**BISMA**

**Model Answer Paper**

**MBA IV Sem**

Banking and Insurance

**Section A**

**Q.1 Long Questions (Each carry equal marks)**

 **Attempt any 3**

**Q1. What do you mean by bank? Explain the structure of Indian Banking System.**

**ANS.1 Meaning Of Bank-**

 A financial institution that is licensed to deal with money and its substitutes by accepting time and demand deposits, making loans, and investing in securities. The **bank** generates profits from the difference in the interest rates charged and paid.

**Structure of Indian Banking System**

The Indian financial system comprises a large number of commercial and cooperative banks, specialized developmental banks for industry, agriculture, external trade and housing, social security institutions, collective investment institutions, etc. The banking system is at the heart of the financial system.

    The Indian banking system has the RBI at the apex. It is the central bank of the country under which there are the commercial banks including public sector and private sector banks, foreign banks and local area banks. It also includes regional rural banks as well as cooperative banks.

**Reserve Bank of India**

The central bank plays an important role in the monetary and banking structure of nation. It supervises controls and regulates the activities of the banking sector. It has been assigned to handle and control the currency and credit of a country. In older days, the central banks were empowered to issue the currency notes and bankers to the Union governments As the apex bank, it has been guiding, monitoring, regulating and promoting the destiny of the Indian financial system.

**Objectives of RBI**

It plays a more positive and dynamic role in the development of a country. The financial muscle of a nation depends upon the soundness of the policies of the central banking. The objectives of the central banking system are presented below:

1.      The central bank should work for the national interest of the country.

2.      The central bank must aim for the stabilization of the mixed economy.

3.      It aims at the stabilization of the price level at average prices.

4.      Stabilization of the exchange rate is also essential.

5.      It should aim for the promotion of economic activities.

**Functions of RBI**

The RBI functions are based on the mixed economy. The RBI should maintain a close and continuous relationship with the Union Government while implementing the policies. If any differences arise, the government’s decision will be final. The main functions of the RBI are presented below:

1.            Welfare of the public

2.            To maintain the financial stability of the country.

3.            To execute the financial transactions safely and effectively.

4.            To develop the financial infrastructure of the country.

5.            To allocate the funds effectively without any partiality.

6.            To regulate the overall credit volume for price stability.

**Authorities**

The RBI has the full authority in the following aspects:

1.               Currency issuing authority

2.               Monitoring authority

3.               Banker to the Union Government

4.               Foreign exchange control authority

5.               Promoting authority.

**Commercial Banks**

Amongst the banking institutions in the organized sector, commercial banks are the oldest institutions, some of them having their genesis in the nineteenth century. Initially, they were set up in large numbers, mostly as corporate bodies with shareholdings by private individuals. In the sixties of the twentieth century, a large number of weaker and smaller banks were merged with other banks. As a consequence, a stronger banking system emerged in the country. Subsequently, there has been a drift towards state ownership and control. Today 27 banks constitute strong public sector in Indian commercial banking. Commercial banks operating in India fall under different sub-categories on the basis of their ownership and control over management.

**Public Sector Banks**

Public sector in Indian banking emerged to its present position in three stages. First, the conversion of the then existing Imperial Bank of India into the State Bank of India in 1955, followed by the taking over of the seven state associated banks as its subsidiary banks, second the nationalization of 14 major commercial banks on July 19, 1969 and last, the nationalization of 6 more commercial banks on April 15, 1980. Thus 27 banks constitute the Public sector in Indian Commercial Banking.

**Private Sector Banks**

After the nationalization of major banks in the private sector in 1969 and 1980, no new bank could be set up in India for about two decades, though there was no legal bar to that effect. The Narasimham Committee on Financial Sector Reforms recommended the establishment of new banks in India. Reserve Bank of India, thereafter, issued guidelines for the setting up of new private sector banks in India in January 1993.

   These guidelines aim at ensuring that the new banks are financially viable and technologically up-to-date from the start. They have to function in a professional manner, so as to improve the image of commercial banking system and to win the confidence of the public.

   In January 2001 Reserve Bank of India issued new rules for the licensing of new banks in the private sector. The salient features are as follows:

1.      A new bank may be started with a capital of Rs. 200 crore. The net worth is to be raised to Rs. 300 crore in three years.

2.      The promoter’s minimum holding in the capital shall be 40 per cent with a lock-in-period of 5 years. Excess holding over 40 per cent will have to be diluted within a year.

3.      Non-resident Indians can pick up 40 per cent equity share in the new bank. Any foreign bank or finance company may join as technical collaborators or as co-promoter, but their equity participation will be restricted to 20 per cent, which will be within the ceiling of  40 per cent allowed to Non –resident Indians.

In addition to the above guidelines, the new banks are governed by the provisions of the Reserve Bank of India Act, the Banking Regulation Act and other relevant statutes.

**Local Area Bank**

In 1996, Government decided to allow new local area banks with the twin objectives of Providing an institutional mechanism for promoting rural and semi-urban savings, and For providing credit for viable, economic activities in the local areas.

Such banks can be established as public limited companies in the private sector and can be promoted by individuals, companies, trusts and societies. The minimum paid up capital of such banks would be Rs. 5 crore with promoter’s contribution at least Rs. 2 crore. They are to be set up in district towns and the area of their operations would be limited to a maximum of 3 geographically contiguous districts. At present, five Local Area Banks are functional, one each in Punjab, Gujrat, Maharashtra and two in Andhra Pradesh.

 **Foreign Bank**

Foreign Commercial Banks are the branches in India of the joint stock banks incorporated abroad. Their number has increased to forty as on 31st March, 2002. These banks, besides financing the foreign trade of the country, undertake normal banking business in the country as well.

Licensing of Foreign Bank: In order to operate in India, the foreign banks have to obtain a license from the Reserve Bank of India. For granting this license, the following factors are considered:

1.      Financial soundness of the bank.

2.      International and home country rating.

3.      Economic and political relations between home country and India.

4.      The bank should be under consolidated supervision of the home country regulator.

**Function of Foreign Banks:** The main business of foreign banks is the financing of India’s foreign trade which they can handle most efficiently with their vast resources. Recently, they have made substantial inroads in internal trade including deposits, advances, discounting of bills, mutual funds, ATMs and credit cards. A highly trained and efficient workforce and the huge pool of capital resources at the disposal of these banks have created tremendous goodwill and prestige of foreign banks in India.

   Apart from their main businesses, foreign banks are also instrumental in shaping the attitudes, perceptions and policies of foreign governments, corporates and other clients towards India, especially in the following areas:

1.    Bringing together foreign institutional investors and Indian companies.

2.    Organizing joint ventures.

3.    Structuring and syndicating project finance for telecommunication, power and mining sectors.

4.    Providing a thrust to trade finance through securitization of export loan.

5.    Introducing new technology in data management and information systems.

**Co-operative Banks**

Besides the commercial banks, there exist in India another set of banking institutions called co-operative credit institutions. These have been in existence in India since long. They undertake the business of banking both in urban and rural areas on the principle of co-operation. They have served a useful role in spreading the banking habit throughout the country. Yet, their financial position is not sound and a majority of co-operative banks has yet to achieve financial viability on a sustainable basis.

**Features of Cooperative banks**

·         These banks are government sponsored government supported and government subsidized financial agencies in India.

·         Unlike commercial banks which focus on profits, cooperative banks are organized and managed on principles of cooperation, self help and mutual help. They function on a “no profit, no loss” basis.

·         They perform all the main banking functions but their range of services is narrower than that of commercial banks.

·         Some of them are scheduled banks but most are unscheduled banks.

 **Regional Rural Banks**

Regional Rural Banks are relatively new banking institutions which supplement the efforts of the cooperative and commercial banks in catering to the credit requirements of the rural sector. These banks have been set up in India since October 1975, under the Regional Rural Banks Act, 1976. At present there are 196 RRBs functioning in 484 districts. The distinctive feature of a Regional Rural Bank is that though it is a separate body corporate with perpetual succession and a common seal. It is very closely linked with the commercial bank which sponsors the proposal to establish it and is called the sponsor bank. The central government establishes a RRB, at the request of the sponsor bank and specifies the local limits within which it shall establish its branches and agencies.

 **Annual Report**

An annual report is a reflection of the company’s philosophy, policies, achievements and shortcomings. The annual report gives general information regarding the name(s) of the chairman/MD, chief executive officer and all the directors, the bankers and auditors of the company, registered office, date, time and venue of the annual general meeting.

 **Balance Sheet of a Commercial Bank**

One of the best ways to learn about the business of banking is through a perusal of a typical bank’s balance sheet. Balance sheet of a commercial bank is a statement of its assets and liabilities at a particular point of time. It throws light on the financial health or otherwise of the bank.

Another way of viewing a balance sheet is as a statement of the sources and uses of bank funds. Banks obtain funds in the form of deposits (fixed, savings and current) by borrowing from other banks (RBI, commercial banks, etc.) and by obtaining equity funds from the owners (i.e. the shareholders of the bank) through the capital account. All these constitute the liabilities of the bank. Banks use these funds to grant loans, invest in securities, purchase equipment and hold cash items such as currency and deposits in other banks. All these are the assets of the bank.

According to section 29 of the Banking Regulation Act, 1949, at the expiration of each calendar year (or at the expiration of a period of twelve months ending with such date as the Central Government may, by notification in the official gazette, specify in this behalf), every banking company incorporated in India, in respect of all business transacted through its branches in India, in respect  of all business transacted through its branches in India, shall prepare with reference to that year or period, as the case may be, a balance sheet and profit and loss account as on the last working day of the year or the period, as the case may be, in the forms set out in the third schedule or as near thereto as circumstances admit.

**Audit**

The balance sheet and profit and loss account prepared in accordance with section 29 shall be audited by a person duly qualified under any law for the time being in force to be an auditor of companies.

Where the Reserve Bank is of opinion that audit is necessary in the interest of the public or the banking company or its depositors, it may, at any time order a special audit of the banking company’s accounts, for any such transaction or class of transactions or for some specific period or periods as it deems necessary. The RBI may through its order either appoint a person duly qualified under any law for the time being in force to be an auditor of companies or direct the auditor of companies or direct the auditor of the banking company himself to conduct such special audit.

Submission of Returns

The accounts and balance sheet referred to in sanction 29 together with the auditor’s report shall be published in the prescribed manner, and three copies thereof shall be furnished as returns to the Reserve Bank within three months from the end of the period to which they refer.

A banking company which furnishes its accounts and balance sheet in accordance with the provisions of section 31 shall send three copies of such accounts, balance sheet and the auditor’s report to the registrar.

It is mandatory for all banking companies incorporated outside India that before the first Monday in August of any year in which it has carried on business, it must display a copy of its last audited Balance Sheet and profit and Loss Account prepared under section 29, in a conspicuous place in its principal office and every branch office in India. These should be kept on display until they are replaced by a copy of the subsequent Balance Sheet and profit and Loss Account.

**Items of the Balance Sheet of a Bank**The balance sheet of a commercial bank like any other balance sheet comprises two sides; conventionally the left side shows liabilities and capital, while the right side shows assets. A bank’s assets are indications of what the bank owns or the claims that the bank has on external entities: individuals, firms, governments, etc. A bank’s liabilities are indications of what the bank owes as claims which are held by external entities of the bank. The net worth or capital is calculated by subtracting total liabilities from total assets.

Assets-Liabilities = Net worth

Or

Assets= Liabilities+ Net worth

**Liabilities and Assets of a Bank**

Many institutions offer financial services. It is the taking of deposits and granting of loans that single out a bank from other financial institutions. Deposits are liabilities for banks, which must be managed if the bank is to maximize profits. Likewise they need to manage the assets created by lending. The liabilities and assets of a bank explained below:

**Liabilities of a Bank**

Liabilities of a commercial bank are claims on the bank. They represent the amounts which are due from the bank to its shareholders, depositors, etc. Bank liabilities are the funds that banks obtain and the debts they incur, primarily to make loans and purchase securities.

**Assets of a Bank**

Like all other business firms banks also strive for profit. Commercial banks use their funds primarily to purchase income earning assets, mainly loans and investments

 **Conclusion**

The Indian financial system comprises a large number of commercial and cooperative banks, specialized developmental banks for industry, agriculture, external trade and housing, social security institutions, collective investment institutions, etc. The banking system is at the heart of the financial system.    The Indian banking system has the RBI at the apex. It is the central bank of the country under which there are the commercial banks including public sector and private sector banks, foreign banks and local area banks. It also includes regional rural banks as well as cooperative banks. In India, only those banks are called Commercial Banks which have been established in accordance with Indian Companies Act 1913. Important commercial banks in India are Punjab National Bank, Bank of Baroda, Indian Bank, Central Bank of India, etc. State Bank of India and its 7 subsidiaries are not included in the category of commercial banks because these were established under a separate act. One of the best ways to learn about the business of banking is through a perusal of a typical bank’s balance sheet. Balance sheet of a commercial bank is a statement of its assets and liabilities at a particular point of time. It throws light on the financial health or otherwise of the bank.

**Q2. Describe the features and objectives of monetary policy.**

**ANS 2**: **Meaning of Monetary Policy:**

Monetary policy may be defined as the use of money supply by the appropriate authority (i.e. central bank) to achieve certain economic goals. Whenever there is a change in money supply there occurs a change in the rate of interest. Thus, monetary policy influences interest rate or cost and availability of credit.

When the central bank attempts to contract money supply through various credit control instruments so as to restrain the economy, the situation is then called tight monetary policy. Oppositely, an easy monetary policy is employed to boost the economy by increasing money supply through its credit control instruments.

An appropriate monetary policy should have the following objectives since monetary policy is, strictly speaking, part of the broader sphere of economic policy:

(i) Maintaining internal and external stability;

(ii) High employment;

(iii) Economic growth;

(iv) Fiscal objectives; and

(v) Social objectives.

#### (i) Maintaining Price Stability:

By price stability, we mean both internal and external stability in the price level. Price fluctuations of a larger degree are always unwelcome.

Sustained increase in price level has a destabilizing effect on the economy. A falling price level has more destabilizing influence on the economy. In other words, both inflation and depression must be controlled so that benefits of economic development are reaped. Price stability prevents not only economic fluctuations but also helps in the attainment of a steady growth of an economy.

Monetary policy also has the objective of upholding external stability in prices. External instability hampers the smooth flow of trade between nations. It also erodes the confidence of the currency. Thus, what is needed is a stable exchange rate.

It is to be posited out here that a conflict may arise between internal stability and external stability. Further, maintenance of external stability is no longer considered the main monetary policy objective. A monetary policy must aim at preventing or correcting internal price movements.

#### (ii) High Employment:

Though it is difficult to give a precise definition of full employment, monetary policy during the 1930s aimed at achieving and maintaining full employment. Further, full employment, though theoretically conceivable, is difficult to attain in market-driven economies.

####  (iii) Economic Growth:

Growth should be the predominant aim of monetary policy. An appropriate monetary policy by adjusting money supply to the needs of growth, directing the flow of funds in keeping with the overall economic priorities, and providing institutional facilities for credit in specific areas of economic activity—all combined creates a favourable climate for economic growth.

####  (iv) Fiscal Objectives:

The most important fiscal objective which monetary policy has to pursue is that of facilitating government borrowing and the management of public debt. In the interest of a sound debt management policy, monetary policy is employed so that an orderly condition in the security market is established.

####  (v) Social Objectives:

Monetary policy is often used to attain some social ends or social welfare. By raising or lowering price level, monetary policy can produce far-reaching social effects of redistribution of wealth. One of the most important objectives of the pursuit of monetary stability is to maintain the social status quo.

Thus, monetary policy has had variety of objectives. Some of these objectives are conflicting and some of them are compatible. In the case of conflicting objectives, what is needed is to give priority to the immediate or short run problems.

But that does not mean that long run problems are to be given less importance. Thus, the monetary authority must make a choice and should aim at attaining an optimal combination so that the country’s needs are served better.

**The main features of the monetary policy of the Reserve Bank of India are given below:**

#### 1. Active Policy:

Before the advent of planning in India in 1951, the monetary policy of the Reserve Bank was a passive, cheap and easy policy. It means that Reserve Bank did not use the measures of monetary policy to regulate the economy.

For example from 1935 to 1951, the bank rate remained stable at 3%. But since 1951, the Reserve Bank has been following an active monetary policy. It has been using all the measures of credit control.

#### 2. Seasonal Variations:

The monetary policy is characterised by the changing behaviour of busy and slack seasons. These seasons are tied to the agricultural seasons. In the busy season there is an expansion of funds on account of the seasonal needs of financing production, and inventory building of agricultural commodities.

#### 3. Tight and Dear Monetary Policy:

In order to restrain inflation the Reserve Bank has often adopted a tight and dear monetary policy. A tight monetary policy implies that the rate of growth of money supply is lowered. A dear money policy refers to increase in bank rate. This increase in bank rate leads to an increase in the interest rates charged by the banks.

#### 4. Investment and Saving Oriented:

The monetary policy adopted by the Reserve Bank is both investment and saving oriented. To encourage investment, adequate funds were made available for productive purposes at reasonable rates of interest. The Reserve Bank has also kept the interest on deposits at a reasonable rate to attract savings.

#### 5. Wide Range of Methods of Credit Control:

The Reserve Bank has used a wide range of instruments of credit control. It has adopted all the measures of quantitative and qualitative credit controls to meet the needs of a complex and varying economic situation.

Since the objective has been to achieve economic growth with stability, the policy of monetary management has gone beyond the traditional regulatory function. It has adopted a more positive role of channeling credit to desired sectors.

**Q3. Discuss the emerging issues in retail banking.**

# ANS.3 Retail BankingRetail banking, also known as Consumer banking, refers to the offering of banking services to retail customers instead of institutional customers, such as companies, corporations and/or financial institutions.

**Emerging Issues In Handling Retail Banking**

* **Knowing Customer**

‘Know your Customer’ is a concept which is easier said than practiced.  Banks face several hurdles in achieving this.  In order to that the product lines are targeted at the right customers-present and prospective-it is imperative that an integrated view of customers is available to the banks.  The benefits flowing out of cross-selling and up-selling will remain a far cry in the absence of this vital input.  In this regard the customer databases available with most of the public sector banks, if not all, remain far from being enviable.

* **Technology Issues**

Retail banking calls for huge investments in technology.  Whether it is setting up of a Customer Relationship Management System or Establishing Loan Process Automation or providing anytime, anywhere convenience to the vast number of customers or establishing channel/product/customer profitability, technology plays a pivotal role.  And it is a long haul.

PSBs are on their way to catch up with the technology much required for the success of retail banking efforts.  Lack of connectivity, stand alone models, concept of branch customer as against bank customer, lack of convergence amongst available channels, absence of customer profiling, lack of proper decision support systems, etc., are a few deficiencies that are being overcome in a great way.  However, the initiatives in this regard should include creating flexible computing architecture amenable to changes and having scalability, a futuristic approach, networking across channels, development of a strong Customer Information Systems (CIS) and adopting Customer Relationship Management (CRM) models for getting a 360 degree view of the customer.

* **Product Innovation**

Product innovation continues to be yet another major challenge.  Even though bank after bank is coming out with new products, not all are successful. What is of crucial importance is the need to understand the difference between novelty and innovation?  Peter Drucker in his path breaking book: “Management Challenges for the 21st Century” has in fact sounded a word of caution: “innovation that is not in tune with the strategic realities will not work; confusing novelty with innovation (should be avoided), test of innovation is that it creates value; novelty creates only amusement”.  The days of selling the products available in the shelves are gone.  Banks need to innovate products suiting the needs and requirements of different types of customers.  Revisiting the features of the existing products to continue to keep them on demand should not also be lost sight of.

* **Pricing of Product**

The next challenge is to have appropriate policies in place.  The industry today is witnessing a price war, with each bank wanting to have a larger slice of the cake that is the market, without much of a scientific study into the cost of funds involved, margins, etc.  The strategy of each player in the market seems to be: ‘under cutting others and wooing the clients of others’.  Most of the banks that use rating models for determining the health of the retail portfolio do not use them for pricing the products.  The much needed transparency in pricing is also missing, with many hidden charges.  There is a tendency, at least on the part of few to camouflage the price.  The situation cannot remain his way for long.  This will be one issue that will be gaining importance in the near future.

* **Process Changes**

Business Process Re-engineering is yet another key requirement for banks to handle the growing retail portfolio.  Simplified processes and aligning them around delivery of customer service impinging on reducing customer touch-points are of essence.  A realization has to drawn that automating the inefficiencies will not help anyone and continuing the old processes with new technology would only make the organization an old expensive one.  Work flow and document management will be integral part of process changes.  The documentation issues have to remain simple both in terms of documents to be submitted by the customer at the time of loan application and those to be executed upon sanction.

* **Issue concerning Human Resources**

While technology and product innovation are vital , the soft issues concerning the human capital of the banks are more vital.  The corporate initiatives need to focus on bringing around a frontline revolution.  Though the changes envisaged are seen at the frontline, the initiatives have to really come from the ‘back end’.  The top management of banks must be seen as practicing what preaches.  The initiatives should aim at improved delivery time and methods of approach.  There is an imperative need to create a perception that the banks are market-oriented.

* **Rural Orientation**

As of now, action that is taking place on the retail front is by and large confined two metros and cities.  There is still a vast market available in rural India, which remains to be trapped.  Multinational Corporations, as manufacturers and distributors, have already taken the lead in showing the way by coming out with exquisite products, packaging and promotions, keeping the rural customer in mind.  Washing powders and shampoos in Re.1 sachet made available through an efficient network and testimony to the determination of the MNCs to penetrate the rural market.  In this scenario, banks cannot lack behind.

**Q4. Elaborate the new technologies in banking.**

 **ANS 4. The New Technologies In Banking**

1. **Open banking is the new normal**

Open banking—a connected ecosystem for financial and non-financial services with multiple underlying service providers—is the future of banking.The launch of UPI by the National Payments Corporation of India (NPCI) has thrown open the gates for innovation in the open banking space. UPI will empower payment service providers to create state-of-the-art products/offerings without being limited by the underlying account relationships. Customers will be given the flexibility that they desire and a unified interoperable interface will allow all service providers to innovate for better customer experiences.

**2. Banking on the cloud first strategy**

Progressive banks are already making strides in cloud adoption. Disruptive technologies that are changing the face of business—Big Data, blockchain, artificial intelligence (AI), IoT—will be leveraged using cloud computing. Indian banks are coming around to the idea that the business agility provided by cloud outweighs the concerns. Business models for emerging banks and fintechs will also be largely driven by the cloud-first strategy. Demonetisation is pushing India towards a cashless society, and as banks prepare to deal with the increased influx of electronic transactions, cloud will provide banks with the required elasticity to meet these demands.

**3. Blockchain and the race to production**

As banks try to become more efficient and agile to meet the increasing demands of customers, blockchain will be one of the enablers for re-imagining processes. In 2017, banks will increasingly move some projects from pilot to production and leverage blockchain to automate inter-organisational processes.

**4. Artificial Intelligence—From sci-fi to reality**

Artificial intelligence (AI) has the potential to transform both front office and back office operations with its self-improving programs—at ICICI Bank have been deployed in over 200 business process functions, reducing the response time to customers by up to 60%. AI has already proven itself in providing seamless differentiated customer experience on digital channels, and security measures with its integration within the banking infrastructure. Intelligent digital assistants are commonplace, and these self-learning programs keep getting better with every interaction.

**5. More things to bank on**

Indian banks leveraged the increasing adoption of mobile to provide customised offerings on their apps. However, digital technologies are evolving at an unprecedented rate, and so is customer adoption. To keep pace, banks would be required to provide services on a gamut of connected devices and wearables. Apps, while still widely used, are not the only channel for customer interaction. Today we have smart virtual personal assistants on mobile phones that can engage with customers in a more interactive manner. Progressive service providers are taking a lead in enabling their services on these new interfaces In fact, such services are already enabled by innovative banks globally.

**6. Banking architecture simplification**

All of these overlying technologies will be built on the bedrock of banking architectural simplification. The new year will see banks move to componentisation instead of the traditional monolithic architecture. In other words, complex architecture will be broken up into smaller bite-sized pieces for ease of deployment and upgrade for specific functionalities. Componentisation will not only increase agility to modernise selectively to keep pace with current technology trends, but also allow for risk-mitigation of projects. Banks will simplify architecture by implementing enterprise-class applications, which will be able to deliver capabilities required across business units and eliminate silos that currently exist. With initiatives like demonetisation, the Indian government has made it clear that India will be yanked away from a cash-based economy. GST rollout will give further impetus to the Indian economy.

**Section B**

**Q1. Case study**

Mrs.A arranged for her son to have an enduring power of attorney so could help manage his affairs.About a year later,after she had decided to move into a nursing home,the son called in at the firm's local branch.He wanted to make aeeangements to operate his mother's account for her once she had moved.When he mentioned that she was becoming a bit forgetful, the firm said he would have to register the power of attorney before it could act on it.

Mr. A felt this was unnecessary.He sent the firm written evidence from his mother's doctor that although she was suffering from early Alzheimer's dementia,which affected her short-term memory,she was not mentally incapable.

Questions:

1 As a banker would you accept the conditions and act opn the power of attorney.

2 What process will you need to transfer power of attorney to Mr. A?

3 A power of attorney should be satisfy what things according to the banker.

Ans. 1 As a banker i feel that the i had no real grounds for believing Mr A to be mentally incapable. Even after receiving unequivocal medical evidence that she did not lack mental capacity, it persisted in saying her son had to register the power of attorney before it could act on it.
Ans. 2 The process which a banker will need to transfer power of attorney is that the person will need the grantor and the attorney and a legal advisor who will register the power of attorney.

Ans. 3 The banker should make sure that

* 1. The power is still in force.
	2. The identity of the attorney is verified
	3. The power is under seal.
	4. A certified copy of the power of attorney is obtained.