Capital Market Part 2

Q: 1 What is the minimum maturity requirement for an FCCB under RBI/FEMA rules?

a) 3 years
b) 5 years
c) 7 years
d) 10 years

Q: 2 Which of the following is not true about FCCBs?

a) FCCBs must comply with the Foreign Direct Investment (FDI) guidelines including sectoral caps applicable to the particular sector in which the issuing company operates.
b) FCCBs may be issued with equity-related warrants attached to the bond that provide the bondholder with the right to purchase shares at a predetermined price.
c) The total expenses incurred towards the issuance of FCCBs must not exceed 4% of the issue size in the case of public issue and 2% in the case of private placement.
d) FCCBs are subject to all regulations applicable to External Commercial Borrowings (ECBs) under FEMA.

Q: 3 Which of the following is NOT true about Foreign Currency Exchangeable Bonds (FCEBs)?

a) They can be exchanged into equity shares of another company in the same promoter group
b) FCEBs issued under the **approval route**, with a **minimum maturity of 5 years**
c) They are governed by FEMA and subject to External Commercial Borrowing guidelines
d) They can be issued in Indian Rupees and exchanged in shares of another company in the same promoter group

Q: 4 Under RBI rules Refinancing of existing ECB with fresh ECB is permitted provided the fresh ECB is raised at a__________

a) Has a higher all-in-cost
b) Has a longer residual maturity
c) Is raised at a lower all-in-cost
d) Is denominated in INR

Q: 5 Which statements about ECB refinancing are true?

a) Indian banks may lead the refinancing.
b) Residual maturity can be shortened by negotiation.
c) Residual maturity must not decrease.
d) All of the above

Q: 6 Which of the following can an AD Category I bank approve without RBI referral?

I. Changes in the Currency of Borrowing

II. Change of the AD Category I bank.

III. Changes in the name of the Borrower Company

IV. Change in the recognized lender

a) Only I and II
b) Only II and III
c) I, II, and III only
d) I, II, III, and IV

Q: 7 Which of the following statements about Rupee Denominated Bonds (RDBs) issued overseas are correct?

I. Plain vanilla Rupee denominated bonds can be issued by eligible resident entities.
II. These bonds must be issued only in India and listed on Indian stock exchanges.
III. The bonds can be placed privately or listed on exchanges in the host country.
IV. Issuance of such bonds must be in a Financial Action Task Force (FATF) compliant financial centre.

a) Only I, III and IV are correct
b) Only II, III and IV are correct
c) Only I and II are correct
d) All I, II, III and IV are correct

Q: 8 Under the framework for Rupee Denominated Bonds (RDBs) issued overseas, what is the borrowing limit under the automatic route?

a) Up to USD 100 million per calendar year
b) Up to USD 50 million equivalent per financial year
c) Up to INR 500 crore per financial year

d) Up to USD 25 million per quarter

Q: 9 What is the minimum maturity period required for Rupee Denominated Bonds issued overseas?

a) 3 years
b) 4 years
c) 5 years
d) 7 years

Q: 10 Which of the following statements is true regarding eligible investors or participants in Rupee Denominated Bonds?

a) Any investor from a Financial Action Task Force compliant jurisdiction can invest in the bonds issued under the Frame-work.
b) Indian banks shall not have access to these bonds but, subject to applicable prudential norms, can act as arranger and underwriter.
c) In case of an Indian bank underwriting an issue, its holding cannot be more than 5 per cent of the issue size after 6 months of issue.
d) All of the above

Q: 11 Which of the following end-uses of Rupee Denominated Bond proceeds are prohibited?

a) Real estate activities other than development of integrated township/affordable housing projects

b) Investing in capital market and using the proceeds for equity investment domestically
c) On-lending to other entities for any of the above purposes
d) All of the above

Q: 12 Which of the following entities are eligible to issue Rupee Denominated Bonds overseas under the RBI framework?

a) Only public limited companies listed on Indian stock exchanges
b) Only Indian banks and non-banking financial companies (NBFCs)
c) Any company or body corporate including REITs and INVITs registered with SEBI
d) Only companies with a minimum net worth of ₹1,000 crore

Q: 13 An authorised dealer in India may borrow in foreign currency Which of the following is NOT a permitted source of foreign currency borrowing for an AD?

a) Its Head Office abroad
b) Its branch outside India
c) Domestic retail depositors
d) Foreign correspondent bank

Q: 14 What is the maximum amount up to which an Authorised Dealer can borrow in foreign currency from permitted sources?

a) Up to 100% of unimpaired Tier I capital or USD 10 million, whichever is more
b) Up to 50% of unimpaired Tier I capital or USD 5 million, whichever is more
c) Up to 70 % of unimpaired Tier I capital or USD 8 million, whichever is more
d) All of the above

Q: 15 Borrowing by an AD in foreign currency is permitted for_____________.

a) Pre-shipment credit to exporters
b) Post-shipment credit to exporters
c) Normal business of its foreign branch
d) All of the above

Q: 16 What is the minimum equity stake an Indian entity must hold in a foreign joint venture or wholly owned subsidiary to receive foreign currency loans from an Authorised Dealer?

a) 40%
b) 49%
c) 51%
d) 100%

Q: 17 Which of the following is NOT a permissible form of foreign currency lending by an AD?

a) Lending against RFC Account balances
b) Lending to constituents for foreign exchange requirements
c) Lending to a company abroad in which the Indian parent holds 25% equity
d) Lending by an AD's branch outside India in the normal course of its business