market	bull market
__________is when the economy is depressed with decreasing share values	primary market	secondary market	bear market	bull market	bear market
____________invest only in money market securities	bear	bull	chicken	pig	chicken
____________are reckless, greedy investors who buy on hot gossip	bear	bull	chicken	pig	pig
An EDC machine is installed in the _________location	card holder's	issuing bank's	acquiring bank's	merchant	merchant
________________refers to cases where the merchant charges the cardholder twice for the same transaction	amount difference	double debit	cash disense is less	charge not incurred	double debit
Secured loans against fixed assets are called ________	hypothecation	mortgage	amortisation	lien	mortgage
Secured loans against movable assets are called ________	hypothecation	mortgage	amortisation	lien	hypothecation
____________is the market value of the home after deducting any mortgage outstanding	lien	equity	amortisation	hypothecation	equity
__________is the creditor's legal claim against the property being mortgaged	lien	equity	amortisation	hypothecation	lien
__________means a death pledge/contract that ends when the obligation is fulfilled	hypothecation	mortgage	amortisation	lien	mortgage
________refinance is when a borrower refinances from his existing lender and the property mortgage remains with the same lender	On us refinance	off us refinance	rate and term finance	Cash out refinance	On us refinance
________refinance is when a borrower refinances from another	On us	off us	rate and	Cash out	off us

lender and the lien may get transferred to the new lender	refinance	refinance	term finance	refinance	refinance
Government National Mortgage Association is commonly known as___________	Fannie Mae	Ginnie Mae	Freddie Mac	GI bill	Ginnie Mae
Federal Home Loan Mortgage Association is commonly known as ____________	Fannie Mae	Ginnie Mae	Freddie Mac	GI bill	Freddie Mac
Expand LAP	Loan Against place	Loan Against Property	Low application and pay	Lien against plan	Loan Against Property
This is a mortgage with an initial fixed rate for a period of 3 to 10 years	HELOC	Balloon Mortgage	Interest only mortgages	ARM	Interest only mortgages
Loan that a borrower can obtain using his home equity as collateral	HELOC	Balloon Mortgage	Interest only mortgages	ARM	HELOC
This is mainly for senior citizens who convert their home equity to lump sum or regular income	Reverse Mortgage	HELOC	Balloon Mortgage	Interest only mortgages	Reverse Mortgage
ARM in India is known as _____________	floating rate loans	HELOC	Balloon Mortgage	Interest only mortgages	floating rate loans
A conventional loan is secured by ____________and made at the risk of the lender without the benefit of any FHA or VA	real estate	collateral	fixed assets	movable property	real estate
___________loan conforms to GSEs FNMA and FHLMC	jumbo	non-conforming	conformin g	none of the above	conforming
____________is a loan type whose quantum is above the conforming loan limits	jumbo	non-conforming	conformin g	none of the above	jumbo
____________are also known as Thrift	Savings and loan associations	card associations	mutual savings bank	credit unions	Savings and loan associations
The FDIC insures deposits of both ____________ and state banks	central	national	private	commercial	national
__________banks are supervised by the office of the comptroller of currency	central	national	private	commercial	national
__________banks are supervised by the applicable state governments	central	state	private	commercial	state
Mortgage loan application is done through _____________	ginnie mae	fannie mae form 1003	Freddie Mac	form 2202	fannie mae form 1003

___________are monthly payslips required to ascertain a borrower's ability to pay	pay stubs	pay slips	pay rolls	chargeslips	pay stubs
CIBIL issues a CIR along with a 3 digit score ranging from ________to ______	200 to 300	300 to 900	500 to 700	800 to 1000	300 to 900
A CIBIL score of above_____is viewed favourably by lenders	500	400	600	700	700
There are _________types of debt to income ratio	2	3	4	5	2
_________is a desktop appraisal product based on mathematical modelling of a data base	Full interior appraisal	Automated valuation model	Drive-by appraisal	360 appraisal	Automated valuation model
Valuation of property is___________on any mortgage transaction	mandatory	optional	mandatory with option	excluded	mandatory
In this type of appraisal the appraisal is done from inside out	Full interior appraisal	Automated valuation model	Drive-by appraisal	360 appraisal	Full interior appraisal
On the loan _________date the subject property is transferred to the buyer and money paid to the seller	opening	maturity	due	closing	closing

SYLLABUS

Procedures: Lead Generation - Regulation Requirements - Mortgage Originations - Sales/ New Application Management - Support and Settlement Services - Pre Underwriting, Underwriting - Verification and Closing - Quality Control and Repurchase - Mortgage Servicing - Customer Service - A/c Maintenance - Payment Processing - A/c Closure – Collection - Default Management - Front End Activities - Foreclosure and Loss Mitigation – Bankruptcy - Support functions - Quality Assurance - Domain Learning and Development - Regulatory Agencies.

MORTGAGE ORIGINATION

Mortgage loan origination is the process by which a borrower applies for a new loan, and a lender processes that application. Origination generally includes all the steps from taking a loan application up to disbursal of funds (or declining the application). For mortgages, there is a specific mortgage origination process.

Origination is the multi-step process every individual must go through when obtaining a mortgage or home loan, as well as other types of personal loans. During this process, borrowers must submit various types of financial information and documentation to a mortgage lender, including tax returns, payment history, credit card information and bank balances. Mortgage lenders use this information to determine the type of loan and the interest rate for which the borrower is eligible. The origination process is often lengthy and involves a number of steps. The loan origination fee, which is usually 1% of the loan, typically covers this process. Lenders also rely on other information, especially the borrower’s credit report, to determine loan eligibility.

- Pre-Qualification

Pre-qualification is the first step of the process. The loan officer meets with the borrower and obtains all basic data and information relating to income and the real estate property that the loan will cover. This is when the lender determines the type of loan for which the individual qualifies, which is usually one of three common loan types. Fixed-rate loans have a continuous interest rate for the entire life of the loan, while adjustable-rate mortgages (ARMs) have an interest rate that fluctuates in relation to an index, similar to Treasury securities. Hybrid loans feature interest-rate aspects of both fixed and adjustable loans. They most often begin with a fixed rate and eventually convert to an ARM. Some borrowers may be eligible for a government loan, such as one provided by the Federal Housing Authority (FHA) or the Department of Veteran Affairs (VA). These loans are considered non-conventional and are structured in a way that makes it easier for eligible individuals to purchase homes. These loans often feature lower qualifying ratios and can have a smaller or non-existent down payment. During this step, the borrower receives a list of information needed to complete the loan application. The extensive required documentation includes the purchase and sale contract, profit-and-loss statements (for the self-employed) and bank statements. It also includes mortgage statements if the loan is a refinance of an existing mortgage. The lender may also request additional documentation.

- Loan Application

During this stage of the process, the borrower fills out an application for the loan and submits all the necessary documentation. The loan officer discusses which loan options are available and helps the borrower choose the one that is most suitable. The loan officer completes all legally-required paperwork to process the loan.

- Loan Filing

The process is now out of the borrower's hands. All paperwork submitted and signed up to this point is filed and run through an automatic underwriting program to be approved. Some files may be kicked to an underwriter for manual approval. After approval, the loan officer schedules a closing, gets the appraisal, requests insurance information, and sends the loan file to the processor. As a follow-up, the processor may request additional information, if necessary, for reviewing the loan approval.

UNDERWRITING

Underwriting is the process by which investment bankers raise investment capital from investors on behalf of corporations and governments that are issuing either equity or debt securities. The word "underwriter" originated from the practice of having each risk-taker write his name under the total amount of risk he was willing to accept at a specified premium.

Underwriting risk generally refers to the risk of loss on underwriting activity in the insurance or securities industries.

MORTGAGE SERVICING

A mortgage servicer is a company to which some borrowers pay their mortgage loan payments and which performs other services in connection with mortgages and mortgage-backed securities.

BANKRUPTCY

Bankruptcy is a legal proceeding involving a person or business that is unable to repay outstanding debts. The bankruptcy process begins with a petition filed by the debtor, which is most common, or on behalf of creditors, which is less common.

QUALITY ASSURANCE

Quality assurance (QA) is a way of preventing mistakes or defects in manufactured products and avoiding problems when delivering solutions or services to customers; which ISO 9000 defines as "part of quality management focused on providing confidence that quality requirements will be fulfilled".

PRE-UNDERWRITING

One of the major differences between wholesale mortgage lenders and mortgage brokers is that lenders not only have access to readily-available funds but also have the underwriting authority to disseminate such funds as they choose. For such wholesale lenders, Pre-underwriting not only allows them to put a mortgage application through a more thorough initial validating process, but perform most of the important functional due-diligences even before the initial contract is up.

Another reason why pre-underwriting is of a big help is that it also enables home buyers compete better with other cash buyers, who otherwise always tend to get the best deal especially when many people are interested in the same deal.

Pre-underwriting process is one of the best ways to identify proper qualifying factors, or the lack thereof, for a mortgage loan application. In fact, most home buyers are getting themselves pre-qualified much before they start hunting for a home just so they can be in a better negotiating position. At the same time, pre-underwriting also helps prevent the wastage of precious resources by removing submissions from the loan application pipeline which are impossible to get funded. This means wholesale mortgage lenders can have a more efficient mortgage loan underwriting process when the time comes, without having to focus on applications which wouldn't have made through eventually.

Outsourcing mortgage lenders pre-underwriting process therefore can help you achieve better efficiency, while allowing you to save on costs in these testing times. Your pre-underwriting service partner can easily take over your preferred boarding system so as to pre-underwrite buyer applications and help you save considerable

The best way to maximize the results from pre-underwriting your loans is to outsource this task to a qualified Loan Pre-underwriting Service provider. This type of mortgage servicer specializes in quick pre-underwriting procedures and is specifically set up to perform this task accurately and efficiently. The pre-underwriting contractor can merge seamlessly with your preferred or boarding system and rapidly deliver fully pre-underwritten loans without causing delays to your normal approval process. Some of the tasks an authorized pre-underwriter can perform for you include -

- File reviews for applications
- Validate LP/DU or use your own AU system
- Perform thorough fraud analysis
- Open related appraisal, title, and insurance orders
- Properly initiate VOE and VOD verifications

Advantages of Pre-underwriting

There are many inherent benefits of mortgage pre-underwriting for wholesale lenders, including -

- Prospective buyers are better aware of how much financing is potentially available for a property. As a result, since investors directly know the upfront costs, loan amount, and loan rate that is expected to be associated with the property, the property evaluation also gets a significant boost.
- The pre-underwriting mortgage process also helps to validate a property's asking price by using market capitalization rate to actually determine a property's value. This data is obtained from various sources, including property appraisers. This further helps determine whether or not a property's income will support a loan for a determinate percentage of the property's asking price. Furthermore, such a practice can help weed out inaccurate or false listings, while allowing buyers to be more comfortable during the bidding process.
- Pre-underwriting is of great advantage to wholesale lenders who end up having to negotiate listing prices with home owners who feel their properties are worth significantly more than their actual value
- Pre-underwriting mortgage processes can also help evaluate an undeveloped lands' listing. This is done by factoring-in other additional data sources such as market vacancies, incentives, lease-up times, etc. Therefore, construction costs for that particular land, as well as vacancy data can be easily determined with the help of a thorough pre-underwriting process
- Finally, by partnering with suitable pre-underwriters, wholesale mortgage sellers can reduce the on-market-time for all their land investment listings, while considerably enhancing the odds of closing a particular sale.

For years, mortgage lenders have been providing prospective borrowers with pre-authorizations to be use as a tool when negotiating with the seller. Pre-underwriting takes this approach one step further by putting the loan application through a more thorough review process after the pre-authorization is issued but before the buyer/borrower enters into a contract with the seller. Conducted by outsourcing providers such as String, the pre-underwriting process will filter and identify qualified loan applications, with respect to both borrower and property qualifications, earlier in loan originating process. Only those applicants that meet the pre-underwriting qualifications are pushed through to the lender's loan fulfillment center. The result for the mortgage lender is a higher percentage of loans that fund, increased loan production, reduced production costs as in-house loan processors and underwriters are not spending time on unqualified applications and the competitive advantage of a faster time to close.

Lenders choosing to pre-underwriting do have the flexibility of pre-underwriting all pre-authorized borrowers or choosing specific loans, property types or borrowers to put through the processes. At String, we have created two tiers of pre-underwriting services, providing our mortgage lending customers with a choice as to how thorough of a review is performed. Our Loan Processing tier manages the ordering and review of all the necessary reports needed for the underwriting process; including:

- The ordering of VOE, VOM, VOD and VOR and determining the applicant's credibility against our client's check list.
- The ordering of Appraisal, Hazard and Flood Certificates and updating the status on each in our client's LOS
- Preparation of the tax certificate
- Ordering and/or preparation of the title search & report

For lenders looking for a more thorough pre-underwriting review, our Underwriting tier of services leverages our team of experienced loan processors to provide detailed reviews and reports; including:

- Review of the borrower's Credit Report and provide detailed feedback of pertinent credit issues
- Review of the Flood Certification to determine the need for flood hazard insurance
- Review of the Appraisal report to determine if the valuation is on par with the market and report on the appropriateness of the documents submitted.

- Review of the Title Report to ensure that the collateral property is free of any claims, liens or lawsuits
- Review of the entire loan file to identify any anomalies or falsifications that could signify fraud on behalf of the borrower

MORTGAGE LIFE CYCLE

A mortgage loan goes through various stages during which it is created, consummated, and paid off. It begins when an individual considers obtaining a loan and ends when the loan has been paid off and the title of the property passes back to the borrower. A number of intermediate process and steps are involved such as origination, closing, post-closing, securitization, servicing, and others. There are various market participants involved at each stage, with each party having its own motivations, objectives, and expectations.

Three Stages of a Mortgage Loan Life Cycle

The life of a loan can be thought of comprising of three stages:

1. Borrower's Consideration
2. Primary Market
3. Secondary Market

Borrower's Consideration

The inception of a mortgage loan is the consideration by a person to obtain a real estate secured loan. The loan may be to purchase or to refinance a property for either personal or commercial purposes. For instance, it might be a person buying a personal residence for the first time or it may a seasoned real estate investor who needs financing to buy parcels of land and to develop the land into an entire township. Various factors would be considered by the individual before it decides to obtain a loan. Some of the processes involved in this stage are financial analysis, feasibility studies, tax evaluation, loan officer evaluation, and other processes. The deliberations which convince an individual to apply for a mortgage loan constitute the stage of Borrower's Consideration.

Primary Market – Origination and Closing

Primary Market stage starts when a person has decided to obtain a mortgage and approaches a lender/broker to submit a loan application for obtaining the mortgage loan. This stage includes processes such as lender selection, loan application, underwriting, loan closing, recording, and others. Different market participants come into the picture such as the loan agent, broker, lender, escrow agent, appraiser, etc. The Primary Market stage ends when the funds have been obtained by the borrower and the security interest of the lender has been perfected by recording the mortgage with the County Clerk. This also marks loan closing.

Secondary Market – Securitization, Servicing, and Payoff

Upon closing the loan moves to the Secondary Market stage which involves a number of activities aimed at replenishing the capital of the lender and passing the ownership of the loan to the ultimate investors. Processes in this stage may include loan servicing, loan securitization, management of loan portfolio, credit reviews, etc. During this stage, the loan may be sold and resold a number of times. The servicing rights, ownership, and other components of the loan may be segregated and each such component may then be sold to or managed by different market participants. Some of the participants involved include lender, servicer, investment banks, rating agencies, insurance firms, and others. The borrower's activities are limited to making monthly payments and meeting the requirements of the loan.

LIFE CYCLE OF A MORTGAGE LOAN

- **Application**

  The life cycle of a mortgage officially begins when you submit your loan application for approval. Though you will likely be shopping around for interest rate and loan term quotes before you submit your application, it isn't until you sign the mortgage application and give it to the loan officer for processing that the lender will begin to consider your mortgage loan in earnest.

- **Processing and Consideration**

Once you submit your mortgage application, the bank or mortgage broker checks your credit and evaluates the risk of issuing your loan. They will verify the information on your application, check your credit, and appraise the house or other property you wish to buy. One or more underwriters or investors may be consulted if your mortgage is with a brokerage or smaller finance company so that the primary lender doesn't have to shoulder the entire cost of your loan.

- **Closing**

Once the lender reviews your loan application and secures the funds for your mortgage, the closing process begins. Most loans have closing costs, which are additional out-of-pocket expenses such as those that cover inspection costs, application fees, attorney's fees, title insurance, and the cost of filing the mortgage with the county clerk's office. Once the loan closes, the debt becomes your legal responsibility and the property you've bought has a legal lien on it in the name of the bank or lender who issued the mortgage.

- **Post-Close Servicing**

Depending on the lender that issued your mortgage, a number of things may happen once the loan has closed and the purchase is finalized. The most common post-close action is for the lender to sell off portions of the loan, or even the entire loan, to other lenders and investors to offset their expenses. Unless the lender sells the collection rights of the loan, these activities won't affect you, as you'll still have your single payment to make each month.

- **Repayment**

The repayment phase of a mortgage is by far the longest, lasting 15 to 30 years or longer, depending on the amount you have borrowed and the loan type. Unless you take out a loan with bimonthly payments, your responsibilities during the repayment phase are to make your monthly payment, maintain homeowner's insurance if required, pay taxes, and cover other costs specified in the loan agreement. Whether you make your exact payments each month or pay extra to repay your mortgage faster, once you repay the full amount, the lien is removed from your property and you'll own your home completely.

MORTGAGE LOAN LIFE CYCLE

Loan life cycle is the process involved in taking a loan e.g. a mortgage loan, auto loan etc. The first stage in the loan life cycle is the application stage. A loan life cycle officially begins when an individual or business submits his loan application to the bank or financial institution for approval. For example if you want to get a mortgage loan, it is most likely you have identified the home for purchase, and researched the chosen mortgage lending institution to provide the loan. These entire aside, the Loan life cycle actually starts when you submit the loan application to the chosen lending institution.

After submitting the loan application, the lender reviews the application by preparing a credit worthiness report which is a valuation that determines if the borrower is liable to default on his debt. The credit worthiness report takes cognizance of factors such as credit history, repayment history, and credit score. After preparing the credit worthiness report, the lender deliberates internally on if to extend the loan facility.

If the lender deems the applicant fit for the loan, then the application progresses to the next stage which is Loan closing stage. Here the lender on the back of reviewing the application and approving it secures the necessary funding for the loan. Like in other corporate loans, closing of a loan incurs some additional out of pocket expenses like application fees, commitment fees, attorney fees and so on.

Once the debt closes, the funds are disbursed to the borrower and the loan automatically becomes a legal responsibility on the part of the applicant / borrower. After the closing stage comes the post – closing stage. Post-Closing stage being a part of the loan life cycle is dependent on the type of lender. If the loan is of a significant amount, some lenders may opt to selling part of the loan or sometimes all of it to other financial institutions in order to reduce their exposure to the borrower. The borrower is not concerned with the post-closing stage, he only needs to ensure repayment of principal and interest as specified in the loan agreement.

The repayment stage is the last stage of the loan life cycle, it depends on factors such as the principal amount, interest rate and tenor of the loan. It may range from 3 years to 5years or 7 years in tenor. The principal and interest are factored into determining monthly or quarterly payments towards repayment of the entire facility. The repayment stage is the most important part of the loan life cycle as the borrower must fulfil his obligation of repaying both the principal amount and the interest. If the borrower fails to do so, the asset or collateral may be repossessed base on agreements specified in the contract. Once the repayment is made in full, the loan is deemed completed and the borrower becomes free of any obligation to the lender except he takes up another loan.

The Loan Lifecycle

The process of making a mortgage loan has five distinct steps called the loan cycle. The loan cycle is comprised of the steps taken to make and maintain a loan. The mortgage loan cycle begins when a prospective Borrower inquires about a residential mortgage loan, and it ends when the Borrower pays off the loan. The loan cycle involves five major stages:

I. Application
II. Processing
III. Underwriting
IV. Closing
V. Servicing

Each of these functions involves many activities.

I. Application

The application process has several purposes:

Obtaining the basic information from the Applicant/Borrower that the lender needs to underwrite the loan according to its standards and to reach a decision on whether to grant the loan

Assisting the applicant in selecting the appropriate loan programs

Informing the applicant of the details of the mortgage loan program, including a full disclosure of all costs and expenses.

II. Loan Processing

Loan processing includes the collection and verification of detailed information on the Borrower and on the real estate transaction itself. The Lender is primarily interested in two things: the subject property, and your financial situation (which includes your credit history.) The process gathers the information to help determine your ability and your desire to repay the loan.

Gather, organize and verify all the information the underwriter will need, in order to underwrite the loan.

Entering Information into computer, from Loan Application

Deposits (i.e. credit report fee, appraisal fee)

Disclosure Forms sent to Borrower

Verifications--Employment history, Credit history (the credit bureau will show how you have handled past debt and credit accounts.

Appraisal is performed and reviewed for accuracy and completeness (a service for which you may be charged). A professional appraiser will estimate the market value of the house. This information is required because the lender will loan you not more than a given percentage of the value of the property (LTV).

III. Loan Underwriting

The mortgage loan file next enters the underwriting stage. Loan underwriting is a process that determines whether the loan is a good risk for the lender.

The main task during the underwriting stage is to avoid as many undue risks as possible

The loan application is evaluated in terms of the guidelines

Borrower Review

Property Review

Conditions

Follow-up

Re-review of Conditions

Deciding whether to grant a Borrower's request for a loan is perhaps the most difficult stage of making a loan.

Approval

Commitment Letter

IV. Loan Closing

If the loan is approved, the final stage in creating the mortgage loan is the funding and loan closing. In loan closing, the final details of the loan transaction are completed and the loan funds are disbursed. Most frequently, closing is handled by a title company or closing attorney.

Loan closer obtains a title company/attorney's opinion as the condition of the title to the property--its ownership. This opinion of title is reviewed very carefully to verify that the seller owns the property and that there are no unknown claims outstanding against it. Also, the Borrower must provide adequate hazard (and in some cases flood) insurance for the property.

Next the loan closer prepares the loan's legal documents and makes certain other legal requirements are met, such as up-to-date payments of real estate taxes. The mortgage loan file and legal documents are double-checked for completeness and accuracy. Some federally mandated disclosures are usually provided to the Borrower.

Finally, the loan amount must be properly disbursed so the Borrower will be liable for repayment. The appropriate parties must receive the correct amounts in order for the legal conditions for the best to be met.

The mortgage is recorded on the public record, and the lender makes a final review of the loan file for quality control purposes

At this point, the closing of the loan is complete.

Post-Funding Audit

V. Loan Servicing

Loan Servicing includes all activities that occur from the time a loan is closed until the time it is repaid. Servicing activities help ensure that the loan is repaid in a timely manner and that the lenders' legal claim to repayment of the funds is maintained.

Identifying and following up promptly on any delinquent payments by sending reminder notices, making telephone calls, or visiting the home of the delinquent Borrower

If efforts fail, foreclosure is the legal action that bars a defaulted Borrower's right to reclaim the mortgaged property. This action is taken to satisfy the outstanding balance on the mortgage; usually results in property being sold at public or private sale.

Paying taxes and insurance

Servicer wants to make sure that these taxes are paid because government tax claims can take precedence over the lender's claim on a property

If property is destroyed or damaged by fire, wind, etc. without insurance the loan is no longer adequately protected.

When a Servicing company services loans for lenders, it collects a fee ranging from .25 to .50 percent. For example, when a loan is closed at an eight percent interest rate, the Servicer passes through principal and interest of approximately 7 5/8 percent to the Bank, Insurance Co., etc. The Servicer keeps the difference as a servicing fee.

Advising Borrowers of changes in rate for ARMs

Transferring the loan to a new owner or Servicer

Payment Processing

Pay-offs

Mortgage loan

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Underwriting your loan – This is the approval stage where the underwriters will validate your documentation once again. They may also request your credit reports to ascertain your credit worthiness. Appraisals and title search reports are confirmed too. The underwriter has maximum power to reject or accept a borrower's file. If the file is rejected, it is returned to the mortgage loan processing department with a statement of denial. If it is accepted, it is returned to the loan processor with a pre-closing statement. Any denied file has to be reviewed again by the loan officer and processor to see if there is something they could do to help the owner. Automated Underwriting technique is in vogue nowadays. It requires less paperwork and little time. The computer approves or disqualifies a file while the underwriter checks the documents manually to identify possible problems.

Closing stage – If both mortgage loan processing and underwriting departments are happy with your file, the loan execution will enter the closing stage. The loan officer will initiate the closing stage following all the conditions stipulated by the underwriter. In a short time you will get a loan commitment from the lender so that you can set the actual date of the loan closing. You may need to consult with the property seller and lender to make this decision. Prior to closing, it is imperative to compare the Settlement Statement with the Good Faith Estimate statement. The charges outlined in both documents must be similar. If all things work out the Outsourced mortgage loan processing will come to an end and you will get a house loan.

Unit 4	option A	option B	option C	option D	Answers
____________________is our account in a different country.	NOSTRO	VOSTRO	MIRROR	contra	NOSTRO
Who regulates the money circulation in India ?	State Bank of India	Reserve Bank of India	Ministry ofFinance	Commercial Banks	Reserve Bank of India
Which one is NOT a way of money transaction	Demand Draft	RTGS	IFSC	SWIFT	IFSC
Citiband India's Euro account with Deutsche Bank Germany is called _____ Account of Citibank	Vostro	Loro	Nostro	Escrow	Vostro
What is Mandatatorily required to remit money through NEFT or RTGS ?	IFSC	MICR code	SWIFT code	Internet ID & PIN	IFSC
SWIFT is :	Society for Wholesale International Funds Transfer	Secured Worldwide International Funds Transfer	Society for Worldwide Interbank Financial Telecommunicatio n	Standard Worldwide Interbank Funds Transmission	Society for Worldwide Interbank Financial Telecommunication
Which statement is NOT correct about ECS?	It is used for respectitive and bulk transaction such as salary payments / utility bills	MICR code is required to identify Bank and branches for debit and credit of accounts	Bank involved for effecting the bulk debit / credits is called the Sponsor Bank	Funds transfer through ECS is real time and gross settlement	MICR code is required to identify Bank and branches for debit and credit of accounts
MIRROR account is maintained in ___________ country for reconciliation for every NOSTRO account	home	outside	neighbouring	foreign	home
Which feature is not applicable for RTGS:	Financial transactions are setting real time	Each transaction is settled individually	IFSC code is required for identification of Institution and Branch	Routing of transaction through RBI not required	Routing of transaction through RBI not required
An account type used in cases of Initial Public Offering (IPO) is	EEFC	Loan	Current Account	Escrow	Escrow
There are __________variants if	3	4	2	5	2

NECS					
_____________is an order of payment through which dividend are paid off	NECS	ECS	Dividend warrant	Tax	Dividend warrant
The bank where payee has an account is_______	paying bank	confirming bank	advisory bank	corresponding bank	paying bank
Which of the following is not a messaging system?	TELEX	SWIFT	ATM	GCN	ATM
_____________codes are known to be as business identifier codes	SWIFT	RTGS	IFSC	NEFT	SWIFT
________account is an account opened by businessmen who have a large number of transactions with the bank on a daily basis	savings	fixed	NRI	current	current
Businesses that exchange currency, money orders for their customers are called ________	money service businesses	transfer business	broking business	innovative business	money service businesses
The office where the business which is as same as head office	project office	branch office	laison office	foreign office	branch office
________________is the first common medium for international communication	TELEX	SWIFT	ATM	GCN	TELEX
Messages are exchanged in asecured manner keeping in mind data _______________	confidentiality	authenticity	movement	transfer	confidentiality
Through SWIFT details can be exchanged using specially designed messages known as_________	message types	message tail	main type	master	message types
_________ are persons on whose behalf the account is maintained	beneficial owner	trustee	PoA	Government	beneficial owner
__________ is the risk of financial loss due to manual or technical mistake	Liquidity risk	credit risk	operational risk	settlement risk	operational risk
This type of risk occurs due to	Liquidity risk	credit risk	operational risk	settlement risk	settlement risk

deferred net settlement , all payments are settled after a delay					
A NOSTRO account is our account in a _________country	same	different	neighbouring	foreign	different
_________ risk shows the failure to meet the payment requirement at the time of settlement	Liquidity risk	credit risk	operational risk	settlement risk	credit risk
International trade also includes the exchange of _____________	services	people	communication	luggage	services
The risk that a change in the prices of production inputs will adversely impact the manufacturer.	Liquidity risk	Forex risk	**Commodity Price risk**	Interest rate risk	**Commodity Price risk**
Trade can be classified as ________and international.	National	**domestic**	official	Monetary	**domestic**
________is a written undertaking given by a bank	**Letter of credit**	Promissory note	Memo	Contract	**Letter of credit**
_________is a receipt given by the shipping company to the shipper for goods accepted for carriage by sea.	**Bill of lading**	Letter of credit	Airway bill	Promissory note	**Bill of lading**
__________states that the goods are manufactured in a particular country.	The bill	**Certificate of origin**	Inspection certificate	Quality certificate	**Certificate of origin**
Ginnie Mae was formed in________.	**1968**	1972	1950	1982	**1968**
CIBIL is for________	**Credit Information**	Customer Information	Company	Central Investigation	**Credit Information**
Which of the following is not a way of transferring money?	Demand Draft	RTGS	**IFSC**	SWIFT	**IFSC**
Which of the following is not a high risk customer?	Politician	Travel Agent	Arms Dealer	**Salaried person**	**Salaried person**
__________is a mechanism to transfer messages.	ISIN	BCP	**SWIFT**	IFSC	**SWIFT**
____________is an international trade block which has built a	European Union	APEC	ASEAN	SAARC	European Union

single Europe market and single currency- Euro					
Converting illegal money which is earned through illegal sources into clean money is called as_________	lawful activity	laundering	**laison office**	money making	laundering
_____________has a set of standardised anti-laundering guidelines	FATF	OFAC	APEC	ASEAN	FATF
__________is the most critical process and assuming of risk, if borrower can be given a loan	procressing	underwriting	**consigning**	mortgaging	underwriting
_________are the first point of contact for the home buyer who is in need of finance	companies	banks	original lender	unofficial persons	original lender
________application is complete with proper disclosure by borrowers	KYC	loan	**demat**	income	loan
___major documents provide the monthly and annual outflow of the borrower	3	2	5	4	2
______provides details of current outstanding debts and repayment history	bank statements	receipts	invoice	credit score	credit score
___________is a person who agrees to sign a loan and has equal liability as the primary borrower	entrepreneur	union leader	consignor	employer	consignor
__________is legally liable for loan repayment	lender	underwriter	consignor	borrower	borrower
_________is an entitlement programme for veterans	Veteran's Administration	Ginnie Mae	Freddie Mac	FHA	Veteran's Administration
NEFT timing is from ______to________	8am to 5pm	6am to 11pm	8am to 7 pm	2 am to 12 pm	8am to 7 pm
RTGS timing is from______to ___________	9am to 4:30pm	9am to 5pm	9am to 4pm	8am to 4pm	9am to 4:30pm

RTGS refers to_____________	Rest time Good Settlement	Real Time Gross Settlement	Real Time Great Settlement	Rush Time Gift Settlement	Real Time Gross Settlement
__________is the co signor to the loan with liability to pay in case the borrower defaults	Investor	Consignor	Guarantor	borrower	Guarantor
____is generally an individual who generally works on a fee or commission basis between the home buyer and lender	agent	broker	communicator	messenger	broker
__________is a legal document wherein borrower makes an unconditional promise in writing	Bill of lading	bill of exchange	promissory note	deed	promissory note
There are ____major GSEs	2	5	4	3	3
__________are private organisations with government charter and backing	Mortgages	GSEs	Trusts	ARMs	GSEs
When borrower takes refinance from a ____lender it is called off-us refinance	same	different	neighbouring	foreign	different
When borrower takes refinance from a ____lender it is called on-us refinance	same	different	neighbouring	foreign	same
_________insurance is also known as homeowners insurance	hazard	flood	mortgage	theft	hazard
The units of a __________muthual fund scheme are issued only at the time of the New Fund Offer	open ended	closed ended	growth	Bond	closed ended

SYLLABUS

Cash Management Overview: Cash Management Product Suite A Glance and Brief on all – products - Payments Life Cycle - Payments Originations and various products in Originations – phase - Introduction to Funds Transfer - Various types of Funds transfer(Clearing, Treasury Payments, Bills receivables, Collections, lockbox, loans/deposits - Bulk Remittances etc - Pre Funds Transfer - A/c Opening and Maintenance - Workflow Management - Funds Transfer – Payments - Instruction Acceptance - Payment Security - Call Back and Other Controls - Routing and Accounting Entries - Settlement and Payment Structuring - Various Clearing Systems – Overview - Post Funds Transfer - Nostro Reconciliations - Proofing - Investigations - Financial Messaging - Tracking - MIS and Treasury Reporting - Amendments and Collections - Risk management around payments- few case studies.STP Analysis and Improvements.

CASH MANAGEMENT

Cash management refers to a broad area of finance involving the collection, handling, and usage of cash. It involves assessing market liquidity, cash flow, and investments.

TYPES OF FUND TRANSFER

India has multiple payments and settlement systems, both gross and net settlement systems. For gross settlement India has a Real Time Gross Settlement (RTGS) system called by the same name and net settlement systems include Electronic Clearing Services (ECS Credit), Electronic Clearing Services (ECS Debit), credit cards, debit cards, the National Electronic Fund Transfer (NEFT) system and Immediate Payment Service.

RTGS AND NEFT

The acronym 'RTGS' stands for real time gross settlement. The Reserve Bank of India (India's Central Bank) maintains this payment network. Real Time Gross Settlement is a funds transfer mechanism where transfer of money takes place from one bank to another on a 'real time' and on 'gross' basis. This is the fastest possible money transfer system through the banking channel. Settlement in 'real time' means payment transaction is not subjected to any waiting period. The transactions are settled as soon as they are processed. 'Gross settlement' means the transaction is settled on one to one basis without bunching with any other transaction. Considering that money transfer takes place in the books of the Reserve Bank of India, the payment is taken as final and irrevocable.

Fees for RTGS vary from bank to bank. RBI has prescribed upper limit for the fees which can be charged by all banks both for NEFT and RTGS. Both the remitting and receiving must have core banking in place to enter into RTGS transactions. Core Banking enabled banks and branches are assigned an Indian Financial System Code (IFSC) for RTGS and NEFT purposes. This is an eleven digit alphanumeric code and unique to each branch of bank. The first four letters indicate the identity of the bank and remaining seven numerals indicate a single branch. This code is provided on the cheque books, which are required for transactions along with recipient's account number.

RTGS is a large value (minimum value of transaction should be □2, 00,000) funds transfer system whereby financial intermediaries can settle interbank transfers for their own account as well as for their customers. The system effects final settlement of interbank funds transfers on a continuous, transaction-by-transaction basis throughout the processing day. Customers can access the RTGS facility between 9 am to 4:30 pm (Interbank up to 6:30 pm) on weekdays and 9 am to 2:00 pm (Interbank up to 3:00 pm) on Saturdays. However, the timings that the banks follow may vary depending on the bank branch. Time Varying Charges has been introduced w.e.f. 1 October 2011 by RBI. The basic purpose of RTGS is to facilitate the transactions which need immediate access for the completion of the transaction.

Banks could use balances maintained under the cash reserve ratio (CRR) and the intra-day liquidity (IDL) to be supplied by the central bank, for meeting any eventuality arising out of the real time gross settlement (RTGS). The RBI fixed the IDL limit for banks to three times their net owned fund (NOF).

The IDL will be charged at □25 per transaction entered into by the bank on the RTGS platform. The marketable securities and treasury bills will have to be placed as collateral with a margin of five per cent. However, the apex bank will also impose severe penalties if the IDL is not paid back at the end of the day.

The RTGS service window for customer's transactions is available from 8:00 hours to 19:00 hours on week days and from 8:00 hours to 13:00 hours on Saturdays.

No Transaction on weekly holidays and public holidays.

TARGET2 is a RTGS system that covers the European Union member states that use the euro, and is part of the Eurosystem, which comprises the European Central Bank and the national central banks of those countries that have adopted the euro. TARGET2 is used for the settlement of central bank operations, large-value Euro interbank transfers as well as other euro payments. TARGET 2 provides real-time financial transfers, debt settlement at central banks which is immediate and irreversible.

IMMEDIATE PAYMENT SERVICE (IMPS)

Immediate Payment Service (IMPS) is an initiative of National Payments Corporation of India (NPCI). It is a service through which money can be transferred immediately from one account to the other account, within the same bank or accounts across other banks. Upon registration, both the individuals are issued an MMID (Mobile Money Identifier) Code from their respective banks. This is a 7 digit numeric code. To initiate the transaction, the sender in his mobile banking application need to enter the registered mobile number of the receiver, MMID of the receiver and amount to be transferred. Upon successful transaction, the money gets credited in the account of the receiver instantly. This facility is available 24X7 and can be used through mobile banking application. Some banks have also started providing this service through internet banking profile of their customers. Though most banks offer this facility free of cost to encourage paperless payment system, ICICI bank and Axis bank charge for it as per their respective NEFT charges.

Nowadays, money through this service can be transferred directly also by using the receiver's bank account number and IFS code. In such case, neither the receiver of the money needs to be registered for mobile banking service of his bank, nor does he need MMID code. IMPS facility differs from NEFT and RTGS as there is no time limit to carry out the transaction. This facility can be availed 24X7 and on all public and bank holidays including RBI holidays.

PAYMENT LIFE CYCLE

There are three stages to payment processing: validation, reservation, and finalization. The payment life cycle is related to the order life cycle stages: order capture, release to fulfillment, and shipping.

- **Validation**

Ensures that a customer has adequate funds to make the purchase. The payment action depends on the customer's payment method. For instance, when a customer pays for a purchase using a credit card, a credit card authorization is sent and if it is valid, the transaction is approved. This process occurs during an order submission.

- **Reservation**

Ensures that funds are available before shipment of the goods. The reservation amount is the sum of all order release amounts. This process occurs during a release to fulfillment.

- **Finalization**

Payment finalization is typically driven by a shipment confirmation message from or on behalf of the fulfiller. This process occurs when the goods are shipped for the order release.

An order can have multiple releases if items in the order must be shipped from different warehouses or use different carriers, or if some of the items need to arrive at different times, such as for an expedited item. Additionally, a customer can group order items in the same order to ship together, including backordered items or future shipments.

Lockbox—wholesale services

Often companies (such as utilities) which receive a large number of payments via checks in the mail have the bank set up a post office box for them, open their mail, and deposit any checks found. This is referred to as a "lockbox" service.

Lockbox—retail services

They are for companies with small numbers of payments, sometimes with detailed requirements for processing. This might be a company like a dentist's office or small manufacturing company.

SETTLEMENT AND PAYMENT STRUCTURING

A structured settlement is a negotiated financial or insurance arrangement through which a claimant agrees to resolve a personal injury tort claim by receiving part or all of a settlement in the form of periodic payments on an agreed schedule, rather than as a lump sum.

SEGMENTATION MARKET TARGETING AND POSITIONING (STP ANALYSIS)

The STP Model consists of three steps that help you analyze your offering and the way you communicate its benefits and value to specific groups.

STP stands for:

- Step 1: **S**egment your market.
- Step 2: **T**arget your best customers.
- Step 3: **P**osition your offering.

This model is useful because it helps you identify your most valuable types of customer, and then develop products and marketing messages that ideally suit them. This allows you to engage with each group better, personalize your messages, and sell much more of your product.

SEGMENTATION

Through segmentation, one can identify niches with specific needs, mature markets to find new customers, deliver more focused and effective marketing messages.

MARKET TARGETING

To evaluate the potential and commercial attractiveness of each segment the following are needed.

- **Criteria Size:** The market must be large enough to justify segmenting. If the market is small, it may make it smaller.
- **Difference:** Measurable differences must exist between segments.
- **Money:** Anticipated profits must exceed the costs of additional marketing plans and other changes.
- **Accessible:** Each segment must be accessible to your team and the segment must be able to receive your marketing messages
- **Focus on different benefits:** Different segments must need different benefits.

Product positioning

Positioning maps are the last element of the STP process.

Unit 5	option A	option B	option C	option D	Answers
__________states that the goods are manufactured in a particular country.	The bill	Certificate of origin	Inspection certificate	Quality certificate	Certificate of origin
Trade can be classified as ________and international.	National	domestic	official	Monetary	domestic
________is a written undertaking given by a bank	Letter of credit	Promissory note	Memo	Contract	Letter of credit
_________is a receipt given by the shipping company to the shipper for goods accepted for carriage by sea.	Bill of lading	Letter of credit	Airway bill	Promissory note	Bill of lading
International trade also includes exchange of _________	Services	Proof	Communication	documents	Services
A doucumentary collection where buyer has to make the payments at the time of taking delivery of doucuments is known as:	Doucument against Acceptance	payment	Documents agents Payments	Deferred Payments	Doucument against Acceptance
_____ doucument provides coverage for loss/damage of goods or other risks, as specified	Insurance	Packing List	Invoice	None of these	Insurance
Receipt given by shipping company to shipper for goods accepted for carriage by sea is called as :	Commercial invoice	Certificate of Orign	Bill of entry	Bill of Lading	Bill of Lading
Bill of Lading can be also be treated as Doucument of ________ to Goods and is issued in a set of multiple originals	title	proof	warrant	evidence	title
When a bank other than issuing bank provides additional undertaking to LC, such bank is called	Advising bank	Issuing bank	Confiriming bank	Seller's bank	Confiriming bank
Which one is not a Commercial Document ?	Inspection certificate	Packing List	Bill of Lading	Draft	Draft
Which ICC rules / publicationsare involved in Doucmentary Credit?	Uniform Customs & Practice 600	Uniform Rulews for Collection	International Standard Banking Practice	None of the above	Uniform Customs & Practice 600
_________risk arises due to deferred net settlement, payment is settled after a delay	Credit risk	settlement risk	operational risk	liquidity	settlement risk
______________is a risk of financial loss due to manual or technical mistake	Credit risk	settlement risk	operational risk	liquidity	operational risk
The method by which goods are shipped from one place to another is called	mode of transport	way of movement	loading	packing	mode of transport

________has a standardized set of anti laundering guidelines	FATF	NCCT	OFAC	Al- Quaida	FATF
___________is a person who represents the buyer or seller overseas	Agent	Banker	Transporter	Manufacturer	Agent
Non payment for the goods sold by buyer to seller is an example of ________risk	Credit risk	settlement risk	operational risk	liquidity	Credit risk
The risk associated with change in price is	exchange risk	Credit risk	settlement risk	operational risk	exchange risk
There are _______basic types of collection	3	4	5	2	2
A clean collection is a collection of financial instruments not accompanied by _________	documents	proof	securities	evidence	documents
_____________ collection involves collection of documents whether or not accompanied by financial instruments	clean	documentary	total	partial	documentary
A commercial document is any document other than a __________document	official	initial	financial	clean	financial
____________is the party who is the initiator of the collection process	agent	principal	bank	company	principal
The bank which advices the letter of credit to the beneficiary	issuing	advising bank	beneficiary bank	remitti	advising bank
_____________is the bank which adds its confirmation to the letter of credit at the request of the issuing bank	negotiating bank	confirming bank	advising bank	beneficiary bank	confirming bank
Under ____LC if no specific bank is nominated in the letter of credit , any bank can negotiate the documents	restricted	unrestricted	sight	term	unrestricted
The latest revision of UCP is ________	UCP 600	UCP 300	UCP025	UCP 250	UCP 600
____________LC is a documentary credit that permits the negotiation of documents against a warehouse receipt	revolving	restricted	green clause	back to back	green clause
_____________LC is used between buyers and sellers who have a long standing trading relationship in shipment of goods	revolving	restricted	green clause	back to back	revolving
Under _______LC the advising bank is authorised by the issuing bank to pay a sum of money to the beneficiary of credit for raw materials	revolving	restricted	green clause	red clause	red clause
A credit which is available for negotiation only with a specified nominated bank is called a _______credit	revolving	restricted	green clause	back to back	restricted
The person to whom the bill of exchange is addressed is the	payee	payer	drawer	drawee	drawee

________					
The person who makes or signs the bill of exchange is the_______	payee	payer	drawer	drawee	drawer
Bill of exchanges are usually drawn in sets of ________	3	4	5	2	2
Among the two original bill of exchanges, when one of the bill of exchanges is paid the other one becomes__________	void	voidable	valid	transferrable	void
Bill of exchange where payment is to be paid immediately is_______	sight	original	after sight	fixed date	sight
Bill of exchange where payment is demanded after certain days from sight_______	sight	original	after sight	fixed date	after sight
Where the due date can be ascertained from the face of a bill of exchange	sight	original	after sight	fixed date	fixed date
A________is issued by a seller to a buyer indicating the goods or services sold along with quantity and agreed price	Commercial invoice	bill of lading	Airway bill	warehouse receipt	Commercial invoice
A bill of lading is a contract of __________	carraige	sale	transfer	ship	carraige
The certificate of origin is prepared by the ________	importer	exporter	consignor	drawer	exporter
Inspection companies such as SGS, Bureau Vistas, Intertek International show the result of_________of the goods	weight	Packing List	inspection	sales	inspection
_____________certificate ensures the goods are free from insecticides and sterilised before packing and shipping	Inspection certificate	fumigation certificate	certificate of origin	phytosanitar y	fumigation certificate
__________certificates are issued to satisfy import regulations of some countries	Inspection certificate	fumigation certificate	certificate of origin	phytosanitar y	phytosanitary
____________certificate provides the contents of goods	analysis	fumigation certificate	certificate of origin	phytosanitar y	analysis
A guarantee is a _________undertaking given by an issuing bank on behalf of itscustomers	revocable	irrevocable	issuable	transferrable	irrevocable
_______date of the bank guarantee is the last date by which the beneficiary can present a valid claim to the bank	due	last	expiry	maturity	expiry
_________this type of guarantee is used to cover the non-payment of a debt arising under a transaction over a period of time	advance	retention	financial	customs	financial
If some percent of the contractt value is paid after sometime it is called ________guarantee	retention money	advance	retention	financial	retention money

Customs authorities accept customs duty guarantee in place of payment of________duty	import	export	customs	excise	import
The guarantee is amended at the request of the applicant by the _______bank	issuing	advising bank	beneficiary bank	remitti	issuing
UCP 600 is in effect from_________	31-Jul-07	30-Apr-05	25-Jun-17	23-Mar-15	31-Jul-07
UCP 600 has _____arcticles	23	25	39	40	39
___________is intended to be the standard reference for standby letters of credit	ISP98	ISPN	ISP100	ISP5	ISP98
A group of lenders agreeing to come together to fund a loan is called	secured loan	unsecured loan	syndicated loan	supply chain finance	syndicated loan
Under a syndicated agreement one bank is appointed as a _______bank who will perform the duties on behalf of other banks	lead	state	head	advising	lead
The laws and rules that govern import and export are called trade_____	compliance	finance	rules	ideas	compliance
____________are single point of contact for customers and are accessible on phone and email	CO's	PO's	SO's	MO's	CO's
International Chamber of commerce is the governing body for framing rules and regulations for trade______	registration	conduct	compliance	finance	conduct

Introduction to Trade : Parties & Terminology used in International Trade, Risks Associated & its mitigants, Role of banks & Documents in International Trade - Letter of Credit (L/C) – Parties to L/C & Types of L/C – Issuance, Advising, Amendment, Confirmation, Document Checking, Acceptance & Payment - Collection - Parties to Collection & Types of Collection - Document Checking, Acceptance & Payment - Method of Payment – Advance, Open Account, Documentary Collection & Documentary Credit - Guarantee / SBLC – Types of Guarantee – Issuance, Amendment, Claim / Settlement & Cancellation - Reimbursement – Authorization, Claim / Payment, Clean Payment, Irrevocable Undertaking, FI Advance - Loans & Finances - Syndicated Loans, Corporate Advances, Receivable Finance, Supplier Finance, Commodity Finance, Channel Finance & Bill Finance / Discounting - Basics and outline of UCP 600, ISBP, URC 522, URR 725, URDG and ISP98 - Value Added Services - After Service– Customer Service (Voice / Non-voice), Investigation, Reconciliation, Proofing & Reporting - Trade Compliance - Trade Advisory / Customer Owner - Overview on specialized training course for CDCS certification.

INTERNATIONAL TRADE

International Trade is the exchange of capital, goods, and services across international borders or territories. In most countries, such trade represents a significant share of gross domestic product (GDP).

Need for International Trade:

In today's global economy, international trade is at the heart of development. Nations—developed or underdeveloped—trade with each other because trade is mutually beneficial. In other words, the basic motivation of trade is the gain or benefit that accrues to nations.

In a state of autarky or isolation, benefits of international division of labour do not flow between nations. It is advantageous for all the countries of the world to engage in international trade. However, the gains from trade can never be the same for all the trading nations. Thus, benefits or gains from trade may be inequitable; but what is true is that "some trade is better than no trade".

LETTER OF CREDIT (LC):

A letter of credit is a letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase. Due to the nature of international dealings, including factors such as distance, differing laws in each country, and difficulty in knowing each party personally, the use of letters of credit has become a very important aspect of international trade.

The following are the different types of letters of credit:

- Commercial LC. A standard LC, also called as documentary credit.
- Export/Import LC. The same letter of credit can be called export or import depending on who uses it. ...
- Transferable LC. ...
- Un-transferable LC. ...
- Revocable LC. ...
- Irrevocable LC. ...
- Standby LC. ...
- Confirmed LC.

A commercial letter of credit is a direct payment method in which the issuing bank makes the payments to the beneficiary. In contrast, a standby letter of credit is a secondary payment method in which the bank pays the beneficiary only when the holder cannot.

A revolving letter of credit lets the customer make any number of draws within a certain limit during a specific time period. A traveler's letter of credit guarantees the issuing banks will honor drafts made at certain foreign banks.

A confirmed letter of credit involves a bank other than the issuing bank guaranteeing the letter of credit. The second bank is the confirming bank, typically the seller's bank. The confirming bank ensures payment under the letter of credit if the holder and the issuing bank default. The issuing bank in international transactions typically requests this arrangement.

DOCUMENTS INVOLVED IN INTERNATIONAL TRADE

There are many documents involved in international trade, such as commercial documents, financial documents, transport documents, insurance documents and other international trade related documents. In processing the export consignment, documentation may be executed in up to four contracts: the export sales contract, the contract of carriage, the contract of finance and the contract of cargo insurance. It is therefore important to understand the role of each document and its requirements in international trade.

Commercial Documents

Quotation

An offer to sell goods and should state clearly the price, details of quality, quantity, trade terms, delivery terms and payment terms.

Sales Contract

An agreement between the buyer and the seller stipulating every detail of the transaction. Since this is a legally binding document, it is therefore advisable to seek legal advice before signing the contract.

Pro Forma Invoice

An invoice provided by a supplier prior to the shipment of merchandise, informing the buyer of the kinds and quantities of goods to be sent, their value, and importation specifications (weight, size and similar characteristics). This is not issued for demanding payment but may be used when applying for an import licence / permit or arranging foreign currency or other funding purposes.

Commercial Invoice

A formal demand note for payment issued by the exporter to the importer for goods sold under a sales contract. It should give details of the goods sold, payment terms and trade terms. It is also used for the customs clearance of goods and sometimes for foreign exchange purpose by the importer.

Packing List

A list with detailed packing information of the goods shipped.

Inspection Certificate

A report issued by an independent surveyor (inspection company) or the exporter on the specifications of the shipment, including quality, quantity, and / or price, required by certain buyers and countries.

Insurance Policy

An insurance document, with full details of the insurance coverage, evidencing insurance has been taken out on the goods shipped.

Insurance Certificate

This certifies that the shipment has been insured under a given open policy and is to cover loss of or damage to the cargo while in transit.

Product Testing Certificate

This certifies the products are conformed to a certain international / national technical standard, such as product quality, safety and specifications.

Health Certificate

Document issued by the competent country when agricultural or food products are being exported, to certify that they comply with the relevant legislation in the exporter's country and were in good condition at time of inspection, prior to shipment and fit for human consumption.

Phytosanitary Certificate

Frequently an international requirement that any consignment of plants or planting materials importing into a country shall be accompanied by a Phytosanitary Certificate issued by the exporting country stating that the consignment is found substantially free from diseases and pests and conforms with the current phytosanitary regulations of the importing country. Application of the certificate in Hong Kong should be made to the Agriculture and Fisheries Department.

Fumigation Certificate

A pest control certificate issued to certify that the concerned products have been undergone the quarantine and pre-shipment fumigation by the approved fumigation service providers. It is mainly required by the US, Canada, Australia, New Zealand and UK's customs on solid wood packing material from Hong Kong and the Chinese Mainland.

ATA Carnet

An international customs document used to obtain a duty-free temporary admission for goods such as exhibits for international trade fairs, samples and professional equipment, into the countries that are signatories to the ATA Convention.

Consular Invoice

A document required by some foreign countries, showing shipment information such as consignor, consignee, and value description, etc. Certified by a consular official of the importing country stationed in the foreign country, it is used by the country's customs officials to verify the value, quantity and nature of the shipment.

Transport Documents

Shipping Order S/O

A document with details of the cargo and the shipper's requirements, and is the basic document for preparing other transport documents such as bill of lading, air waybill, etc.

Dock Receipt D/R or Mate's Receipt

A receipt to confirm the receipt of cargo on quay / warehouse pending shipment. The dock receipt is used as documentation to prepare a bill of lading. It has no legal role regarding processing financial settlement.

Bill of Lading (B/L)

An evidence of contract between the shipper of the goods and the carrier. The customer usually needs the original as proof of ownership to take possession of the goods. There are two types: a STRAIGHT bill of lading is non-negotiable and a negotiable or shipper's ORDER bill of lading (also a title document) which can be bought, sold or traded while goods are in transit and is used for many types of financing transactions.

House Bill of Lading (Groupage)

A bill of lading issued by a forwarder and, in many cases, not a title document. Shippers choosing to use a house bill of lading, should clarify with the bank whether it is acceptable for letter of credit purpose before the credit is opened. Advantages include less packing, lower insurance premiums, quicker transit, less risk of damage and lower rates than cargo as an individual parcel / consignment.

Sea Waybill

A receipt for cargo which incorporates the contract of carriage between the shipper and the carrier but is non-negotiable and is therefore not a title document.

Air Waybill (AWB)

A kind of waybill used for the carriage of goods by air. This serves as a receipt of goods for delivery and states the condition of carriage but is not a title document or transferable / negotiable instrument.

House Air Waybill (HAWB)

An air consignment note issued by an air freight agent to provide the cargo description and records. Again, it is not a title document.

Shipping Guarantee

Usually a pre-printed form provided by a shipping company or the bank, given by an importer's bank to the shipping company to replace the original transport document. The consignee may then in advance take delivery of goods against a shipping guarantee without producing the original bill of lading. The consignee and the importer bank will be responsible for any loss or charges occurred to the shipping company if fault is found in the collection. It is usually used with full margin or trust receipt to protect the bank's control to the goods.

Packing List (sometimes as packing note)

A list providing information needed for transportation purpose, such as details of invoice, buyer, consignee, country of origin, vessel / flight date, port / airport of loading, port / airport of discharge, place of delivery, shipping marks / container number, weight / volume of merchandise and the fullest details of the goods, including packing information.

Financial Documents

Documentary Credit D/C

A bank instrument (issuing or opening bank), at the request of the buyer, evidencing the bank's undertaking to the seller to pay a certain sum of money provided that specific requirements set out in the D/C are satisfied.

Standby Credit

An arrangement between a customer and his bank by which the customer may enjoy the convenience of cashing cheques, up to a value. Or a credit set up between the exporter and the importer guaranteeing the exporter will pay the importer a certain amount of money if the contract is not fulfilled. It is also known as performance bond. This is usually found in large transactions, such as crude oil, fertilizers, fishmeal, sugar, urea, etc.

Collection Instruction

An instruction given by an exporter to its banker, which empowers the bank to collect the payment subject to the contract terms on behalf of the exporter.

Bill of Exchange (B/E) or Draft

An unconditional written order, in which the importer addressed to and required by the exporter to pay on demand or at a future date a certain amount of money to the order of a person or bearer.

Trust Receipt (T/R)

A document to release a merchandise by a bank to a buyer (the bank still retains title to the merchandise), the buyer, who obtains the goods for processing is obligated to maintain the goods distinct from the remainder of his / her assets and to hold them ready for repossession by the bank.

Promissory Note

A financial instrument that is negotiable evidencing the obligations of the foreign buyer to pay to the bearer.

Government Documents

Certificate of Origin (CO)

This certifies the place of manufacture of the exported goods to meet the requirements of theimportingauthorities.

Certificate of Origin Generalized Systems of Preferences (GSP) Form A (or as Form A)

A CO to support the claim for preferential tariff entry (a reduced or zero rate) of the exporting country's products into the GSP donors under the GSP they operate. In general, a Form A is issued only when the goods concerned have met both the origin rules of the preference receiving country as well as the origin criteria of the respective donor country's GSP.

Import / Export Declaration

A statement made to the Director of Customs at port of entry / exit, declaring full particulars of the shipment, eg. the nature and the destination / exporting country of the ship's cargo. Its primary use is for compiling trade statistics.

Import / Export Licence

A document issued by a relevant government department authorising the imports and exports of certain controlled goods.

International Import Certificate (IIC)

A statement issued by the government of country of destination, certifying the imported strategic goods will be disposed of in the designated country. In Hong Kong, it is issued only to meet an exporting country's requirement.

Delivery Verification Certificate (DVC)

A statement issued by the government of country of destination, certifying a specific strategic commodity has been arrived in the designated country. In Hong Kong, it is issued only to meet an exporting country's requirement.

Landing Certificate

A document issued by the government of country of destination, certifying a specific commodity has been arrived in the designated country. In Hong Kong, it is issued by the Census and Statistics Department. Application requirements include letter stating the reason for the application, import declaration & receipt; bill of lading, sea waybill & land manifest; supplier's invoice; and packing list (if any).

Customs Invoice

A document specified by the customs authorities of the importing countries stating the selling price, costs for freight, insurance, packing and payment terms, etc, for the purpose of determining the customs value.

SYNDICATED LOAN

A syndicated loan, also known as a syndicated bank facility, is a loan offered by a group of lenders – referred to as a syndicate – that work together to provide funds for a single borrower. The borrower could be a corporation, a large project or a sovereignty, such as a government.

GUARANTEE

This is a surety that is provided by a bank or a financial institution that they will pay off the debts and liabilities incurred by an individual or a business entity in case they are unable to do so.

This enables a business to grow and expand by deferring payment of goods and services they are utilizing now to a later date. This helps a business to invest on a larger scale than would have been possible without the bank guarantee.

By providing a guarantee, a bank offers to honor any payment to the creditors upon receiving a request. This requires that the financial institution be very sure of the business or individual to whom the bank guarantee is being issued. So, banks run risk assessments to ensure that the guaranteed sum can be retrieved back from the business. This may require the business to furnish a security in the shape of cash or capital assets. Any entity that can pass the risk assessment and provide security may obtain a bank guarantee.

The system for providing bank guarantees works in the following manner:

- Applicant and the creditor ascertain that there is a need for a bank guarantee.
- Applicant reaches out to a financial institution to issue a bank guarantee to the creditor.

- The bank runs a risk assessment and asks for a security.
- The applicant furnishes the security and the bank, or the financial institution processes the bank guarantee.
- The bank guarantee is sent to the creditor's bank or the creditor, or the applicant may be asked to collect it in person to give it to their creditor.

Advantages of Bank Guarantee

A business benefits from a bank guarantee as:

- It allows one to defer payment for goods or services procured on the basis of the security provided by the bank guarantee.
- All the money is not tied up in one project but can be spread around.
- There is the cash available to explore and expand business.

Types and Purposes of Bank Guarantees

There are in general two types of Bank Guarantee:

1. Direct bank guarantee is a guarantee which is issued by the bank of the account holder directly in favour of the Beneficiary.
2. Indirect guarantee is a guarantee which is issued by a second bank in return for a counter-guarantee.

A financial institution can provide many different types of bank guarantees. These include the following:

- Performance Guarantee (or Performance Bond) – these are bonds that act as collateral for any loss suffered by the buyer in case the performance of the seller is below par.

- Advance Payment Guarantee – this is to ensure the safety of any advance payment made by the buyers to the seller. In case the seller is unable to deliver the service or the goods, then the buyer can get his money back.

- Payment Guarantee – this guarantee is provided to the seller, ensuring payment by a predetermined date.

- Conditional Payment Undertaking – This is an instruction to the bank from an account holder to pay a sum of money to a creditor on completion of certain conditions. This bond is a post contract instrument that is used to pay off agents and contractor on completion of a project.

- Guarantee Securing Credit Line – This surety is given to a creditor on claims against the debtor in case a loan is not repaid as per the terms of the agreement.

- Order and Counter Guarantee – This is a surety given by the debtor to the creditor, to protect against the failure to fulfill an obligation as contracted. In case of default, the creditor can demand the payment back.

Uniform Customs and Practice for Documentary Credits (UCP)

The Uniform Customs and Practice for Documentary Credits (UCP) is a set of rules on the issuance and use of letters of credit. The UCP is utilized by bankers and commercial parties in more than 175 countries in trade finance. Some 11-15% of international trade utilizes letters of credit, totaling over a trillion dollars (US) each year.

Historically, the commercial parties, particularly banks, have developed the techniques and methods for handling letters of credit in international trade finance. This practice has been standardized by the ICC (International Chamber of Commerce) by publishing the UCP in 1933 and subsequently updating it throughout the years. The ICC has developed and moulded the UCP by regular revisions, the current version being the UCP600. The result is the most successful international attempt at unifying rules ever, as the UCP has substantially universal effect. The latest revision was approved by the Banking Commission of the ICC at its meeting in Paris on 25 October 2006. This latest version, called the UCP600, formally commenced on 1 July 2007.

CDCS

The Certified Documentary Credit Specialists (CDCS) is a professional qualification recognized worldwide as a benchmark of competence for international trade practitioners. It enables documentary credit practitioners to demonstrate practical knowledge and understanding of the complex issues associated with documentary credit practice.
The CDCS program has been developed and is continually reviewed by BAFT and The London Institute of Banking & Finance (formerly ifs University College) and industry experts to ensure that the certification reflects industry standards and best practices. CDCS is the international standard for documentary credit specialists, based on the ICC rules.

CDCS develops core knowledge and understanding of the following areas:

- Documentary credits - types, characteristics and uses, including standby credits
- Rules and trade terms, including ISBP 745, ISP 98, UCP 600, URR 725 and Incoterms 2010
- Parties to documentary credit transactions and their roles and obligations
- Types and methods of payment / credit used in documentary credit transactions. Types of transport, commercial and financial documents used in documentary credits
- Risk issues, including types of risk, control and mitigants
- Related products, including letters of indemnity, air way releases and steamship guarantees
- Implications of breaching rules related to financial crime including money laundering and terrorist financing

The benefits of continuing professional development include the following:

- It enables you to demonstrate a level of expertise in documentary credits recognized worldwide
- It improves your knowledge and understanding of the complex issues associated with documentary credit best practice
- It helps you develop the skills needed to apply your knowledge in the workplace and maximize your performance
- It helps you to learn how to comply with regulatory requirements
- It fosters innovation in customer service and improves your customer relationships