20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **A spot trade in forex settles currency within two working days from the trade date.**
This standard settlement window makes the spot rate the market's default reference price.

2. **TOD settlement happens the same day, while TOM settlement happens the next working day.**
Both are faster variants of the standard spot settlement cycle.

3. **A forward contract fixes an exchange rate today for settlement on a future date.**
It lets customers lock in currency risk ahead of the actual transaction date.

4. **Forward rates are built from the interest-rate differential between two currencies, not guesswork.**
The differential is added to or deducted from the spot rate depending on which currency yields more.

5. **A currency swap combines a spot and a forward deal and is used mainly for funding needs.**
It involves buying a currency spot and selling the same amount forward, or the reverse.

6 **Call money is an overnight inter-bank market repaid the next working day.**
It is one segment of the inter-bank money market alongside notice and term money.

7 **Notice money covers funds placed beyond overnight and up to 14 days.**
This distinguishes it from call money, which is strictly overnight.

8 **Treasury Bills are short-term debt issued by the RBI on behalf of the central government and carry no credit risk.**
Being government-backed makes them a safe parking spot for surplus funds.

9 **T-Bills are issued at a discount and redeemed at face value, with the gap being the implicit yield.**
This discount-to-face-value structure is how T-Bills generate returns for holders.

10 **Commercial paper is an unsecured promissory note issued by highly rated corporates to raise short-term funds.**
Its unsecured nature means only strong, highly rated borrowers typically issue it.

11 **A certificate of deposit is a negotiable debt instrument issued by a bank against a deposit.**
It typically pays more than a regular bank deposit as compensation for its structure.

12 **In a repo, a bank sells a security and agrees to buy it back later at a higher price, effectively borrowing funds.**

The price difference between sale and repurchase represents the interest cost.

13 **In a reverse repo, a bank buys securities now and sells them back later, effectively investing surplus funds.**

It is the mirror image of a repo transaction from the counterparty's perspective.

14 **The RBI uses repo and reverse repo under the Liquidity Adjustment Facility to inject or absorb liquidity.**

Repo injects liquidity into the system while reverse repo absorbs it.

15 **The margin kept on repo securities is called the haircut.**

This margin keeps the amount exchanged lower than the market value of the securities.

16 **Government securities are issued by the Public Debt Office of the RBI, while state governments issue State Development Loans.**

Both are sold through RBI auctions to banks and primary dealers.

17 **When a bond's market price rises, its yield falls, since price and yield move in opposite directions.**
This inverse relationship is a key concept tested repeatedly in treasury questions.

18 **CRR is the share of deposits a bank keeps with the RBI, calculated on net demand and time liabilities, and earns no interest.**
CRR is a direct tool the RBI uses to control money supply without paying interest on it.

19 **SLR can be held in cash above CRR, gold at market price, or approved securities as per RBI norms.**
This flexibility helps ensure banks stay solvent and liquid.

20 **RTGS settles large inter-bank payments instantly, while the Negotiated Dealing System handles inter-bank money-market deals.**
These systems form part of the settlement infrastructure treasuries rely on.