MONEY MARKET

Q:1 Which of these statements is correct regarding money market?

I. It involves low market risk.
II. SEBI is the regulator of the Money Market
III. Deals in short-term debt instruments.
IV. The instruments traded are highly liquid

a) I, III, IV
b) II, III, IV
c) I, II, IV
d) I, II, III,

Q:2 Money Market allows the Reserve Bank of India (RBI) to implement ___________.

a) Long-term infrastructure projects
b) Monetary policy

c) Foreign exchange policy
d) Capital market policy

Q:3 Instruments commonly traded in the money market include Treasury bills, commercial paper, certificates of deposit, and repurchase agreements. Feature of a money market instrument includes?

I. Lower risk
II. High liquidity
III. High interest rates
IV. Low default risk

a) I, III, IV
b) II, III,IV
c) II, IV
d) I, II, III,

Q:4 Which instruments is BEST suited for a bank with excess reserves that it wants to invest overnight for a small return?

a) Call Money
b) Notice Money
c) Term Money

d) All of the baove

Q:5 A bank experiencing a increase in customer withdrawals would be most likely to borrow funds through___________.

a) Call Money
b) Notice Money
c) Term Money
d) All of the above

Q:6 Certificate of deposit is a negotiable money market instrument issued in dematerialised form. Certificates of Deposit are issued at a discounted price and redeemed at par value. Certificates of Deposit is issued by __________.

I. Scheduled commercial banks
II. Regional Rural Banks
III. Small Finance Banks
IV. All-India Financial Institutions that have been permitted by RBI

a) I, III, IV

b) II, III, IV

c) I, II, IV

d) I, II, III, IV

Q:7 T-Bills, which are short-term securities sold at a discount and redeemed at face value, help the government cover immediate expenses and manage cash flow efficiently. T- bills are issued by __________.

a) The Central Government
b) The State Government
c) The Local Government
d) All of the above

Treasury bills (T Bills) are money market instruments issued by Government of India. Three types of T bills are issued, namely 91-day, 182-day and 364-day.

Q:8 Cash Management Bills (CMBs) are a type of short-term debt instrument issued by the government in money market to address what kind of financial situation?

a) Long-term investment needs
b) Temporary cash flow mismatches
c) Funding large infrastructure projects
d) Paying off long-term debts

Q:9 What is the maximum maturity period for Cash Management Bills (CMBs)?

a) 364 days
b) Less than 91 days
c) Less than 180 days
d) Less than 270 days

CMBs were first issued in 2010 and They are issued for less than 91 days.

Q:10 Which of this statement is correct regarding Commercial paper?

I. It is issued by companies
II. It is an unsecured money market instrument
III. It usually has a maturity period less than 15 days.
IV. It is issued at a discounted price and redeemed at par value

a) I, III, IV
b) II, III, IV
c) I, II, IV
d) I, II, III,

Q:11 Which of the following entities are eligible to issue Commercial Paper (CP)?

1. A company with a minimum net worth of Rs. 50 crore
2. A co-operative society with a net worth of Rs. 100 crore
3. A limited liability partnership (LLP) with a net worth of Rs. 100 crore
4. Any entity specifically permitted by the Reserve Bank of India

a) 1 and 2 only
b) 2, 3, and 4 only
c) 1, 3, and 4 only
d) 2 and 4 only

Q:12 Which of the following instruments are Provident/Pension funds generally allowed to invest in?

1. Government Securities (G-Secs)
2. Listed debt securities
3. Basel III Tier-I bonds issued by Scheduled Commercial Banks
4. debt mutual fund units

a) 1 and 3 only
b) 1, 3, and 4 only
c) 2 and 4 only
d) 1, 2, 3 and 4

Q:13 What is the investment pattern of General Insurance Companies (GICs)?

a) General insurance companies (GICs) have to maintain certain funds which have to be invested in approved investments.
b) They participate in the G-Sec, Bond and short term money market as lenders.

c) It is seen that generally they do not access funds from these markets.
d) All of the above

Q:14 What is a key regulatory requirement for Non-Banking Finance Companies (NBCs) regarding their investments?

a) NBCs must invest at least 15% of their net worth in bonds that meet the SLR requirement.
b) NBCs must invest at least 10% of their net worth in bonds that meet the SLR requirement.
c) NBCs must invest at least 20% of their net worth in bonds that meet the SLR requirement.
d) All of the above

Q:15 What is the role of Primary Dealers (PDs) in the government securities market?

a) PDs participate in government security auctions and provide underwriting services.

b) It offer firm buy - sell/bid ask quotes for T-Bills & dated securities and to improve secondary market trading system.
c) It strengthens the infrastructure in the government securities market in order to make it vibrant, liquid and broad based.
d) All of the above

Q:16 What is the primary purpose of the Bill Rediscounting Scheme (BRDS) introduced by the Reserve Bank of India (RBI)?

a) To facilitate the redistribution of government bonds among banks and financial institutions
b) To provide a mechanism for banks and financial institutions to rediscount bills of exchange and promissory notes with eligible entities
c) To allow individuals to invest in short-term promissory notes and offer long-term loans to financial institutions
d) All of the above

Q:17 Which of the following statements about the Bill Rediscounting Scheme (BRDS) is true?

1. The bills eligible for rediscounting must originate from legitimate trade transactions.
2. BRDS transactions have a minimum tenor of 15 days and a maximum of 90 days.
3. The bill of exchange must not be encumbered or tied to any obligations.
4. The bill's remaining term should not exceed 90 days.

a) 1 and 3 only
b) 2 and 4 only
c) 1, 3, and 4 only

d) All the statements are true

Q:18 What does a bank borrowing under the Bill Rediscounting Scheme (BRDS) issue to certify its possession of eligible bills equal to the transaction amount?

a) Letter of Credit
b) Bank Guarantee
c) Corporate Bond
d) Derivative Usance Promissory Note

Q:19 _______________ are financial instruments issued by banks to enable them to share a portion of their loan assets with other participating banks.. Essentially, it allows a bank to transfer a part of the loan or credit limit to other banks without selling the underlying asset.

a) Inter-Bank Participation Certificates (IBPCs)
b) Commercial Paper (CP)
c) Collateralized Borrowing and Lending Obligations (CBLO)
d) Certificate of Deposit (CD)

Q:20 Which of the following is true about the Inter-Bank Participation Certificate (IBPC)?

a) The maximum participation in a loan/cash credit under IBPC is 40% of the outstanding balance.
b) IBPCs are not transferable and IBPCs cannot be redeemed before due date.

c) Interest rates on IBPCs are determined between the issuing and participating banks.
d) All of the above

Q:21 Which of the following statement is correct regarding Collateralised Borrowing and Lending Obligation (CBLO)?

1. CBLO is a money market instrument approved by RBI. This is a product developed by Clearing Corporation of India Ltd. (CCIL).
2. It enables entities to borrow or lend funds against collateral in a secured and efficient manner and borrowers must pledge eligible securities to CCIL, which acts as a central counterparty.
3. It is designed primarily catering to entities that do not have direct access to the interbank call money market
4. Maturity period ranging from one day to ninety days (can be made available up to one year as per RBI guidelines).

a) Only 1 and 2 are correct.
b) 1, 2, and 3 are correct.
c) 2, 3, and 4 are correct.
d) All of the above statements are correct

Q:22 agreement to repurchase the same, at a future date, at a predetermined price.

a) Repo
b) Tri-party repo
c) Security re-purchase

d) Both a and b