20 True or False

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

Question 1

CAIIB is conducted by IIBF, generally twice a year in June and December.

TRUE

IIBF holds the CAIIB exam roughly twice yearly, though exact dates should be confirmed each cycle.

Question 2

Bank Financial Management is an elective paper in the CAIIB course.

FALSE

BFM is one of the four compulsory papers in CAIIB, not the elective.

Question 3

CAIIB BFM is organised into four modules covering banking, risk, treasury, and balance sheets.

TRUE

The four modules are International Banking, Risk Management, Treasury Management, and Balance Sheet Management.

Question 4

CAIIB BFM has only two modules in its syllabus.

FALSE

BFM actually has four modules, each split into several units.

Question 5

Simple or Direct Arbitrage in forex involves a transaction between two centres only.

TRUE

Direct arbitrage is the basic two-centre form of forex arbitrage.

Question 6

Compound arbitrage, like simple arbitrage, involves only two trading centres.

FALSE

Compound or three-point arbitrage involves additional centres beyond the original two.

Question 7

A bank's forex operations are split into Dealer, Back Office, and Mid Office functions.

TRUE

This three-way split builds deliberate checks and balances into forex operations.

Question 8

The Back Office is responsible for risk management and compliance monitoring in forex.

FALSE

That role belongs to the Mid Office; the Back Office processes deals and reconciliation.

Question 9

The Mid Office functions as an independent unit that monitors compliance with risk guidelines.

TRUE

Mid Office handles risk parameterisation and independent compliance checks.

Question 10

A forex dealer only needs to track the Currency Position and can ignore the Funds Position.

FALSE

A dealer must track both the Funds Position and the Currency Position at all times.

Question 11

There are eleven distinct risks identified in forex dealing operations.

TRUE

These range from operational and exchange risk to country and sovereign risk.

Question 12

Pre-settlement risk occurs only after a forex contract has already matured.

FALSE

Pre-settlement risk occurs when a counterparty defaults before maturity, not after.

Question 13

Settlement risk can arise from time-zone differences between the two currencies in a deal.

TRUE

Time-zone gaps between currencies are a common cause of settlement failure.

Question 14

FEMA 1999 has no bearing on foreign exchange transactions carried out in India.

FALSE

FEMA 1999 is the primary law governing forex transactions by persons and corporates in India.

Question 15

FEDAI, established in 1958, prescribes guidelines for India's forex market operations.

TRUE

The Foreign Exchange Dealers Association of India sets norms for rates, holidays, and bill handling.

Question 16

The RBI re-categorised Authorised Dealers into Category I, II, and III back in 2015.

FALSE

That re-categorisation of Authorised Dealers took place in 2005, not 2015.

Question 17

A Full-Fledged Money Changer (FFMC) is authorised to both buy and sell foreign currency.

TRUE

FFMCs can deal in foreign currency notes, coins, and Travellers Cheques on both sides.

Question 18

A Restricted Money Changer (RMC) is authorised to both buy and sell foreign currency.

FALSE

An RMC is authorised only to buy foreign currency, unlike a full FFMC.

Question 19

Export bills are generally crystallised into a rupee liability by the 30th day, capped at 60 days.

TRUE

Crystallisation uses the TT selling rate and the period cannot exceed 60 days.

Question 20

An unpicked matured forward contract is cancelled immediately with no grace period at all.

FALSE

Such contracts are automatically cancelled only on the 7th working day after maturity.