

Latest Version: 6.0

Question: 1

According to the Securities Contracts (Regulation) Act, 1956 (SCRA), the definition of 'Securities' has been expanded to include various instruments. Which of the following specific instruments is explicitly included in this definition as per the Act?

- A. Fixed Deposit Receipts issued by Scheduled Commercial Banks
- B. Electronic Gold Receipts issued on the basis of deposit of underlying physical gold
- C. Insurance Policies linked to Unit Linked Insurance Plans (ULIPs)
- D. Promissory Notes issued by private individuals for personal loans
- E. Real Estate Sale Deeds registered under the Registration Act

Answer: B

Explanation:

As per the definition of 'Securities' in the Securities Contract Regulation Act (SCRA), 1956, the term includes 'Electronic Gold Receipt', which means an electronic receipt issued on the basis of deposit of underlying physical gold in accordance with regulations made by SEBI. It also includes Zero Coupon Zero Principal Instruments, among others like shares, bonds, and derivatives.

Question: 2

In the context of the Indian Money Market, issuers must adhere to specific credit rating requirements to issue Commercial Paper (CP).

What is the minimum credit rating required from a Credit Rating Agency (CRA) for the issuance of CPs?

- A. A1
- B. A2
- C. A3
- D. AAA
- E. BBB

Answer: C

Explanation:

A Commercial Paper (CP) is used by Indian corporates to raise short-term unsecured funds. According to RBI regulations, the minimum credit rating assigned by a Credit Rating Agency (CRA) for the issuance of CPs shall be 'A3' as per the rating symbol and definition prescribed by SEBI.

Question: 3

Under Section 18A of the Securities Contracts (Regulation) Act, 1956, contracts in derivatives are considered legal and valid only if they satisfy specific conditions. Which of the following is a mandatory condition for such validity?

- A. The contract must be settled bilaterally between the buyer and the seller without an intermediary.
- B. The contract must be traded on a recognized stock exchange and settled on the clearing house of the recognized stock exchange.
- C. The contract must be traded Over-the-Counter (OTC) between two financial institutions.
- D. The contract must be validated by the Reserve Bank of India (RBI) prior to execution.
- E. The contract must involve physical delivery of the underlying asset upon expiry.

Answer: B

Explanation:

Section 18A of the SCRA provides that contracts in derivatives shall be legal and valid if they are traded on a recognized stock exchange and settled on the clearing house of the recognized stock exchange, in accordance with the rules and bye-laws of such stock exchanges.

Question: 4

Indian Depository Receipts (IDRs) allow foreign companies to raise funds from the Indian securities markets. Which of the following statements accurately reflects the rules regarding the redemption or conversion of IDRs into underlying equity shares?

- A. Redemption is permitted immediately upon listing of the IDRs.
- B. Redemption is permitted only after 3 years from the date of listing.
- C. Redemption/Conversion is permitted after 1 year from the date of listing of the IDRs.
- D. Two-way fungibility is strictly prohibited for IDRs.
- E. IDRs can only be converted into underlying shares if the issuer is a US-based company.

Answer: C

Explanation:

For IDRs, redemption/conversion into the underlying shares is permitted after 1 year from the date of listing of the IDRs. Two-way fungibility is permitted, allowing conversion between IDRs and underlying shares within available headroom.

Question: 5

Regarding participation in the International Financial Services Centres (IFSC), which of the following categories of resident investors is eligible to deal in securities listed in IFSC?

- A. Any resident individual irrespective of investment limit.
- B. A person resident in India eligible under FEMA to invest funds offshore, to the extent allowed under the Liberalized Remittance Scheme (LRS).
- C. Only resident Qualified Institutional Buyers (QIBs).

- D. Only resident corporate entities with a net worth exceeding Rs. 100 Crore.
E. Residents are strictly prohibited from dealing in securities listed in IFSC.

Answer: B

Explanation:

As per SEBI (International Financial Services Centres) Guidelines, 2015, a person resident in India who is eligible under FEMA to invest funds offshore, to the extent allowed under the Liberalized Remittance Scheme (LRS) of the Reserve Bank of India, is permitted to deal in securities listed in IFSC.

Question: 6

A Trading Member executes the following trades in a specific scrip on a given day:

- Buy 500 shares @ Rs. 100
- Sell 300 shares @ Rs. 105
- Buy 200 shares @ Rs. 95

What are the final Net Quantity and Net Fund obligations for the member to be settled with the Clearing Corporation?

- A. Net Qty: 400 (Receive); Net Funds: Pay Rs. 37,500
B. Net Qty: 400 (Deliver); Net Funds: Receive Rs. 37,500
C. Net Qty: 1000 (Receive); Net Funds: Pay Rs. 100,500
D. Net Qty: 0; Net Funds: Receive Rs. 1,500
E. Net Qty: 400 (Receive); Net Funds: Pay Rs. 69,000

Answer: A

Explanation:

Net Quantity:

Total Buy = $500 + 200 = 700$.

Total Sell = 300.

Net Qty = $700 - 300 = 400$ (Buy/Receive).

Net Funds:

Outflow (Buy) = $+(200 \times 95) = 50,000 + 19,000 = \text{Rs. } 69,000$.

Inflow (Sell) = $300 \times 105 = \text{Rs. } 31,500$.

Net Funds = Inflow - Outflow = $31,500 - 69,000 = -37,500$.

Negative implies Pay Rs. 37,500.

Question: 7

Which of the following statements correctly describe the clearing and netting processes involving brokers and the Clearing Corporation?

(Select all that apply)

- A. Stock brokers are permitted to net client accounts within their firm at the end of the day.

- B. The Clearing Corporation performs multilateral netting to determine the net settlement obligations of members.
- C. Every day, the Clearing Corporation sends the clearing member a list of all trading transactions made by him and his clients.
- D. Netting at the Clearing Corporation level is done on a bilateral basis between buying and selling brokers.
- E. The final pay-in/pay-out of securities and funds is carried out through clearing banks and depository participants.

Answer: A,B,C,E

Explanation:

All selected statements are correct based on the source text.

- 'Stock brokers are allowed to net the clients account within the firm.' [A]
- 'Clearing is performed by multilateral netting.' [B]
- 'Every day, the clearing corporation sends the clearing member a list of all trading transactions...' [C]
- 'Final pay-in/pay-out... is carried out through clearing banks and depository participants.' [E]
- Statement D is incorrect because netting is multilateral, not bilateral.

Question: 8

In the context of the beta version of the T+0 rolling settlement cycle, how is the applicable price band for a security determined and managed relative to the regular T+1 market?

- A. It operates with a fixed price band of +/- 5% irrespective of the movement in the T+1 market.
- B. It operates with a price band of +100 basis points from the price in the regular T+1 market, re-calibrated after every 50 basis points movement in the underlying T+1 market.
- C. It mirrors the dynamic price band of the T+1 market exactly, flexing only when the T+1 market hits its circuit limit.
- D. It operates with a price band of +50 basis points from the opening price of the T+0 market, without any re-calibration during the session.
- E. It is set at +1- 1% of the previous day's closing price and remains static throughout the trading session 09:15 AM to 3:30 PM.

Answer: B

Explanation:

According to the operational details for T+0 settlement, the price in the T+0 segment will operate with a price band of +100 basis points from the price in the regular T+1 market. This band will be re-calibrated after every 50 basis points movement in the underlying T+1 market.

Question: 9

Since auction sessions are not applicable under the T+0 settlement cycle, how are securities shortages handled by the Clearing Corporation?

- A. Shortages are carried forward to the T+1 auction session conducted on the next day.
- B. Shortages are deemed as 'bad delivery' and the trade is annulled immediately.
- C. Shortages are directly closed out at a rate of 20% above the official closing price of the T+1 market.
- D. Shortages are directly closed out at above the highest price of the day across all exchanges for the T+0 market.
- E. Shortages are settled by borrowing securities from the Securities Lending and Borrowing (SLB) segment automatically.

Answer: D

Explanation:

In the T+0 settlement cycle, an auction shall not be conducted in case of securities shortage. Security shortages shall be directly closed out at 10% above the highest price of the day across all exchanges for the T+0 market.

Question: 10

To calculate the Adjustment Factor for a ****Rights Issue**** in the Equity F&O segment, the 'Benefits per share (E)' must first be determined. Which formula correctly represents the calculation of 'E'?

- A.
 $E = (P - S) / (A + B)$
- B.
 $E = (P \times A) + (S \times B) / (A + B)$
- C.
 $E = (P - S) \times A / (A + B)$
- D.
 $E = (P + S) \times A / B$
- E.
 $E = (P - S) \times B / (A + B)$

Answer: C

Explanation:

In the context of Rights Issue adjustment, Benefits per share (E) is calculated using the formula: $E = (P - S) \times A / (A + B)$, where P is the underlying close price on the last cum date, S is the issue price of the rights, A is the Rights Entitlement, and B is the Number of Existing shares.