

REGULATIONS, SUPERVISION AND COMPLIANCE OF TREASURY OPERATIONS

TI & RM CHAPTER 12

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 Which of the following is not a money-market instrument?

- a) Call money
- b) Certificates of Deposit (CDs)
- c) Commercial Paper (CP)
- d) Equity shares

Q:3 The money market helps the RBI in managing which of the following?

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- a) Long-term credit
- b) Stock exchanges
- c) Short-term liquidity
- d) Forex reserves

Q:4 Through the money market, RBI sends signals about_____.

- a) Fiscal policy
- b) Monetary policy
- c) Import-export policy
- d) Trade policy

Q:5 Under which Act has the Government of India delegated powers to the RBI for regulating money market instruments?

- a) Section 10 ,Banking Regulation Act, 1949
- b) Section 12 ,Companies Act, 2013
- c) Section 16 ,Securities Contracts (Regulation) Act, 1956
- d) None of the above

Q:6 FIMMDA, established in 1998, is a Self-Regulatory Organisation (SRO) that aims to develop and enhance which of the following markets in India?

- a) Equity, derivatives markets and commodity markets
- b) Forex , derivatives markets and mutual fund markets
- c) Real estate ,derivatives markets and insurance markets
- d) Fixed income, money market, and derivatives markets

Q:7 Fixed Income Money Market and Derivatives Association of India is an association of_____.

- I. Commercial Banks
 - II. Financial Institutions
 - III. Primary Dealers
 - IV. Reserve bank of India
- a) I, II
 - b) II, III, IV
 - c) I, II, III
 - d) I, II, III, IV

Q:8 Which of these is a function of FIMMDA?

- I. Introduction of benchmark rates and new derivatives instruments, etc.
 - II. To provide training and development support to dealers and support personnel at member institutions.
 - III. To adopt and develop international standard practices and a code of conduct.
 - IV. To function as an arbitrator for disputes between member institutions.
- a) I, II
 - b) II, III, IV
 - c) I, II, III
 - d) I, II, III, IV

Q:9 The primary responsibility for managing market risk in a bank lies with _____

- a) The Risk Management Committee only
- b) The Dealing Room only
- c) Top management of banks
- d) External auditors

Q:10 Which of the following is not a duty of the Board of Directors in market risk management?

- a) Defining clear policies and limits for market risk management
- b) Conducting regular reviews and ensuring accurate reporting
- c) Performing day-to-day trading activities to manage risk
- d) Ensuring proper audits to maintain compliance

Q:11 Which of the following statements about ALCO are correct?

1. ALCO is responsible for ensuring adherence to limits set by the board.

2. ALCO will comprise the Managing Director, heads of various divisions and other senior personnel involved with the ALM process.
3. ALCO decides the bank's business strategy in line with budget and risk objectives.
4. ALCO is responsible for balance sheet planning from risk-return perspective

- a) 1 and 3 only
- b) 2 and 4 only
- c) 1, 2, and 3 only
- d) All of the above

Q:12 Which of the following is NOT explicitly mentioned as a role of the ALCO?

- a) Product Pricing
- b) Interest Rate Strategy
- c) Dealing room operations
- d) Funding Policy

Q:13 Who is responsible for analyzing, monitoring, and reporting risk profiles to the ALCO?

- a) The Dealing Room
- b) The Board of Directors
- c) ALM Support Groups/Market Risk Groups
- d) The Risk Management Committee

Q:14 The Treasury Dealing Room is generally known as the clearing house for_____

- a) Setting bank-wide risk limits

- b) Approving brokers for trading
- c) Formulating interest rate strategy
- d) Matching, managing, and controlling market risks

Q:15 The Dealing Room's market risk management activities are conducted in accordance with authority granted by the bank's _____

- a) Board of Directors
- b) ALCO
- c) Risk Management Committee
- d) ALM Support Groups

Q:16

Q:17 According to the Dealing Room Procedures Manual, what must all dealers active in day-to-day trading activities in the Indian market acknowledge familiarity with?

- a) The bank's annual report
- b) FEDAI and FIMMDA code of conduct
- c) International accounting standards
- d) The latest economic forecasts

Q:18 When dealing with brokers, dealers can only do business with those_____.

- a) Recommended by other banks
- b) That offer the lowest commissions
- c) Approved by the bank's Risk Management Committee
- d) With whom they have a personal relationship

Q:19 What is the minimum continuous leave period recommended for dealers per annum?

- a) 7 days
- b) 10 days
- c) 14 days
- d) 21 days

Q:20 Which statements about the Risk Management Committee are true?

1. It prepares balance-sheet simulations under different market scenarios.
2. It reports directly to the Dealing Room for approval.
3. It recommends actions to stay within internal limits.

4. It forecasts the impact of market changes on the bank's profitability.

1, 2, and 3

1, 3, and 4

2, 3, and 4

1, 2, and 4

Answer: b) 1, 3, and 4

Q:21 Which is not a key requirement for a Dealing Room Manual?

- a) Code of Conduct acknowledgement by all dealers
- b) Detailed branch loan procedures
- c) Internal limit adherence protocols
- d) Dealing hours and post-hours trading rules

Q:22 Which of these is not a requirement for “Off-Premise Dealing”?

- a) Prior management approval for off-site trading
- b) Notification to counterparty about off-site location
- c) Automatic approval of any off-site trade
- d) Back-office reporting of off-premise deals

Q:23 Recording front-office conversations (using tapes) helps quickly resolve any disputes or misunderstandings. What is the minimum duration for which tapes of recorded front-office conversations should be kept?

- a) 1 month
- b) 3 months
- c) 6 months
- d) 12 months

Q:24 When should tapes relating to disputed or unconfirmed transactions be retained?

- a) For 3 months regardless of disputes
- b) Until management decides
- c) Not required to retain tapes for disputed transactions
- d) Until the disputes or unconfirmed transactions are settled or confirmed

Q:25 What are the prescribed dealing hours for market transactions?

- a) 9:00 a.m. to 6:00 p.m. Monday to Friday and 9:00 a.m. to 1:00 p.m. on Saturday
- b) 9:00 a.m. to 5:30 p.m. Monday to Friday, and 9:00 a.m. to 1:00 p.m. on Saturday
- c) 8:00 a.m. to 4:00 p.m. Monday to Saturday and 9:00 a.m. to 1:00 p.m. on Saturday
- d) No fixed dealing hours

Q:26 What is the purpose of setting up “rate-bands” for dealing rates?

- a) To encourage speculative trading
- b) To allow unlimited price negotiation
- c) To limit the number of deals
- d) To ensure transactions are made at fair and appropriate rates

Q:27 Which policy helps prevent conflicts of interest arising from personal investments by dealers?

- a) Credit Policy
- b) Personal Investment Policy
- c) Market Risk Policy
- d) Settlement Policy

Q:28 Which of the following statements about trade confirmations is/are correct?

1. Deals recorded by the trader are confirmed independently by the back-office, including the date of the deal, counterparty name, and all other details.
 2. Back-office should ignore confirmations for trades they have no record of, as they may be duplicates.
 3. Any discrepancy between a confirmation and trade details must be reported to management immediately.
 4. Management should verify and resolve discrepancies in trade confirmations quickly, preferably within minutes of the trade.
- a) 1, 2, and 3 only
- b) 1, 3, and 4 only
- c) 2, 3, and 4 only

d) All of the above

Q:29 According to FIMMDA guidelines, on what basis should Indian market deals be conducted?

- a) Arbitrarily by the dealers
- b) Based on the FIMMDA handbook
- c) According to overseas market practices
- d) Based on client preferences

Q:30 _____ means that dealers and brokers must be clear about whether the prices they quote are firm (fixed and binding) or indicative (for reference only)

- a) Market Transparency
- b) Firmness of Quotation
- c) Rate Scan
- d) Deal Confirmation

Q:31 For government securities and Treasury Bills (T-Bills), delivery is done on a Delivery-versus-Payment (DVP) basis. What does DVP mean?

- a) Delivery happens before payment
- b) Payment happens before delivery
- c) Payment and delivery happen simultaneously
- d) Delivery and payment happen on different dates

Q:32 Within what time period should dealers enter deals concluded on the NDS or to be reported on the NDS?

- a) Within 5 minutes of the conclusion of the deal
- b) Within 15 minutes of the conclusion of the deal
- c) Within 30 minutes of the conclusion of the deal
- d) Within 1 hour of the conclusion of the deal

Q:33 In repo transactions, why is it acceptable for brokers to disclose the counterparty's name in advance?

- a) To avoid default risk
- b) Because the interest rate is fixed
- c) Because the price for the second leg may depend on the counterparty
- d) Because of SEBI regulation

Q:34 In the case of CDs or CPs, when is the buyer's name disclosed by the broker?

- a) Before revealing the issuer's name
- b) Along with the issuer's name
- c) After the buyer agrees to the seller's name
- d) Never disclosed

Q:35 Whose responsibility is it to enter the deal on NDS in a Government securities transaction?

- a) The buyer's dealer
- b) The broker
- c) The seller's dealer
- d) RBI

Q:36 What is the ideal time frame to complete the deal approval process on NDS?

- a) 10 minutes
- b) 20 minutes
- c) 30 minutes
- d) Before the next working day

Q:37 Is oral confirmation essential for deals entered through NDS?

- a) Yes
- b) No
- c) Only for Government securities
- d) Only during market disruptions

Q:38 What is the main purpose of written confirmations?

- a) To update the market
- b) To safeguard against dealing errors
- c) To avoid penalties from SEBI
- d) To help brokers charge commission

Q:39 Which of the following is not necessarily included in a written confirmation?

- a) Trade date and value date
- b) Broker's license number

- c) Counterparty's name
- d) Commission charged (if applicable)

LEARNING SESSIONS