20 One-Liners to Remember

Quick-fire facts for last-minute revision.

1. **CAIIB is conducted by IIBF, generally held twice a year in June and December.**
   Always confirm exact exam dates on the latest official IIBF notification.

2. **Bank Financial Management (BFM) is one of the four compulsory papers in CAIIB.**
   CAIIB has five subjects total: four compulsory papers plus one elective.

3. **CAIIB BFM has four modules: International Banking, Risk Management, Treasury Management, and Balance Sheet Management.**
   Each module covers a distinct area of bank financial management and is split into several units.

4. **Module A of CAIIB BFM covers International Banking, including forex, exchange rates, and the dealing room.**
   It is the module most closely tied to forex operations and risk concepts.

5. **Simple or Direct Arbitrage in forex is a transaction conducted between only two centres.**
   It is the most basic form of arbitrage, profiting from a price gap between two markets.

6 **Compound or Three-Point Arbitrage involves additional centres beyond the original two.**
Adding more centres to a direct arbitrage deal turns it into compound arbitrage.

7 **A bank's forex function is split into three pillars: Forex Dealer, Back Office, and Mid Office.**
The separation builds checks and balances into the bank's forex operations.

8 **The Back Office processes forex deals, handles accounts, and keeps a check over dealers.**
It provides operational support and reconciliation behind the front-office dealing desk.

9 **The Mid Office independently monitors risk management and compliance in forex dealing.**
It parameterises risks and checks that guidelines are being followed.

10 **A forex dealer tracks two positions at all times: the Funds Position and the Currency Position.**
Funds Position reflects cash inflow and outflow; Currency Position reflects net currency holdings.

11 **Forex dealing operations carry eleven distinct types of risk, from operational to sovereign risk.**
Examiners frequently test one-line definitions of these risks in the CAIIB BFM paper.

12 **Pre-settlement risk arises when a counterparty defaults before a forex contract's maturity.**
The other party is then forced to cover the deal at prevailing market rates.

13 **Settlement risk arises when a counterparty fails during settlement, often from time-zone gaps.**
Time-zone differences between the two currencies involved can cause settlement failures.

14 **FEMA 1999, the Foreign Exchange Management Act, governs forex transactions in India.**
It sets rules for persons, corporates, and others dealing in foreign currency.

15 **FEDAI, the Foreign Exchange Dealers Association of India, was established in 1958.**
FEDAI prescribes guidelines and rules for India's forex market operations.

16 **In 2005, the RBI re-categorised Authorised Dealers into Category I, II, and III.**
Category I covers banks and FIs; Category II and III cover money changers.

17 **A Full-Fledged Money Changer (FFMC) can both buy and sell foreign currency notes and coins.**
FFMCs are also authorised to deal in Travellers Cheques.

18 **A Restricted Money Changer (RMC) is authorised only to buy foreign currency.**
Unlike an FFMC, an RMC cannot sell foreign currency to customers.

19 **Export bills are crystallised into a rupee liability at the TT selling rate.**
Crystallisation generally happens on the 30th day but cannot exceed 60 days.

20 **An unpicked matured forward contract is automatically cancelled on the 7th working day.**
Cancellation happens at the bank's opposite TT rate after the maturity date passes.