

FOREIGN EXCHANGE MARKETS

TI & RM Chapter 4 part 2

Q: 1 As per Regulation 2 of FEMA Notification No. 13 dated May 3, 2000, who among the following would be considered an NRI?

- a) A person who is a citizen of India but resides outside India.
- b) A person born in India but now a German citizen residing in Germany
- c) A person born in the UK to Indian parents but never held an Indian passport
- d) A foreign national married to an Indian citizen and residing in India

Q: 2 Which of the following persons would not qualify as a Person of Indian Origin (PIO)?

- a) A Canadian citizen whose grandmother was an Indian citizen under the Citizenship Act, 1955

- b) A U.S. citizen who was formerly an Indian passport holder
- c) A Sri Lankan citizen whose spouse is an Indian citizen
- d) A Bangladeshi citizen who was born in India before independence

Q: 3 Which of these is feature of Non-Resident (External) Rupee Account (NRE Account) ?

- I. They can be opened by both NRIs and PIOs.
 - II. It can be opened as Savings, Current, Recurring, or Fixed Deposit (FD) accounts.
 - III. It can be opened jointly by two or more NRIs/PIOs or one NRI/PIO with a resident relative (former or survivor basis).
 - IV. Can be opened with Authorised Dealers (ADs) and other RBI- approved banks (including cooperative banks).
- a) I, II, and III only
 - b) I, III, and IV only
 - c) II and IV only
 - d) I, II, III and IV

Q: 4 Which of the following operations is NOT allowed for a resident Power-of-Attorney (PoA) holder in relation to an NRE account?

- a) Withdrawing funds for local payments
- b) Remitting funds to the NRE account holder
- c) Opening an NRE account
- d) Making permitted investments in India

Q: 5 Which of the following is NOT a permitted credit transaction in an NRE account?

- I. Inward remittance to India in permitted currency
 - II. Proceeds of account payee cheques
 - III. Transfers from other NRE/FCNR accounts
 - IV. Sale proceeds of FDI investments
- a) I, II, and III only
 - b) I, III, and IV only
 - c) II and IV only
 - d) I, II, III and IV

Q: 6 What is the minimum tenor required for an NRE Fixed Deposit (FD)?

- a) 6 months
- b) 1 year
- c) 3 years
- d) No minimum

Q: 7 Which of these statements is correct regarding NRE accounts

- I. They are denominated in Indian rupees.
 - II. They permit repatriation of both principal and interest.
 - III. interest income and account balances are exempt from both income tax and wealth tax in India
 - IV. They can be opened by resident individuals without restrictions.
- a) I, II, and III only
 - b) I, III, and IV only
 - c) II and III only
 - d) All four

Q: 8 Which of the following is a characteristic of a Foreign Currency Non-Resident (Bank) [FCNR (B)] account?

- I. They allow deposits in any freely convertible foreign currency.
 - II. They are available only as fixed deposit accounts.
 - III. The maximum deposit period is 5 years and minimum is 2 year.
 - IV. Floating & Fixed rates are allowed on deposits
- a) I, II, and III only
 - b) I, III, and IV only
 - c) II and III only
 - d) All of the above

Q: 9 Which currency is NOT allowed in an FCNR(B) account?

- a) USD
- b) EUR
- c) JPY
- d) INR

Q: 10 Which statements about FCNR(B) accounts are CORRECT?

1. Only NRIs are eligible to open and maintain FCNR (B) accounts.
 2. It can be opened jointly by two or more NRIs/PIOs or one NRI/PIO with a resident relative (former or survivor basis).
 3. Interest is calculated on a 360-day year base and Compounded at 6-monthly rests
- a) 1 and 2
 - b) 2 and 3
 - c) 1 and 3
 - d) 1, 2, and 3

Q: 11 Which of these statement is correct regarding Non-Resident Ordinary Rupee Account (NRO Account)?

- I. They are used for depositing income earned in India.
- II. They can be operated jointly by NRIs and resident relatives.

III. They allow free repatriation of all funds without any restrictions.

IV. They are available to NRIs, PIOs, and even foreign nationals visiting India.

- a) I, II, and IV only.
- b) I, III, and IV only
- c) II and III only
- d) All statements

RO accounts **do not allow full free repatriation**. While up to **\$1 million per financial year** can be repatriated (after tax compliance), there are **restrictions** on repatriating the principal amount freely

Q: 12 Which of these is a type of NRO Account

- I. Savings Account (SB) – Best for regular transactions
- II. Current Account (CA) – Used for business transactions
- III. Fixed Deposits (TDs) – Higher interest rates on locked deposits

IV. Recurring Deposits (RDs) – Monthly savings option

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

Q: 13 Which income must be deposited in an NRO account?

- a) Transfers from non-resident banks' rupee accounts.
- b) Remittances received in permitted currencies from outside India via normal banking channels.
- c) Legitimate dues such as rent, dividends, pension, or interest earned in India.
- d) All of the above

Q: 14 Which account is ideal for avoiding currency risk?

- a) NRE
- b) FCNR(B)
- c) NRO
- d) RFC

Q: 15 A Resident Foreign Currency (RFC) Account is primarily opened with_____

- a) A authorised dealer in India
- b) A foreign bank account maintained overseas
- c) Only for short-term trade financing
- d) As a savings account in rupees

Q: 16 Which of the following is a permitted credit in an RFC account?

- a) 100% foreign exchange earnings by way of inward remittance through normal banking channel.
- b) Advance remittance received towards export of goods or services.
- c) Interest earned on the funds held in the account.
- d) All of the above

Q: 17 Regarding debits, an RFC account can be used for_____

- a) Payment outside India for capital or current account transactions.
- b) Payment in foreign exchange for goods purchased from a 100% Export Oriented Unit or a Unit in an Export Processing Zone.
- c) Payment of customs duty as per Export Import Policy.
- d) All of the above

Q: 18 Which of these statement is correct regarding International Bank for Reconstruction and Development (IBRD) ?

- I. It established during the United Nations Monetary and Financial Conference in 1944, is the largest development bank globally, with a membership of 189 countries.
 - II. The primary aim of the IBRD initially was to provide loans to countries impacted by the aftermath of World War II and support their reconstruction efforts.
 - III. The IBRD provides loans and financial assistance to middle-income and creditworthy low-income countries.
 - IV. The IBRD exclusively engages with sovereign governments and does not work with private entities.
- a) I, III, IV
 - b) II, III, IV
 - c) I, III, IV
 - d) I, II, III, IV

It established during the United Nations Monetary and Financial Conference in 1944, is the largest development bank globally, with a membership of 189 countries.

Q: 19 _____ is responsible for delivering long-term, interest-free loans to world's poorest countries. It offers long-term, interest-free loans to these nations, aiming to facilitate their development and economic progress.

- a) International Bank for Reconstruction and Development (IBRD)

- b) International Development Association (IDA)
- c) International Finance Corporation (IFC)
- d) World Trade Organisation (WTO)

Q: 20 Which of the following statement related with International Finance Corporation is not correct?

- a) International Finance Corporation (IFC) Established in 1956
- b) It is the largest organisation dedicated solely to the private sector in developing countries.
- c) IFC promotes private sector investment in these countries as a means of reducing poverty and enhancing people's quality of life.
- d) It is responsible for delivering long-term, interest-free loans to world's poorest countries

Q: 21 Multilateral Investment Guarantee Agency encourages foreign direct investment into developing countries, by protecting investors against _____.

- I. Commercial risk
- II. Non-commercial
- III. Political risk

- a) I, III
- b) II, III
- c) I, II

d) III, I

Q: 22 _____ settles international investment dispute settlement between investors and governments.

- a) International Bank for Reconstruction and Development (IBRD)
- b) International Development Association (IDA)
- c) International Finance Corporation (IFC)
- d) International Centre for Settlement of Investment Disputes (ICSID)

Q: 23 Which of the following is not a political risk in foreign trade?

- a) Imposition of import ban after delivery
- b) Risk of war
- c) Risk of exchange rate fluctuation
- d) Non-renewal of import/export licenses

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Q: 24 Which of the following are commercial risks in foreign trade?

- a) A buyer's inability to pay due to financial issues
- b) A seller's failure to supply goods
- c) A bank's inability to fulfill its role in the transaction
- d) All of the above

Q: 25 What is sovereign risk in the context of international trade?

- a) The inability of a bank to meet commitments
- b) The risk of corruption in the foreign country
- c) The risk that a foreign government may default on its debt obligations
- d) The risk of exchange rate fluctuations

Q: 26 Which of the following is not a function of EXIM Bank?

- a) Providing refinance to banks for export finance
- b) Managing inflation through monetary policy
- c) Offering technical assistance to exporters
- d) Financing joint ventures abroad

Q: 27 Which of the following statements are correct about RBI's role in foreign trade?

- I. It manages exchange rate volatility.
- II. It provides financial assistance for export ventures.
- III. It builds foreign exchange reserves.
- IV. It balances domestic and international economic variables.

- a) I, II, and III only
- b) I, III, and IV only
- c) II, III, and IV only
- d) All statements

Q: 28 What is the primary reason EXIM Bank was established under the EXIM Bank Act, 1981?

- a) To regulate foreign exchange
- b) To offer short-term consumer loans
- c) To finance and promote India's foreign trade
- d) To manage government treasury operations