20 True or False

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

Question 1

Call money is unsecured overnight lending between banks to square daily reserve positions.

TRUE

Call money is the overnight segment of the unsecured interbank money market.

Question 2

Notice money has a tenor of 2 to 14 days.

TRUE

Interbank borrowing for 2 to 14 days is classified as notice money.

Question 3

Treasury bills are issued at a discount to their face value.

TRUE

T-bills are sovereign zero-coupon instruments sold at a discount and redeemed at par.

Question 4

TREPS replaced CBLO as the triparty secured money market product.

TRUE

TREPS now runs the triparty repo mechanism that CBLO previously provided.

Question 5

A repo transaction is secured by underlying securities.

TRUE

In a repo, securities are sold with an agreement to repurchase, making it a collateralised loan.

Question 6

Certificates of deposit are issued by banks and select financial institutions.

TRUE

CDs are negotiable instruments issued by banks against deposited funds.

Question 7

Commercial paper can be issued by highly rated corporates and NBFCs.

TRUE

CP is an unsecured promissory note used by corporates, NBFCs and primary dealers to raise short-term funds.

Question 8

A nostro account is a bank's own account held abroad in foreign currency.

TRUE

Nostro literally means our account with you, held with a correspondent bank overseas.

Question 9

Money market instruments generally have an original maturity of up to one year.

TRUE

This short tenor is the defining feature separating money market instruments from capital market instruments.

Question 10

The weighted average call rate is used by RBI as a signal of overnight liquidity conditions.

TRUE

RBI tracks the WACR closely since it is the operating target of monetary policy transmission.

Question 11

Corporates and mutual funds are free to lend directly in the call money market.

FALSE

Participation in call money is restricted mainly to banks, cooperative banks and primary dealers.

Question 12

Call money is a secured, collateralised interbank transaction.

FALSE

Call money is unsecured; repo and TREPS are the secured segments of the money market.

Question 13

Treasury bills are issued by commercial banks rather than the Government of India.

FALSE

T-bills are sovereign instruments issued by the Government of India through RBI.

Question 14

Certificates of deposit can only be issued by the Reserve Bank of India.

FALSE

CDs are issued by commercial banks and select financial institutions, not by RBI itself.

Question 15

Term money refers to overnight interbank lending between banks.

FALSE

Overnight interbank lending is call money; term money covers tenors beyond 14 days up to one year.

Question 16

TREPS was discontinued and replaced by CBLO.

FALSE

The sequence is the reverse: CBLO was discontinued and replaced by TREPS.

Question 17

A vostro account is a bank's own account held abroad in foreign currency.

FALSE

That describes a nostro account; a vostro account is a foreign bank's rupee account held domestically.

Question 18

Commercial paper can have a tenor of up to ten years.

FALSE

Commercial paper tenors range from 7 days to one year, not up to ten years.

Question 19

Money market instruments typically carry original maturities exceeding five years.

FALSE

Money market instruments are defined by short tenors of up to one year.

Question 20

Reverse repo means banks are borrowing funds from the Reserve Bank of India.

FALSE

In reverse repo, banks park surplus funds with RBI; borrowing from RBI happens through the repo window instead.