

### Corrigendum/Explanation SFG 2024 Level 1 Test 12

**There is 1 change in today's paper. Q.10 has been dropped from the paper.**  
**Some explanations have been provided for the students who have raised doubts.**

**Q.10)** A scale-based regulatory framework has been announced by RBI for non-banking financial companies. The new framework does away with the classification of 'systemically important' NBFCs.

**For Future References:**

**Q.10)** With reference to Non-Banking Financial Companies (NBFCs), consider the following statements:

1. Unlike banks, Demand deposit is not accepted in NBFCs.
  2. Unlike banks, no NBFC needs to maintain Capital Adequacy Ratio.
  3. Deposits made in both banks and NBFCs are secured under Deposit Insurance and Credit Guarantee Corporation.
- How many of the above given statements are correct?

- (a) Only one
- (b) Only two
- (c) All three
- (d) None

**Ans) a**

**Exp) Option a is the correct answer.**

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956. They raise loans and funds from their customers and advances to ultimate spenders.

**Statement 1 is correct:** The primary difference between NBFC and a bank is NBFC cannot accept demand deposits i.e., Saving and Current accounts. Although there are some deposits taking NBFC(NBFC-D), but they accept only Time Deposits.

**Statement 2 is incorrect:** Some NBFCs need to maintain capital adequacy ratio, as prescribed by the RBI. Under the existing regulatory framework for NBFCs, Systemically Important NBFCs are required to maintain a regulatory capital of 15% against its risk weighted assets.

**Statement 3 is incorrect:** Deposit Insurance and Credit Guarantee Corporation Act, 1961 provides insurance of deposits and guaranteeing of credits. DICGC only insures bank's deposits. It does not apply to non-banking financial companies (NBFCs).

**Source:** <https://www.rbi.org.in/commonperson/English/Scripts/FAQs.aspx?id=1167>

**Q.18)** There was a doubt raised with respect to Statement 1 i.e., "Coins of any denomination not lower than one rupee shall be legal tender, for any sum not exceeding one thousand rupees."

**Explanation –** The Statement talks about coins of denomination 1 and above 1 rupee and not 50 paise. Coin of any denomination not lower than one rupee shall be legal tender for any sum not exceeding one thousand rupees. Fifty paise coin shall be legal tender for any sum not exceeding ten rupees. While anyone cannot be forced to accept coins beyond the limits mentioned above, voluntarily accepting coins for amounts exceeding the limits mentioned above is not prohibited. Hence, the statement is correct.

**Q.36)** There was a doubt raised with respect to Statement 3 i.e. "M4 includes components of M1 along with total deposits with Post Office savings organizations."

**Explanation – The Statement remains incorrect.** If the statement was "M4 includes components of M1 along with all deposits with Post Office savings organizations excluding the National Savings Certificates.", then it would have been correct but here the statement says that "M4 includes components of M1 along with total deposits with Post Office Savings organizations, which does not exclude the National Savings Certificates. So, the statement is incorrect.