FINANCIAL REGULATORY FRAMEWORK

MULTIPLE CHOICE QUESTIONS

1. The performance of which scheme does the National Housing Bank monitor?
   a) Liberalized Finance Scheme
   b) Golden Jubilee Rural Housing Finance Scheme
   c) Energy Efficient Housing Finance Scheme
   d) Finance scheme for indirect loans

2. When did the National Bank of Agriculture and Rural Development establish?
   a) July, 1982
   b) July, 1969
   c) June, 1951
   d) June, 1961

3. When did the government acquire RBI’s shareholding (72.5%) in NABARD?
   a) May, 2008
   b) June, 2008
   c) August, 2008
   d) March, 2009

4. When did the National Housing Bank start its operations?
   a) July, 1982
   b) July, 1988
   c) April, 1980
   d) March, 1971
5. Who works as RBI's agent at places where it has no office of its own?

   a) State Bank of India  
   b) Ministry of Finance  
   c) Government of India  
   d) International Monetary Fund

6. Which of the following is true about the functions performed by RBI -

   (i) It is the Bank of Issue  
   (ii) It acts as banker to the Government  
   (iii) It is the banker of other banks  
   (iv) It regulates the flow of credit

   (a) Both (i) and (ii)  
   (b) Both (iii) and (iv)  
   (c) All the Above  
   (d) None of the above

7. Which among the following is incorrect?

   a) RBI is the Bank of Issue  
   b) RBI acts as Banker to the Government  
   c) RBI is Banker's Bank  
   d) RBI does not regulate the flow of credit

8. Which of the following is true about the restrictions on RBI?

   (i) It is not to compete with the commercial banks.  
   (ii) It is not allowed to pay interest on its deposits.  
   (iii) It cannot engage directly or indirectly in trade.
(iv) It cannot acquire or advice loans against immovable property.
(v) It is prohibited from purchasing its own shares or the shares of any other bank or any company or granting loans on such security.

(a) only (i),(ii),(iii), and (iv)
(b) only (v)
(c) all the above
(d) none of the above

9. According to which guidelines did the Government pick up the entire SBI shares held by the RBI?

a) National Stock Exchange of India
b) Securities Commission
c) Financial Regulations
d) Securities and Exchange Board of India (SEBI)

10. What is the full form of CBS?

a) Core Banking Solution
b) Core Banking Software
c) Core Banking System
d) Core Banking Service

11. 'Subprime lending' is a term applied to the loans made to ____________________________.

a) Those borrowers who do not have a good credit history
b) Those borrowers who have a good credit history
c) Those borrowers who do not have a good debit history
d) Those borrowers who have a good debit history
12. Which among the following is the act of taking on a risk for a fee?

   a) Guidewire
   b) Initial Public Offering
   c) Predictive analytics
   d) Underwriting

13. Which among the following is called the rate of interest charged by RBI for lending money to various commercial banks by rediscounting of the bills in India?

   a) Bank Rate
   b) Discount Window
   c) Monetary Policy
   d) Overnight Rate

14. Which of the following are to be followed by Commercial Banks for risk management?

   a) Basel II norms
   b) Basel III norms
   c) Basel I norms
   d) Solvency II norms

15. What is the full form of CRR?

   a) Cash Reserve Rate
   b) Cash Reserve Ratio
   c) Cash Recession Ratio
   d) Core Reserve Rate
16. Which one of the following is the rate at which the RBI lends money to commercial banks in the event of any shortfall of funds?

a) Benchmark Prime Lending Rate  
b) Annual Percentage Rate  
c) Bank Rate  
d) Repo Rate

17. Who sets up 'Base Rate' for Banks?

a) Individual Banks Board  
b) Interest Rate Commission of India  
c) RBI  
d) None of the above

18. Priority sector includes:

a) Agriculture  
b) Retail Business  
c) Small Scale Industries  
d) All of the above

19. The credit control methods adopted by RBI includes:

a) Quantitative control  
b) Qualitative control  
c) Fixed control  
d) a & b

20. Which of the following are qualitative control methods

a) Margins  
b) Maximum limit of credit for specific purpose
21. Which of the following are quantitative control methods
   a) Bank rate & CRR
   b) Statutory Liquidity ratio
   c) Open market operations
   d) All of the above

22. RBI promotes commercial banking by
   a) Providing cheap rediscounting facilities to banks
   b) Providing liberalized rediscounting facilities to banks
   c) Giving subsidies to new bank
   d) All of the above

23. Which act has given control & supervision powers to RBI over commercial banks
   a) RBI Act 1934
   b) Banking Regulation act 1949
   c) Both RBI Act 1934 & Banking Regulation act 1949
   d) Banking Regulation Act 1960

24. The merit of issuing notes with RBI can be seen in
   a) Uniformity in note issue
   b) Stability in currency
   c) Control of credit
   d) All of the above

25. Central Bank ________ Credit
   a) Create
   b) Controls
   c) Restricts
26. **Objective of monetary policy is to:**
   a) Control inflation
   b) Discourage hoarding of commodities
   c) Encourage flow of credit into neglected sector
   d) All of the above

27. __________ policy refers to policy measure taken by RBI to control & regulate money supply
   a) Credit
   b) Monetary
   c) Fiscal
   d) Financial

28. When RBI is the lender of last resort what does it mean?
   a) **RBI advances necessary credit against eligible securities**
   b) Commercial banks give funds to RBI
   c) RBI advances money to public whenever there is an emergency
   d) All of the above

29. **Bank rate means**
   a) Rate at which commercial banks lend money
   b) **Rate at which RBI lends to commercial bank**
   c) Rate of interest paid by banks to its depositors
   d) None of the above

30. **Which of the following statement is incorrect**
   a) Every country has only one central which is managed by government officials
b) RBI is a profit making institution acting in the interest of government

c) RBI does not perform any ordinary commercial banking functions

d) RBI has adopted minimum reserve system of note issue

31. RBI pays interest on CRR balances of banks at _____.

a) Bank Rate
b) Repo Rate
c) Bank Rate minus 2%
d) Zero %

32. Fiscal policy refers to
   a) Sale and purchase of securities by RBI
   b) Government taxes, expenditure and borrowings
   c) Government borrowings from abroad
   d) Sharing of its revenue by Central Government with States

33. Consider the following statements
   i. American depositary receipts are securities of a non-US company that trade in the US financial markets.
   ii. ADR is a negotiable security which represents securities of companies that is foreign to the market which the DR trades.

Which of the statements given above is/are correct?

a) Only 1
b) Only 2
c) Both 1 and 2
d) Neither 1 nor 2
34. Which one of the following Banks in India had started the special promotional and developmental activities to meet the twin objectives of balanced regional development and accelerated industrial growth in the country?
   a) SIDBI 
   b) IDBI 
   c) SFCs 
   d) IFCs 

35. Which one of the following development Financial Institutions in India has started the special refinance scheme for the resettlement and rehabilitation of Voluntary Retired workers of the National Textile Corporation (NIC)?
   a) IDBI 
   b) SIDBI 
   c) ICICI 
   d) None of these 

36. Consider the following statements
   1. Small Industry Development Bank of India (SIDBI) was set-up as a whole owned subsidiary of the RBI.
   2. SIDBI has taken over the responsibility of administering Small Industry Development Fund managed by the IDBI.
   Which of the statements given above is/are correct?
   a) Only 1 
   b) Only 2 
   c) Both 1 and 2 
   d) Neither 1 nor 2
37. The National Housing Bank (NHB) was set up in India as a wholly-owned subsidiary of
   a) Reserve Bank of India
   b) State Bank of India
   c) ICICI Bank
   d) None of the above

38. Open market operations, one of the measures taken by RBI in order to control credit
    expansion in the economy, means
   a) Sale or purchase of Government securities
   b) Issuance of different types of bonds
   c) Auction of gold
   d) To make available direct finance to borrowers

39. The performance of which scheme does the National Housing Bank monitor?
   a. Liberalized Finance Scheme
   b. Golden Jubilee Rural Housing Finance Scheme
   c. Energy Efficient Housing Finance Scheme
   d. Finance scheme for indirect loans

40. Which one among the following formulates the fiscal policy in India?
   1. Planning Commission
   2. Finance Commission
   3. The Reserve Bank of India
   4. Ministry of Finance
41. Legislation gives which body the power to specify a code of conduct for surveyors and loss assessors?

a) Institute of Insurance and Risk Management.
b) Insurance Regulatory and Development Authority.
c) Life Insurance Council.
d) Securities and Exchange Board of India.

42. What are the functions of IRDA?

- Registration of insurance companies.
- To regulate the insurance industry and protect the customers.
- To frame regulations regarding Insurance market.
- Promotion of competition so as to enhance customer satisfaction through increased consumer choice and lower premiums.
- All of the above

43. An instrument representing ownership interest in securities of a foreign issuer is referred to as

a. An ownership certificate.
b. A depositary receipt.
c. An ownership receipt.
d. None of the above.

44. Depositary receipts that are traded in an international market other than the United States are referred to as

a. Global depositary receipts
b. International depositary receipts.
c. Open market depositary receipts.
d. None of the above.
45. Issuance of DRs is based on the increase of demand in the
   a. Local market.
   b. **International market.**
   c. Existing shareholders.
   d. All of the above.

46. Which of the following does not constitute a benefit of DRs for the issuer?
   a. Offer a new avenue for raising equity capital.
   b. Broaden and diversify a company’s investor base.
   c. Enhance a company’s visibility and status.
   **d. None of the above.**

47. ADRs that do not qualify or are not intended to be listed on stock exchanges are referred to as
   a. **Level 1 ADRs.**
   b. Level 2 ADRs.
   c. Level 3 ADRs.
   d. None of the above.

48. Which of the following is not an advantage of ADRs?
   b. Diversification of investment.
   c. Reduction in administration cost.
   **d. None of the above.**

49. Which of the following is not associated with the risk involved in ADRs?
   a. Political risk.
   b. Exchange rate risk.
   c. Inflationary risk.
   **d. None of the above.**
50. Level 1 is the most basic type of ADR where the foreign company
   a. Wishes its ADR to be listed on the U.S. exchanges alone.
   b. **Does not wish its ADR to be listed on an exchange.**
   c. Does not wish its ADR to be listed on an U.S. exchange.
   d. Wishes its ADR to be listed on any exchange around the world.
   e. Wishes its ADR to be listed on any exchange other than U.S. exchanges.