

ACI 310-008

Number: 000-000
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Exam A

QUESTION 1

Click on the Exhibit Button to view the Formula Sheet. Which of the following are transferable instruments?



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- A. Eurocertificate of deposit
- B. US Treasury bill
- C. CP
- D. All of the above

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 2

Click on the Exhibit Button to view the Formula Sheet. Bank A pays for EURO 5 m at 1.1592. Bank B offers EURO 10 m at 1.1597. Broker XYZ quotes to the market EURO / USD 1.1592/97. Bank C takes the offer at 97. The broker is obliged to reveal:

- A. The name of Banks A and B.
- B. The name of Bank B only.
- C. The amount that was bid but not the name of Bank A
- D. None of the above

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 3

Click on the Exhibit Button to view the Formula Sheet. Which of the following statements reflects the Model Code on gambling or betting amongst market participants?

- A. Gambling and betting between market participants s
- B. Gambling and betting between market participants c
- C. Gambling and betting between market participants s
- D. All of the above.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 4

Click on the Exhibit Button to view the Formula Sheet. Your are quoted the following rates: spot CHF/JPY 80.12-22 3M CHF/JPY 25.5/22.5 At what rate can you buy 3-month outright JPY against CHF?

- A. 79.995
- B. 79.965
- C. 79.895
- D. 79.865

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 5

Click on the Exhibit Button to view the Formula Sheet. You quote a price to a broker on EUR 100 million. Your price is hit for EUR 50 million. What does the Model Code say about this situation?

- A. You have a right to qualify your quotes in terms o
- B. You have a right to qualify your quotes in terms o
- C. You have a right to qualify your quotes in terms o
- D. You have a right to qualify your quotes in terms o

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 6

Click on the Exhibit Button to view the Formula Sheet. Written confirmation is a function that can be done by:

- A. Any dealer as long as he/she is not a party to the
- B. Staff in the back-office.
- C. Staff in the dealing room who are not dealing.
- D. Any staff outside the dealing room.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 7

Click on the Exhibit Button to view the Formula Sheet. A forward-forward loan creates an exposure to the risk of:

- A. Higher interest rates
- B. Lower interest rates
- C. Steepening yield curve
- D. Parallel shift downwards in the yield curve

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 8

Click on the Exhibit Button to view the Formula Sheet. What is meant by "short dates"?

- A. Maturities of less than one week.
- B. Maturities of less than one month.



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- C. Maturities of less than one year.
- D. Maturities in the same calendar month.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 9

Click on the Exhibit Button to view the Formula Sheet. What is the Gold Offered Forward Rate?

- A. The price differential between spot and forward go
- B. The rate at which dealers will lend gold against U
- C. The implied forward price of gold
- D. The price of gold for forward delivery

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 10

Click on the Exhibit Button to view the Formula Sheet. Confirmations should be sent out by both counterparties through an efficient and secure means of communication, preferably electronic:

- A. Within 24 hours of the deal.

- B. Within two business days of the deal.
- C. Before the value date.
- D. As soon as possible.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 11

Click on the Exhibit Button to view the Formula Sheet. In the international market, a FRA in USD is usually settled with reference to:

- A. BBA LIBOR
- B. Fed funds
- C. ISDA LIBOR
- D. EURIBOR

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 12

Click on the Exhibit Button to view the Formula Sheet. You have a USD loan that is priced at 3-month LIBOR+50. LIBOR for the loan will be re- fixed in exactly one month. The market is quoting:

- A. Sell a 1x3 FRA at 1.95%
- B. Buy a 1x3 FRA at 1.98%
- C. Buy a 1x4 FRA at 2.10%
- D. Sell a 1x4 FRA at 2.10%

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 13

Click on the Exhibit Button to view the Formula Sheet. Today's date is Thursday 12th December. What is the spot value date? Assume no bank holidays.

- A. 14th December
- B. 15th December
- C. 16th December
- D. 17th December

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 14

Click on the Exhibit Button to view the Formula Sheet. The Interest Rate Parity Theorem states that:

- A. Interest rates in different currencies will tend to
- B. Interest rates in different currencies differ due
- C. Selling a low interest rate currency to invest a high
- D. Selling a low interest rate currency to invest in

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 15

Click on the Exhibit Button to view the Formula Sheet. What usually happens to the collateral in a tri-party repo?

- A. It is put at the disposal of the buyer
- B. It is held by the seller in the name of the buyer
- C. It is held by the tri-party agent in the name of the

D. It is frozen in the sellers account with the tri-p

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 16

Click on the Exhibit Button to view the Formula Sheet. How much is a big figure worth per million of base currency if EUR/GBP is 0.6990?

A. GBP 10,000

B. EUR 10,000

C. GBP 6,990

D. EUR 6,990

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 17

Click on the Exhibit Button to view the Formula Sheet. What are the secondary market proceeds of a CD with a face value of EUR 5 million and a coupon of 3% that was issued at par for 182 days and is now trading at 3% but with only 7 days remaining to maturity?

A. EUR 4,997,085.03

B. EUR 5,000,000.00

C. EUR 5,071,086.45

D. EUR 5,072,874.16

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 18

Click on the Exhibit Button to view the Formula Sheet. The one-month (31-day) GC repo rate for French government bonds is quoted to you at 3.75-80%. As collateral, you are offered EUR25 million nominal of the 5.5% OAT April 2006, which is worth EUR 28,137,500. If you impose an initial margin of 1%, the Repurchase Price is:



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- A. EUR 27,947,276.43
- B. EUR 27,946,077.08
- C. EUR 27,950,071.43
- D. EUR 27,948,871.97

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 19

Click on the Exhibit Button to view the Formula Sheet. Fraud is typically classified as:

- A. Credit risk
- B. Market risk
- C. Legal risk
- D. Operational risk

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 20

Click on the Exhibit Button to view the Formula Sheet. You are quoting forward FX prices to a broker subject to finding a counterparty for a matching transaction.

The Model Code says:

- A. You must tell the broker, who must qualify your qu
- B. For credit reasons, you must tell the broker when
- C. You cannot do this.
- D. The Model Code does not make recommendations on th

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 21

Click on the Exhibit Button to view the Formula Sheet. Which of following is not true?

- A. Inter-bank market participants have a duty to make
- B. It is the duty of the dealer to periodically confi
- C. It is the responsibility of the dealer to ensure t
- D. No deal is done if one counterparty is unable to c

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 22

Click on the Exhibit Button to view the Formula Sheet. How many USD would you have to invest at 3.5% to be repaid USD125 million (principal plus interest) in 30 days?

1 (exhibit):

2 (exhibit):

3 (exhibit):

4 (exhibit):

5 (exhibit):

6 (exhibit):

- A. USD 124,641,442.43

- B. USD 124,636,476.94
- C. USD 124,635,416.67
- D. USD 123,915,737.30

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 23

Click on the Exhibit Button to view the Formula Sheet. If spot GBP/CHF is quoted 2.3875- 80 and the 3-month forward outright is 2.3660-70, what are the forward points?

- A. 21.5/21
- B. 210/215
- C. 215/210
- D. 21/21.5

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 24

Click on the Exhibit Button to view the Formula Sheet. It is June. You are over-borrowed from October to January on your deposit book. How would you hedge using FRAs?

- A. Sell 3x6
- B. Buy 3x6
- C. Sell 4x7
- D. Buy 4x7

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 25

Click on the Exhibit Button to view the Formula Sheet. Confirmations must be sent out:

- A. Immediately after the deal is done.
- B. As quickly as possible after the deal is done.
- C. By electronic media only, e.g. fax, telex.
- D. Not later than the value date of the first leg of

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 26

Click on the Exhibit Button to view the Formula Sheet. If 6-month EUR/AUD is quoted at 29/32, which of the following statements is correct?

- A. EUR rates are higher than AUD rates in the 6-month
- B. AUD rates are higher than EUR rates in the 6-month
- C. There is a positive EUR yield curve
- D. There is not enough information to decide

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 27

Click on the Exhibit Button to view the Formula Sheet. The theta of an option is:

- A. The sensitivity of the option value to changes in
- B. The sensitivity of the option value to changes in

- C. The sensitivity of the option value to changes in
- D. The sensitivity of the option value to changes in

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 28

Click on the Exhibit Button to view the Formula Sheet. What is the incentive for market- making?

- A. Bid/offer spread
- B. Flow information
- C. Relationships
- D. All of the above

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 29

Click on the Exhibit Button to view the Formula Sheet. The mid-rate for USD/CHF is 1.3950 and the mid-rate for AUD/USD is 0.7060. What is the mid-rate for CHF/AUD?

- A. 0.9849
- B. 1.0154
- C. 1.9759
- D. 0.5061

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 30

Click on the Exhibit Button to view the Formula Sheet. What is the probability of an at-the- money option being exercised?

- A. Less than 50% probability
- B. 50% probability
- C. More than 50% probability
- D. Zero probability

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 31

Click on the Exhibit Button to view the Formula Sheet. You bought a USD 4,000,000 6x9 FRA at 6.75%. The settlement rate is 3-month (90-day) BBA LIBOR, which is fixed at 5.50%. What is the settlement amount at maturity?

- A. You receive USD 12,330.46
- B. You pay USD 12,330.46
- C. You pay USD 12,163.81
- D. You receive USD 12,163.81

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 32

Click on the Exhibit Button to view the Formula Sheet. What is the day count/annual basis convention for euroyen deposits?



- A. Actual/365
- B. Actual/360
- C. Actual/actual
- D. 30E/360

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 33

Click on the Exhibit Button to view the Formula Sheet. A dealer does the following deals in EUR/USD: buys EUR 1 m at 1.1020 sells EUR 3 m at 1.1022 buys EUR 2 m at 1.1002 buys EUR 1.5 m at 1.1012 What position does the dealer now have?

- A. Long EUR 1.5 m at 1.0984
- B. Short EUR 1.5 m at 1.1036
- C. Long EUR 1.5 m at 1.1012
- D. Short EUR 3.0 m at 1.1025

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 34

Click on the Exhibit Button to view the Formula Sheet. The forward points are calculated from:

- A. The level of interest rates in the base currency
- B. The level of interest rates in the quoted currency
- C. The interest rates in the two currencies
- D. Your expectations of the future spot rate

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 35

Click on the Exhibit Button to view the Formula Sheet. Brokers shall not reveal the identity of a counterparty unless:

- A. They are forced to do so.
- B. Explicitly authorised to do so by the counterparty
- C. They know the counterparty very well.
- D. They are asked by their senior management to do so

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 36

Click on the Exhibit Button to view the Formula Sheet. To curb attempted fraud, banks should:

- A. Require greater vigilance by the management and st
- B. Take particular care when the beneficiary is a thi
- C. Ensure that details of all telephone deals which d
- D. All of the above.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 37

Click on the Exhibit Button to view the Formula Sheet. If GBP/USD is 1.5350-53 and USD/JPY is 106.50-53, what is GBP/JPY ?

- A. 163.48-56

- B. 163.51-52
- C. 69.36-39
- D. 69.38-39

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 38

Click on the Exhibit Button to view the Formula Sheet. A dealer has indicated his intention of assigning an interest rate swap to a third party soon after transacting that swap. When about to execute an assignment:

- A. The dealer is entitled to provide the name of the
- B. The dealer is entitled to provide the name of the
- C. The dealer should seek the permission of the assign
- D. The dealer should seek the permission of the origi

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 39

Click on the Exhibit Button to view the Formula Sheet. A customer gives you GBP 25 million at 6.625% same day for 7 days. Through a broker, you place the funds with a bank for the same period at 6.6875%. Brokerage is charged at 2 basis points per annum. What is the net profit or loss on the deal?

- A. Profit of GBP 299.66
- B. Profit of GBP 203.77
- C. Loss of GBP 299.66
- D. Loss of GBP 203.77

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 40

Click on the Exhibit Button to view the Formula Sheet. If EUR/USD is quoted to you as 1.1050-53, does this price represent?

- A. The number of EUR per USD
- B. The number of USD per EUR
- C. Depends on whether the price is being quoted in Eu
- D. Depends on whether the price is being quoted inter

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 41

Click on the Exhibit Button to view the Formula Sheet. What is an FX swap?

- A. An exchange of two streams of interest payments in
- B. A spot sale (purchase) and a forward purchase (sal
- C. An exchange of currencies on a date beyond spot an
- D. None of the above

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 42

Click on the Exhibit Button to view the Formula Sheet. The Model Code recommends that, in the case of complaints about transactions, management should:

- A. Ensure complaints are investigated by the senior m
- B. Ensure complaints are fairly and independently inv

- C. Ensure complaints are investigated by representati
- D. Ensure complaints are fairly and independently inv

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 43

Click on the Exhibit Button to view the Formula Sheet. The Model Code rules that deals at non-current rates:

- A. Are forbidden.
- B. Require prior regulatory approval.
- C. Require the prior express permission of the senior
- D. Should be marked to market daily.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 44

Click on the Exhibit Button to view the Formula Sheet. You are paying 5% per annum paid semi-annually and receiving 6-month LIBOR on a USD 10 million interest rate swap with exactly two years to maturity. 6-month LIBOR for the next payment date is fixed today at 4.95%. You expect 6-month LIBOR in 6 months to fix at 5.25%, in 12 months at 5.35% and in 18 months at 5.40%. What do you expect the net settlement amounts to be over the next 2 years? Assume 30-day months.

- A. pay 250, receive 1,250, receive 1,750, receive 2,0
- B. receive 250, pay 1,250, pay 1,750, pay 2,000
- C. pay 2,500, receive 12,500, receive 17,500, receive



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D. receive 2,500, pay 12,500, pay 17,500, pay 20,000

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 45

Click on the Exhibit Button to view the Formula Sheet. It is now permissible in most markets for brokers to be owned by banks and other principals. Where there is shared management, or a shareholding or other investment in a broker by a counterparty:

- A. The broker is not obligated to reveal the connecti
- B. The broker is not obligated to reveal the connecti
- C. The broker should advise the other counterparty of
- D. The matter is covered in the Model Code.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 46

Click on the Exhibit Button to view the Formula Sheet. Which of the following statements is true?

- A. Banks should not ask brokers to disclose details o
- B. Banks should not ask brokers to disclose details o
- C. Banks should not ask brokers to disclose transacti
- D. Banks should not ask brokers for details of third

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 47

Click on the Exhibit Button to view the Formula Sheet. Gambling or betting amongst market participants has obvious dangers and:

- A. Should be forbidden.
- B. Should be strongly discouraged.
- C. Should be monitored by management.
- D. All of the above.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 48

Click on the Exhibit Button to view the Formula Sheet. The major difference between futures and OTC instruments like FRAs and interest rate swaps is that futures are:

- A. Exchange-traded
- B. Guaranteed
- C. Standardised
- D. All of the above

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 49

Click on the Exhibit Button to view the Formula Sheet. What is the purpose of an initial margin on a futures exchange?

- A. To cover losses incurred between variation margin
- B. To exclude retail investors
- C. To pay reserve requirements
- D. To cover fees due to the clearing house

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 50

Click on the Exhibit Button to view the Formula Sheet. You are quoted the following market rates: spot USD/JPY 123.65 1M (30-day) USD. 2.15% 1M (30-day) JPY 0.10% What is 1-month USD/JPY?

- A. 123.44
- B. 123.65
- C. 123.86
- D. 123.90

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 51

Click on the Exhibit Button to view the Formula Sheet. 3-month EUR/USD FX swaps are quoted to you at 15/19. If the "points are in your favour", what have you done?

- A. Bought and sold 3-month EUR/USD through the swap
- B. Sold and bought 3-month EUR/USD through the swap
- C. Made the quote
- D. Cannot say

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 52

Click on the Exhibit Button to view the Formula Sheet. When you are accepting a stop loss order, you must:

- A. Ensure that your counterparty understands the term
- B. Ensure that your counterparty can be contacted in
- C. Ensure that your counterparty understands that any
- D. All of the above.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 53

Click on the Exhibit Button to view the Formula Sheet. You deal over the phone with a counterparty. The subsequent confirmation differs from the terms agreed verbally. What is the result?

- A. The confirmation takes precedence as it is a writt
- B. The matter will have to be submitted to arbitratio
- C. It depends on local law.
- D. The verbal agreement is binding.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 54

Click on the Exhibit Button to view the Formula Sheet. An option is:

- A. The right to buy or sell a commodity at a fixed pr
- B. The right to buy a commodity at a fixed price
- C. The right but not the obligation to buy or sell a
- D. The right but not the obligation to buy commodity

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 55

Click on the Exhibit Button to view the Formula Sheet. In all dealing conversations, the Model Code strongly recommends:

- A. Dealers stick to market terminology in order to av
- B. Dealers clarify what is being proposed rather than
- C. Dealers restrict themselves to terminology listed
- D. Dealers define complex terminology in the confirma

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 56

Click on the Exhibit Button to view the Formula Sheet. If a dealer has any intention of assigning an interest rate swap to a third party soon after transacting that swap:



- A. The dealer should not reveal his future dealing in
- B. The dealer should make his intention to assign cle
- C. The dealer should agree the method of assignment b
- D. The counterparty should specify whether or not ass

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 57

Click on the Exhibit Button to view the Formula Sheet. EURIBOR is the:

- A. Daily fixing of EUR interbank deposit rates in the
- B. Daily fixing of EUR interbank deposit rates in the
- C. Another name for EUR LIBOR
- D. The ECBs official repo rate

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 58

Click on the Exhibit Button to view the Formula Sheet. A broker offers a dealer an incentive in the form of a reduction to the agreed schedule of brokerage between the firms.

- A. This is a normal volume discount.
- B. The offer requires approval in writing by both sen
- C. The offer requires agreement in writing between th
- D. This is illegal.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 59

Click on the Exhibit Button to view the Formula Sheet. Where the matter of dealing for personal account is concerned, the Model Code recommends that:

- A. Subject to local legal requirements, this matter i
- B. Bank management should encourage such activities b

- C. Where this is allowed, bank management should have
- D. Bank management should allow staff to deal for the

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 60

Click on the Exhibit Button to view the Formula Sheet. What is a Vostro account?

- A. Your account at another bank
- B. A foreign bank's account in your bank in your dome
- C. An account in your bank used for internal transact
- D. A customer's account at your bank

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 61

Click on the Exhibit Button to view the Formula Sheet. Deliberately inputting incorrect big figures into an electronic dealing platform is:

- A. Technically impossible on electronic platforms
- B. Not an uncommon practice and something which profe
- C. Not good practice.
- D. A criminal offence.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 62

Click on the Exhibit Button to view the Formula Sheet. Where answerphone equipment is used for reporting and recording of off-premises transactions, it should be:

- A. On an special number known only to the chief deale
- B. On a number located in the office of the internal
- C. Secured so that reported transactions cannot be er
- D. Secured by recordings that are stored for a suitab

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 63

Click on the Exhibit Button to view the Formula Sheet. What is settlement risk in FX?

- A. The risk of failure of a payments or settlement sy
- B. The risk that only one side of an exchange of curr
- C. The risk of payments gridlock in a real-time gross
- D. The risk that default by a counterparty before the

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 64

Click on the Exhibit Button to view the Formula Sheet. If I say that I have "bought and sold" EUR/USD in an FX swap, what have I done?

- A. Bought EUR and sold USD spot, and sold EUR and bou
- B. Bought EUR/USD spot and sold EUR/USD forward
- C. Taken a EUR loan in exchange for making a USD loan
- D. All of the above

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 65

Click on the Exhibit Button to view the Formula Sheet. If a broker refers to "the payer of 5- year euro at 4.12", what is this party doing?

- A. Paying a fixed rate of 4.12% per annum on a 30/360
- B. Paying a fixed rate of 4.12% per annum on an actua
- C. Paying a 5-year euro deposit and receiving a rate
- D. Taking a 5-year euro deposit and paying a rate of

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 66

Click on the Exhibit Button to view the Formula Sheet. A CD with a face value of USD50 million and a coupon of 4.50% was issued at par for 90 days and is now trading at 4.50% with 30 days remaining to maturity. What has been the capital gain or loss since issue?

- A. +USD 373,599.00
- B. +USD 186,099.00
- C. -USD 1,400.99
- D. Nil

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 67

Click on the Exhibit Button to view the Formula Sheet. What is the effect of netting?

- A. To reduce the number and size of payments and tran
- B. To reduce exposure to credit risk
- C. To reduce the size of the balance sheet
- D. All of the above

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 68

Click on the Exhibit Button to view the Formula Sheet. Which of the following is always a secured instrument?

- A. ECP
- B. Repo



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- C. Interbank deposit
- D. CD

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 69

Click on the Exhibit Button to view the Formula Sheet. The Model Code is unequivocal on " position parking". What does it say?

- A. The parking of deals or positions with any counter

- B. The parking of deals or positions with any counter
- C. The parking of deals or positions should be subject to approval
- D. In jurisdictions where position parking is allowed

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 70

Click on the Exhibit Button to view the Formula Sheet. Which of the following rates represents the highest investment yield in the euromarket?

- A. Semi-annual bond yield of 3.75 %
- B. Annual bond yield of 3.75 %
- C. Semi-annual money market yield of 3.75 %
- D. Annual money market rate of 3.75 %

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 71

Click on the Exhibit Button to view the Formula Sheet. The intrinsic value of a long call option:

- A. Falls and rises with the price of the underlying c
- B. Rises if the price of the underlying commodity falls
- C. Depends solely on the volatility of the price of the underlying
- D. Becomes negative if the market price of the underlying falls below the strike price

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 72

Click on the Exhibit Button to view the Formula Sheet. Which of the following statements is correct?

- A. An adjusted settlement amount is paid at the end o
- B. An unadjusted settlement amount is paid at the end
- C. An adjusted settlement amount is paid at the start
- D. An unadjusted settlement amount is paid at the sta

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 73

Click on the Exhibit Button to view the Formula Sheet. Borrowing USD for 12 months and lending them for 6 months (means that you are making):

- A. Forward-forward loan
- B. Forward-forward deposit
- C. Negative gap
- D. An over-lent position

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 74

Click on the Exhibit Button to view the Formula Sheet. For which of the following reasons is the extension of forward contracts at non-current rates is discouraged:
i. These could be used to conceal profit or losses. ii. These could be used to perpetrate fraud. iii. These could result in an unauthorised extension of credit. iv. These could result in confusing settlement instructions.

- A. (i), (ii), (iii), & (iv).
- B. (i), (ii) & (iii).

- C. (i) & (iii).
- D. none of the above.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 75

Click on the Exhibit Button to view the Formula Sheet. Which of the following is sometimes called two-name paper?

- A. ECP
- B. BA or bank bill
- C. Treasury bill
- D. CD

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 76

Click on the Exhibit Button to view the Formula Sheet. What does the Model Code say about netting?

- A. Market participants are strongly recommended to ne
- B. Market participants should establish payments nett
- C. Market participants should establish legally viabl
- D. Market participants should establish legally viabl

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 77

Click on the Exhibit Button to view the Formula Sheet. An option contract that gives the buyer the right to exercise the option at several distinct points during its life is called:

- A. European-style option
- B. American-style option
- C. Bermudan option
- D. Asian option

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 78

Click on the Exhibit Button to view the Formula Sheet. Which type of repo is the least risky for the buyer?

- A. Delivery repo
- B. HIC repo
- C. Tri-party repo
- D. There is no real difference

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 79

Click on the Exhibit Button to view the Formula Sheet. Payment and settlement instructions should be passed:

- A. As quickly as possible.
- B. Within 24 hours of the transaction.
- C. Before 10:00am on the value date.
- D. Before close of business on the transaction date.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 80

Click on the Exhibit Button to view the Formula Sheet. Basis risk on a futures contract is:

- A. The risk of an adverse change in the futures price
- B. The risk of an adverse change in the spread between
- C. The progressive illiquidity of a futures contract
- D. The risk of a divergence between the futures price

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 81

Click on the Exhibit Button to view the Formula Sheet. The Model Code rules that deals at non-current rates:



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- A. Are forbidden.
- B. Require prior regulatory approval.
- C. Require the prior express permission of the senior
- D. Should be marked to market daily.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 82

Click on the Exhibit Button to view the Formula Sheet. The Interest Rate Parity Theorem states that:

- A. Interest rates in different currencies will tend t
- B. Interest rates in different currencies differ due
- C. Selling a low interest rate currency to invest a h
- D. Selling a low interest rate currency to invest in

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 83

Click on the Exhibit Button to view the Formula Sheet. Management policy on the use of mobile devices by trading, sales and settlement staff should:

- A. Ban them from the dealing room or back office.
- B. State whether they are allowed in the dealing room
- C. Ban their use in the dealing room or back office.
- D. Restrict their use to senior management and author

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 84

Click on the Exhibit Button to view the Formula Sheet. Bank XYZ calls you for a quote in EUR/USD for EURO 20 million. If you decide to quote to Bank XYZ:

- A. You must be prepared to deal up to EUR 20 million.
- B. You may quote without stating the amount you are p

- C. You are only committed to deal in a marketable amo
- D. None of the above.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 85

Click on the Exhibit Button to view the Formula Sheet. Brokers shall not reveal the identity of a counterparty unless:

- A. They are forced to do so.
- B. Explicitly authorised to do so by the counterparty
- C. They know the counterparty very well.
- D. They are asked by their senior management to do so

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 86

Click on the Exhibit Button to view the Formula Sheet. You and a dealer at another bank have an informal bilateral reciprocal arrangement to quote each other two-way prices. During periods of high volatility, the other dealer refuses to quote to you. The Model Code states that:

- A. The other dealer should act with honour, honesty
- B. It is a purely matter for your two institutions.
- C. Such arrangements are not in any way enforceable o
- D. All of the above.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 87

Click on the Exhibit Button to view the Formula Sheet. You are paying 5% per annum paid semi-annually and receiving 6-month LIBOR on a USD 10 million interest rate swap with exactly two years to maturity. 6-month LIBOR for the next payment date is fixed today at 4.95%. How would you hedge the swap using FRAs? How to hedge an IRS with a strip of FRAs?

- A. buy a strip of 0x6, 6x12, 12x18 and 18x24 FRAs
- B. sell a strip of 0x6, 6x12, 12x18 and 18x24 FRAs
- C. buy a strip of 6x12, 12x18 and 18x24 FRAs
- D. sell a strip of 6x12, 12x18 and 18x24 FRAs

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 88

Click on the Exhibit Button to view the Formula Sheet. Under which circumstances are banks allowed to park positions with a counterparty?:

- A. It is forbidden to park positions.
- B. In conditions of exceptional volatility.
- C. If the two counterparties agree.
- D. If approved by senior management.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 89

Click on the Exhibit Button to view the Formula Sheet. When quoting the exchange rate between the EUR and AUD, which is conventionally the base currency?

- A. EUR
- B. AUD

- C. Depends on whether the price is being quoted in Eu
- D. Depends on whether the price is being quoted inter

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 90

Click on the Exhibit Button to view the Formula Sheet. The organisational structure of market participants should ensure a strict segregation between front and back office of:

- A. Duties and reporting lines.
- B. Systems.
- C. Career paths.
- D. All of the above.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 91

Click on the Exhibit Button to view the Formula Sheet. Where repos or securities lending transactions are entered into, the Model Code recommends:

- A. Documentation should be in place beforehand.
- B. Management should approve all transactions.
- C. Copies of the underlying documentation should be I
- D. All of the above.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 92

Click on the Exhibit Button to view the Formula Sheet. An option contract that gives the buyer the right to exercise the option at the average of the prices of the underlying during its life is called:

- A. European-style option
- B. American-style option
- C. Bermudan option
- D. Asian option

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 93

Click on the Exhibit Button to view the Formula Sheet. Extended trading hours and off- premises dealing can involve additional hazards, the avoidance of which requires clear controls. The Model Code prescribes best market practice. Which of the following is true?

- A. Off-premises dealing should be forbidden.
- B. After-hours trading should be forbidden.
- C. Deals transacted after normal business hours or of
- D. Deals transacted after normal business hours or of

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 94

Click on the Exhibit Button to view the Formula Sheet. A 6-month (182-day) investment of CHF15.5 million yields a return of CHF100,000. What is the rate of return?

- A. 1.32%
- B. 1.29%

- C. 1.28%
- D. 0.65%

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 95

Click on the Exhibit Button to view the Formula Sheet. The one-month (31-day) GC repo rate for French government bonds is quoted to you at 3.75-80%. As collateral, you are offered EUR25 million nominal of the 5.5% OAT April 2006, which is worth EUR 28,137,500. If you impose an initial margin of 1%, the Repurchase Price is:



- A. EUR 27,947,276.43
- B. EUR 27,946,077.08
- C. EUR 27,950,071.43
- D. EUR 27,948,871.97

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 96

Click on the Exhibit Button to view the Formula Sheet. If GBP/USD is quoted to you at 1.6120-30, how much GBP would you receive if you sold USD 2,000,000 ?

- A. 1,239,925.60
- B. 1,237,873.80
- C. 1,240,694.79

D. 1,242,720.50

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 97

Click on the Exhibit Button to view the Formula Sheet. What is the maximum maturity of a US Treasury bill?

A. One year

B. 270 days

C. 183 days

D. 5 years

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 98

Click on the Exhibit Button to view the Formula Sheet. What is the primary function of GC repo, particularly very short -term transactions?

A. Financing long positions

B. Covering short positions

C. Interest rate positioning

D. Dividend tax arbitrage

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 99

Click on the Exhibit Button to view the Formula Sheet. A CD with a face value of USD50 million and a coupon of 4.50% was issued at par for 90 days and is now trading at 4.50% with 30 days remaining to maturity. What has been the capital gain or loss since issue?

- A. +USD 373,599.00
- B. +USD 186,099.00
- C. -USD 1,400.99
- D. Nil

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 100

Click on the Exhibit Button to view the Formula Sheet. Are the forward points materially affected by changes in the spot rate?

- A. never
- B. Only for very large movements and longer terms
- C. always
- D. spot is the principal influence

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 101

Click on the Exhibit Button to view the Formula Sheet. Borrowing USD for 12 months and lending them for 6 months (means that you are making):

- A. Forward-forward loan
- B. Forward-forward deposit
- C. Negative gap
- D. An over-lent position

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 102

Click on the Exhibit Button to view the Formula Sheet. A broker offers a dealer an incentive in the form of a reduction to the agreed schedule of brokerage between the firms.

- A. This is a normal volume discount.
- B. The offer requires approval in writing by both sen
- C. The offer requires agreement in writing between th
- D. This is illegal.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 103

Click on the Exhibit Button to view the Formula Sheet. A 6-month SEK/NOK Swap is quoted 140/150. Spot is 0.9445. Which of the following statements is correct?

- A. SEK interest rates are higher than NOK interest ra
- B. NOK interest rates are higher than SEK interest ra
- C. NOK interest rates are higher than USD interest ra
- D. SEK interest rates and NOK interest rates are conv

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 104

Click on the Exhibit Button to view the Formula Sheet. If EUR/USD is 1.1025-28 and the 6- month swap is 112.50/113, what is the 6-month outright price?

- A. 1.1380-1.11405
- B. 1.11375-1.1141
- C. 1.09125-1.0915
- D. None of these

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 105

Click on the Exhibit Button to view the Formula Sheet. You have quoted your customer the following eurodollar deposit rates: 1M 5.375-25% 2M 5.4375-3125% 3M 5.5-375% The customer says, "I give you USD 20 million in the two's". What have you done?

- A. Borrowed USD 20million at 5.3125%
- B. Lent USD 20 million at 5.4375%
- C. Borrowed USD 20 million at 5.4375%
- D. Lent USD 20 million at 5.3125%

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 106

Click on the Exhibit Button to view the Formula Sheet. The term "under reference" refers to:

- A. An unavailability of credit limit for the counterp
- B. The need to reconfirm a transaction.
- C. The unacceptability of the counterparty's name.
- D. The rate quoted is going to be revised.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 107

Click on the Exhibit Button to view the Formula Sheet. You wish to sell a customer GBP/USD for value tomorrow. How can you hedge yourself?

- A. Sell and buy GBP/USD T/N
- B. Buy and sell GBP/USD T/N
- C. Sell GBP/USD spot, and sell and buy GBP/USD T/N
- D. Buy GBP/USD spot, and buy and sell GBP/USD T/N

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 108

Click on the Exhibit Button to view the Formula Sheet. For which of the following reasons is the extension of forward contracts at non-current rates is discouraged:
i. These could be used to conceal profit or losses. ii. These could be used to perpetrate fraud. iii. These could result in an unauthorised extension of credit. iv. These could result in confusing settlement instructions.

- A. (i), (ii), (iii), & (iv).
- B. (i), (ii) & (iii).
- C. (i) & (iii).
- D. none of the above.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 109

Click on the Exhibit Button to view the Formula Sheet. How can options be used to synthesise a short position in the underlying commodity?

- A. A short put option + long call option at the same

- B. A long put option + short call option at the same
- C. A short put option + short call option at the same
- D. A long put option + long call option at the same s

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 110

Click on the Exhibit Button to view the Formula Sheet. In a dispute between the dealer and a broker, the Model Code recommends that this should be referred in the first instance to:



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- A. Central bank.
- B. Senior management of the bank and the brokerage fi
- C. Head of compliance.
- D. ACI's Committee for Professionalism (CFP).

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 111

Click on the Exhibit Button to view the Formula Sheet. A 12-month EUR/USD swap is quoted at 241/244. EUR interest rates are expected to fall, with USD interest rates (which are higher) remaining stable. Assuming no change in the spot rate what effect would you expect on the forward points?

- A. Unchanged
- B. Move towards 228/231

- C. Move towards 257/260
- D. Insufficient information

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 112

Click on the Exhibit Button to view the Formula Sheet. What is the risk of dealing through an agent with an unknown principal?

- A. You may not be able to ensure that your firm can a
- B. You may not be able to net your exposure in an ins
- C. You may not be able to net your exposure for capit
- D. All of the above.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 113

Click on the Exhibit Button to view the Formula Sheet. Gambling or betting amongst market participants has obvious dangers and:

- A. Should be forbidden.
- B. Should be strongly discouraged.
- C. Should be monitored by management.
- D. All of the above.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 114

Click on the Exhibit Button to view the Formula Sheet. Voice-brokers in spot FX act as:

- A. Proprietary traders
- B. Market-makers
- C. Matched principals
- D. Agents

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 115

Click on the Exhibit Button to view the Formula Sheet. An option is:

- A. The right to buy or sell a commodity at a fixed pr
- B. The right to buy a commodity at a fixed price
- C. The right but not the obligation to buy or sell a
- D. The right but not the obligation to buy commodity

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 116

Click on the Exhibit Button to view the Formula Sheet. Where internet trading facilities are established by a bank for a client, the conditions and controls should be stated in a rulebook produced by:

- A. The bank.
- B. The local bankers association.
- C. The local regulator.
- D. Negotiation between the bank and client.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 117

Click on the Exhibit Button to view the Formula Sheet. A forward-forward loan creates an exposure to the risk of:

- A. Higher interest rates
- B. Lower interest rates
- C. Steepening yield curve
- D. Parallel shift downwards in the yield curve

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 118

Click on the Exhibit Button to view the Formula Sheet. If a dealer has interest on one side, and the other side is dealt away, the broker should:

- A. Immediately put the price "under reference" and ch
- B. Cancel the order.
- C. Continue with the order.
- D. None of the above.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 119

Click on the Exhibit Button to view the Formula Sheet. You bought USD 5,000,000 against EUR at 1.1037 and 3,000,000 at 1.1052. If the EUR/USD rate is now

quoted 1.1015/17, and if you deal at that rate, what profit would you make?

- A. Nil
- B. A profit of EUR 16,847.58
- C. A loss
- D. A profit of EUR 18,166.05

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 120

Click on the Exhibit Button to view the Formula Sheet. In case of a default on a repo by the seller:

- A. The buyer can liquidate the collateral
- B. The buyer has to liquidate the collateral
- C. The buyer cannot liquidate the collateral until th
- D. A court is appointed to decide what happens to the

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 121

Click on the Exhibit Button to view the Formula Sheet. Automatic trading systems for interbank spot FX display the best prices entered into the systems by users and:

- A. Display the names of those users along their price
- B. Offer pre-trade anonymity to users quoting prices
- C. Offer pre and post-trade anonymity to users quotin
- D. Offer users the choice of whether to remain anonym

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 122

Click on the Exhibit Button to view the Formula Sheet. A disgruntled customer claims that he should not have to settle an FRA with you because it is really just a wager. What type of risk are you exposed to?



- A. Credit risk
- B. Legal risk
- C. Settlement risk
- D. Basis risk

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 123

Click on the Exhibit Button to view the Formula Sheet. Where the matter of dealing for personal account is concerned, the Model Code recommends that:

- A. Subject to local legal requirements, this matter i
- B. Bank management should encourage such activities b
- C. Where this is allowed, bank management should have
- D. Bank management should allow staff to deal for the

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 124

Click on the Exhibit Button to view the Formula Sheet. What are the secondary market proceeds of a CD with a face value of EUR 5 million and a coupon of 3% that was issued at par for 182 days and is now trading at 3% but with only 7 days remaining to maturity?

- A. EUR 4,997,085.03
- B. EUR 5,000,000.00
- C. EUR 5,071,086.45
- D. EUR 5,072,874.16

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 125

Click on the Exhibit Button to view the Formula Sheet. If spot AUD/USD is quoted to you as 0.7406-09. How many AUD would you receive in exchange for USD 5,000,000 if you dealt on the price?

- A. 3,704,500
- B. 6,748,549
- C. 3,703,000
- D. 6,751,283

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 126

Click on the Exhibit Button to view the Formula Sheet. The use of standard settlement instructions (SSI's) is strongly encouraged because:

- A. It reduces operational risk.
- B. It splits differences arising from failed settleme

- C. It removes the need for sending out SWIFT payment
- D. All of the above.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 127

Click on the Exhibit Button to view the Formula Sheet. A customer based in the UK exports automotive parts to the US. His main competitor is in France? What type of exposure to currency risk is posed by movements in EUR/USD?

- A. Transaction exposure
- B. Translation exposure
- C. Economic exposure
- D. None

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 128

Click on the Exhibit Button to view the Formula Sheet. Fraud is typically classified as:

- A. Credit risk
- B. Market risk
- C. Legal risk
- D. Operational risk

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 129

Click on the Exhibit Button to view the Formula Sheet. Which of the following is not true?

- A. The Model Code is published by ACI's Committee for
- B. The Model Code sets out the practicalities of deal
- C. The Model Code is an attempt to deal with the lega
- D. The Model Code sets out the manner and spirit in w

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 130

Click on the Exhibit Button to view the Formula Sheet. Which of the following will tend to have the lowest yield?

- A. Interbank deposit
- B. Certificate of deposit
- C. Treasury bill
- D. BA

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 131

Click on the Exhibit Button to view the Formula Sheet. A futures clearing house is:

- A. The buyer to each seller and the seller to each bu
- B. A clearing agent only
- C. The self-regulatory organisation for the futures e
- D. The owner of the futures exchange

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 132

Click on the Exhibit Button to view the Formula Sheet. Where the Committee for Professionalism of the ACI has been notified of a breach of the letter or spirit of the Model Code, it

- A. Will examine the complaint.
- B. May consult with the local ACI.
- C. Will bring the matter to the attention of the local ACI.
- D. None of the above.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 133

Click on the Exhibit Button to view the Formula Sheet. A 3-month (91-day) deposit of EUR25 million is made at 3.25%. At maturity, it is rolled over three times at 3.55% for 90 days, 4.15% for 91 days and 4.19% for 89 days. At the end of 12 months, how much is repaid (principal plus interest)?

- A. EUR 25,962,011.01
- B. EUR 25,959,714.91
- C. EUR 25,948,878.47
- D. EUR 25,948,648.82

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 134

Click on the Exhibit Button to view the Formula Sheet. Today is Monday, 8th December. You sell a 9x12 FRA for value Thursday, 10th September next year. On what date is the settlement amount due to be paid or received (assuming that there are no holidays)?

- A. 8th September next year
- B. 10th September next year
- C. 8th December next year
- D. 10th December next year

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 135

Click on the Exhibit Button to view the Formula Sheet. When a broker calls "off" at the very instant a dealer "hits" the broker's price:

- A. The transaction should be concluded.
- B. The broker decides whether or not the deal is done
- C. ACI's Committee for Professionalism will decide wh
- D. The transaction should not be concluded.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 136

Click on the Exhibit Button to view the Formula Sheet. Eurodollar futures are:



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- A. Traded on the CME and have a face value of USD 500
- B. Traded on the CBOT and have a face value of USD 1,
- C. Traded on the CBOT and have a face value of USD 50
- D. Traded on the CME and have a face value of USD 1,0

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 137

Click on the Exhibit Button to view the Formula Sheet. Using the following rates: 3M (90-day) eurodeposits 3.50% 6M (180-day) eurodeposits 3.75% What is the rate for a deposit, which runs from 3 to 6 months?

- A. 3.625%
- B. 3.285%
- C. 3.965%
- D. 3.835%

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 138

Click on the Exhibit Button to view the Formula Sheet. How is an outright forward FX transaction quoted?

- A. Forward points
- B. Full forward exchange rate
- C. Depends on whether it is interbank or to a customer
- D. Depends on the currency pair and sometimes the term

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 139

Click on the Exhibit Button to view the Formula Sheet. The delta of an at-the-money long call option is:

- A. Between +0.5 and +1
- B. +0.5
- C. Between 0 and +0.5
- D. Zero

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 140

Click on the Exhibit Button to view the Formula Sheet. The premium on an option contract is:

- A. The price of the underlying commodity at the time
- B. The price at which the transaction on the underlying
- C. The price the buyer of the option pays to the seller
- D. The price at which the two counterparties can close

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 141

Click on the Exhibit Button to view the Formula Sheet. What is the Gold Offered Forward Rate?

- A. The price differential between spot and forward gold
- B. The rate at which dealers will lend gold against U.S. dollars

- C. The implied forward price of gold
- D. The price of gold for forward delivery

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 142

Click on the Exhibit Button to view the Formula Sheet. Deals transacted direct or via a broker prior to 5:00am Sydney time on Monday morning:

- A. Are invalid.
- B. Must be approved by senior management before confi
- C. Cannot be entered into without the approval of the
- D. Are not considered to have been done in normal con

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 143

Click on the Exhibit Button to view the Formula Sheet. What is EONIA?

- A. Volume-weighted average overnight EUR deposit rate
- B. Volume-weighted average overnight EUR LIBOR
- C. Arithmetic average overnight EUR deposit rate
- D. ECB overnight lending rate

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 144

Click on the Exhibit Button to view the Formula Sheet. Spot cable is quoted at 1.6048-53 in the brokers and you quote a customer 1.6050-55 in USD 3 million. If they sell USD to you, how much GBP will you be short of?

- A. 4,816,500.00
- B. 1,868,809.57
- C. 1,868,576.77
- D. 4,815,900.00

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 145

Click on the Exhibit Button to view the Formula Sheet. The use of mobile phones within the dealing room is not considered good practice except:

- A. In volatile markets.
- B. When dealing with emerging markets.
- C. In an emergency.
- D. When quoting for information only.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 146

Click on the Exhibit Button to view the Formula Sheet. A bond is trading 50 basis points special for 1 week, while the 1-week GC repo rate is 3.25%. If you held GBP 10,500,000 of this bond, what would be the cost of borrowing against it in the repo market?

- A. GBP 7,551.37
- B. GBP 6,544.52
- C. GBP 5,537.67

D. GBP 1,006.85

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 147

Click on the Exhibit Button to view the Formula Sheet. The Chairman and members of the ACIs Committee for Professionalism are ready to assist in resolving disputes through the ACIs Expert Determination Service in situations where:

- A. The amount of the deal exceeds EUR 5 million.
- B. The local regulator or central bank declines to in
- C. Litigation has already commenced.
- D. At the request of one of the counterparties.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 148

Click on the Exhibit Button to view the Formula Sheet. Deliberately inputting incorrect big figures into an electronic dealing platform is:



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- A. Technically impossible on electronic platforms
- B. Not an uncommon practice and something which profe
- C. Not good practice.
- D. A criminal offence.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 149

Click on the Exhibit Button to view the Formula Sheet. In spite of having agreed to a deal, dealers are not bound to the deal if it is subject to documentation. The Model Code:

- A. Does not regard this as a good practice.
- B. Urge dealers to be bear this in mind, as this is c
- C. Does not comment on this matter.
- D. Recommends that national ACI Associations deal wit

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 150

Click on the Exhibit Button to view the Formula Sheet. Convert 8.25% quoted on a semi- annually compounded money market basis for USD to the equivalent annually- compounded bond basis.

- A. 8.30%
- B. 8.52%
- C. 8.54%
- D. 8.69%

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 151

Click on the Exhibit Button to view the Formula Sheet. When dealing with a fund manager, who will allocate shares in a transaction to his unknown clients after the transaction has been executed with you, you should:

- A. Agree in writing with the fund manager that the al
- B. Insist on the allocation being made and confirmed
- C. Agree in writing with the fund manager that he wil
- D. Any of the above.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 152

Click on the Exhibit Button to view the Formula Sheet. Which of the following is true?

- A. The CME eurodollar futures contract has a tick val
- B. The Euronext. LIFFE EURIBOR futures contract has a
- C. The Euronext. LIFFE CHF futures contract has a tic
- D. All of the above

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 153

Click on the Exhibit Button to view the Formula Sheet. Confirmations must be sent out:

- A. Immediately after the deal is done.
- B. As quickly as possible after the deal is done.
- C. By electronic media only, e.g. fax, telex.
- D. Not later than the value date of the first leg of

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 154

Click on the Exhibit Button to view the Formula Sheet. You are short of 6 Dec eurodollar futures contracts at 98.10. Yesterday, the closing price was 98.15. Today's closing price is 97.905. What variation margin will be due?

- A. You will have to pay USD 612.50
- B. You will receive USD 612.50
- C. You will have to pay USD 3,675.00
- D. You will receive USD 3,675.00

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 155

Click on the Exhibit Button to view the Formula Sheet. You quote the following rates to a customer: spot GBP/CHF 2.2005-10 3M GBP/CHF swap 120/115 At what rate do you sell GBP to a customer 3-month outright?

- A. 2.1890
- B. 2.2125
- C. 2.1895
- D. 2.1885

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 156

Click on the Exhibit Button to view the Formula Sheet. What type of risk would describe the failure of a back office to make adequate margin calls on repo

positions?

- A. Credit risk
- B. Market risk
- C. Operational risk
- D. Settlement risk

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 157

Click on the Exhibit Button to view the Formula Sheet. You buy a 181-day 2.75% CD with a face value of USD 1,500,000 at par when it is issued. You sell it in the secondary market after 150 days at 2.60%. What is your holding period yield?

- A. 2.60%
- B. 2.75%
- C. 2.775%
- D. 2.813%

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 158

Click on the Exhibit Button to view the Formula Sheet. Bank B's price is shown by a broker

- A. Bank A can call Bank B directly.
- B. Bank A should wait 10 minutes before calling Bank
- C. Bank A cannot increase the amount.
- D. Bank A should go back to the broker .

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 159

Click on the Exhibit Button to view the Formula Sheet. Which of the following are transferable instruments?

- A. Eurocertificate of deposit
- B. US Treasury bill
- C. CP
- D. All of the above

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 160

Click on the Exhibit Button to view the Formula Sheet. You have received a gift from a good friend who also happens to be your USD/YEN broker. Under such circumstances, the Model Code recommends that you should:



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- A. Always decline gifts.
- B. Give the gift to charity.
- C. Keep the gift.
- D. Report the gift to management.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 161

Click on the Exhibit Button to view the Formula Sheet. The one-month (31-day) GC repo rate for French government bonds is quoted to you at 3.75-80%. As collateral, you are offered EUR25 million nominal of the 5.5% OAT April 2006, which is worth EUR 28,137,500. If you impose an initial margin of 1%, the Repurchase Price is:

- A. EUR 27,947,276.43
- B. EUR 27,946,077.08
- C. EUR 27,950,071.43
- D. EUR 27,948,871.97

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 162

Click on the Exhibit Button to view the Formula Sheet. What are the secondary market proceeds of a CD with a face value of EUR 5 million and a coupon of 3% that was issued at par for 182 days and is now trading at 3% but with only 7 days remaining to maturity?

- A. EUR 4,997,085.03
- B. EUR 5,000,000.00
- C. EUR 5,071,086.45
- D. EUR 5,072,874.16

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 163

Click on the Exhibit Button to view the Formula Sheet. If the value date of forward USD/JPY transactions is declared a holiday in either New York or Tokyo, the correct value date will be:

- A. The value date of the centre which is open.
- B. The next business day of the centre which is close
- C. The next business day when both New York and Tokyo
- D. None of the above.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 164

Click on the Exhibit Button to view the Formula Sheet. When dealing with a fund manager, who will allocate shares in a transaction to his unknown clients after the transaction has been executed with you, you should:

- A. Agree in writing with the fund manager that the al
- B. Insist on the allocation being made and confirmed
- C. Agree in writing with the fund manager that he will
- D. Any of the above.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 165

Click on the Exhibit Button to view the Formula Sheet. You have quoted a Swiss customer spot USD/CHF as 1.3710-15, but he asks you to quote it as CHF/USD. What do you quote

- A. 0.7291-94
- B. 0.7294-91
- C. 1.3710-15
- D. None of these

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 166

Click on the Exhibit Button to view the Formula Sheet. You are quoted the following market rates: spot EUR/CHF 1.1005 6M (180-day) EUR 3.45% 6M (180-day) CHF 1.25% What are the 6-month EUR/CHF forward points?

- A. +121
- B. +120
- C. -116
- D. -119

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 167

Click on the Exhibit Button to view the Formula Sheet. The Model Code strongly recommends that intra-day oral deal checks should:

- A. Be conducted out at the end of the morning and aft
- B. Be only be conducted after the close of business.
- C. Be mutually agreed between the bank and the broker
- D. Be the responsibility of the broker.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 168

Click on the Exhibit Button to view the Formula Sheet. You and a dealer at another bank have an informal bilateral reciprocal arrangement to quote each other two-way prices. During periods of high volatility, the other dealer refuses to quote to you. The Model Code states that:

- A. The other dealer should act with honour, honesty
- B. It is a purely matter for your two institutions.
- C. Such arrangements are not in any way enforceable o
- D. All of the above.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 169

Click on the Exhibit Button to view the Formula Sheet. How can material divergences between the value of cash and collateral be managed in a documented sell/buy-back?

- A. Margin maintenance
- B. Re-pricing
- C. Either of the above, but usually (a)
- D. Either of the above, but usually (b)

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 170

Click on the Exhibit Button to view the Formula Sheet. What is the purpose of a long strangle option strategy?

- A. To anticipate very low volatility in the price of
- B. To anticipate moderately high volatility in the pr
- C. To anticipate moderate volatility in the price of
- D. To anticipate very high volatility in the price of

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 171

Click on the Exhibit Button to view the Formula Sheet. What is an FX swap?

- A. An exchange of two streams of interest payments in
- B. A spot sale (purchase) and a forward purchase (sal
- C. An exchange of currencies on a date beyond spot an
- D. None of the above

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 172

Click on the Exhibit Button to view the Formula Sheet. Which of the following would not constitute an event of market disruption under the Model Code?

- A. The imposition of capital controls.
- B. A major terrorist attack on a financial centre.
- C. The failure of SWIFT.
- D. Concerted central bank intervention.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 173

Click on the Exhibit Button to view the Formula Sheet. You are quoted spot NZD/USD 0.6821-28 and USD/CHF 1.4652-56, at what price can you buy CHF against NZD?

- A. 0.9993
- B. 1.0006
- C. 1.0007
- D. 0.9994

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 174

Click on the Exhibit Button to view the Formula Sheet. For which countrys currency is ZAR the ISO code?

- A. Saudi Arabia
- B. South Africa
- C. Zimbabwe
- D. Zambia

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 175

Click on the Exhibit Button to view the Formula Sheet. Basis risk on a futures contract is:

- A. The risk of an adverse change in the futures price
- B. The risk of an adverse change in the spread between

- C. The progressive illiquidity of a futures contract
- D. The risk of a divergence between the futures price

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 176

Click on the Exhibit Button to view the Formula Sheet. You are paying 5% per annum paid semi-annually and receiving 6-month LIBOR on a USD 10 million interest rate swap with exactly two years to maturity. 6-month LIBOR for the next payment date is fixed today at 4.95%. How would you hedge the swap using FRAs? How to hedge an IRS with a strip of FRAs?

- A. buy a strip of 0x6, 6x12, 12x18 and 18x24 FRAs
- B. sell a strip of 0x6, 6x12, 12x18 and 18x24 FRAs
- C. buy a strip of 6x12, 12x18 and 18x24 FRAs
- D. sell a strip of 6x12, 12x18 and 18x24 FRAs

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 177

Click on the Exhibit Button to view the Formula Sheet. Using the following rates: spot GBP/CHF 2.3785-15 spot CHF/SEK 5.5975-85 3M GBP/SEK swap 725/690 What is the price for 3-month outright GBP/SEK?

- A. 13.3860-13.4020
- B. 13.2435-13.2615
- C. 13.2412-13.2638
- D. 13.2445-13.2605

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 178

Click on the Exhibit Button to view the Formula Sheet. Banks have a fiduciary responsibility to ensure that clients have all necessary information to understand the transaction because this:

- A. Will encourage clients to do more business.
- B. Will help prevent potential litigation.
- C. Will help banks sell sophisticated risk management
- D. Is required by all regulators.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 179

Click on the Exhibit Button to view the Formula Sheet. Today's date is Thursday 12th December. What is the spot value date? Assume no bank holidays.

- A. 14th December
- B. 15th December
- C. 16th December
- D. 17th December

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 180

Click on the Exhibit Button to view the Formula Sheet. From the following GBP deposit rates: 1M (31-day) GBP deposits 3.15% 2M (61-day) GBP deposits 3.25% 3M (91-day) GBP deposits 3.41% 4M (120-day) GBP deposits 3.56% 5M (152-day) GBP deposits 3.73% 6M (182-day) GBP deposits 3.90% calculate the 3x4 forward-forward rate.

- A. 3.410%

- B. 3.977%
- C. 3.996%
- D. 3.997%

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 181

Click on the Exhibit Button to view the Formula Sheet. Cable is quoted at 1.6075-80 and you say "5 yours!" to the broker. What have you done?

- A. Sold USD 5 million at 1.6075
- B. Sold GBP 5 million at 1.6075
- C. Bought GBP 5 million at 1.6080
- D. Bought USD 5 million at 1.6080

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 182

Click on the Exhibit Button to view the Formula Sheet. One of your brokers asks you to buy and sell EUR/USD at the same price net of brokerage in order to allow him to clear a transaction.

- A. You must have prior senior management approval.
- B. You must have the authority to switch names.
- C. You must execute such transactions as promptly as
- D. All of the above.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 183

Click on the Exhibit Button to view the Formula Sheet. You have written a EUR/USD knock- in option for a bank counterparty. At 6pm New York time on Friday, the instrike point is breached. This is confirmed on screens. The counterparty contacts you to confirm that the option has been knocked in.

- A. The deal is done. You should confirm with your cou
- B. If the knock-in is confirmed by a New York price s
- C. The recognised closing time for the currency marke
- D. The recognised closing time for the currency marke

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 184

Click on the Exhibit Button to view the Formula Sheet. Bank participants have a duty to make it clear that their prices are firm or merely indicative:

- A. Only if they are dealing with brokers.
- B. Only if they are dealing in a fast moving market.
- C. Only if the amount is not marketable.
- D. At all times.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 185

Click on the Exhibit Button to view the Formula Sheet. Bank B's price is shown by a broker

- A. Bank A can call Bank B directly.
- B. Bank A should wait 10 minutes before calling Bank

- C. Bank A cannot increase the amount.
- D. Bank A should go back to the broker .

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 186

Click on the Exhibit Button to view the Formula Sheet. If 6-month EUR/AUD is quoted at 29/32, which of the following statements is correct?

- A. EUR rates are higher than AUD rates in the 6-month
- B. AUD rates are higher than EUR rates in the 6-month
- C. There is a positive EUR yield curve
- D. There is not enough information to decide

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 187

Click on the Exhibit Button to view the Formula Sheet. What is a Vostro account?

- A. Your account at another bank
- B. A foreign bank's account in your bank in your dome
- C. An account in your bank used for internal transact
- D. A customer's account at your bank

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 188

Click on the Exhibit Button to view the Formula Sheet. A futures clearing house is:



- A. The buyer to each seller and the seller to each buyer
- B. A clearing agent only
- C. The self-regulatory organisation for the futures exchange
- D. The owner of the futures exchange

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 189

Click on the Exhibit Button to view the Formula Sheet. A 3-month (91-day) deposit of EUR25 million is made at 3.25%. At maturity, it is rolled over three times at 3.55% for 90 days, 4.15% for 91 days and 4.19% for 89 days. At the end of 12 months, how much is repaid (principal plus interest)?

- A. EUR 25,962,011.01
- B. EUR 25,959,714.91
- C. EUR 25,948,878.47
- D. EUR 25,948,648.82

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 190

Click on the Exhibit Button to view the Formula Sheet. Dealers should not conduct dealing activities outside the bank unless:

- A. Clear written guidelines issued by management are
- B. They are in an approved brokers office.
- C. There are on holiday.
- D. None of the above.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 191

Click on the Exhibit Button to view the Formula Sheet. Fraud is typically classified as:

- A. Credit risk
- B. Market risk
- C. Legal risk
- D. Operational risk

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 192

Click on the Exhibit Button to view the Formula Sheet. You are quoted the following market rates: spot USD/JPY 123.65 1M (30-day) USD. 2.15% 1M (30-day) JPY0. 10% What is 1-month USD/JPY?

- A. 123.44
- B. 123.65
- C. 123.86
- D. 123.90

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 193

Click on the Exhibit Button to view the Formula Sheet. What is the Overnight Index for EUR?

- A. EURIBOR
- B. EONIA
- C. Eurepo
- D. TMP

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 194

Click on the Exhibit Button to view the Formula Sheet. Extended trading hours and off-premises dealing can involve additional hazards, the avoidance of which requires clear controls. The Model Code prescribes best market practice. Which of the following is true?

- A. Off-premises dealing should be forbidden.
- B. After-hours trading should be forbidden.
- C. Deals transacted after normal business hours or of
- D. Deals transacted after normal business hours or of

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 195

Click on the Exhibit Button to view the Formula Sheet. Automatic trading systems for interbank spot FX display the best prices entered into the systems by users and:

- A. Display the names of those users along their price
- B. Offer pre-trade anonymity to users quoting prices
- C. Offer pre and post-trade anonymity to users quoting
- D. Offer users the choice of whether to remain anonymous

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 196

Click on the Exhibit Button to view the Formula Sheet. A dealer needs to buy USD against SGD. Of the following rates quoted to him, which is the best rate for him?

- A. 1.4323-28
- B. 1.4320-25
- C. 1.4315-20
- D. 1.4318-23

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 197

Click on the Exhibit Button to view the Formula Sheet. Lending for 3 months and borrowing for 6 months creates a 3x6 forward-forward deposit. The cost of that deposit is called:

- A. Break-even rate
- B. Implied rate
- C. Forward-forward rate
- D. All of the above

Correct Answer: D

Section: (none)

Explanation**Explanation/Reference:****QUESTION 198**

Click on the Exhibit Button to view the Formula Sheet. A CD with a face value of USD 250 million was issued at par with a coupon of 5% for 91 days. You buy it in the secondary market when it has 30 days remaining to maturity and is trading at 5.25%. How much do you pay?

- A. USD 252,056,972.97
- B. USD 252,028,916.32
- C. USD 250,000,000.00
- D. USD 248,911,014.31

Correct Answer: A

Section: (none)

Explanation**Explanation/Reference:****QUESTION 199**

Click on the Exhibit Button to view the Formula Sheet. What is the maximum maturity of a London CD?

- A. One year
- B. 270 days
- C. 183 days
- D. 5 years

Correct Answer: D

Section: (none)

Explanation**Explanation/Reference:****QUESTION 200**

Click on the Exhibit Button to view the Formula Sheet. The extension of forward FX contracts at their historic rates is only allowed when:

- A. Prior management approval has been sought.

- B. They are executed within six months.
- C. They are extended for not more than one year.
- D. All of the above.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 201

Click on the Exhibit Button to view the Formula Sheet. When is interest conventionally due on a 3-year interbank eurodollar deposit?

- A. At maturity
- B. Annually
- C. Semi-annually
- D. Quarterly

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 202

Click on the Exhibit Button to view the Formula Sheet. How can options be used to synthesise a short position in the underlying commodity?

- A. A short put option + long call option at the same
- B. A long put option + short call option at the same
- C. A short put option + short call option at the same
- D. A long put option + long call option at the same s

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 203

Click on the Exhibit Button to view the Formula Sheet. A customer sells a LIFFE Euro Swiss futures contract. Which of the following risks could he be trying to hedge?

- A. An increase in forward USD/CHF
- B. Falling CHF interest rates
- C. A decrease in forward USD/CHF
- D. Rising CHF interest rates



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 204

Click on the Exhibit Button to view the Formula Sheet. The Model Code recommends that when banks accept a stop-loss order:

- A. Management must ensure ongoing lines of communication
- B. Management must report to the central bank.
- C. Management allows only experienced dealers to take
- D. Bank staff must secure the approval of the counter

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 205

Click on the Exhibit Button to view the Formula Sheet. If a broker refers to "the payer of 5- year euro at 4.12", what is this party doing?

- A. Paying a fixed rate of 4.12% per annum on a 30/360
- B. Paying a fixed rate of 4.12% per annum on an actua
- C. Paying a 5-year euro deposit and receiving a rate
- D. Taking a 5-year euro deposit and paying a rate of

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 206

Click on the Exhibit Button to view the Formula Sheet. Where dealing through an intermediary with an unidentified principal, the Model Code recommends:

- A. It is good practice for compliance, legal or credi
- B. Management should have in place a clear written po
- C. Management needs to be aware of the risks involved
- D. All of the above.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 207

Click on the Exhibit Button to view the Formula Sheet. When dealing with customers, financial market professionals are advised by the Model Code to clarify that all transactions are entered into solely at each partys risk by explicitly agreeing in writing that:

- A. The customer understands the structure of the tran
- B. The customer has made its own assessment and indep
- C. No fiduciary or advisory relationship exists betwe
- D. All of the above.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 208

Click on the Exhibit Button to view the Formula Sheet. A 7% CD was issued recently, at par, which you now purchase at 6.75%. You would expect to pay:

- A. The face value of the CD
- B. More than the face value
- C. Less than the face value
- D. Too little information to decide

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 209

Click on the Exhibit Button to view the Formula Sheet. You hear from several counterparties that a major market participant has taken major losses on long USD/JPY positions. You know the reports are untrue, as you have in fact bought large amounts of USD/JPY from that very firm, which means that the impact of the reports on the market would be helpful to your position.

- A. As you have heard the reports from other parties,
- B. As you have heard the reports from other parties,
- C. You should not pass any information you know to be
- D. You should contradict the reports.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 210

Click on the Exhibit Button to view the Formula Sheet. What is a master agreement intended to do?

- A. Describe the parameters of a dealing relationship
- B. Set out the rights and obligations of two parties
- C. Apply to all transactions between two parties
- D. All of the above

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 211

Click on the Exhibit Button to view the Formula Sheet. Purchasing a USD/JPY call option is equivalent to:

- A. Selling an JPY/USD put option
- B. Selling a JPY/USD call option
- C. Purchasing an JPY/USD put option
- D. None of the above

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 212

Click on the Exhibit Button to view the Formula Sheet. An option premium is a positive function of:

- A. Time to expiry
- B. The volatility of the price of the underlying comm
- C. The moneyness of the option
- D. All of the above

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 213

Click on the Exhibit Button to view the Formula Sheet. Making interest rate swap transactions subject to agreement on documentation:

- A. Is recommended where the complications of the tran
- B. Is strictly forbidden.
- C. Is considered bad practice.
- D. Must have senior management approval.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 214

Click on the Exhibit Button to view the Formula Sheet. Gambling or betting amongst market participants has obvious dangers and:

- A. Should be forbidden.
- B. Should be strongly discouraged.
- C. Should be monitored by management.
- D. All of the above.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 215

Click on the Exhibit Button to view the Formula Sheet. What is the ISO code for the Lebanon pound?

- A. LEP
- B. LBD

- C. LBP
- D. LNP

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 216

Click on the Exhibit Button to view the Formula Sheet. How long does the Model Code recommend that tape recordings of dealers/brokers should be kept?

- A. At least 2 months
- B. One year
- C. Up to one month
- D. Until the maturity of the deal

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 217

Click on the Exhibit Button to view the Formula Sheet. The two-week repo rate for the 5.25% bund 2007 is quoted to you at 3.33-38%. You agree to reverse in bonds worth EUR 266,125,000 with no initial margin. You would earn repo interest of:

- A. EUR 349,806
- B. EUR 344,632
- C. EUR 319,315
- D. EUR 324,110

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 218

Click on the Exhibit Button to view the Formula Sheet. Brokers should confirm all transactions:



- A. Initially by fax or other acceptable electronic me
- B. Only if the deal is between overseas counterpartie
- C. Only if the transaction is not for a marketable am
- D. To both counterparties immediately by fax or other

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 219

Click on the Exhibit Button to view the Formula Sheet. When is a broker allowed to assume a deal is closed:

- A. When one of the principals confirms the deal.
- B. When the principals give a written undertaking for
- C. When an acknowledgement is received from the princ
- D. When both back offices acknowledge the deal.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 220

Click on the Exhibit Button to view the Formula Sheet. You hear from a client of good standing that a major market participant has taken major losses on its

proprietary trading book and is desperate for liquidity. You are not convinced that the story is true, but have a friend at another bank who you know has very large exposures to this firm and would be seriously damaged by a default. What advice does the Model Code give?

- A. Unsubstantiated information which you suspect to b
- B. Unsubstantiated information which you suspect to b
- C. Unsubstantiated information which you suspect to b
- D. You have a duty to warn counterparties but should

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 221

Click on the Exhibit Button to view the Formula Sheet. If you funded a fixed-income investment portfolio with short-term deposits, how would you hedge your interest rate exposure with interest rate swaps?

- A. Pay fixed and receive floating through swaps for t
- B. Pay floating and receive fixed through swaps for t
- C. You cannot : the maturity of the swaps would be lo
- D. You should not: there would be too much basis risk

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 222

Click on the Exhibit Button to view the Formula Sheet. What is the buyers primary risk in a repo?

- A. The credit risk on the collateral
- B. The credit risk on the repo counterparty
- C. The legal risk on the contract
- D. The operational risk on margin maintenance

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 223

Click on the Exhibit Button to view the Formula Sheet. An Overnight Indexed Swap is:

- A. A fixed-floating money market swap in which the fl
- B. A fixed-floating money market swap in which the fl
- C. A fixed-floating money market swap in which the fl
- D. All of the above

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 224

Click on the Exhibit Button to view the Formula Sheet. The delta of an option is:

- A. The sensitivity of the option value to changes in
- B. The sensitivity of the option value to changes in
- C. The sensitivity of the option value to changes in
- D. The sensitivity of the option value to changes in

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 225

Click on the Exhibit Button to view the Formula Sheet. The Committee for Professionalism strongly recommends intra-day oral deal checks to help reduce the number and size of differences, particularly when dealing through voice- brokers, for deals involving foreign counterparties, in faster moving markets such as FX

and when dealing in other instruments which have very short settlement periods. This checking should:

- A. Be carried out at least three times a day.
- B. Be agreed between the parties.
- C. Be done at the end of each day.
- D. Be decided by the broker.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 226

Click on the Exhibit Button to view the Formula Sheet. What is the Gold Offered Forward Rate?

- A. The price differential between spot and forward go
- B. The rate at which dealers will lend gold against U
- C. The implied forward price of gold
- D. The price of gold for forward delivery

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 227

Click on the Exhibit Button to view the Formula Sheet. If you buy GBP 2,000,000 against USD at 1.6020; GBP 1,000,000 at 1.6035 and GBP 3,000,000 at 1.6028, what is the average rate of your position?

- A. 1.6035
- B. 1.6027
- C. 1.6030
- D. 1.6023

Correct Answer: B

Section: (none)
Explanation

Explanation/Reference:

QUESTION 228

Click on the Exhibit Button to view the Formula Sheet. What is replacement cost a function of?

- A. Credit risk
- B. Market risk
- C. Both of the above
- D. None of the above

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 229

Click on the Exhibit Button to view the Formula Sheet. Deals transacted direct or via a broker prior to 5:00am Sydney time on Monday morning:

- A. Are invalid.
- B. Must be approved by senior management before confi
- C. Cannot be entered into without the approval of the
- D. Are not considered to have been done in normal con

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 230

Click on the Exhibit Button to view the Formula Sheet. Where repos or securities lending transactions are entered into, the Model Code recommends:

- A. Documentation should be in place beforehand.

- B. Management should approve all transactions.
- C. Copies of the underlying documentation should be I
- D. All of the above.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 231

Click on the Exhibit Button to view the Formula Sheet. You need to buy USD 5,000,000 against GBP and are quoted the following rates concurrently by two separate banks: 1.6045-50 and 1.6047-52. At which rate do you trade?



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- A. 1.6045
- B. 1.6047
- C. 1.6050
- D. 1.6052

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 232

Click on the Exhibit Button to view the Formula Sheet. Which of the following are quoted in terms of a yield-to-maturity?

- A. USCP
- B. ECP
- C. Treasury bill

D. BA

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 233

Click on the Exhibit Button to view the Formula Sheet. The market is quoting: 1-month (31-day) USD. 1.75% 3-month (91-day) USD. 2.05% What is the 1x3 rate in USD?

A. 4.261%

B. 2.202%

C. 1.900%

D. 1.592%

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 234

Click on the Exhibit Button to view the Formula Sheet. If a dealer has any intention of assigning an interest rate swap to a third party soon after transacting that swap:

A. The dealer should not reveal his future dealing in

B. The dealer should make his intention to assign cle

C. The dealer should agree the method of assignment b

D. The counterparty should specify whether or not ass

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 235

Click on the Exhibit Button to view the Formula Sheet. What is an outright forward FX transaction?

- A. A spot sale (purchase) and a forward purchase (sale)
- B. A spot sale (purchase) and a forward sale (purchase)
- C. An exchange of currencies on a date beyond spot and forward
- D. An exchange of currencies on a date beyond spot and forward

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 236

Click on the Exhibit Button to view the Formula Sheet. Which of the following is not in the Model Code?

- A. Banks and brokers should record, by tapes or other means, all transactions
- B. There is no need to inform new counterparties and existing counterparties of the Model Code
- C. On completion of recordings, tapes should be kept for a minimum of five years
- D. The storage of recorded tapes should be strictly monitored

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 237

Click on the Exhibit Button to view the Formula Sheet. What is the purpose of an initial margin on a futures exchange?

- A. To cover losses incurred between variation margin
- B. To exclude retail investors
- C. To pay reserve requirements
- D. To cover fees due to the clearing house

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 238

Click on the Exhibit Button to view the Formula Sheet. In GBP/CHF, you are quoted the following prices by four different banks. You are a buyer of CHF. Which is the best quote for you?

- A. 2.3840
- B. 2.3843
- C. 2.3837
- D. 2.3835

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 239

Click on the Exhibit Button to view the Formula Sheet. If you sell USD 3-month forward to a client against EUR, what should you do to hedge your position?

- A. Buy USD spot, and buy and sell a 3-month EUR/USD F
- B. Sell EUR/USD in the spot market, borrow EUR for 3
- C. Sell a 3-month EUR/USD outright forward
- D. Any of the above

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 240

Click on the Exhibit Button to view the Formula Sheet. One of your brokers asks you to buy and sell EUR/USD at the same price net of brokerage in order to allow

him to clear a transaction.

- A. You must have prior senior management approval.
- B. You must have the authority to switch names.
- C. You must execute such transactions as promptly as
- D. All of the above.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 241

Click on the Exhibit Button to view the Formula Sheet. A CD with a face value of EUR10 million and a coupon of 3% was issued at par for 182 days and is now trading at 3.10% with 120 days remaining to maturity. What has been the capital gain or loss since issue?

- A. -EUR 52,161.00
- B. +EUR 47,839.00
- C. -EUR 3,827.67
- D. Nil

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 242

Click on the Exhibit Button to view the Formula Sheet. You are quoted the following market rates: spot GBP/USD. 1.6530 9M (272-day) GBP. 3.60% 9M (272-day) USD. 1.95% What are the 9-month GBP/USD forward points?

- A. +206
- B. +197
- C. -195
- D. -204

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 243

Click on the Exhibit Button to view the Formula Sheet. If you bought USD 2,000,000 against CHF at 1.1020, USD 3,000,000 at 1.1040 and USD 5,000,000 at 1.1032, what is the average rate of your position?

- A. 1.1030
- B. 1.1035
- C. 1.1028
- D. 1.1032

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 244

Click on the Exhibit Button to view the Formula Sheet. Which of the following is true?

- A. The Euronext.LIFFE short sterling futures contract
- B. The Euronext.LIFFE JPY futures contract has a tick
- C. The CME eurodollar futures contract has a minimum
- D. All of the above

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 245

Click on the Exhibit Button to view the Formula Sheet. The use of mobile phones from within the dealing room for transacting business:



- A. Is not considered good practice.
- B. Is accepted in case of direct deal input into the
- C. Is accepted for senior dealers.
- D. Is accepted for hedging transactions.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 246

Click on the Exhibit Button to view the Formula Sheet. Selling a FRA is the same as:

- A. Making a forward-forward loan
- B. Going over-borrowed
- C. Opening a positive gap
- D. All of the above

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 247

Click on the Exhibit Button to view the Formula Sheet. Where internet trading facilities are established by a bank for a client, the conditions and controls should be stated in a rulebook produced by:

- A. The bank.

- B. The local bankers association.
- C. The local regulator.
- D. Negotiation between the bank and client.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 248

Click on the Exhibit Button to view the Formula Sheet. Which type of repo is the least risky for the buyer?

- A. Delivery repo
- B. HIC repo
- C. Tri-party repo
- D. There is no real difference

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 249

Click on the Exhibit Button to view the Formula Sheet. You are quoted the following market rates: spot EUR/GBP 0.6670 6M (182-day) EUR 2.35% 6M (182-day) GBP 3.75% What is 6-month EUR/GBP?

- A. 0.6675
- B. 0.6715
- C. 0.6717
- D. 0.6718

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 250

Click on the Exhibit Button to view the Formula Sheet. Where the Committee for Professionalism of the ACI has been notified of a breach of the letter or spirit of the Model Code, it

- A. Will examine the complaint.
- B. May consult with the local ACI.
- C. Will bring the matter to the attention of the local ACI.
- D. None of the above.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 251

Click on the Exhibit Button to view the Formula Sheet. The spot/next repo rate for the 5% bund 2006 is quoted to you at 1.75-80%. You sell bonds with a market value of EUR 5,798,692 through a sell/buy-back. The Repurchase Price is:

- A. EUR 5,798,982
- B. EUR 5,799,497
- C. EUR 5,746,376
- D. EUR 5,000,694

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 252

Click on the Exhibit Button to view the Formula Sheet. An option premium is a positive function of:

- A. Time to expiry
- B. The volatility of the price of the underlying comm

- C. The moneyness of the option
- D. All of the above

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 253

Click on the Exhibit Button to view the Formula Sheet. A bank that has quoted a firm price is obliged to deal:

- A. At that price.
- B. At that price in a marketable amount.
- C. At that price in a marketable amount with an accep
- D. At that price in a marketable amount with an accep

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 254

Click on the Exhibit Button to view the Formula Sheet. If spot GBP/CHF is quoted 2.3875- 80 and the 3-month forward outright is 2.3660-70, what are the forward points?

- A. 21.5/21
- B. 210/215
- C. 215/210
- D. 21/21.5

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 255

Click on the Exhibit Button to view the Formula Sheet. An at-the-money call option:

- A. Costs more than an in-the-money call option
- B. Costs less than an out-of-the-money call option
- C. Costs more than an out-of-the-money call option
- D. Costs the same as an at-the-money put option

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 256

Click on the Exhibit Button to view the Formula Sheet. A 3-month (90-day) USD deposit is 5.5625% and 6-month (180-day) USD deposit is 5.75%. What is the 3x6 USD deposit rate?

- A. 5.8342%
- B. 5.8561%
- C. 5.8425%
- D. 5.75%

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 257

Click on the Exhibit Button to view the Formula Sheet. Which of the following is true?

- A. It is the responsibility of the broking firm to co
- B. All principals have the responsibility for assessi
- C. The principal is obliged to take into account any

D. All of the above.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 258

Click on the Exhibit Button to view the Formula Sheet. When a stop-loss/profit order is taken, the rate specified in the order:

- A. Must be transacted regardless of where the market
- B. Must be transacted if a broker confirms that the r
- C. Cannot be taken as a fixed-price guarantee.
- D. None of the above.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 259

Click on the Exhibit Button to view the Formula Sheet. 3-month EUR/USD FX swaps are quoted to you at 15/19. If the "points are in your favour", what have you done?

- A. Bought and sold 3-month EUR/USD through the swap
- B. Sold and bought 3-month EUR/USD through the swap
- C. Made the quote
- D. Cannot say

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 260

Click on the Exhibit Button to view the Formula Sheet. An interest rate swap is:



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- A. A contract to exchange one stream of income payments
- B. A temporary exchange of one deposit for another of
- C. A forward-forward contract
- D. All of the above

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 261

Click on the Exhibit Button to view the Formula Sheet. What is the Overnight Index for GBP?

- A. SONIA
- B. STINA
- C. LIBOR
- D. EONIA

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 262

Click on the Exhibit Button to view the Formula Sheet. In the unforeseen event that a particular maturity date is declared a public holiday, what is normal market practice for spot FX? :

- A. Extend the contract to the next business day
- B. Shorten the contract to the previous business day
- C. A new maturity date has to be agreed by the two pa
- D. ACI's Committee for Professionalism decides on a c

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 263

Click on the Exhibit Button to view the Formula Sheet. You are quoted the following market rates: spot EUR/CHF 1.1005 6M (180-day) EUR 3.45% 6M (180-day) CHF 1.25% What are the 6-month EUR/CHF forward points?

- A. +121
- B. +120
- C. -116
- D. -119

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 264

Click on the Exhibit Button to view the Formula Sheet. Half an hour ago you were made a price in USD/CAD of 1.5250-55 and sold USD 10 million. The price is now 1.5232-37 and you square your position. What is your profit or loss?

- A. + CAD 23,000
- B. + CAD 13,000
- C. + CAD 18,000
- D. - CAD 13,000

Correct Answer: B

Section: (none)

Explanation**Explanation/Reference:****QUESTION 265**

Click on the Exhibit Button to view the Formula Sheet. What is a long straddle option strategy?

- A. A long call option + long put option with the same
- B. A short call option + short put option with the sa
- C. A long call option + short put option with the sam
- D. A short call option + long put option with the sam

Correct Answer: A

Section: (none)

Explanation**Explanation/Reference:****QUESTION 266**

Click on the Exhibit Button to view the Formula Sheet. The major difference between futures and OTC instruments like FRAs and interest rate swaps is that futures are:

- A. Exchange-traded
- B. Guaranteed
- C. Standardised
- D. All of the above

Correct Answer: D

Section: (none)

Explanation**Explanation/Reference:****QUESTION 267**

Click on the Exhibit Button to view the Formula Sheet. To curb attempted fraud, banks should:

- A. Require greater vigilance by the management and st

- B. Take particular care when the beneficiary is a thi
- C. Ensure that details of all telephone deals which d
- D. All of the above.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 268

Click on the Exhibit Button to view the Formula Sheet. A CD can usually only be issued by what type of institution?

- A. Credit institution
- B. Investment bank
- C. Discount house
- D. All of the above

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 269

Click on the Exhibit Button to view the Formula Sheet. A person who appears to be a technician asks for your help in accessing treasury systems as he has forgotten his list of access codes. The Model Code recommends:

- A. You should provide all reasonable assistance.
- B. You should report the request immediately to senio
- C. Do not get involved; you may be at risk.
- D. There is no recommendation in the Model Code.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 270

Click on the Exhibit Button to view the Formula Sheet. Bank A pays for EURO 5 m at 1.1592. Bank B offers EURO 10 m at 1.1597. Broker XYZ quotes to the market EURO / USD 1.1592/97. Bank C takes the offer at 97. The broker is obliged to reveal:

- A. The name of Banks A and B.
- B. The name of Bank B only.
- C. The amount that was bid but not the name of Bank A
- D. None of the above

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 271

Click on the Exhibit Button to view the Formula Sheet. It is up to the vendors of electronic dealing platforms to ensure that dealers are trained to use their systems.

- A. Management should ensure dealers fully understand
- B. Management, dealers and vendors share responsibility
- C. Dealers are required to pass the ACI Dealing Certificate
- D. Given the wide range of electronic dealing platforms

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 272

Click on the Exhibit Button to view the Formula Sheet. A CD with a face value of USD50 million and a coupon of 4.50% was issued at par for 90 days and is now trading at 4.50% with 30 days remaining to maturity. What has been the capital gain or loss since issue?

- A. +USD 373,599.00
- B. +USD 186,099.00

- C. -USD 1,400.99
- D. Nil

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 273

Click on the Exhibit Button to view the Formula Sheet. An option is:

- A. The right to buy or sell a commodity at a fixed pr
- B. The right to buy a commodity at a fixed price
- C. The right but not the obligation to buy or sell a
- D. The right but not the obligation to buy commodity

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 274

Click on the Exhibit Button to view the Formula Sheet. What is the purpose of an initial margin on a futures exchange?

- A. To cover losses incurred between variation margin
- B. To exclude retail investors
- C. To pay reserve requirements
- D. To cover fees due to the clearing house

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 275

Click on the Exhibit Button to view the Formula Sheet. Under the Model Code, if a broker shouts "done" or "mine" at the very moment a dealer shouts "off":

- A. No deal is done.
- B. The deal is done.
- C. It should be resolved in consultation with senior
- D. The central bank should be consulted.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 276

Click on the Exhibit Button to view the Formula Sheet. What does the Model Code say about the responsibility of a broker in handling suspicious transactions?

- A. Suspicious transactions should be reported by the
- B. Brokers need to make staff aware of the problem an
- C. A broker should report any suspicions about a tran
- D. Brokers should advise clients to reject the name.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 277

Click on the Exhibit Button to view the Formula Sheet. You bought a EUR 8,000,000 6x9 FRA at 4.50%. The settlement rate is 3-month (90-day) EURIBOR, which is fixed at 3.50%. What is the settlement amount at maturity?

- A. You pay EUR 20,000.00
- B. You receive EUR 20,000.00
- C. You pay EUR 19,826.52
- D. You receive EUR 19,826.52

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 278

Click on the Exhibit Button to view the Formula Sheet. You deal over the phone with a counterparty. The subsequent confirmation differs from the terms agreed verbally. What is the result?



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- A. The confirmation takes precedence as it is a writt
- B. The matter will have to be submitted to arbitratio
- C. It depends on local law.
- D. The verbal agreement is binding.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 279

Click on the Exhibit Button to view the Formula Sheet. You are quoted the following market rates: spot EUR/USD. 1.2250 3M (91-day) EUR 2.55% 3M (91-day) USD. 2.00% What is 3-month EUR/USD?

- A. 1.2232
- B. 1.2233
- C. 1.2234
- D. 1.2267

Correct Answer: B

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Section: (none)

Explanation

Explanation/Reference:

QUESTION 280

Click on the Exhibit Button to view the Formula Sheet. Market participants should, where activity justifies it, aim to reduce settlement and related credit risk on currency transactions by:

- A. Establishing realistic daylight limits for counter
- B. Monitoring all payments to counterparties who are
- C. Establishing legally binding bilateral netting ag
- D. Seeking pre-payment.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 281

Click on the Exhibit Button to view the Formula Sheet. From the following GBP deposit rates: 1M (31-day) GBP deposits 3.15% 2M (61-day) GBP deposits 3.25% 3M (91-day) GBP deposits 3.41% 4M (120-day) GBP deposits 3.56% 5M (152-day) GBP deposits 3.73% 6M (182-day) GBP deposits 3.90% calculate the 3x4 forward-forward rate.

- A. 3.410%
- B. 3.977%
- C. 3.996%
- D. 3.997%

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 282

Click on the Exhibit Button to view the Formula Sheet. What type of institution is the typical issuer of bank bills?

- A. Credit institution
- B. Investment bank
- C. Corporate
- D. All of the above

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 283

Click on the Exhibit Button to view the Formula Sheet. You are quoting forward FX prices to a broker subject to finding a counterparty for a matching transaction. The Model Code says:

- A. You must tell the broker, who must qualify your quotation
- B. For credit reasons, you must tell the broker when
- C. You cannot do this.
- D. The Model Code does not make recommendations on this

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 284

Click on the Exhibit Button to view the Formula Sheet. Convert 8.25% quoted on a semi-annually compounded money market basis for USD to the equivalent annually-compounded bond basis.

- A. 8.30%
- B. 8.52%
- C. 8.54%
- D. 8.69%

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 285

Click on the Exhibit Button to view the Formula Sheet. You have done the following deals in spot USD/JPY: Sold USD 5.0 million at 111.60 Bought USD 3.5 million at 111.20 Bought USD 2.0 million at 111.50 Sold USD 2.0 million at 111.55 What position do you now have?

- A. Short USD 1.50 million at 112.60
- B. Short USD 3.50 million at 111.75
- C. Long USD 1.50 million at 111.10
- D. Long USD 3.50 million at 111.55

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 286

Click on the Exhibit Button to view the Formula Sheet. An option contract that gives the buyer the right to exercise the option at the average of the prices of the underlying during its life is called:

- A. European-style option
- B. American-style option
- C. Bermudan option
- D. Asian option

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 287

Click on the Exhibit Button to view the Formula Sheet. Today is Monday, 8th December. You sell a 9x12 FRA for value Thursday, 10th September next year. On what date is the settlement amount due to be paid or received (assuming that there are no holidays)?

- A. 8th September next year
- B. 10th September next year
- C. 8 th December next year
- D. 10th December next year

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 288

Click on the Exhibit Button to view the Formula Sheet. If the value date of forward USD/JPY transactions is declared a holiday in either New York or Tokyo, the correct value date will be:

- A. The value date of the centre which is open.
- B. The next business day of the centre which is close
- C. The next business day when both New York and Tokyo
- D. None of the above.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 289

Click on the Exhibit Button to view the Formula Sheet. A broker can consider a deal as done if:

- A. He is confident that the dealer will not back out
- B. Both parties have established credit lines for eac
- C. One party acknowledges interest.
- D. He receives verbal acknowledgement from the dealer

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 290

Click on the Exhibit Button to view the Formula Sheet. You have done the following deals in spot USD/JPY: Sold USD 5.0 million at 130.60 Bought USD 3.5 million at 130.20 Bought USD 2.0 million at 130.50 Sold USD 2.0 million at 130.55 What is your net position and average rate?

- A. Short USD 1.5 million at 130.46
- B. Long USD 1.5 million at 130.46
- C. Short USD 1.5 million at 131.60
- D. Long USD 1.5 million at 131.60

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 291

Click on the Exhibit Button to view the Formula Sheet. At the end of the day you are short EUR 10 million against GBP at 0.6712. You are asked to revalue your position at a EUR/GBP rate of 0.6729. What is the resulting profit or loss?

- A. Loss of GBP 17,000
- B. Profit of GBP 17,000
- C. Loss of EUR 17,000
- D. Profit of EUR of 17,000

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 292

Click on the Exhibit Button to view the Formula Sheet. The one-month (31-day) GC repo rate for French government bonds is quoted to you at 3.75-80%. As collateral, you are offered EUR25 million nominal of the 5.5% OAT April 2006, which is worth EUR 28,137,500. If you impose an initial margin of 1%, the Repurchase Price is:

- A. EUR 27,947,276.43
- B. EUR 27,946,077.08
- C. EUR 27,950,071.43
- D. EUR 27,948,871.97

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 293

Click on the Exhibit Button to view the Formula Sheet. Which of the following is issued by auction?

- A. Treasury bill
- B. CD
- C. BA
- D. USCP

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 294

Click on the Exhibit Button to view the Formula Sheet. A 1-month (30-day) USCP with a face value of USD 5 million is quoted at a rate of discount of 2.31%. How much is the paper worth?

- A. USD 4,884,500.00
- B. USD 4,990,375.00
- C. USD 4,990,506.85
- D. USD 4,990,393.49

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 295

Click on the Exhibit Button to view the Formula Sheet. Dealers are allowed to trade for their own account if:

- A. The dealers have good track records in their deali
- B. There has been no previous conflicts of interest i
- C. There is a clearly laid down policy.
- D. The dealers see no conflict of interest in such de

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 296

Click on the Exhibit Button to view the Formula Sheet. What are IMM dates?

- A. The 10th of March, June, September and December.
- B. The third Wednesdays of January, April, July and O
- C. The Mondays before the third Wednesdays of March,
- D. The third Wednesdays of March, June, September and

Correct Answer: D

Section: (none)

Explanation



Explanation/Reference:

QUESTION 297

Click on the Exhibit Button to view the Formula Sheet. How can material divergences between the value of cash and collateral be managed in a documented sell/buy-back?

- A. Margin maintenance
- B. Re-pricing
- C. Either of the above, but usually (a)
- D. Either of the above, but usually (b)

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 298

Click on the Exhibit Button to view the Formula Sheet. A customer asks for a price in 3- month CHF/JPY. You quote 56/54. The customer deals at 54. What have you done?

- A. Bought CHF against JPY spot and sold JPY against C
- B. Sold CHF against JPY spot and bought CHF against J
- C. Bought CHF against JPY spot and sold CHF against J
- D. Bought JPY against CHF 3-month outright

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 299

Click on the Exhibit Button to view the Formula Sheet. What are the secondary market proceeds of a CD with a face value of EUR 5 million and a coupon of 3% that was issued at par for 182 days and is now trading at 3% but with only 7 days remaining to maturity?

- A. EUR 4,997,085.03
- B. EUR 5,000,000.00
- C. EUR 5,071,086.45
- D. EUR 5,072,874.16

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 300

Click on the Exhibit Button to view the Formula Sheet. What is Model Codes recommendation on the settlement of differences by "points"?

- A. It is not favoured.
- B. It may be permitted when allowed by the local mark
- C. It is unconditionally accepted by the Code.
- D. It is allowed only if senior management approval i

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 301

Click on the Exhibit Button to view the Formula Sheet. 3-month USD/CHF is quoted at 112/110. Interest rates in Switzerland are reduced but USD rates (which are higher) are unchanged. What would you expect the 3-month forward USD/CHF rate to be?

- A. unchanged
- B. 118/116
- C. 109/107
- D. 106/104

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 302

Click on the Exhibit Button to view the Formula Sheet. A 7-day piece of USCP is quoted at a rate of discount of 1.75%. What is its true yield?

- A. 1.73%
- B. 1.75%
- C. 1.77%
- D. 1.80%

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 303

Click on the Exhibit Button to view the Formula Sheet. Cable is quoted at 1.6075-80 and you say "5 yours!" to the broker. What have you done?

- A. Sold USD 5 million at 1.6075
- B. Sold GBP 5 million at 1.6075
- C. Bought GBP 5 million at 1.6080
- D. Bought USD 5 million at 1.6080

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 304

Click on the Exhibit Button to view the Formula Sheet. Extended trading hours and off- premises dealing can involve additional hazards, the avoidance of which requires clear controls. The Model Code prescribes best market practice. Which of the following is true?

- A. Off-premises dealing should be forbidden.
- B. After-hours trading should be forbidden.

- C. Deals transacted after normal business hours or of
- D. Deals transacted after normal business hours or of

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 305

Click on the Exhibit Button to view the Formula Sheet. How are Overnight Indexed Swaps settled?

- A. periodic exchange of fixed and floating payments u
- B. at maturity by net payment
- C. after maturity by exchange of fixed and floating p
- D. after maturity by net payment

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 306

Click on the Exhibit Button to view the Formula Sheet. What is the value date of a 6-month outright forward FX transaction dealt today, if todays spot date is Monday, 30 th June? Assume there are no bank holidays.

- A. 27th December
- B. 30th December
- C. 31st December
- D. 1st January

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 307

Click on the Exhibit Button to view the Formula Sheet. A 6-month SEK/NOK Swap is quoted 140/150. Spot is 0.9445. Which of the following statements is correct?

- A. SEK interest rates are higher than NOK interest rates
- B. NOK interest rates are higher than SEK interest rates
- C. NOK interest rates are higher than USD interest rates
- D. SEK interest rates and NOK interest rates are converging

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 308

Click on the Exhibit Button to view the Formula Sheet. When using legal documentation, proposed modifications:

- A. Should be documented as soon as possible after a deal
- B. Should be clearly stated before a deal.
- C. Can be agreed verbally.
- D. Are not permissible.

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 309

Click on the Exhibit Button to view the Formula Sheet. The use of off-market rates is discouraged and should be permitted only:

- A. When the bank's income is secured on the trade.
- B. If the unsecured credit is taken into account.
- C. If the bank knows the customer very well.
- D. When there are written procedures and policies for

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 310

Click on the Exhibit Button to view the Formula Sheet. How could your firm avoid the risks of dealing through an agent with an unknown principal?

- A. Insist on a guarantee by the intermediary.
- B. Have the intermediary identify the principal to th



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- C. It is not possible to avoid these risks unless you
- D. In practice, the risks are minimal provided you de

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 311

Click on the Exhibit Button to view the Formula Sheet. If a 6-month AUD/NZD swap is quoted 173/165, which of the following statements would you consider to be correct?

- A. 6-month AUD rates are higher than 6-month NZD rate
- B. 6-month AUD rates are lower than 6-month NZD rates
- C. Spot AUD/NZD will be higher by approximately 170 p
- D. The AUD yield curve is positive, whilst the NZD cu

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 312

Click on the Exhibit Button to view the Formula Sheet. You have received a gift from a good friend who also happens to be your USD/YEN broker. Under such circumstances, the Model Code recommends that you should:

- A. Always decline gifts.
- B. Give the gift to charity.
- C. Keep the gift.
- D. Report the gift to management.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 313

Click on the Exhibit Button to view the Formula Sheet. A dealer has been asked by a broker to go to an exclusive club for the third time in a week. He should:

- A. Agree. Entertainment is a normal part of business.
- B. Refuse. This entertainment is excessive in value a
- C. Agree but insist on paying half the cost.
- D. Refuse. Going back to the same club is clearly exc

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 314

Click on the Exhibit Button to view the Formula Sheet. When a broker makes an error on payment instructions The Model Code recommends that:

- A. The broker remains liable for the resulting differ

- B. The broker remains liable until the error is disco
- C. The broker is not liable at all.
- D. The broker's liability should be limited as he is

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 315

Click on the Exhibit Button to view the Formula Sheet. A customer sells a LIFFE Euro Swiss futures contract. Which of the following risks could he be trying to hedge?

- A. An increase in forward USD/CHF
- B. Falling CHF interest rates
- C. A decrease in forward USD/CHF
- D. Rising CHF interest rates

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 316

Click on the Exhibit Button to view the Formula Sheet. Confirmations should be sent out by both counterparties through an efficient and secure means of communication, preferably electronic:

- A. Within 24 hours of the deal.
- B. Within two business days of the deal.
- C. Before the value date.
- D. As soon as possible.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 317

Click on the Exhibit Button to view the Formula Sheet. What is the ISO code for the currency of Hungary?

- A. HUG
- B. HKD
- C. HRN
- D. HUF

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



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