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Bank Retail Credit Practices (BRC)

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Question: 1424

A bank's MIS reports the following monthly collection figures:

- Total amount contractually due: RM10 million.
- Amount collected against the current month's dues: RM8.5 million.
- Amount recovered from previous arrears: RM1.2 million.
- Amount written off during the month: RM0.3 million.

If collection efficiency is defined as the amount collected against current-month contractual dues divided by current-month contractual dues, what is the collection efficiency?

A. 100%.
B. 97%.
C. 85%.
D. 88%.

Answer: C

Explanation: Collection efficiency, as defined in the question, measures the proportion of current-month contractual dues actually collected.

$= \frac{8}{.}510 \times 100 = 85$

The RM1.2 million recovered from previous arrears is not included in the numerator because it relates to earlier unpaid obligations. Similarly, write-offs are accounting or credit loss recognition events rather than cash collections. Separating current

collections from historical arrears recovery provides a more accurate assessment of the effectiveness of the current collection cycle.

Question: 1425

Which clause most directly protects the bank if the borrower makes a false statement about ownership of collateral?

A. Set-off clause
B. Repayment-schedule clause
C. Representation, warranty and misrepresentation provisions
D. Notification-of-disbursement clause

Answer: C

Explanation: Representations and warranties require the borrower to confirm facts such as ownership, authority and absence of encumbrances. False statements can constitute misrepresentation and trigger default remedies or enforcement rights.

Question: 1426

A key component of the loan monitoring process after disbursement is:

A. Transfer of all accounts to recovery immediately after first missed payment
B. Periodic review of account conduct, collateral values and covenant compliance
C. Ignoring changes in the borrower’s employment status
D. Automatic annual increase of all credit limits

Answer: B

Explanation: Ongoing monitoring encompasses repayment behaviour, updates to collateral valuations, compliance with any ongoing conditions and early identification of adverse changes in the borrower's circumstances.

Question: 1427

A credit officer receives a salary confirmation by telephone from an individual claiming to be the applicant's human resources manager. The person knows the applicant's employee number and salary but refuses to confirm the information through an official company email or other approved channel. What should the officer do?

A. Decline the application automatically because an employer can never verify salary by telephone
B. Accept the confirmation because knowledge of the employee number indicates legitimate access
C. Record the call as unverified and seek confirmation through an independently authenticated employer channel
D. Accept the confirmation if the applicant's salary slip contains the same salary

Answer: C

Explanation: Knowledge of employee details is not sufficient to prove that the caller is authorized to represent the employer. Such information may be available from documents or obtained through social engineering. The officer should follow the bank's verification procedures and establish the caller's identity and authority using an independently sourced contact channel. Telephone confirmation may be acceptable when the bank has validated the contact and documented the

verification, but an unverified call should not be treated as conclusive evidence. The refusal to use another channel warrants further checks rather than an automatic assumption of fraud.

Question: 1428

Which of the following practices most effectively reduces the risk of collusion between an applicant and a third-party document provider?

A. Obtaining documents directly from the issuing institution or through secure electronic channels
B. Relying on the applicant's certification that the documents are genuine
C. Accepting all documents received via email without source verification
D. Using only documents that appear professionally printed

Answer: A

Explanation: Direct retrieval from the source (employer portal, bank confirmation, government database) breaks the possibility that an intermediary fabricates or alters documents on the applicant's behalf.

Question: 1429

In determining the scope of a retail loan policy, which element is most appropriately included to ensure organisation-wide consistency?

A. Clear definition of eligible products, target and non-target markets, delegated authorities and key risk parameters.

B. Marketing campaign calendars and sales-incentive structures for front-line officers.
C. Daily cash-management rules and interbank funding limits for the treasury function.
D. Detailed scripts for every customer-service interaction at branch level.

Answer: A

Explanation: The scope of a loan policy focuses on the credit-decision framework—products covered, target-market definitions, authority levels and risk parameters—so that all retail lending activity remains aligned and controlled across the institution.

Question: 1430

In Malaysia, what key consumer protection role does AKPK play during its financial counseling sessions for retail individuals?

A. Providing free financial advice, educating consumers on prudent budget management, and acting as an independent mediator to structure debt plans with financial institutions
B. Liquidating real estate collateral on behalf of commercial banking institutions
C. Initiating criminal prosecution against defaulting borrowers on behalf of the state
D. Directly issuing cash bailout grants to discharge consumer debt obligations

Answer: A

Explanation: AKPK operates as an independent agency established by Bank Negara Malaysia to assist consumers. Its primary role is offering financial education, objective credit counseling, and mediating between borrowers and banks to establish

sustainable Debt Management Programmes without issuing direct monetary bailouts.

Question: 1431

When taking quoted shares as collateral, why do banks typically require a signed blank transfer form alongside the share certificates?

A. It exempts the share portfolio from stock market price volatility fluctuations
B. It allows the bank to vote in corporate elections on behalf of the borrowing retail customer daily
C. It eliminates all stamp duty tax obligations on marketable securities
D. It enables the bank to execute share transfers and sell the securities on the stock exchange upon default without needing further cooperation from the recalcitrant borrower

Answer: D

Explanation: Signed blank transfer forms (stock transfer forms) empower the bank to insert its name or a purchaser's name as transferee and register the shares upon default, facilitating rapid realization of collateral without protracted court litigation.

Question: 1432

A borrower’s account is 60 days past due. Which collection action is most appropriate before legal remedies?

A. Issue a formal reminder, contact the borrower to understand the cause, and offer available repayment options based on policy

B. Immediately sell the borrower's personal assets
C. Immediately commence bankruptcy proceedings
D. Stop all communication to avoid confrontation

Answer: A

Explanation: At 60 days past due, the bank should escalate contact, issue appropriate reminders and explore repayment options. Bankruptcy, asset seizure and communication withdrawal are premature or inappropriate.

Question: 1433

When designing a collection scorecard to manage delinquent consumer credit accounts, which predictive variable typically demonstrates the highest statistical weight in predicting successful debt recovery?

A. The original brand and model year of the automobile financed five years prior
B. Recent payment recency, frequency of broken promises to pay, and current days past due
C. The total number of retail banking physical branch locations within the borrower's postal code
D. The applicant's academic qualification level recorded at initial account origination

Answer: B

Explanation: Collection scorecards evaluate delinquent accounts to prioritize recovery strategies. Dynamic behavioral parameters—such as recent payment recency, delinquency depth (days past due), payment frequency, and historical adherence to promises to pay—exhibit the strongest predictive power regarding the

probability of cure or full debt recovery.

Question: 1434

A bank uses blockchain to record ownership of tokenised units in a retail investment-financing product. Which benefit is most credible?

A. Elimination of investor-protection and suitability requirements
B. Guaranteed immunity from market losses because ownership is recorded digitally
C. Improved transparency and settlement efficiency through a shared, cryptographically secured record of ownership
D. Automatic conversion of all tokens into government-guaranteed deposits

Answer: C

Explanation: Tokenised records on a permissioned blockchain can improve provenance, transparency and settlement speed. Digital recording does not remove market risk, regulatory obligations, or the distinction between securities and insured deposits.

Question: 1435

An SME’s cash-conversion cycle is lengthening. The credit implication is:

A. Reduced need for working-capital facilities
B. Automatic improvement in liquidity ratios
C. Elimination of inventory risk
D. Increased reliance on short-term financing to fund the longer cycle

Answer: D

Explanation: A longer cash-conversion cycle means cash is tied up for more days in inventory and receivables, raising the quantum of working capital that must be financed by overdrafts, revolving credits or trade facilities.

Question: 1436

An SME's current assets are RM800,000 and current liabilities are RM500,000. What is its current ratio?

A. $\frac{800{,}000-500{,}000}{800{,}000} = 0.38$

B. $\frac{800{,}000}{500{,}000} = 1.60$

C. $\frac{500{,}000}{800{,}000} = 0.63$

D. $\frac{800{,}000+500{,}000}{2} = 650{,}000$

Answer: B

Explanation: The current ratio measures short-term liquidity as current assets divided by current liabilities: $\frac{800{,}000}{500{,}000} = 1.60$. A ratio above 1 suggests current assets exceed current liabilities, although quality and turnover of those assets must also be assessed.

Question: 1437

A bank's recovery strategy involves selling an impaired loan portfolio to a third party. Which borrower-protection requirement is most important?

A. Automatically increase the debt balance upon transfer
B. Transfer the loans without informing borrowers or allowing them to regularise accounts
C. Provide affected borrowers with adequate written notice and an opportunity to settle, regularise or seek appropriate debt-management assistance before transfer
D. Prevent borrowers from contacting AKPK or seeking assistance

Answer: C

Explanation: Borrowers should receive notice and an opportunity to settle or seek assistance before impaired loans are transferred. Preventing access to assistance, silent transfers, or arbitrary balance increases are inconsistent with fair treatment requirements.

Question: 1438

A borrower grants a power of attorney to the bank's solicitor to execute security documents. Which risk is most directly mitigated?

A. Delay or inability to complete registration or perfection if the borrower is unavailable after accepting the offer
B. Removal of the need for borrower identity verification
C. Elimination of the borrower's repayment obligation
D. Automatic conversion of an unsecured loan into a secured loan

Answer: A

Explanation: A power of attorney authorises an appointed person to execute specified documents or perform registration steps on the borrower's behalf. It

facilitates completion and perfection but does not remove repayment obligations, identity checks, or the need for valid security documentation.

Question: 1439

A borrower grants a debenture over its business assets. Which feature most directly distinguishes a floating charge from a fixed charge?

A. A floating charge gives the lender immediate ownership of all assets at execution
B. A floating charge attaches to changing assets such as inventory and receivables, crystallising into a fixed charge on specified events
C. A floating charge attaches only to land and cannot cover receivables
D. A floating charge prevents the borrower from selling any asset under any circumstances

Answer: B

Explanation: A floating charge covers fluctuating business assets and crystallises upon events such as default, enforcement or insolvency. It does not transfer immediate ownership, is not limited to land, and does not necessarily prohibit all asset disposals.

Question: 1440

A loan is rescheduled because the borrower's credit risk has increased. Under the Malaysian classification framework, when may it generally be reclassified from impaired to non-impaired?

A. After one day of payment under the revised terms

B. After repayments under the revised terms have been observed continuously for at least six months, unless a different period applies

C. Never, regardless of repayment performance

D. Immediately after the rescheduling agreement is signed, in all cases

Answer: B

Explanation: For rescheduled or restructured facilities, reclassification generally requires sustained repayment performance under the revised terms, commonly at least six months. Immediate reclassification is not the general rule, although AKPK debt-management arrangements may receive specific treatment.

Question: 1441

When evaluating Conditions under the 5Cs for a retail SME borrower, the credit officer should place particular emphasis on:

A. Industry outlook, competitive position and sensitivity to economic cycles

B. The age and condition of any machinery offered as collateral

C. The length of the banking relationship with the applicant

D. The personal net worth of the proprietors only

Answer: A

Explanation: Conditions capture external and industry-specific factors that can influence future revenue stability and repayment capacity, independent of the borrower’s current financial ratios or character.

Question: 1442

A finance lease is distinguished from an operating lease by the fact that:

A. The lessor always retains the residual-value risk
B. The lease can be cancelled by the lessee at any time without penalty
C. Ownership automatically passes to the lessee at inception
D. Substantially all the risks and rewards of ownership are transferred to the lessee

Answer: D

Explanation: Accounting and risk principles classify a lease as a finance lease when the present value of minimum lease payments amounts to substantially all of the fair value of the asset and the lease term covers the major part of the asset's economic life.

Question: 1443

A bank approves a financing facility supported by a registered charge over land and a personal guarantee. During the final documentation review, the credit officer discovers that the guarantee was executed by the guarantor but not witnessed in the manner required by the applicable legal formalities. The solicitor confirms that the property charge is otherwise complete. What should the bank do?

A. Replace the guarantee with an internal memorandum recording the guarantor's intention to support the borrower.
B. Disregard the defect because the registered property charge provides sufficient security.
C. Treat the guarantee as automatically enforceable because the guarantor has

acknowledged the signature.

D. Obtain legal advice and rectify or re-execute the guarantee in compliance with applicable requirements before relying on it as valid credit support.

Answer: D

Explanation: Each security or credit support instrument must independently satisfy the applicable legal and execution requirements. A valid property charge does not automatically cure a defect in a separate guarantee. The bank should obtain legal advice on the nature and consequences of the witnessing defect and arrange proper rectification or re-execution where required. The guarantee should not be treated as enforceable merely because the guarantor acknowledges signing it or the bank has recorded the intended support internally.

Question: 1444

In Malaysia, the Agensi Kaunseling dan Pengurusan Kredit (AKPK) provides financial counseling and debt management services to individual consumers. Which of the following conditions must be met for a retail borrower to be eligible for AKPK's Debt Management Programme (DMP)?

A. The borrower must have positive net disposable income after living expenses to service the restructured payment plan

B. The borrower's debt obligations must consist exclusively of corporate commercial bonds

C. The borrower must be declared bankrupt by a High Court order prior to application

D. The total outstanding debt must exceed a minimum threshold of $\$10,000,000$

Answer: A

Explanation: AKPK's Debt Management Programme (DMP) helps distressed retail individuals structure manageable repayment plans across multiple banks. A key eligibility requirement is that the borrower must possess a positive net disposable income, demonstrating the financial capacity to meet the revised, consolidated monthly payments.

Question: 1445

In blockchain-based loan servicing, which feature most directly reduces reconciliation risk between a bank and its financing partners?

A. Manual email confirmation of each repayment between institutions
B. Periodic batch uploads that overwrite earlier transaction histories
C. A single mutable central database controlled by one participant
D. A shared, append-only distributed ledger with cryptographically validated transaction records

Answer: D

Explanation: Blockchain or distributed-ledger technology can provide a shared, tamper-evident and append-only record, reducing disputes and reconciliation effort. A central mutable database, manual confirmations, and overwriting batch uploads do not provide the same immutability or multi-party transparency.

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