20 True or False

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

Question 1

A spot trade in forex settles currency within two working days from the trade date.

TRUE

This is the standard settlement window that defines the spot rate.

Question 2

TOD settlement happens the next working day rather than the same day.

FALSE

TOD (today) settles the same day; TOM (tomorrow) settles the next working day.

Question 3

A forward contract fixes an exchange rate today for a purchase or sale on a future date.

TRUE

This lets customers lock in currency risk ahead of the transaction date.

Question 4

Forward rates are essentially guesses about future currency prices rather than calculated figures.

FALSE

Forward rates are built from the interest-rate differential between the two currencies.

Question 5

A currency swap combines a spot and a forward deal and is used mainly for funding needs.

TRUE

Swaps combine buying spot and selling forward, or the reverse, mainly for funding purposes.

Question 6

Call money covers funds placed for a fixed period of up to one year.

FALSE

Call money is an overnight market repaid the next working day.

Question 7

Notice money covers funds placed beyond overnight and up to 14 days.

TRUE

This distinguishes notice money from strictly overnight call money.

Question 8

Treasury Bills carry significant credit risk since they are issued by private corporates.

FALSE

T-Bills are issued by the RBI on behalf of the government and carry no credit risk.

Question 9

T-Bills are issued at a discount and redeemed at face value.

TRUE

The gap between issue price and face value is the investor's implicit yield.

Question 10

Commercial paper is a secured instrument backed by collateral from the issuing corporate.

FALSE

Commercial paper is an unsecured promissory note, not backed by collateral.

Question 11

A certificate of deposit is a negotiable debt instrument issued by a bank against a deposit.

TRUE

It gives banks and corporates a short-term investment option paying more than a regular deposit.

Question 12

In a repo transaction, the bank buys securities now and effectively invests surplus funds.

FALSE

In a repo, the bank sells securities and effectively borrows funds; buying to invest describes a reverse repo.

Question 13

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

TRUE

This is the mirror image of a repo transaction.

Question 14

The RBI's reverse repo tool is used to inject liquidity into the banking system.

FALSE

Repo injects liquidity; reverse repo absorbs liquidity from the system.

Question 15

The margin kept on repo securities is called the haircut.

TRUE

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

Question 16

State governments issue Treasury Bills, while the RBI's Public Debt Office issues State Development Loans.

FALSE

It is reversed: the RBI's Public Debt Office issues central government securities, and states issue State Development Loans.

Question 17

When a bond's market price rises, its yield falls.

TRUE

Bond price and yield move in opposite directions.

Question 18

The RBI pays interest on the CRR balance maintained by banks.

FALSE

The RBI does not pay interest on the CRR balance held by banks.

Question 19

SLR can be held in cash above CRR, gold at market price, or approved securities.

TRUE

This flexibility helps banks meet solvency and liquidity requirements.

Question 20

RTGS settles large inter-bank payments instantly.

TRUE

RTGS is designed for real-time gross settlement of large-value payments.