20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **Money market instruments have an original maturity of up to one year.**
   They are short-term, highly liquid debt instruments traded in the wholesale market for managing bank liquidity.

2. **The call money market is where banks borrow and lend funds overnight to square daily reserve positions.**
   Call money is the shortest-tenor, most liquid segment of the money market and is unsecured.

3. **Notice money is interbank borrowing or lending for a period of 2 to 14 days.**
   It sits between overnight call money and longer-tenor term money in the interbank market.

4. **Term money covers interbank borrowing beyond 14 days and up to one year.**
   Term money is the longest-tenor segment of the unsecured interbank call, notice and term money market.

5. **Call, notice and term money are unsecured inter-bank money market instruments.**
   Participation is restricted mainly to scheduled commercial banks, cooperative banks and primary dealers.

6 **The weighted average call rate (WACR) is the operating target of RBI monetary policy.**

RBI monitors and manages the WACR as its key short-term interest rate signal.

7 **RBI keeps the call rate anchored within a policy corridor set by the SDF floor and MSF ceiling.**

The Standing Deposit Facility sets the floor and the Marginal Standing Facility sets the ceiling of the corridor.

8 **Treasury bills are sovereign instruments issued by the Government of India through RBI at a discount to face value.**

Being government-backed, T-bills carry zero credit risk and anchor the short end of the yield curve.

9 **Treasury bills are issued in tenors of 91 days, 182 days and 364 days.**

These are the standard maturities at which the Government of India auctions treasury bills through RBI.

10 **Commercial paper is an unsecured promissory note issued by highly rated corporates, NBFCs and primary dealers.**

Issuers use commercial paper to raise short-term working capital funds.

11 **Commercial paper tenors range from 7 days up to one year.**

This tenor band lets corporates and NBFCs match short-term funding needs to their cash flows.

12 **Certificates of deposit are negotiable instruments issued by banks and select financial institutions.**

CDs are issued against funds deposited with the bank and are governed by RBI directions.

13 **Treasury bills, commercial paper and certificates of deposit are all issued at a discount and redeemed at face value.**

The issuer, not the pricing mechanism, is what distinguishes these three money market instruments for exam purposes.

14 **Commercial paper and certificates of deposit must be issued in dematerialised form under RBI directions.**

Dematerialised issuance is a regulatory requirement for both instruments under RBI rules.

15 **A repo is a secured transaction in which securities are sold with an agreement to repurchase them later.**

The interest earned is the difference between the sale price and the repurchase price.

16 **Reverse repo, where banks park surplus funds with RBI, is now largely operationalised through the Standing Deposit Facility.**

The Standing Deposit Facility is RBI's current main tool for absorbing surplus bank liquidity.

17 **CBLO, the Collateralised Borrowing and Lending Obligation, has been replaced by TREPS.**

TREPS, or Triparty Repo, uses a triparty agent to handle collateral selection, valuation and margining.

18 **TREPS, the triparty repo product, is now the largest segment of the Indian money market by volume.**

Mutual funds and other non-bank entities rely heavily on TREPS to lend secured overnight money.

19 **A nostro account is a bank's own account held abroad in a foreign currency, meaning our account with you.**

Nostro accounts are used to settle a bank's cross-border foreign currency transactions.

20 **A vostro account is a foreign bank's rupee account maintained with an Indian bank, meaning your account with us.**

Vostro accounts let correspondent banks hold and settle rupee-denominated funds in India.