20 True or False

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

Question 1

T-Bills are zero-coupon instruments issued at a discount to face value.

TRUE

T-Bills are issued below face value and redeemed at par, with the discount forming the investor's return.

Question 2

T-Bills carry credit risk because they are issued by private corporates.

FALSE

T-Bills are issued by the RBI on behalf of the Government of India and carry sovereign, zero-default risk.

Question 3

The minimum bid amount for T-Bills is Rs. 10,000 and in multiples thereof.

TRUE

T-Bills are sold through RBI auctions with a minimum bid of Rs. 10,000 and multiples of that amount.

Question 4

364-Day T-Bills are the longest-maturity Treasury Bills issued by the RBI.

TRUE

Among the three T-Bill tenors of 91, 182 and 364 days, the 364-day bill has the longest maturity.

Question 5

Cash Management Bills have maturities longer than one year.

FALSE

Cash Management Bills have maturities of less than 91 days and are issued on an ad hoc basis.

Question 6

Commercial Paper is a secured instrument backed by collateral.

FALSE

Commercial Paper is unsecured, so it relies on the issuer's creditworthiness rather than collateral.

Question 7

A minimum credit rating from a SEBI-registered rating agency is mandatory for every Commercial Paper issuance.

TRUE

RBI guidelines require a minimum credit rating from a SEBI-registered agency before CP can be issued.

Question 8

Certificates of Deposit can only be issued by non-banking financial companies.

FALSE

CDs are issued by scheduled commercial banks and select All India Financial Institutions, not by NBFCs.

Question 9

Certificates of Deposit are issued in dematerialised form as per RBI directives.

TRUE

RBI directives require CDs to be issued only in dematerialised form.

Question 10

Call Money involves interbank borrowing and lending for a period of one year.

FALSE

Call Money is overnight, one-day borrowing and lending; one-year tenure falls under Term Money instead.

Question 11

Only scheduled commercial banks, cooperative banks and primary dealers may both borrow and lend in the call money market.

TRUE

The call money market is a pure interbank market where only these participants can both borrow and lend.

Question 12

Mutual funds and insurance companies can both borrow and lend freely in the call money market.

FALSE

Mutual funds and insurers may only lend in the call money market, not borrow.

Question 13

CBLO is the current official term used for tri-party repo transactions in India.

FALSE

CBLO was discontinued in November 2019 and replaced by TREPS, the current correct term.

Question 14

TREPS settlement is handled through CCIL as a neutral third party.

TRUE

CCIL, the Clearing Corporation of India Limited, settles TREPS transactions as the central counterparty.

Question 15

The Standing Deposit Facility sits at the bottom of the RBI's liquidity adjustment facility corridor.

TRUE

The SDF forms the floor of the LAF corridor, replacing the earlier reverse repo in that role since April 2022.

Question 16

The Marginal Standing Facility rate sits below the Policy Repo Rate in the LAF corridor.

FALSE

The MSF rate sits at the top of the LAF corridor, above the Policy Repo Rate, not below it.

Question 17

Treasury Bills and Cash Management Bills are SLR-eligible instruments.

TRUE

As government securities, T-Bills and CMBs both qualify for the Statutory Liquidity Ratio.

Question 18

Commercial Paper and Certificates of Deposit are SLR-eligible instruments.

FALSE

CP and CD are not government securities, so neither is eligible for the Statutory Liquidity Ratio.

Question 19

Commercial Paper is issued by corporates, primary dealers and eligible NBFCs.

TRUE

Commercial Paper can be issued by corporates, primary dealers and eligible NBFCs subject to RBI guidelines.

Question 20

A Certificate of Deposit is identical to an ordinary fixed deposit and cannot be traded.

FALSE

Unlike an ordinary fixed deposit, a CD is negotiable and freely transferable in the secondary market.