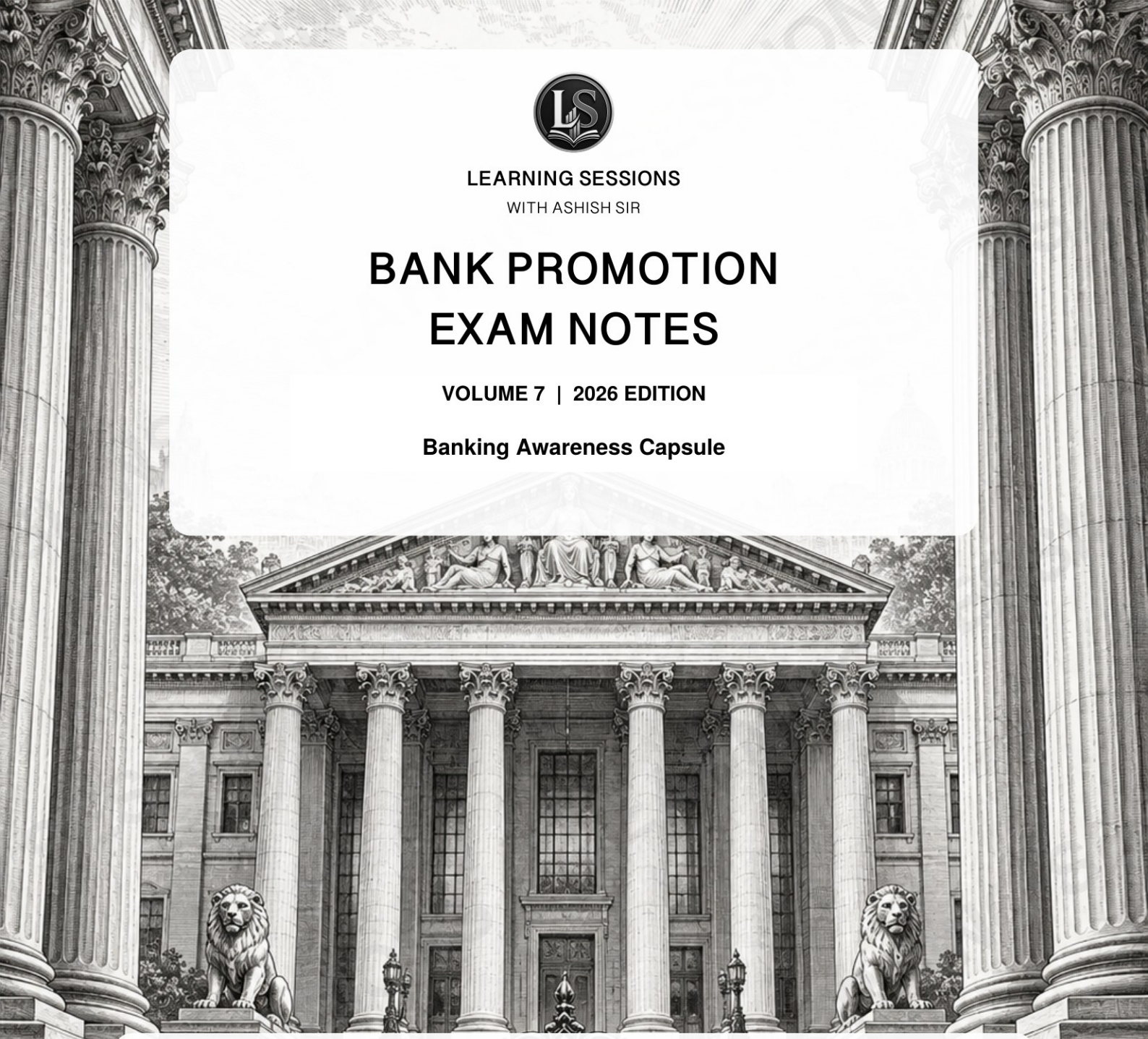
LEARNING SESSIONS

WITH ASHISH SIR

BANK PROMOTION EXAM NOTES

VOLUME 7 | 2026 EDITION

Banking Awareness Capsule



BANKING CONCEPTS • BANKING NEWS • RBI RULES OF THE YEAR

News from February to October 2026 | Updated to 16 October 2026

Policy Rates and Liquidity	KYC, AML and FATF	Month-wise Banking News
Bank Ratios and NPAs	Government Schemes	RBI Rules of the Year
Payments and UPI	Customer Protection	Appointments and Banking GK
CBDC and Cyber Safety	Basel, Forex and Economy	330 Practice Questions

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LEARNING SESSIONS

CH-1 RBI Policy Rates and Liquidity Tools

Topic 1 — Policy Rates at a Glance

RBI raised the repo rate on **7 October 2026**. All corridor rates moved up by 25 basis points.

Rate	Before 7 Oct 2026	From 7 Oct 2026	Change
Policy repo rate	5.25%	**5.50%**	+25 bps
Standing Deposit Facility (SDF)	5.00%	**5.25%**	+25 bps
Marginal Standing Facility (MSF)	5.50%	**5.75%**	+25 bps
Bank Rate	5.50%	**5.75%**	+25 bps
Fixed reverse repo rate	3.35%	**3.35%**	No change
Cash Reserve Ratio (CRR)	3.00%	**3.00%**	No change
Statutory Liquidity Ratio (SLR)	18.00%	**18.00%**	No change

- **Last cut** — The last repo cut was on **5 December 2025**, from 5.50% to 5.25%.
- **Next meeting** — The next MPC decision is due on **4 December 2026**.
- **See** — Ch 2 (p. 4) for the 2026 MPC decisions and the policy stance.

Remember this

- Repo **5.50%**, SDF **5.25%**, MSF and Bank Rate **5.75%**, CRR **3%**, SLR **18%** (from 7 October 2026).

Topic 2 — Repo, Reverse Repo and SDF

Repo rate

- **Repo** — RBI lends short-term money to a bank against government securities.
- **Repurchase** — The bank agrees to buy back the securities later at a fixed price.
- **Policy rate** — The MPC votes on the repo rate; it is the main signal of policy.
- **Effect** — A higher repo rate makes bank borrowing costlier, so loan rates tend to rise.

Reverse repo and SDF

- **Reverse repo** — A bank places surplus money with RBI and receives securities in return.
- **Fixed reverse repo** — It is now a legacy tool at **3.35%** and is rarely used.
- **SDF** — Standing Deposit Facility lets banks park surplus money with RBI **without collateral**.
- **Floor** — SDF replaced fixed reverse repo as the floor of the corridor from **8 April 2022**.
- **Why SDF** — RBI does not need to give securities, so it can absorb any amount of surplus.

Feature	Repo	SDF
Money flows	RBI to bank	Bank to RBI
Collateral	Bank gives government securities	None
Rate now	5.50%	5.25% (repo minus 25 bps)
Use	Inject liquidity	Absorb surplus liquidity

Topic 3 — MSF, Bank Rate and the LAF Corridor

Marginal Standing Facility

- **MSF** — An emergency overnight window for banks when other sources dry up.
- **Rate** — MSF is repo plus 25 bps, now **5.75%**.
- **SLR dip** — Banks may use SLR securities up to **2% of NDTL** for MSF borrowing.
- **Cost** — MSF is the costliest RBI window, so banks use it only when needed.

Example: A bank borrows ₹**500 crore** overnight under MSF at **5.75%**. Interest for one day = 500 × 5.75% ÷ 365 = about ₹**7.88 lakh**.

Bank Rate

- **Bank Rate** — The rate at which RBI rediscounts bills; set under **Section 49** of the RBI Act.
- **Alignment** — Bank Rate is kept equal to the MSF rate, now **5.75%**.
- **Penal use** — CRR and SLR shortfall penalties are linked to the Bank Rate.

The corridor

- **LAF** — Liquidity Adjustment Facility is RBI's set of repo, reverse repo and SDF tools.
- **Corridor** — SDF is the floor, MSF is the ceiling and repo sits in the middle.
- **Width** — The corridor is **50 bps** wide: 5.25% to 5.75% now.
- **Target** — RBI aims to keep the **weighted average call rate (WACR)** close to repo.

Corridor point	Rate	Formula
Ceiling: MSF / Bank Rate	5.75%	Repo + 25 bps
Middle: repo	5.50%	Set by MPC
Floor: SDF	5.25%	Repo − 25 bps

Topic 4 — CRR and NDTL

- **CRR** — Cash Reserve Ratio is the share of NDTL a bank must keep as cash with RBI.
- **Law** — It is kept under **Section 42** of the RBI Act, 1934.
- **Level** — CRR is **3.00%** of NDTL; there is no floor or ceiling in law.
- **No interest** — RBI pays no interest on CRR balances.
- **2025 cut** — CRR came down from 4% to 3% in four steps; the last step was on **29 November 2025**.
- **Effect** — A CRR cut releases cash for lending; a hike locks cash away.

NDTL — the base

- **NDTL** — Net Demand and Time Liabilities: a bank's deposits and other liabilities after allowed deductions.
- **Demand liabilities** — Payable on demand, such as current and savings deposits.
- **Time liabilities** — Payable after a period, such as fixed and recurring deposits.
- **Base date** — CRR for a fortnight uses NDTL of the last day of the **second preceding fortnight**.

Daily maintenance — new rule

- **Average** — CRR is met on average over a fortnight, not every day in full.
- **Old daily minimum** — A bank had to keep at least **90%** of required CRR each day.

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- **New daily minimum** — From the fortnight beginning **16 October 2026**, it is **99%**.
- **Not a rate change** — The CRR rate stays **3%**; only the daily floor is stricter.
- **Penalty** — Shortfall attracts interest at **3% above Bank Rate**, and **5% above** if it continues.

Example: Bank K has NDTL of ₹**80,000 crore**. Required CRR = 3% = ₹**2,400 crore**. Daily minimum now = 99% = ₹**2,376 crore** (earlier 90% = ₹2,160 crore).

Remember this

- Daily CRR minimum is **99% of the required CRR** from 16 October 2026; the CRR rate is still **3%**.

Topic 5 — SLR

- **SLR** — Statutory Liquidity Ratio is the share of NDTL kept in safe liquid assets.
- **Law** — It is kept under **Section 24** of the Banking Regulation Act, 1949.
- **Level** — SLR is **18.00%** of NDTL; the legal maximum is **40%**.
- **Assets** — Cash, gold valued at current price, and approved government securities.
- **Where kept** — With the bank itself, not with RBI as cash.
- **Purpose** — It keeps banks solvent and creates steady demand for government bonds.

Point	CRR	SLR
Law	Section 42, RBI Act	Section 24, BR Act
Form	Cash with RBI	Cash, gold, approved securities
Rate now	3.00% of NDTL	18.00% of NDTL
Interest earned	None	Yes, on securities

Example: Bank S has NDTL of ₹**60,000 crore**. At 18% SLR it must hold ₹**10,800 crore** in eligible assets.

Topic 6 — OMO, VRR and VRRR

Open Market Operations

- **OMO** — RBI buys or sells government securities in the open market.
- **OMO purchase** — RBI pays cash to banks, so liquidity rises.
- **OMO sale** — Banks pay cash to RBI, so liquidity falls.
- **Use** — OMOs adjust lasting (durable) liquidity, not just day-to-day needs.

Variable rate auctions

- **VRR** — Variable Rate Repo: RBI lends to banks through an auction to **add** liquidity.
- **VRRR** — Variable Rate Reverse Repo: RBI borrows from banks through an auction to **absorb** liquidity.
- **Rate** — Banks bid; the cut-off rate is set by the auction, usually near repo.
- **Tenor** — Auctions run from overnight to a few days or weeks.
- **Other tools** — Forex buy/sell swaps and changes in CRR also move liquidity.

Tool	Liquidity effect	Nature
OMO purchase	Adds	Durable
OMO sale	Absorbs	Durable
VRR auction	Adds	Temporary
VRRR auction / SDF	Absorbs	Temporary
CRR cut	Adds	Durable

Topic 7 — Basis Points and Rate Arithmetic

- **Basis point** — One basis point (bp) is **0.01** percentage point.
- **Scale** — 100 bps = 1 percentage point; 25 bps = 0.25 percentage point.
- **October 2026** — Repo moved from 5.25% to 5.50%, a rise of **25 bps**.
- **Corridor** — SDF and MSF each sit **25 bps** from repo.

Move	In bps	In percentage points
5.25% → 5.50%	+25	+0.25
6.50% → 5.25% (Feb 2025–Dec 2025)	−125	−1.25
4.00% → 3.00% (CRR, 2025)	−100	−1.00

Example: A bank parks ₹**1,000 crore** overnight under SDF. At 5.00% it earned about ₹13.70 lakh a day; at 5.25% it earns about ₹**14.38 lakh**.

Remember this

- 100 basis points = 1 percentage point.

BP Vol 7 | Module 1 | CH-1 | MCQs

Q1. From 7 October 2026, a bank that wants to park surplus funds with RBI without receiving any securities will earn — *[Ref: Topic 2, p. 2]*

(a) 5.25% under SDF (b) 3.35% under reverse repo
(c) 5.50% under repo (d) 5.75% under MSF

Q2. Which pair forms the floor and ceiling of the LAF corridor from 7 October 2026? *[Ref: Topic 3, p. 2]*

(a) Reverse repo 3.35% and repo 5.50%
(b) SDF 5.25% and MSF 5.75%
(c) Repo 5.50% and Bank Rate 5.75%
(d) SDF 5.25% and repo 5.50%

Q3. Bank K has NDTL of ₹80,000 crore and CRR is 3%. Under the rule effective from the fortnight beginning 16 October 2026, the minimum CRR balance it must keep on any day is — *[Ref: Topic 4, p. 2]*

(a) ₹2,160 crore (b) ₹2,400 crore (c) ₹2,376 crore (d) ₹1,200 crore

Q4. The change in daily CRR maintenance effective 16 October 2026 means — *[Ref: Topic 4, p. 2]*

(a) CRR rate rises to 99% of NDTL
(b) Banks must keep at least 99% of their required CRR every day
(c) SLR rises to 99%
(d) CRR is now kept only on the last day of the fortnight

Q5. A bank can dip into its SLR securities for MSF borrowing up to — *[Ref: Topic 3, p. 2]*

(a) 1% of NDTL (b) 2% of NDTL (c) 3% of NDTL (d) 5% of NDTL

Q6. Bank Rate is 5.75%. A bank's CRR shortfall on the first day of default attracts penal interest at — *[Ref: Topic 4, p. 2]*

(a) 5.75% (b) 10.75% (c) 3.00% (d) 8.75%

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Q7. SLR is maintained under which law? *[Ref: Topic 5, p. 3]*
(a) Section 24 of the Banking Regulation Act, 1949
(b) Section 42 of the RBI Act, 1934
(c) Section 49 of the RBI Act, 1934
(d) Section 45ZB of the RBI Act, 1934

Q8. When RBI buys government securities through an OMO, the effect on banking-system liquidity is — *[Ref: Topic 6, p. 3]*
(a) Liquidity falls (b) No effect
(c) Liquidity rises (d) Only SLR changes

Q9. Which statement about the SDF is correct? *[Ref: Topic 2, p. 2]*
(a) Banks must give government securities to RBI
(b) It is the ceiling of the corridor
(c) It is set at repo plus 25 bps
(d) RBI absorbs funds without giving collateral

Q10. Repo moved from 5.25% to 5.50% on 7 October 2026. This change equals — *[Ref: Topic 7, p. 3]*
(a) 2.5 bps (b) 25 bps (c) 0.025 bps (d) 250 bps

Q11. Bank S has NDTL of ₹60,000 crore. With SLR at 18%, the eligible assets it must hold are — *[Ref: Topic 5, p. 3]*
(a) ₹1,800 crore (b) ₹10,800 crore
(c) ₹18,000 crore (d) ₹1,080 crore

Q12. A Variable Rate Reverse Repo (VRRR) auction is used by RBI to — *[Ref: Topic 6, p. 3]*
(a) Absorb surplus liquidity (b) Lend long-term money to banks
(c) Change the repo rate (d) Buy foreign currency

Q13. Which statement about CRR is correct? *[Ref: Topic 4, p. 2]*
(a) RBI pays interest at repo rate on CRR balances
(b) CRR can include government securities
(c) CRR is held as cash with RBI and earns no interest
(d) CRR has a legal floor of 3%

Q14. A bank borrows ₹500 crore overnight under MSF at 5.75%. The one-day interest is about — *[Ref: Topic 3, p. 2]*
(a) ₹7.88 lakh (b) ₹28.75 lakh (c) ₹78.8 lakh (d) ₹2.88 crore

Q15. For the fortnight starting 16 October, CRR is calculated on NDTL as on — *[Ref: Topic 4, p. 2]*
(a) The same day
(b) The last day of the second preceding fortnight
(c) 31 March of the year
(d) The first day of the previous month

Answer key

Q	Ans	Q	Ans	Q	Ans	Q	Ans	Q	Ans
1	a	4	b	7	a	10	b	13	c
2	b	5	b	8	c	11	b	14	a
3	c	6	d	9	d	12	a	15	b

CH-2 Monetary Policy, Inflation and the MPC

Topic 1 — The Monetary Policy Committee

- **MPC** — A six-member committee that fixes the policy repo rate.
- **Law** — It works under **Section 45ZB** of the RBI Act, 1934.
- **Set up** — The first MPC was formed on **29 September 2016**.
- **Meetings** — At least **four** a year; in practice six (every two months).
- **Quorum** — Four members, including the Governor or, in his absence, the Deputy Governor.
- **Voting** — Each member has one vote; in a tie, the Governor has a **casting vote**.

Member type	Current members (October 2026)
Chairperson: RBI Governor	Sanjay Malhotra
Deputy Governor in charge of monetary policy	Poonam Gupta
RBI officer nominated by the Central Board	Indranil Bhattacharyya (Executive Director)
Three external members (appointed by the Government)	Nagesh Kumar, Saugata Bhattacharya, Ram Singh

- **External term** — External members serve **four years** and cannot be re-appointed.
- **Minutes** — Published on the **14th day** after the meeting.
- **Report** — RBI publishes a **Monetary Policy Report** every six months (April and October).

Topic 2 — Inflation Target and Accountability

- **Framework** — India follows **flexible inflation targeting**.
- **Who sets it** — The Central Government, in consultation with RBI, under **Section 45ZA**.
- **Target** — **4%** CPI inflation with a band of **2% to 6%**.
- **Period** — Retained for **1 April 2026 to 31 March 2031**.
- **Measure** — Headline CPI (Combined), now on base year **2024=100**.

When the target is missed

- **Failure** — Average inflation above 6% or below 2% for **three consecutive quarters**.
- **Report** — RBI must explain to the Government the reasons, remedial steps and the time to return to target.
- **Growth** — The objective is price stability while keeping growth in mind.

Remember this

- Inflation target: **4% ± 2%** for 1 April 2026 to 31 March 2031; failure = **three quarters** in a row outside the band.

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