Learning Sessions

20 True / False | IIBF Exam Revision

CAIIB - BFM - 3A 2026-07-18

20 True or False

Decide, then check the answer and reason below each statement.

Question 1

A Nostro account is held in foreign currency with a foreign bank, such as SBI's USD account with Citi New York.

TRUE

Nostro means 'our account with you' and is always maintained in foreign currency, unlike a Vostro which is in local INR.

Question 2

SWIFT itself moves the money and settles cross-border payments between banks.

FALSE

SWIFT only transmits the instruction; actual settlement happens in payment systems such as CHIPS, Fedwire, CHAPS, T2 or RTGS.

Question 3

A Mirror account is maintained in two currencies - the foreign currency of the Nostro and the home currency of the bank.

TRUE

The dual-currency shadow enables daily reconciliation and general-ledger valuation of the Nostro.

Question 4

The minimum amount a customer can transfer through Indian RTGS is Rupees 2,00,000.

TRUE

RTGS has a customer floor of Rs 2 lakh and no upper cap, running 24x7 since 14 December 2020.

Question 5

NEFT in India operates only on bank working days between fixed daytime hours.

FALSE

Since 16 December 2019 NEFT runs 24x7x365 in 48 half-hourly batches with no working-hours restriction.

Question 6

Interest earned on an NRO account is exempt from income tax in India.

FALSE

NRO interest is fully taxable, with TDS at 30% plus applicable surcharge and cess.

Question 7

Loans against NRE or FCNR(B) deposits are capped at a ceiling of Rupees 1 crore.

FALSE

The Rs 1-crore ceiling stands removed; there is no monetary ceiling now, though purpose restrictions continue.

Question 8

An NRI may repatriate up to USD 1 million per financial year from NRO balances, per account holder, after payment of taxes.

TRUE

The limit is per holder not per account, and the unused portion lapses with no carry-forward.

Question 9

FCNR(B) deposits may be opened as recurring deposits.

FALSE

FCNR(B) permits term deposits only, with a minimum tenure of 1 year and maximum of 5 years.

Question 10

The PIO card scheme was withdrawn and merged into the OCI scheme on 9 January 2015.

TRUE

All valid PIO cardholders were deemed OCI cardholders; no separate PIO card exists any longer.

Question 11

A resident PoA holder of an NRE account can repatriate funds abroad on the account holder's behalf.

FALSE

A resident PoA may operate the account locally but is expressly barred from repatriating, gifting, or transferring funds to another NRE account.

Question 12

FCNR(B) accounts are held as term deposits with a tenure of 1 to 5 years.

TRUE

Minimum tenure is 1 year and maximum 5 years, repaid in the deposit currency so there is no exchange-rate risk to the depositor.

Question 13

SWIFT is a cooperative society headquartered in Brussels providing messaging 24 hours a day, 365 days a year.

TRUE

Owned by member banks and based at La Hulpe, Brussels, it provides secure financial messaging only, not settlement.

Question 14

T2 replaced TARGET2 as the euro-area RTGS on 20 March 2023.

TRUE

T2 is the Eurosystem's RTGS for the euro and runs on ISO 20022.

Question 15

An OCI cardholder must be registered for 5 years and ordinarily resident in India for 12 months before applying for Indian citizenship.

TRUE

This is prescribed under Section 5(1)(g) of the Citizenship Act, 1955.

Question 16

Under FEMA, a person who stayed in India for 182 days or less in the preceding financial year is resident outside India.

TRUE

NRI classification is primarily residency-based; the 182-day test governs residence, not visa status.

Question 17

NRIs are permitted to open new PPF and other small-savings scheme accounts.

FALSE

PPF and small-savings schemes are expressly barred for NRIs; a pre-existing PPF may run only to its 15-year maturity without extension.

Question 18

CHAPS is the United States' dollar net-settlement payment system.

FALSE

CHAPS is the UK's sterling large-value system operated by the Bank of England; CHIPS is the US dollar net-settlement system.

Question 19

FCNR(B) principal and interest are fully repatriable and the interest is exempt from income tax.

TRUE

Full repatriation of principal plus interest is allowed, interest is tax-exempt, and the deposit carries no exchange-rate risk.

Question 20

Interest on NRE deposits may exceed the rate on comparable domestic rupee deposits.

FALSE

NRE interest is at the bank's discretion but cannot exceed the rate on comparable domestic rupee deposits under the 2025 Interest Rate on Deposits Directions.