

**ROLE OF INFORMATION TECHNOLOGY IN TREASURY
MANAGEMENT**

TI & RM CHAPTER 13

Q: 1 Which of the following statements about the Negotiated Dealing System (NDS) are correct?

1. NDS is an electronic platform for dealing in Government securities and money market instruments.
 2. NDS was introduced to modernize the Indian equity market.
 3. The Reserve Bank of India (RBI) is responsible for operating the NDS.
 4. NDS enables transparent and efficient trading in the debt market.
- a) Only 1 and 3
b) Only 2 and 4
c) Only 1, 3, and 4
d) All 1, 2, 3, and 4

Q: 2 Which of the following is not an instrument facilitated by the Negotiated Dealing System (NDS)?

- a) Treasury Bills
- b) Certificates of Deposit
- c) Commercial Papers
- d) Equity Shares**

Q: 3 _____ securities represent long-term bonds issued by the government, featuring a stable or variable coupon (interest rate). These securities have maturities spanning from 5 to 40 years.

- a) Treasury Bills
- b) Commercial Papers
- c) Dated government securities**
- d) All of the above

Q: 4 Which of the following debt instruments are issued by state governments in India to fund development projects and meet fiscal deficit requirements and have a typical maturity period of ten years?

- a) State Development Loans**
- b) Dated government securities.
- c) Inflation Indexed Bonds
- d) None of the above

Q: 5 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

Q: 6 Which of these is a type of treasury Bills issued by Central government ?

- a) 91-day T-Bills
- b) 182-day T-Bills

- c) 364-day T-Bills
- d) All of the above**

Q: 7 Features of certificate of deposits includes_____.

- I. Certificate of deposit is a negotiable money market instrument issued in dematerialised form .
 - II. It is issued at a discounted price and redeemed at par value.
 - III. Tenor of issue can range from 7 days to 1 year.
 - IV. It issued by Government of India.
- a) I, III, IV
 - b) II, III, IV
 - c) I, II, IV
 - d) I, II, III,**

Q: 8 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: 9 Commercial paper is a short-term unsecured debt instrument issued by corporations to meet short-term financial obligations. What does "unsecured" mean in this context?

- a) Backed by collateral
- b) **Not backed by collateral**
- c) Partially backed by collateral
- d) Fully guaranteed by the government

Q: 10 What is the typical maturity period for commercial paper?

- a) More than 5 years
- b) Over 10 years
- c) None of the above
- d) **Between 7 days to one year.**

Q: 11 Which of the following entities is NOT eligible to issue commercial paper in India?

- a) Any corporate entity possessing a net worth of at least 100 crore or more.

- b) Any additional organization explicitly authorized by the Reserve Bank.
- c) Cooperative societies, unions, and limited liability partnerships with a net worth of a minimum 100 crore or higher.
- d) None of the above**

Q: 12 Call Money refers to the borrowing or lending of funds between banks for a period of _____

- a) Between 2 and 14 days
- b) Exceeding 14 days
- c) 1 day**
- d) Up to 30 days

Q: 13 If a bank borrows funds for a period of 10 days, this type of transaction would fall under _____

- a) Call Money
- b) Term Money
- c) Notice Money**
- d) Reverse Repo

Q: 14 _____ involves selling of a security, with an 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**

Q: 15 What is the primary function of a Repo transaction?

- a) To issue new government securities
- b) To borrow funds on a collateralized basis**
- c) To facilitate foreign exchange trading
- d) To provide long-term financing

Q: 16 What are the basic requirements for an institution to become a member of the Negotiated Dealing System (NDS)?

- a) The institution must be a member of INFINET
- b) The institution must have a Subsidiary General Ledger (SGL) account with the RBI

c) The institution must be an eligible participant in the government securities market

d) All of the above

Q: 17 Which of the following entities is eligible for NDS membership?

1. Banks
2. Financial Institutions
3. Primary Dealers
4. Insurance Companies

- a) Only 1 and 3
- b) Only 2 and 4
- c) Only 1, 3, and 4
- d) All 1, 2, 3, and 4**

Q: 18 Which of the following institutions are mandatorily required to become members of the Negotiated Dealing System (NDS)?

- a) Mutual Funds
- b) Insurance Companies

c) Primary Dealers and Banks

d) Stockbrokers

Q: 19 What is the role of INFINET in the NDS?

a) It acts as the trading platform for equities

b) It provides the communication backbone for NDS

c) It manages the settlement of forex transactions

d) It issues government securities

Q: 20 Which platform is primarily used for foreign exchange trading?

a) National Stock Exchange

b) Bombay Stock Exchange

c) Reuters Electronic Dealing System

d) All of the above

Q: 21 Which of the following statements about Straight-Through Processing (STP) are correct?

1. STP enables trading, documentation, clearing, settlement, and custody on a single integrated electronic platform.
2. In STP, trades are settled automatically by the system through its connectivity with a Clearing House after being approved by the buyer and seller.
3. STP ensures that buyers receive securities in their custodial accounts and sellers receive funds automatically.
4. STP is only used for trading equities and cannot be used for government securities.

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

Q: 22 Securities, such as government bonds or shares, are no longer held in physical form. Instead, their ownership is recorded electronically and stored by_____.

- a) Clearing House

b) Depository Participants

c) Stock Exchanges

d) Registrar of Companies

Q: 23 Who maintains custody and ownership of Statutory Liquidity Ratio (SLR) securities in electronic form?

a) Securities and Exchange Board of India (SEBI)

b) Stock Exchanges

c) SGL depository of the RBI

d) Ministry of Finance

Q: 24 What is the primary role of the Clearing Corporation of India Ltd. (CCIL) in NDS?

a) Issuing Government securities

b) Enabling settlement of forex deals

c) Managing the trading platform for bonds

d) Intermediation in government securities settlement

Q: 25 What is the purpose of the Real-Time Gross Settlement (RTGS) system in treasury management?

- a) To electronically transfer funds across the country**
- b) To settle trades in government securities automatically
- c) To calculate Value at Risk (VaR)
- d) To facilitate instant settlement of transactions in foreign exchange

LEARNING SESSIONS