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Indian Institute of Banking & Finance

CAIIB Dec 2025

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Memory Based Question

BFM

Must for 2026 Cycle

CAIIB BFM Memory-Based Paper of December 2025

Q1. Cash Acceptance for Sale of Foreign Exchange
A resident individual approaches a bank in January and purchases foreign exchange worth ₹40,000, paying entirely in cash. In May of the same year, the same individual again approaches the bank to purchase foreign exchange worth ₹55,000, intending to pay in cash.
As per RBI guidelines, what is the maximum amount of cash the bank can accept in the May transaction?

A. ₹55,000
B. ₹10,000
C. ₹50,000
D. ₹0

Q2. Cross Currency Rate – Bid Rate Calculation
The following foreign exchange quotes are available in the market:
- USD/INR: 83.40 / 83.42
- GBP/USD: 1.2550 / 1.2555

Based on the above quotes, calculate the Bid rate for GBP/INR.

A. 104.6670
B. 104.7341
C. 104.7171
D. 104.6500

Q3. NRI Deposit and Exchange Rate Risk
An NRI holding substantial funds in US Dollars wishes to invest in a term deposit in India. The investor's primary objective is to completely eliminate exchange rate risk arising from USD/INR fluctuations.
Which type of bank account should be recommended?

A. NRO (Non-Resident Ordinary) Rupee Account
B. NRE (Non-Resident External) Rupee Account
C. FCNR (B) (Foreign Currency Non-Resident – Bank) Account
D. Resident Savings Account

Q4. Mr. P is required to remit fees during August 2024 amounting to USD 20,000 to a university in the USA for his son's MS studies. The remittance is from his personal savings account. On the date of remittance, the applicable USD-INR rate is ₹85.70. What is the amount of Tax Collected at Source (TCS) that will be deducted by the bank?
Under FEMA regulations, up to what amount can Indian companies send gifts abroad to their clients without filing an EDF/Softex form?

A. USD 1,000
B. USD 3,000
C. USD 5,000
D. USD 10,000

Q5. For an NRI, what is the primary permissible source for paying Equated Monthly Instalments (EMIs) for a housing loan taken in India?

A. Directly from an overseas bank account.
B. Only from an FCNR(B) account.
C. Through inward remittances or by debiting their NRE/NRO accounts.
D. By selling foreign currency in the open market.

Q6. Under the LRS, what is the maximum amount of foreign exchange an individual can purchase in cash in a single financial year for travel purposes?

A. USD 1,000
B. USD 3,000
C. USD 5,000
D. There is no cash limit, only an overall scheme limit.

Q7. According to Article 14 of UCP 600, what is the maximum time a bank has to examine documents presented under a Letter of Credit?

A. Three banking days following the day of presentation.
B. Five banking days following the day of presentation.
C. Seven calendar days from the date of presentation.
D. A reasonable time, not to exceed seven banking days.

Q8. An LC expires on a Sunday. The following Monday is a national holiday. Due to a sudden hurricane (a force majeure event), the bank is forced to close for the next three days (Tuesday, Wednesday, Thursday). The bank reopens on Friday. What is the effective expiry date for the presentation of documents?

A. The last business day before the Sunday expiry.
B. The Monday, as it is the next calendar day.
C. The LC is considered expired and cannot be honoured.
D. The Friday, which is the next day the bank is open.

Q. Case Study 1: Export Bill Discounting (9 to 11)
An exporter presents a sight bill of USD 50,000 for discounting. The bill is drawn on an AAA rated corporate buyer. The bank provides the following details:

- Spot Rate (USD/INR): 83.20
- Exchange Margin: 0.15%
- Discounting Interest Rate: 9% p.a.
- Commission in lieu of exchange: 0.075%
- Transit Period: 25 days

1. What is the Bill Buying Rate that will be applied to the transaction?
2. What is the total interest amount to be deducted for the transit period?
3. What are the net proceeds credited to the exporter's account?

Q9. If the yield on the 8.83% GS 2023 bond changes from 8.83% to 8.75%, what is the most likely impact on its price?
A bond's price volatility, its sensitivity to interest rate changes, depends primarily on which
two factors?

A. Its credit rating and the issuer's sector.
B. Its coupon rate and its time to maturity.
C. Its face value and its currency.
D. The daily trading volume and market liquidity.

Q10. A bank holds a large stock portfolio of Company A and wants to protect its investment from a potential sharp decline in the stock's price. Which of the following strategies is most appropriate?

A. Buy call options on Company A's stock.
B. Sell futures contracts on the relevant stock index.
C. Buy put options on Company A's stock.
D. Sell put options on Company A's stock.

Q11. A trader purchases a call option on a stock. This gives the trader which of the following rights or obligations?

A. Right to sell the stock at a fixed price
B. Obligation to buy the stock at a fixed price
C. Right to buy the stock at a fixed price
D. Obligation to sell the stock at a fixed price

Q12. The price of a 5-year, 9% semi-annual bond increases from ₹106.16 to ₹107.45 when the market yield declines from 7.50% to 7.20%.
What is the Basis Point Value (BPV) of the bond?

A. 1.29
B. 0.043
C. 0.215
D. 4.30

Q13. A portfolio consists of two bonds:

- Bond X: Modified Duration = 6, Market Value = ₹10 crore
- Bond Y: Modified Duration = 4, Market Value = ₹15 crore

What is the Basis Point Value (BPV) of the portfolio?

A. ₹10,000
B. ₹12,000
C. ₹22,000
D. ₹6,000

Q14. A bank invests in an AAA-rated corporate bond. This exposure is primarily subject to which type(s) of risk?

A. Credit Risk only
B. Market Risk only
C. Both Credit Risk and Market Risk
D. Operational Risk only

Q15. A loan account has its principal overdue for 45 days. Under the Special Mention Account (SMA) framework, how should this account be classified?

A. SMA-0
B. SMA-1
C. SMA-2
D. Standard Asset (not an SMA)

Q16. Which of the following is the fundamental principle for classifying a loan account as a Standard Asset?

A. It is fully secured by cash collateral
B. It has never been overdue
C. It does not carry more than the normal risk associated with the business
D. The borrower has a CIBIL score above 800

Q17. An internal audit detects a major fraud by a senior employee, resulting in a ₹10 crore unsecured loan becoming completely uncollectible.
What is the immediate prudential action required from the bank?

A. Classify as Doubtful-1 and provide 25%
B. Classify as Sub-standard and provide 25%
C. Classify as Loss Asset and provide 100%
D. Await RBI inspection for directions

Q18. Which statement correctly differentiates Expected Loss (EL) and Unexpected Loss (UL)?

A. EL is covered by capital, UL by provisions
B. EL is the average expected loss covered by pricing and provisions, while UL represents losses beyond this and is covered by capital

C. Both EL and UL are covered by capital
D. UL is predictable, while EL is rare and catastrophic

Q19. A borrower is classified as a Wilful Defaulter if they have the capacity to repay but:

A. Fail to meet repayment obligations
B. Divert funds for purposes other than those sanctioned
C. Siphon off funds so that they are not available with the unit
D. All of the above

Case Study 2 (20 to 24)
Balance Sheet & Risk Data (₹ Crores):

- Paid-up Capital: 800
- Free Reserves: 1,200
- Perpetual Non-Cumulative Preference Shares (PNCPS): 200
- Subordinated Debt (eligible Tier 2): 500
- Revaluation Reserves: 400
- General Provisions & Loss Reserves: 150
- RWA for Credit Risk: 20,000
- Capital Charge for Market Risk: 450
- Capital Charge for Operational Risk: 900

i) What is Bank X's total Tier 1 Capital?
ii) What is Bank X eligible Tier 2 Capital?
iii) What are the total Risk-Weighted Assets (RWA) for Bank X?
iv) What is Bank ZEN's Capital Adequacy Ratio (CRAR)?

Bank Data (Average Gross Income in ₹ Crores over 3 years):

1. Corporate Finance: 11,000
2. Trading & Sales: 1,000
3. Commercial Banking: 4,000
4. Retail Banking: 1,000
5. Payment & Settlements: 1,000

If the bank were to use the Standardized Approach (TSA) for operational risk, what would be the capital charge for the 'Commercial Banking' business line? (Beta factor for Commercial Banking is 15%)

Q20. As per Basel III norms implemented in India, what is the minimum Common Equity Tier 1 (CET1) ratio and minimum total Tier 1 capital ratio, including the Capital Conservation Buffer (CCB) of 2.5%?

A. CET1: 5.5%; Tier 1: 7.0%
B. CET1: 8.0%; Tier 1: 9.5%
C. CET1: 9.5%; Tier 1: 11.5%
D. CET1: 7.0%; Tier 1: 9.0%

Q21. The process of pooling illiquid assets like loans and receivables into marketable securities sold to investors is called:

A. Factoring
B. Forfaiting
C. Securitisation
D. Syndication

Q23. A bank has a fund-based loan of ₹100 crore and a non-fund based limit (LC) of ₹50 crore to a corporate client. The Credit Conversion Factor (CCF) for LC is 100%.
What is the total exposure to the client?

A. ₹100 crore
B. ₹150 crore
C. ₹50 crore
D. ₹125 crore

Q24. A bank has an exposure of ₹200 crore to an AAA-rated PSU in India. Under the Standardized Approach (credit risk), what is the risk weight?

A. 0%
B. 20%
C. 50%
D. 100%

Q25. Which committee's recommendations led to prudent norms for income recognition, asset classification, and provisioning for the first time in Indian banking?

A. Rangarajan Committee
B. Narasimham Committee
C. Tandon Committee
D. Nayak Committee

Q26. What is the primary purpose of crystallizing an export bill?

A. To convert the bill into a domestic currency loan
B. To extend the due date of the bill
C. To close the foreign exchange exposure and convert the overdue foreign currency liability of the exporter into a Rupee liability
D. To cancel the export order

Q27. Which of the following is an off-balance sheet exposure for a bank?

A. Term Loan
B. Cash Credit
C. Bank Guarantee
D. Certificate of Deposit

Q28. A bank's annual gross income over the last three years:

- Year 1 = ₹2,000 Cr
- Year 2 = ₹3,000 Cr
- Year 3 = ₹4,000 Cr
- Alpha factor = 15%. What is the capital charge under BIA?

A. ₹300 Cr
B. ₹450 Cr
C. ₹600 Cr
D. ₹1,350 Cr

Q29. An Indian citizen has total income ₹18 lakh from Indian sources and is not liable to tax in any other country. How are they treated under the Income Tax Act?

A. Non-Resident
B. Resident but Not Ordinarily Resident
C. Deemed Resident
D. Resident and Ordinarily Resident

Q30. An exporter in India is due to receive EUR in 3 months and is concerned about EUR weakening against INR. How should they hedge?

A. Forward contract to sell EUR for INR
B. Forward contract to buy EUR with INR
C. Buy EUR in the spot market
D. Take a loan in INR

Q31. An importer's liability = USD 100,000 due in 60 days
Spot USD/INR = 83.50
60-day forward premium = 0.30
Approximate cost in INR if importer books a forward contract?

A. ₹83,50,000
B. ₹83,20,000
C. ₹83,80,000
D. ₹83,00,000

Q32. Regulatory CRAR does not fully capture which of the following risks?
I. Strategic risk
II. Operational risk
III. Settlement risk
IV. Market risk

a) I only
b) III only
c) I, II and III only
d) I and III only

Q33. As per UCPDC 600, all letters of credit issued are by default:

a) Irrevocable
b) Back-to-Back
c) Confirmed
d) Transferable

Q34. The process of Integrated Risk Management consists of:

a) Planning, Strategy, Process and System
b) Strategy, Organization, Process and Implementation
c) Strategy, Organization, Process and System
d) Strategy, Co-ordination, Process and Implementation

Q35. A Letter of Credit has been transferred in favour of two beneficiaries. Which of the following is correct?

a) A Letter of Credit cannot be transferred at all
b) The second beneficiary cannot further transfer the LC in favour of a third party
c) The second beneficiary can further transfer the LC in favour of a third party
d) None of the above

Q36. Under the Standardised Approach for operational risk, the business of the bank is classified under different business lines with prescribed Beta factors. The difference in Beta factor between Payment & Settlement and Agency Services business lines is:

- Payment & Settlement: 18%
- Agency Services: 15%

BASEL III framework offers three distinct options for computing capital requirements for operational risk:
(i) Basic Indicator Approach
(ii) The Standardized Approach
(iii) Foundation Internal Ratings-Based Approach
(iv) Standardized Measurement Approach

a) (i), (ii) and (iv) only
b) (ii), (iii) and (iv) only
c) (i), (iii) and (iv) only
d) (i), (ii) and (iii) only

Q37. BCBS amendment to Basel 1988 to include Market Risk requires banks using proprietary models to compute VaR daily using:

a) 98th percentile; 30 trading days
b) 99th percentile; 10 trading days
c) 95th percentile; 15 trading days
d) 99.99th percentile; 20 trading days

Q38. Country Risk is a type of:

a) Credit Risk due to temporary liquidity problems of borrower
b) Credit Risk due to restrictions imposed by a sovereign
c) Credit Risk due to imported goods not meeting standards
d) Credit Risk due to unwillingness to pay

Q. Given: (39 to 40)
- Forward contract booked: 01-03-2025, USD 200,000 at ₹85.50/USD for 12-05-2025
- Customer requests cancellation on 10-05-2025
- Market rates on 10-05-2025:
- Spot USD/INR = 85.17 / 85.23
- 1-month forward premium = 0.15 / 0.17
- Exchange margin: 0.20% for buying/selling
- We need to compute: Rate to be quoted / TT buying or selling / Profit or loss.

Q39. For cancellation, the bank should use:

A. TT Buying Rate
B. TT Selling Rate
C. Bill Buying Rate
D. Interbank Mid Rate

Q40. The rate to be quoted by the bank (after applying margin) is closest to:

A. ₹85.20
B. ₹85.32
C. ₹85.40
D. ₹85.50

Q. Given: (41 to 42)

- Calculate VaR
- Scenario 1: Daily volatility
- Daily volatility (σ) = 2.5%
- Number of shares = 1000
- Price per share = 500
- Time horizon = 22 days
- Confidence = 99% (z = 2.33)

Q41. What is the portfolio value?

A. ₹2,50,000
B. ₹5,00,000
C. ₹50,00,000
D. ₹12,50,000

Q42. What is the 22-day volatility (σ√t)?

A. 2.5%
B. 11.73%
C. 7.50%
D. 5.00%

Q43. Which one of the following is a source of funds in the balance sheet of banks?

(a) Balances with Reserve Bank of India
(b) Advances made to 'AAA' rated Corporate
(c) Deposits accepted from general public
(d) SLR compliant investments

Q44. As per RBI Latest Monetary Policy Review by June 2025 Guidelines, 5% of NDTL rate needs to be maintained, then what shall be the average balance to be maintained by the bank with RBI:

Answer: As per RBI Guidelines 5% of NDTL rate needs to be maintained, then the average balance to be maintained by the bank with RBI is
Total liabilities - exempted liabilities (Capital + Reserves + term deposit from banks + refinance from NABARD).
Hence [154000-21600=132400 cr
132400 x 5% = 6620 cr]}

• SBI Bank has Following Detail of Balance Sheet on 31st March 2025
• Based on this information, CRR to be 6%

- Capital - Rs. 5100 cr,
- Reserves - Rs. 9600 cr,
- demand deposits - Rs. 27000 cr,
- Saving Bank deposits - Rs. 83000 cr,
- Term deposits - Public Rs. 124200 cr,
- Term deposits - Banks Rs. 6200 cr
- Borrowing from financial institutions - Rs. 900 cr,

- NABARD refinance - Rs. 700 cr,
- Bills payable Rs. 300cr,
- Interest accrued Rs. 90 cr,
- Subordinated debt Rs. 900 cr
- Suspense account Rs. 520 cr.
- Total liabilities Rs. 154000 cr.

Q45. If the bank booked income on paper (accrued finance charge) for a lease, but the customer did not actually pay, and later the lease becomes NPA?

A. The bank must remove that income from profits because it is not real income anymore.
B. The bank not remove that income from profits because it is real income anymore.
C. Because IBA and ICAI rules say-Income from NPAs should not be recognized unless actually received.
D. All

Q46. What can be described as Asset Liability Management (ALM)?

a) The process of creating assets with maturity exactly as that of liabilities
b) Asset Liability Management (ALM) is the act of planning, acquiring, and directing the flow of funds through an organisation
c) Strategizing to have more assets than liabilities always
d) Funding short term assets with long term liabilities

Q47. Tier-II capital is restricted to of Tier-I capital.

(a) 125%
(b) 100%
(c) 50%
(d) 9%

Q48. How is any capital requirement arising out of credit and counterparty risk to be met?

(a) By Tier I and Tier II capital
(b) By Tier I capital only
(c) By Tier II capital only
(d) By Tier III capital alone

Q49. What is the recommended principle for ICAAP formulation?

a) ICAAP should follow a bottoms up approach
b) ICAAP should never be discussed with or disclosed to public
c) ICAAP should encompass firm-wide risk profile
d) ICAAP should be monitored and managed in silos/Lower level

Q50. The classification of an asset as NPA should be based on the record of recovery. In the matter of classification of accounts with such deficiencies banks may be guided by the following guidelines & which condition is not true?

(a) Banks should ensure that drawings in the working capital accounts are covered by the adequacy of current assets, since current assets are first appropriated in times of distress.
(b) Drawing power is required to be arrived at based on the stock statement which is current. However, considering the difficulties of large borrowers, stock statements relied upon by the banks for determining drawing power should not be older than three months.
(c) A working capital borrowal account will become NPA if such irregular drawings are permitted in the account for a continuous period of 180 days even though the unit may be working or the borrower's financial position is satisfactory.
(d) Regular and adhoc credit limits need to be reviewed/ regularised not later than three months from the due date/date of ad hoc sanction. In case of constraints such as non-availability of financial statements and other data from the borrowers, the branch should furnish evidence to show that renewal/ review of credit limits is already on and would be completed soon.
(e) In any case, delay beyond six months is not considered desirable as a general discipline. Hence, an account where the regular/ ad hoc credit limits have not been reviewed/ renewed within 180 days from the due date/ date of ad hoc sanction will be
treated as NPA.
(f) All True Statement as per Guideline

Q51. Disclosure of capital requirements for credit risk falls under which category?

(a) Qualitative disclosures
(b) Analytical disclosures
(c) Principal disclosures
(d) Quantitative disclosures

Q52. Which of the following statements are TRUE regarding a bank's balance sheet?

- Capital and Reserves are shown under Sources of Funds.
- Investments and Advances are part of Application of Funds.
- Borrowings are included in Application of Funds.
- Cash in Hand & Balance with RBI are treated as Assets of the bank.

1. Only A, B and D are correct
2. Only A and C are correct
3. Only B and C are correct
4. All A, B, C and D are correct

Q53. How is significance in the erosion in the value of security reckoned?

(a) When the security becomes totally worthless
(b) When the realisable value of the security is less than 50 per cent of the value assessed by the bank or accepted by RBI
(c) If the realisable value of security is less than 10 per cent of the value assessed by the bank
(d) If the realisable value of security is less than 50 per cent of the outstanding loan amount

Q54. What is the provision to be made as per the rules for a loss asset of Rs.10 lakhs?

(a) Rs. 750000
(b) Rs. 500000
(c) Rs. 2000000
(d) Rs. 1000000

Q55. How is provisioning ratio defined?

(a) Ratio of provisioning to gross non-performing assets
(b) Ratio of provisioning to total loss assets
(c) Ratio of provisioning to total assets
(d) Ratio of current year's provision to last year's provision

Q56. Which one of the following constitutes an element of funding risk?

(a) Liabilities in foreign currencies
(b) Severe deterioration in asset quality
(c) Swaps and options
(d) Temporary problems in recovery

Q56. What is the reason for complexity in liquidity management for banks with international presence?

(a) The overseas regulators are no non-sensical
(b) In the event of a disturbance, a bank may not always be able to mobilise domestic liquidity to meet foreign currency funding requirements
(c) The geographical distances between branches add a twist to liquidity management
(d) Misinformation by overseas entities at overseas centres is rampant

Q57. Measuring and managing funding requirement can be done through two approaches, one is stock approach, what is the second one?

(a) Regulatory approach
(b) Analytical approach
(c) Flow approach
(d) Survival approach

Q58. Which one of the following ratios should be higher for better liquidity management?

(a) Net loans to total deposit ratio
(b) Ratio of volatile liabilities to total assets
(c) Ratio of short term liabilities to liquid assets
(d) Ratio of core deposits to total assets

Q59. What is Gap or mismatch risk?

(a) A gap or mismatch risk arises from holding assets and liabilities with different principal amounts, maturity dates or repricing dates, thereby creating exposure to changes in the level of interest rates
b) A gap between rate of interest paid on deposits and rate of interest charged on loans
(c) It is gap between regulator stipulated pricing for deposits and advances and actual rates applied
(d) It is gap between total outstanding advances and total deposits that results in risk

Q60. What is basis risk?

(a) The risk that arises when interest rates move without any rationale
(b) The risk that the interest rate of different assets and liabilities may change in different magnitudes
(c) The residual risk that still remains when the risk is already hedged
(d) It is a type of risk that can never be quantified or managed

Q61. What is embedded option risk?

(a) The risk that one faces when the risk is covered using an option
(b) The risk of interest sensitive deposits being more than interest sensitive assets
(c) The risk of premature withdrawal of deposits and prepayment of advances

(d) The risk of falling valuations of bonds when interest rates rise

Q62. What is the crucial assumption in bond pricing formula?

(a) Bond pricing is always dependent on financial strength of buyer
(b) Bond pricing can be manipulated to suit the convenience of the seller
(c) Bond prices rise when interest rates rise
(d) All coupon payments are reinvested at the bond's Yield to Maturity (YTM).

Q63. While expected losses are covered by specific reserves and provisions, how are unexpected losses handled?

(a) Charged to P/L account as inevitable losses
(b) Through capital allocation based on confidence levels, time horizon, diversification and correlation
(c) Handled as per extant IBA guidelines
(d) Treatment for both expected and unexpected losses is same

Q64. The pricing of products should provide a buffer against expected losses, what do unexpected losses indicate?

(a) They indicate the inferiority of credit portfolio
(b) They point to immediate need to reduce the size of credit book
(c) Unexpected loss is a measure of the amount of economic capital required to support the banks financial risk
(d) Unexpected losses also indicate the need to further fine tune the pricing

Q65. The risk weighted assets of an Indian bank, a with a capital of Rs.500 crore, stand at Rs.5000 crores. What additional amount of assets it can create with 20% risk weight?

(a) Rs.2777.75 crore
(b) Rs.555.55 crore
(c) Rs.50 crore
(d) Rs.3124.96 crore

Q66. What are the two reserve requirements that treasury has to comply with?

(a) MCLR and SLR
(b) CRR and SLR
(c) Repo and CRR
(d) VaR and CRR

Q67. Integrated Treasury in Banking set up refers to:

(a) Computerization of all bank branches
(b) Computerization of all treasury operations
(c) Centralization of all back office operations of forex branches
(d) Integration of money market, securities market and foreign exchange operations

Q68. What is the important operational feature of integrated treasury?

(a) Having a common dealing room
(b) Having a common Mid/back offices
(c) Looking for interest arbitrage across currency markets and be in a position to shift swiftly, a placement in Rupee denominated commercial paper to lending in USD in global interbank market and also being to source funds in global markets and swap the funds into domestic currency or vice versa, depending on market opportunities
(d) All the above

Q69. Treasury in the normal course will manage

(a) All funds raised through deposits
(b) All deployment of funds through advances
(c) Liquidity
(d) ALM book, Merchant book and Trading book

Q70. Globalization refers to:

(a) Full convertibility of all currencies in the world
(b) Removal of all trade barriers in the world
(c) Fixed rate of exchange for all currencies of the world
(d) The process of integrating domestic market with global markets, characterized by free capital flows and minimum regulatory intervention

Q71. All the exchange rates quoted on the screen or in print are for unless otherwise mentioned.

(a) Forward transactions
(b) Spot transactions
(c) Cash transactions
(d) Tom transactions

Q72. Forward rates fully reflect interest rate differentials only in

(a) Controlled economies
(b) Developing economies
(c) Economies where interest rates are free
(d) In perfect markets where the currencies are fully convertible and the markets are highly liquid

Q73. Nostro accounts' are

(a) Accounts meant for reconciliation
(b) Accounts of foreign banks with Indian banks
(c) Current accounts denominated in foreign currency maintained by banks with their correspondent banks
(d) Short term investments with AAA rated foreign banks

Q74. Notice money refers to

(a) Funds placed overnight
(b) Funds placed after giving a notice of placement
(c) Funds placed for periods in excess of 3 months but not exceeding 1 year
(d) Placement of funds beyond overnight but not exceeding 14 days

Q75. The salient feature of convertible bond is

(a) Conversion of physical bonds into demat form
(b) Absence of coupon
(c) Automatic reinvestment in another bond on maturity
(d) Option to convert the bond in to equity on a fixed date or during a fixed period and the price is pre-determined

Q76. GDRs represent

(a) Debt issued by an Indian entity in the form of tradable receipts.
(b) Equity issued by overseas entities, listed on domestic bourses.
(c) Negotiable Receipts issued by an overseas depository representing pre-fixed number of equity shares of an Indian entity.
(d) Debentures issued by an Indian Company which are convertible into fixed number of equity shares at a future date.

Q77. IDRs are denominated in

(a) Home Currency of Issuing Company
(b) Indian Rupee
(c) US Dollars
(d) Any freely convertible currency

Q78. ECBs can be raised in

(a) US Dollars only
(b) Indian Rupee only
(c) Home Currency of Investor
(d) Any freely convertible currency including Indian Rupee

Q79. Which of the following is NOT TRUE in respect of Trade Credits?

(a) Domestic Banks cannot guarantee repayment of Trade Credits A
(b) Maximum maturity of TC for import of capital goods is three years
(c) Maximum maturity of TC for import of non-capital goods is lesser of one year or operating cycle
(d) The all-in-cost ceiling for Trade Credits is benchmark plus 250 basis points

Q80. The components of broad money (M3) are

(a) Cash in circulation with the public
(b) Cash in currency chests with RBI and Banks
(c) Credit availed by Central Government from RBI
(d) Currency in circulation, demand and time deposits with banks and post office saving deposits

Q81. The exemptions from DTL include

(a) Time deposits
(b) Foreign outward remittances in transit
(c) Transactions in Triparty Repo (GSec) with CCIL
(d) Overseas borrowings

Q82. The liquidity corridor that RBI uses to control short term interest rates is defined/dictated by

(a) MSF and SDF rates
(b) Call money market
(c) Bank rate
(d) SLR and CRR

Q83. RTGS has been fully activated by RBI from______Where the B settlements are on__________ basis rather than day end______ settlement of cheques in clearing house.

(a) August 2003, net, gross
(b) October 2004, gross, net

(c) October 2004, net, gross
(d) August 2004, gross, net

Q84. The following institutions facilitate delivery vs. payment(DVP) for secondary market deals in equity and debt paper

(a) IDRBT
(b) NDS
(c) NSDL and CSDL
(d) NEFT

Q85. For ensuring effective risk control, RBI expects banks to facilitate functional segregation between

(a) Their Head office branches
(b) Front office and IT department
(c) Treasury and Head office
(d) Front office, Mid office and back office

Q86. The most important and well pronounced risk in treasury is__?

(a) Credit risk
(b) Liquidity risk
(c) Market risk
(d) Embedded option risk

Q87. The following limits in treasury are meant for controlling market risk__?

(a) Counter party interbank exposure limits
(b) Settlement and pre-settlement limits
(c) Intra-day, overnight open position limit and stop loss limits
(d) Overseas borrowing limit prescribed by RBI

Q88. Value at risk (VaR) is a statistical measure to capture

(a) Actual loss in portfolio
(b) Probable loss in a portfolio within a time horizon at a given confidence level
(c) Loss or profit in a trading activity
(d) Operational risk in treasury

Q89. Yield and price of a bond move___?

(a) In inverse proportion
(b) In direct proportion
(c) In unrelated fashion
(d) As determined by bond issuer

Q90. The value of a derivative is determined by

(a) The value of the underlying

(b) Notional principal amount
(c) FIMMDA
(d) FEDAI

Q91. One of the essential differences between an OTC and an Exchange traded derivative is

(a) OTC derivatives are cheaper while Exchange traded derivatives are costly
(b) OTC derivatives are for customers while Exchange traded derivatives are for banks
(c) In OTC derivatives, counter party risk is prominent, whereas in exchange traded derivatives, counter party risk is totally absent
(d) OTC derivatives are for hedging risks whereas Exchange traded derivatives are used for speculation

Q92. In case of free currencies, forward premium or discount is exactly A equal to the difference between

(a) Risk-free interest rates of the two currencies
(b) Inflation rates in both the countries
(c) Spot rate and Tom rate
(d) alternate reference rate and RBI reference rate

Q93. A put option is in the money (ITM) if

(a) the strike price is less than market price
(b) the strike price is more than the market price
(c) the market price is equal to the strike price
(d) a put option can never be in the money

Q94. In India, market for currency futures commenced in

(a) August 2008
(b) August 1993
(c) The market yet to commence operations
(d) The currency futures markets were existing for a long time but were lying dormant

Q95. Liquidity risk is reflected as which is the gap in

(a) Maturity mismatch, cash inflow and outflow
(b) Total cash held, receipts and payments
(c) Committed lines, lines utilized and unutilized
(d) NPAs, total assets and performing loans

Q96. In a rising interest rate scenario, the risk of erosion of NII is on account of

(a) Advances with floating rate of interest and deposits with fixed rate of interest
(b) Deposits with floating rates and advances with fixed rates
(c) Deposits with floating rates and advances with floating rates
(d) Deposits with fixed rates and advances with fixed rates

Q97. Derivatives can be used to hedge aggregate risks as reflected in the asset-liability mismatches. In this case a dynamic management of hedge is necessary because

(a) The risks are static
(b) New hedging tools arrive in the market
(c) The composition of assets and liabilities is always changing
(d) A close monitoring of hedge is an RBI requirement

Q98. The participants in the derivatives market generally exchange the following agreement

(a) IFEMA
(b) ICON
(c) ISDA
(d) A stamped agreement devised by respective banks International Swaps and Derivatives Association

Q99. Credit derivatives segregate________ from the assets through instruments known as_______ and transfer the risk from the owner to another person who is in a position to absorb the credit risk for________

(a) The bad assets, NPAs, commission
(b) The credit risk, credit default swaps, a fee
(c) Income, warrants, consideration
(d) Good assets, securitization, discount

QThe data of International bank is as follows:

- Tier-I Capital (Inclusive of CET1 + AT1) = Rs 1200 Crores
- Tier-II Capital = Rs 1200 Crores
- RWAs for Credit Risk = Rs 10,000 crores

Answer the following questions given below:

Q100. If the capital charge for market risk is Rs 500 crores, what would be the RWA for market risk?

a) 5546 crores
b) 5550 crores
c) 5556 crores
d) 5500 crores

Q101. The data of International bank is as follows:

- Tier-I Capital (Inclusive of CET1 + AT1) = Rs 1200 Crores
- Tier-II Capital = Rs 1200 Crores
- RWAs for Credit Risk = Rs 10,000 crores

Answer the following questions given below:

If the capital charge for operational risk is Rs 200 crores, what would be the RWA for operational risk?

A. ₹1,622 Crores
B. ₹2,223 Crores
C. ₹2,222 Crores
D. ₹3,232 Crores

Answer Key

Q No	Ans	Q No	Ans
Q1	B	Q52	1
Q2	D	Q53	B
Q3	C	Q54	D
Q4	₹0	Q55	A
Q5	C	Q56	B
Q6	C	Q57	C
Q7	B	Q58	D
Q8	D	Q59	A
Q9	Price ↑	Q60	B
Q10	B	Q61	C
Q11	C	Q62	D
Q12	B	Q63	B
Q13	A	Q64	C
Q14	C	Q65	D
Q15	B	Q66	B
Q16	C	Q67	D
Q17	C	Q68	D
Q18	B	Q69	D
Q19	D	Q70	D
Q20	C	Q71	B
Q21	C	Q72	D
Q23	B	Q73	C
Q24	B	Q74	D
Q25	B	Q75	D
Q26	C	Q76	C
Q27	C	Q77	B
Q28	B	Q78	D
Q29	D	Q79	B
Q30	A	Q80	D
Q31	C	Q81	C
Q32	D	Q82	A
Q33	A	Q83	B
Q34	C	Q84	C
Q35	B	Q85	D
Q36	A	Q86	C
Q37	B	Q87	C
Q38	B	Q88	B

Q No	Ans	Q No	Ans
Q39	B	Q89	A
Q40	B	Q90	A
Q41	B	Q91	C
Q42	B	Q92	A
Q43	C	Q93	B
Q44	₹6,620 Cr	Q94	A
Q45	A	Q95	A
Q46	B	Q96	B
Q47	B	Q97	C
Q48	A	Q98	C
Q49	C	Q99	B
Q50	C	Q100	C
Q51	D	Q101	₹2,222 Cr


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The lectures were really helpful in the exam point. Thanking afreen maadam ,Pradyumna sir and Rajeev sir for guidance..