

! This quiz has been regraded; your score was affected.

## Quiz 2

**Due** Oct 20, 2017 at 11:30pm

**Points** 100

**Questions** 34

**Available** Oct 20, 2017 at 8am - Oct 24, 2017 at 1pm 4 days

**Time Limit** 30 Minutes

## Instructions

-Time allowed:30 minutes

-There are 34 Questions in total

-Please note that each questions carries different weight of points. Manage your time properly

-Once you start the quiz, there are no break nor pause, if you accidentally close the browser, but open it again ASAP as the time counter still counting the time even you close the browser/logoff during the quiz.

**Please download this calendar for info for some of the questions.**

[Calendar for year 08&09.docx \(https://canvas.ust.hk/files/1117983/download?](https://canvas.ust.hk/files/1117983/download?verifier=S6CqPqUzz9g3PhfP5imfNcdOdcimhpNlxKy8wjZT&wrap=1)

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This quiz is no longer available as the course has been concluded.

## Attempt History

	Attempt	Time	Score	Regraded
LATEST	<a href="#">Attempt 1</a>	30 minutes	70 out of 100	73 out of 100

Score for this quiz: **73** out of 100

Submitted Oct 20, 2017 at 3:52pm

This attempt took 30 minutes.

### Question 1

0 / 5 pts

On Friday 2 January 2009 (value/effective date) Abracadra Company borrows HK\$10 million for 6 months from Perfid Bank Ltd at a rate of 3% per annum. How much interest will the company have to pay at maturity? Assume that the Modified Following Business Day convention and Actual/365 day basis convention apply. The following are holidays in HK: January 1, 26, 27 and 28, and Wednesday July 1<sup>st</sup>. 2009 is not a leap year.

Correct Answer

☐ HK\$ 148,767

You Answered

☒ HK\$ 150,833☐ Nothing**Question 2****0 / 5 pts**

On Friday, 26<sup>th</sup> September 2008, the treasurer of Glorious Company in Hong Kong calls his banker at Rich Bankers (Hong Kong) Limited to ask for a 2 months loan for HK\$ 2 million. Rich Bankers agrees to the transaction on that date with value spot (T+2) and charge interest at the rate of 3% per annum. The applicable convention is actual/365. What amount of interest will Glorious Company have to pay? Note that in this particular case the modified following business day convention applies to BOTH the value and maturity date. The following dates are banking holidays in Hong Kong: 15<sup>th</sup> September, 1<sup>st</sup> October, 7<sup>th</sup> October, 25<sup>th</sup> and 26<sup>th</sup> Saturdays and Sundays are not business days.

Correct Answer

☐ HK\$ 9,698.63

You Answered

☒ HK\$ 9,863.01☐ HK\$ 9,534.25**Question 3****0 / 5 pts**

on 25<sup>th</sup> February 2009, the treasurer of Lucky Gold Company wishes to draw down a multicurrency line of credit provided by Rich Bankers. He calls his banker to ask for a three months loan in HKD. The applicable conventions are: settlement spot (T+2); day basis actual/365 and Modified Following Business Day for determining the maturity date ONLY. The following are holidays in HK: 4, 10 and 13 April, 1 and 28 May. What will be the maturity date of the loan?

☐ 26th May, 2009

Correct Answer

☐ 27th May, 2009

You Answered

☒ 29th May, 2009

## Question 4

0 / 4 pts

On Wednesday, 24<sup>th</sup> December, 2008 Anna Ng, the interbank trader at Rich Bankers in Hong Kong, agrees with his counterpart Mohammed Erdogan of Wealthy Bankers in Dubai to place a USD 50 million 1 month interbank deposit with Wealthy Bankers, Dubai. The interest rate is 5% p.a. The applicable conventions are: settlement spot (T+2); day basis actual/365 and Modified Following Business Day for determining the maturity date ONLY. The business day definition covers Hong Kong, Dubai and New York; Saturdays and Sundays are not business days. The following are holidays in HK: 25<sup>th</sup> and 26<sup>th</sup> December 2008; 1<sup>st</sup>, 26<sup>th</sup>, 27<sup>th</sup> and 28<sup>th</sup> January 2009. In the United Arab Emirates: 29<sup>th</sup> December 2008, 1<sup>st</sup> and 20<sup>th</sup> January 2009. In New York: 25<sup>th</sup> December 2008; 1<sup>st</sup> and 19<sup>th</sup> January 2009; 12<sup>th</sup> and 16<sup>th</sup> February 2009. What is the value date of the deposit?

☐ Monday 29th December

You Answered

☒ Tuesday 30th December

Correct Answer

☐ Wednesday 31st December☐ Thursday 1st January☐ Friday 2nd January

## Question 5

3 / 3 pts

Banks engage in \_\_\_\_\_ when they \_\_\_\_\_

☐ Economies of scale/accept deposits

Correct!

☒ Money creation/make loans

☐ Money laundering/make loans

☐ Money creation/take deposits

**Question 6****3 / 3 pts**

Financial institutions like Schwab which simply execute clients orders are an example of:

**Correct!**

☒ Discount brokers

☐ Investment banking boutiques

**Question 7****2 / 2 pts**

The risk that a borrower may have incentives to engage in undesirable activities making it more likely that it won't pay the loan back is an example of

**Correct!**

☐ adverse selection

☒ moral hazard

**Question 8****0 / 2 pts**

Banks benefit from economies of scope when they

**Correct Answer**

☐ provide multiple products and services to the same customer

**You Answered**

☒ sell the same product to multiple customers

**Question 9****2 / 2 pts**

banks serve as conduit for fiscal policy of the government

☐ TRUE☒ FALSE**Correct!****Question 10****3 / 3 pts**

which of the following roles of banks is under attack from big retailers such as Walmart?

☐ Providing deposit accounts☐ Providing custodian services☒ Providing consumer finance**Correct!****Question 11****3 / 3 pts**

Financial intermediaries allow small investors to buy assets which would have been inaccessible due to large minimum investment size ; this is called

☐ Maturity intermediation☒ Denomination intermediation☐ Credit allocation☐ Intergenerational wealth transfer**Correct!****Question 12****3 / 3 pts**

All of the following provide financial intermediation EXCEPT

- ☐ Depository institutions
- ☐ Insurance companies
- ☐ Savings and loans
- ☐ Credit unions
- ☒ Brokers

Correct!

### Question 13

2 / 2 pts

Angel Fok is the head trader in US treasuries at Sticky Fingers Inc and her daily job involves taking views on the market, for which she is allowed substantial intra-day trading limits. Angel is a

- ☐ Broker
- ☒ Dealer

Correct!

### Question 14

3 / 3 pts

What is the purpose of Chinese Walls?

- ☐ Preventing insider trading
- ☐ Preventing leakage of price sensitive information
- ☒ Both of the above
- ☐ None of the above

Correct!

### Question 15

0 / 3 pts

(All other things being equal) When a bank receives additional deposits, it gains an equal amount of reserves; when it loses deposits, it loses an equal amount of reserves.

Correct Answer

☐ True

You Answered

☒ False

### Question 16

0 / 3 pts

Which performance indicator would financial analysts focus on to track the quality of a bank's asset portfolio?

☐ AUM (Assets Under Management)

☐ ROA (Return on Assets)

You Answered

☒ ROE (Return on Equity)

Correct Answer

☐ NPL (Non Performing Loans)

☐ NOI (Net Operating Income)

### Question 17

2 / 2 pts

The Global Legal Settlement of 2002 dealt with conflicts of interest in

☐ Accounting firms.

Correct!

☒ Investment banks.

☐ Credit rating agencies.

☐ All of the above.

**Question 18****3 / 3 pts**

Jason Ng applies for a mortgage from his bank to buy a flat in Tseung Kwan O. His parents provide a financial guarantee. This is an example of:

- ☐ liquidity enhancement
- ☒ credit enhancement
- ☐ financial intermediation

**Correct!****Question 19****3 / 3 pts**

One of the provisions of SOX (Sarbanes-Oxley) which has been blamed for the loss of competitiveness of Wall Street is

- ☐ Rule 144A
- ☒ Section 404
- ☐ Reg FD

**Correct!****Question 20****3 / 3 pts**

Within a given level of default risk, \_\_\_\_\_ risk can vary widely :

- ☐ Payment
- ☒ Recovery
- ☐ Contingency

**Correct!****Question 21****3 / 3 pts**



Netting is one of the ways to mitigate:

Correct!

- ☐ Industry risk
- ☒ Counterparty risk
- ☐ Consumer risk

### Question 22

3 / 3 pts

To avoid problems such as experienced by Barings in Singapore or UBS in London due to a rogue trader, what would you recommend be implemented?

Correct!

- ☐ concentration limits
- ☒ segregation of duties
- ☐ credit scoring
- ☐ ALM policies

### Question 23

3 / 3 pts

Financial intermediaries

Correct!

- ☐ Exist because there are substantial information and transaction costs in the economy.
- ☐ Improve the lot of the small saver.
- ☐ Are involved in the process of indirect finance.
- ☒ Do all of the above.
- ☐ Do only (a) and (b) of the above.

**Question 24****2 / 2 pts**

When the potential borrowers who are the most likely to default are the ones most actively seeking a loan, \_\_\_\_\_ is said to exist.

**Correct!**

- ☐ adverse segregation
- ☒ adverse selection
- ☐ moral hazard
- ☐ fraud

**Question 25****2 / 2 pts**

Unless a bond defaults, an investor cannot lose money investing in bonds.

**Correct!**

- ☐ True
- ☒ False

**Question 26****Original Score: 0 / 3 pts Reggraded Score: 3 / 3 pts**

**! This question has been regraded.**

a “run” on the bank creates an immediate \_\_\_\_\_ problem

**Correct Answer**

- ☐ Asset management
- ☐ adverse selection

**You Answered**

- ☒ moral hazard

- ☐ fraud

**Question 27****3 / 3 pts**

the ability of banks to access financing is called

- ☐ Market liquidity risk
- ☒ Funding liquidity risk

**Correct!****Question 28****3 / 3 pts**

Bankers' concern regarding the optimal mix of excess reserves, secondary reserves, borrowings from the Fed, and borrowings from other banks to deal with deposit outflows is an example of

- ☐ liability management.
- ☒ liquidity management.
- ☐ managing interest-rate risk
- ☐ none of the above.

**Correct!****Question 29****2 / 2 pts**

contingent liabilities such as back up lines of credit are

- ☐ On balance sheet
- ☒ Off balance sheet

**Correct!**

**Question 30****2 / 2 pts**

Banks can protect themselves from the disruption caused by deposit outflows by

- ☐ Holding excess reserves.
- ☐ Selling securities.
- ☐ "Calling in" loans.
- ☒ Doing all of the above.
- ☐ Doing only (a) and (b) of the above

**Correct!****Question 31****3 / 3 pts**

Which of the below is asset management for a bank?

- ☐ Make sure the bank has enough cash to meet deposit outflows
- ☒ Pursue an acceptably low level of risk by acquiring assets with low default rate and diversifying asset holdings
- ☐ Acquiring funds at low cost
- ☐ Decide the amount of capital the bank should maintain and acquire this capital

**Correct!****Question 32****3 / 3 pts**

when banks hold assets denominated in a currency other than their reference currency they are exposed to:

**Correct!**

- ☐ Credit risk
- ☒ Market risk
- ☐ Operational risk
- ☐ Legal risk

**Question 33****3 / 3 pts**

which type of policy can banks use to prevent money laundering problems?

- ☐ AML policy
- ☐ SEE policy
- ☒ KYC policy

**Correct!****Question 34****3 / 3 pts**

Examples of off-balance-sheet activities include

- ☐ Loan sales.
- ☐ Foreign exchange market transactions.
- ☐ Trading in financial futures.
- ☒ All of the above.
- ☐ Only (a) and (b) of the above.

**Correct!****Quiz Score: 73 out of 100**