20 True or False

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

Question 1

The money market in India deals with funds for periods up to one year.

TRUE

The money market is defined by short-term maturities of up to one year.

Question 2

The Reserve Bank of India regulates India's money market.

TRUE

RBI sets rules, manages key rates, and runs monetary policy through this market.

Question 3

Call Money involves funds lent overnight between banks.

TRUE

Call Money is the purest overnight inter-bank borrowing and lending instrument.

Question 4

Notice Money has a tenure of 2 to 14 days.

TRUE

Notice Money sits between overnight Call Money and longer Term Money.

Question 5

Treasury Bills are issued at a discount and redeemed at face value.

TRUE

T-Bills carry no coupon, so the investor's gain is the discount to face value.

Question 6

Commercial Paper is issued by corporates and NBFCs.

TRUE

CP is an unsecured promissory note that corporates and NBFCs use for working capital.

Question 7

Certificates of Deposit are issued by banks.

TRUE

CDs are negotiable term deposits issued by banks and select institutions.

Question 8

The capital market is regulated by SEBI.

TRUE

SEBI regulates the capital market while RBI regulates the money market.

Question 9

Repo and Reverse Repo involve collateralised borrowing and lending.

TRUE

Both are collateral-backed tools used by banks and the RBI to manage liquidity.

Question 10

The organised money market sector includes the RBI, banks, and primary dealers.

TRUE

This formal, regulated sector is where the bulk of money market trading happens.

Question 11

The money market is largely a wholesale market with low default risk.

TRUE

It is dominated by banks and large institutions trading low-risk instruments.

Question 12

Notice Money is lent overnight between banks.

FALSE

Overnight lending is Call Money; Notice Money covers 2 to 14 days.

Question 13

Commercial Paper is issued by banks rather than corporates.

FALSE

Commercial Paper is issued by corporates and NBFCs, while banks issue Certificates of Deposit.

Question 14

The capital market is regulated by the Reserve Bank of India.

FALSE

The capital market is regulated by SEBI; the RBI regulates the money market.

Question 15

Treasury Bills pay investors a fixed coupon rate.

FALSE

Treasury Bills carry no coupon; they are sold at a discount and redeemed at face value.

Question 16

Term Money has a maximum tenure of 14 days.

FALSE

Term Money runs from more than 14 days up to one year; 14 days is the Notice Money limit.

Question 17

The money market primarily deals with long-term funds raised for more than one year.

FALSE

The money market deals with short-term funds for periods up to one year.

Question 18

Chit funds and moneylenders form part of India's organised money market sector.

FALSE

Chit funds and moneylenders belong to the unorganised sector, outside RBI regulation.

Question 19

Certificates of Deposit are unsecured promissory notes issued by corporates.

FALSE

That description fits Commercial Paper; Certificates of Deposit are bank-issued term deposits.

Question 20

The RBI uses the capital market, not the money market, to implement monetary policy.

FALSE

The RBI implements monetary policy mainly through the money market, using tools like repo.