



Economics Class Notes for IAS and PCS

Chapter 11: Money Market

Money Market
➤ Short term fund with maturity ranging from overnight to 1 year
➤ Short term fund is both secured & unsecured
➤ Call Money- Short Period, more than 1 day & up to 14 days, no collateral security, it can be issue by commercial bank, co – operative bank, MF, Primary deals & other are allowed to borrow & lend in market interest rate.
➤ Treasury bill (T-Bill)-Short term issued by RBI behalf of Gol, it is zero risk investment available in primary & secondary market, 91, 182, 364 days. No treasury bill issued by state govt. It is issued under MSS (Market Stabilization Scheme)
➤ Cash Management Bill (CMB) -Short term issued by govt. with consult RBI for temporary mismatch of govt. asset. It is for 91 days with discount and get value on maturity
➤ Inter – Bank term Money- for 14 days – 3 months
➤ Certificate Deposit (CD) - Next lower risk after T – Bill, is CD issued by schedule Bank & FT, but not regional & local area bank. (not less than 15 days & not more than 1 year) – Minimum 1 lakh.
➤ Commercial Paper (CP) - Short term promissory note, issued by Top corporate company & FI, Primary dealer for Minimum 7 day – 1 year and CP required credit card rating from credit agency.
➤ Commercial Bill (CB) - Also known as Trade Bill. Accepted by commercial bank, instrument drawn by seller of good on buy of goods for value of goods delivered. If bill is payable at future date & seller need money immediately, he may approach his bank for it.
➤ LIBOR (London Inter Bank Offer Rate) – Average rate estimate by leading base in London and they would be charged if borrowing from other bank
➤ MIBOR – Same as Mumbai



RAHEIN EDUCATION
www.raheineducation.com

UPSC - IAS

Rahein Education



Free online Test: www.coderunnertest.com

Email Id: raheineducation@gmail.com

Website: www.raheineducation.com

YouTube link: <https://youtube.com/@insightadda?si=S0awd3xnkHB6Pbjr>

Insight Adda 365 by TKG

@InsightAdda



Telegram Link: <https://t.me/insight2020>

