

TREASURY MANAGEMENT

TI &RM Chapter 8 part 2

Q: 1 Which of the following statements about the Front Office in a commercial bank's treasury are correct?

1. It is responsible for executing trades like buying and selling currencies, bonds, or derivatives.
 2. It handles administrative tasks such as record keeping and trade reconciliation.
 3. It takes on financial risks such as market risk and liquidity risk.
 4. It is primarily involved in managing compliance and risk reporting.
- a) 1, 2, 3 only
b) 1, 3, 4 only
c) 1 and 3 only
d) 2 and 4 only

Q: 2 Which office in a commercial bank's treasury performs the following functions?

- Monitors and manages the risks taken by the front office, ensuring alignment with the bank's risk tolerance.
- Provides reports and data on financial positions, risks, and performance to aid in decision-making.

- a) Front Office
- b) Mid Office
- c) Back Office
- d) Compliance Department

Q: 3 Back-Office handles the administrative task. Which of the following is not a function of the Back Office?

- a) Confirming transactions
- b) Ensuring trade settlements
- c) Managing market risks

d) Reconciliation of accounts

Q: 4 Which functions fall under a treasurer's role in ensuring compliance and liquidity management?

- a) Maintaining CRR and SLR
- b) Managing liquidity risks
- c) Raising funds to meet credit demands
- d) All of the above

Q: 5 Which of the following statements are correct regarding treasury responsibilities?

1. The treasurer decides loan interest rates.
2. The treasurer manages capital adequacy and liquidity.
3. Treasury ensures compliance with CRR/SLR norms.

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4. Treasurer is responsible for customer onboarding.

- a) 1 and 2
- b) 2 and 3
- c) 1 and 3
- d) 3 and 4

Q: 6 Which of the following is not part of domestic treasury operations?

- a) Trading in government securities
- b) Hedge and cover operations for foreign clients
- c) Maintaining CRR and SLR
- d) Liquidity management

Q: 7 Which of the following are forex treasury operations?

- a) Extending cover to forex trades
- b) Trading and arbitrage in currency
- c) Funding foreign exchange assets
- d) All of the above

Q: 8 _____ is a holistic approach to funding the balance sheet and deployment of funds across the domestic as well as global money and forex markets.

- a) Merchant Banking
- b) Core Banking
- c) Integrated Treasury
- d) Forex Management

Q: 9 Which of the following is NOT a type of integration in an integrated treasury system?

- a) Vertical Integration
- b) Geographical Integration
- c) Diagonal Integration
- d) Horizontal Integration

Q: 10 _____ involves merging forex dealing rooms and domestic treasury units into the same location. By operating from a single premise, the bank ensures better communication, coordination, and resource sharing.

- a) Geographical Integration
- b) Horizontal Integration
- c) Vertical Integration
- d) All of the above

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

1. It brings together similar activities like bond and forex trading under one structure.
 2. It promotes use of separate systems for each trading activity.
 3. This includes using common policies, hierarchy, technology, and accounting systems,
 4. It helps in creating consistent and streamlined operations.
- a) 1, 2, and 3

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

Q: 12 In the context of treasury operations, Vertical Integration refers to which of the following arrangements?

- a) Delegating trading activities to various decentralized desks for flexibility and autonomy.
- b) Separating forex, money market, and bond trading into independent units with their own funding lines.
- c) Unifying diverse trading and arbitrage activities under central control with a common funding pool to ensure resource efficiency.
- d) Outsourcing treasury functions to external vendors to reduce operational overheads.

Independent Role	Forex	Independent Investment/ Treasury Role	Integrated Role
Merchant Dealing		Funds Management	ALM
Corporate FX Trading		Liquidity Management	CRR/SLR FCNR Swap Management
Proprietary Trading		SLR/Non-SLR Investments	Overseas Borrowings Investment
Derivatives (Non- INR) Dealing		Securities Trading	Arbitrage
		Equities Trading	Derivatives INR Dealing

Q: 13 Which of the following are benefits of integrated treasury operations?

a) Efficient utilization of funds

- b) Enhanced information exchange
- c) Improved internal controls
- d) All of the above

Q: 14 What is arbitrage in the context of integrated treasury?

- a) Lending to customers at high interest rates
- b) Trading only in government securities
- c) Borrowing money from RBI at fixed rates
- d) Buying low and selling high in different markets to earn profit

Q: 15 What does “Proper Transfer Pricing” in an integrated treasury aim to achieve?

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- a) Mispricing of assets and liabilities
- b) Elimination of internal controls
- c) Clear asset and liability strategy signals
- d) Delay in pricing decisions

Q: 16 Which of the following functions is primarily responsible for executing trades in an integrated treasury, such as buying and selling currencies, bonds, or derivatives?

- a) Front-Office
- b) Mid-Office
- c) Back-Office
- d) Compliance Department

Q: 17 The Mid-Office in an integrated treasury performs all the following functions except_____.

- a) Monitoring risk exposure
- b) Conducting foreign currency trades

- c) Reporting on financial performance
- d) Ensuring alignment with risk tolerance

Q: 18 Which office in the integrated treasury handles tasks such as trade confirmation, reconciliation, and record-keeping?

- a) Front-Office
- b) Mid-Office
- c) Back-Office
- d) Dealing Room

Q: 19 Which of the following is not an initiative or infrastructure supporting integrated treasury operations in India?

- a) Negotiated Dealing System (NDS)
- b) Bloomberg Terminal
- c) Unified Payments Interface (UPI)
- d) Real Time Gross Settlement (RTGS)

Q: 20 Which of the following platforms facilitates the electronic submission of bids and offers for government securities and money market instruments?

- a) Reuters
- b) Negotiated Dealing System (NDS)
- c) Inter-net
- d) Back-Office

Q: 21 What is the role of Clearing Corporation of India Ltd. (CCIL) in treasury operations?

- a) To issue bonds for the government
- b) To provide clearing and settlement services
- c) To set interest rates on foreign exchange
- d) To report internal risk metrics

Q: 22 Which of the following statements about integrated treasury initiatives is/are correct?

1. Banks use platforms like Bloomberg and Reuters to support treasury operations.

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2. RTGS is a payment system enabling real-time fund transfers.
3. NDS allows off-market trade recording of equity instruments.
4. CCIL helps in risk reporting for the mid-office.

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

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