

## READING COMPREHENSIONS\_11

Read the passage carefully and answer the questions given below it. Certain words/phrases are given in bold to help you locate them while answering some of the questions.

The RBI orders a moratorium when a bank's financial stability is **threatened**. Depositors face some restrictions on withdrawing money from their accounts during this period. Currently the restriction is confined to premature withdrawal of FDs in case of Kapol Bank. Customers can still withdraw money from their savings and current accounts. However, the Banking Regulation Act has provisions for relief to customers facing a financial emergency. "Banks' administrative board can approach the RBI with a plea for relaxing the withdrawal limits in case of account holders such as those who have saved or deposited money for their medical treatment or educational purpose and pensioners," says VN Kulkarni, chief credit counsellor with the Bank of India backed Abhay Credit Counselling Centre.

Since one cannot do much after the bank gets into trouble or the RBI comes into the **picture**, it would be wise to take some precautions. "Depositors need to be selective not only in choosing the bank, but also in depositing the amount using different combinations," says Kulkarni. For instance, you can maintain the first deposit in your name, held jointly with your spouse or children. Similarly, the second joint FD could be created with your wife as the first holder. This will help you benefit from the deposit insurance cover extended to retail depositors.

Currently, deposits are insured upto Rs.1 Lakh per bank, and not per branch of the same bank. You can also look at maintaining FDs in more than one bank to spread out the risk.

However, this may not be feasible for some individuals. For instance, a retiree who wishes to invest her huge retirement corpus in FDs. "It is not feasible to split a huge amount of, say, Rs.50 Lakh into 50 deposits with different banks. Senior citizens have to **strike** a balance between convenience, risks and higher returns that some of the smaller banks offer," says Suresh Sadagopan, certified financial planner and founder, Ladder. Financial Advisories. He recommends **diversification** by investing in fixed income options like company FDs, non-convertible debentures as also more secure alternatives such as tax free bonds and senior citizens savings scheme, which offers an interest rate of 9.2%. You must also evaluate the bank's credentials carefully before **parking** your

money in it. "While selecting the bank, you need to ascertain its gross NPAs. It should be not higher than 5%. Similarly, ensure that your bank has adequate capital as prescribed by the regulators," says Kulkarni. "That is, minimum 9% of risk-weighted assets, and at least 12%, in case of cooperative banks." You will find this information in the balance sheets of banks.

1. Which of the following is not definitely true with respect to Kapol Bank?

- a) It is a private sector bank
- b) At present, premature withdrawal of FD cannot be allowed.
- c) Customers of this bank have been allowed withdrawal of money from their CASA.
- d) There are no restrictions on withdrawal except of premature fixed deposits.

2. Find the statement which is not based on the facts mentioned in the passage.

- a) Under certain circumstances, account holders facing financial emergency can be allowed withdrawal of money beyond withdrawal limit as per the provisions laid down in the Banking Regulation Act.
- b) When the bank gets into trouble it is better for a depositor to be selective in both choosing the bank and depositing the amount using different combinations.
- c) When the financial stability of a bank is at stake the central bank orders a moratorium
- d) The central bank has ordered a moratorium on Kapol Bank.

3. Choose the word which is most similar in meaning to the word printed in bold as used in the passage.

**Parking**

- a) Removing
- b) Depositing
- c) Stopping
- d) Walking

4. Choose the word which is most similar in meaning to the word printed in bold as used in the passage.

**Picture**

- a) Scene
- b) Mainstream
- c) Portrait
- d) Role

5. Choose the word which is most similar in meaning to the word printed in bold as used in the passage.

**Diversification**

- a) Variegation
- b) Homogenous
- c) Allocation
- d) Division

6. Choose the word/group of words which is most opposite in meaning of the word/group of words printed in bold as used in the passage.

**Threatened**

- a) Warned
- b) Jeopardised
- c) Ensured
- d) Exposed

7. Choose the word/group of words which is most opposite in meaning of the word/group of words printed in bold as used in the passage.

**Strike**

- a) Maintain
- b) Hit
- c) Knock
- d) Smack

1. Option A

2. Option B

3. Option B

4. Option A

5. Option A

6. Option C

7. Option D