

ACI 310-012

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Exam A

QUESTION 1

Today's spot value date is the 30th of June. What is the maturity date of a 2-month EUR deposit deal today? Assume no bank holidays.

- A. 27th August
- B. 30th August
- C. 31st August
- D. 1 September

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 2

A 30-day 4% CD with a face value of GBP 20,000,000.00 is trading in the secondary market with 20 days remaining to maturity at 4.05%. What would be your holding period yield if you bought the CD now and held it to maturity?



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- A. 4.05%
- B. 4.0%
- C. 3.891%
- D. 3.838%

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 3

You quote a customer a spot cable 1.6050-55 in USD 3,000,000.00. If they sell USD to you, how much GBP will you be short of?

- A. 4,816,500.00
- B. 1,869,158.88
- C. 1,868,57677
- D. 4,815,000.00

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 4

Regarding access to production systems, which of the following is incorrect?

- A. Profiles for functions are encouraged and should b
- B. Developers should have unrestricted access to prod
- C. Access to production systems should be rigorously
- D. Users should not have access to change system func

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 5

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 a commodit

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 6

Which of the following CHF/JPY quotes that you have received is the best rate for you to buy CHF?

- A. 105.80
- B. 105.75
- C. 105.70
- D. 105.85

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 7

Which of the following is true about interest rate swaps (IRS):

- A. Both parties know what their future payments will
- B. There is payment of principal at maturity
- C. Payments are always made gross
- D. The fixed rate payer knows what his future payment

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 8

What are the primary reasons for taking an initial margin in a classic repo?

- A. Counterparty risk and operational risk
- B. Counterparty risk and legal risk
- C. Collateral illiquidity and counterparty risk
- D. Collateral illiquidity and legal risk

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 9

When banks transact FX swaps, the spot price should be determined:

- A. anytime after the swap is transacted
- B. before the swap is transacted
- C. immediately after the swap is transacted
- D. no less than 24 hours after the completion of the

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 10

The market is quoting: 6-month (182-day) CAD 1.25% 12-month (366-day) CAD 1.55% What is the 6x12 rate in CAD?

- A. 0.300%
- B. 0.946%
- C. 1.935%
- D. 1.835%

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 11

Lending for 3 months and borrowing for 6 months creates a 3x6 forward-forward deposit. The cost of that deposit is called:

- A. Implicit nominal rate
- B. Implied forward rate
- C. Funding rate
- D. Effective future rate

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 12

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?



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- A. 1.4340
- B. 1.4343
- C. 1.4337
- D. 1.4335

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 13

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, provided the
- D. At that price in a marketable amount, provided the

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 14

Which one of the following statements is true?

- A. Brokers should only show the names of banks to cou B.
- Brokers should only show the names of banks to cou
- C. Brokers should only show the names of banks to cou
- D. Brokers should only show the names of bank counter

Correct Answer: D

Section: (none)

Explanation



Explanation/Reference:

QUESTION 15

A CD with a face value of EUR 10,000,000.00 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. -t-EUR 47,839.00
- C. -EUR 3,827.67
- D. Nil

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 16

Which one of the following statements correctly describes the increased capital ratios that will come into effect under Basel III?

- A. minimum tier 1 capital of 4.5% and minimum total c
- B. minimum tier 1 capital of 6% and minimum total cap
- C. minimum tier 1 capital of 4% and minimum total cap
- D. minimum tier 1 capital of 6% and minimum total cap

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 17

A 3-month (91-day) deposit of AUD 25,000,000.00 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. AUD 25,962,011.00
- B. AUD 25,959,714.91
- C. AUD 25,948,878.47
- D. AUD 25,948,648.82

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 18

Which of the following is not a negotiable instrument?

- A. CD
- B. FRA
- C. BA
- D. ECP

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 19

The major risk to the effectiveness of netting is:

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

Correct Answer: D

Section: (none)

Explanation



Explanation/Reference:

QUESTION 20

What is the amount of the principal plus interest due at maturity on a 1-month (32-day) deposit of USD 50,000,000.00 placed at 0.37%?

- A. EUR 50,015,416.67
- B. EUR 50,016,219.18
- C. EUR 50,016,444.44
- D. EUR 50,016,958.33

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 21

Which one of the following statements about interest rate movements is true?

- A. An upward parallel shift of interest rates will ca
- B. A bank will lose income if it has more rate-sensit
- C. Falling interest rates will always result in markD. Rising interest rates can result in mark-to-market

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 22

If spot AUD/USD is quoted to you as 1.0420-25 and 1-month forward AUD/USD is quoted to you as 28/23, at what rate can you buy USD 1-month outright?



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- A. 1.0448
- B. 1.0402
- C. 1.0397
- D. 1.0392

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 23

Which party usually takes an initial margin in a classic repo?

- A. The buyer
- B. The seller
- C. Neither
- D. Both

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 24

Which one of the following statements is incorrect? Hedge accounting of an existing position no longer applies when:

- A. the trader acquires additional exposure in the hed B.
the hedging instrument is sold, terminated or exer
- C. the hedged item is sold or settled.
- D. a hedge fails the effectiveness test.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 25

How many GBP would you have to invest at 0.55% to be repaid GBP 2,000,000.00 (principal plus interest) in 90 days?

- A. GBP 1,997,253.78
- B. GBP 1,997,291.34
- C. GBP 1,997,287.67
- D. GBP 1,997,250.00



Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 26

What type of institution is the typical drawer of banker's acceptances?

- A. Credit institution
- B. Investment bank
- C. Corporate
- D. Central Bank

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 27

Which statement about modern matched-maturity transfer pricing in banks is correct?

- A. It is now a widely accepted standard that banks sh
- B. Modern matched-maturity pricing systems include an
- C. Matched-maturity transfer prices should represent
- D. Modern matched-maturity systems differentiate tran

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 28

The tom/next GC repo rate for German government bonds is quoted to you at 1.75-80%. As collateral, you sell EUR 10,000,000.00 million nominal of the 5.25% Bund July 2012, which is worth EUR 11,260,000.00. If you have to give an initial margin of 2%, the Repurchase Price is:

- A. EUR 11,035,336.41
- B. EUR 11,035,351.74
- C. EUR 11,039,752.32
- D. EUR 11,039,767.65

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 29

The seller of a EUR/RUB NDF could be:

- A. a potential buyer of EUR against RUB
- B. speculating on an appreciation of the Russian Rouble
- C. expecting rising EUR/RUB exchange rates
- D. a seller of Russian Rouble

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 30

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 confirma
- D. the use of SSI's secures the trading on more secur



Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 31

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 32

If a dealer has a 6-month USD asset and a 3-month USD liability, how could he hedge his balance sheet exposure in the FRA market?

- A. Buy 3x6
- B. Sell 3x6
- C. Buy 0x6
- D. Sell 6x9

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 33

What is the maximum maturity of an unsecured USCP?

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

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 34

The exercise price in an option contract is:





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- A. The price of the underlying instrument 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: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 35

When do bank participants have a duty to make absolutely clear whether the prices they are quoting are firm or merely indicative?

- A. only if they are dealing with brokers
- B. only if dealing on an e-trading platform
- C. only if they are dealing in non-marketable amounts
- D. always

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 36

You have taken 3-month deposits of EUR 10,000,000.00 at 0.60%, EUR 5,000,000.00 at 0.40% and EUR 5,000,000.00 at 0.50%. What is the average rate of your long position?

- A. 0.525%
- B. 0.45%
- C. 0.75%
- D. 0.375%

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 37

What is the correct interpretation of a EUR 2,000,000.00 overnight VaR figure with a 97% confidence level?

- A. A loss of at least EUR 2,000,000.00 can be expected
- B. A loss of at most EUR 2,000,000.00 can be expected
- C. A loss of at least EUR 2,000,000.00 can be expected
- D. A loss of at most EUR 2,000,000.00 can be expected

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 38

What happens when a coupon is paid on bond collateral during the term of a classic repo?

- A. Nothing
- B. A margin call is triggered on the seller
- C. A manufactured payment is made to the seller
- D. Equivalent value plus reinvestment income is deducted

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 39

Which of the following currencies is quoted on an ACT/360 basis in the money market?

- A. SGD
- B. PLN
- C. GBP
- D. NZD

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:



QUESTION 40

You have taken 3-month (92 days) deposits of CAD 12,000,000.00 at 1.10% and CAD 6,000,000.00 at 1.04%. Minutes later, you quote 3-month CAD 1.09-14% to another bank. The other dealer takes the CAD 18,000,000.00 at your quoted price. What is your profit or loss on this deal?

- A. CAD 2,722.19
- B. CAD 460.00
- C. CAD 3,220.00
- D. CAD 2,760.00

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 41

Which of the following statements is true concerning dealing and rollovers at non-current rates?

- A. When setting the rates for an FX swap to extend th
- B. Where the use of non-current rates may be necessar
- C. Dealing and rollovers at non-current rates are rel
- D. Dealing and rollovers at non-current rates are for

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 42

Assuming a flat yield curve in both currencies, when quoting a 1- to 2-month forward FX time option price in a currency pair trading at a discount to a customer:

- A. you would take as bid rate the bid side of the 2-m
- B. you would take as bid rate the offered side of the
- C. you would take as bid rate the offered side of the
- D. you would take as bid rate the bid side of the 1-m

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 43

Under Basel rules, what is the meaning of EEPE?

- A. Effective Expected Potential Exposure
- B. Effective Expected Positive Exposure
- C. Effective Expected Price Earning
- D. Effective Expected Payment Exposure

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 44

You have a short position of 50 EURODOLLAR futures contracts. You can hedge your position by:

- A. Selling a FRA for a similar notional amount
- B. Buying a FRA for a similar notional amount
- C. Selling a call option on the contract
- D. Selling a put option on the contract

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 45

A "time option" is an outright forward FX transaction where the customer:

- A. has the option to fulfill the outright forward or
- B. may freely choose the maturity, given a 24-hour no
- C. can choose any maturity within a previously fixed
- D. may decide to deal at the regular maturity or on e

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 46

Which of the following statements is true?

- A. Prices quoted by brokers should be taken to be fir
- B. Prices quoted by brokers should be taken to be ind
- C. Prices quoted by brokers should be taken to be fir
- D. Prices quoted by brokers should be taken to be ind

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 47

Supervisors would generally consider interest rate risk exposure in the banking book excessive beginning at what level of losses given a +1- 200 bps market rate movement?

- A. > 2% of 6 months forward earnings
- B. > 20% of regulatory capital
- C. < 10% of regulatory capital
- D. < 5% of 12 months forward earnings

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:



QUESTION 48

EURODOLLAR futures are:



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- A. Traded on the Chicago Mercantile Exchange (CME Gro
- B. Traded on the Intercontinental Exchange (ICE) and

- C. Traded on the Intercontinental Exchange (ICE) and
- D. Traded on the Chicago Mercantile Exchange (CME Gro

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 49

Which of the following is true?

- A. The 3-month EUROSHELL futures contract has a basi
- B. The 3-month EURIBOR futures contract has a a basis
- C. The 3-month Sterling (SHORT STERLING) futures cont
- D. The 3-month Euro Swiss Franc (EUROSWISS) futures c

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 50

What is a 'duration gap'?

- A. the average maturity of liabilities on a balance s
- B. the difference between the duration of assets and
- C. the difference between the duration of the longest
- D. the average maturity of the portfolio on the asset

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 51

The seller of a put option has:

- A. Substantial opportunity for gain and limited risk
- B. Substantial risk of loss and substantial opportunity
- C. Limited risk of loss and limited opportunity for gain
- D. Substantial risk of loss and limited opportunity for gain

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 52

Which of the following is typical of liquid assets held by banks under prudential requirements?

- A. prices increase during a systemic crisis
- B. return on investment is relatively high
- C. absence of active market makers
- D. wide bid/offer spreads



Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 53

You have quoted spot USD/CHF at 0.9423-26. Your customer says I take 5. What does he mean?

- A. He buys CHF 5,000,000.00 at 0.9423
- B. He buys CHF 5,000,000.00 at 0.9426
- C. He buys USD 5,000,000.00 at 0.9423
- D. He buys USD 5,000,000.00 at 0.9426

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 54

A put option is 'out-of-the-money' if:

- A. Its strike price is higher than the current market
- B. If the current market price of the underlying comm C. Its strike price is equal to the current market pr
- D. If the current market price of the underlying comm

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 55

Which of the following is true?

- A. The 3-month Sterling (SHORT STERLING) futures cont
- B. The EUROYEN TIBOR futures contract has a basis poi
- C. The CME EURODOLLAR futures contract has a minimum
- D. The 3-month EURIBOR futures contract has a minimum

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 56

Which of the following methods is a means of credit risk mitigation?

- A. entering into a plain vanilla IRS



- B. entering into collateral agreements
- C. hedging a portfolio's USD exposure
- D. investing only in sizeable and liquid markets

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 57

Hybex Electric is a highly rated company with a considerable amount of fixed rate liabilities and would like to increase the percentage of floating rate debt. Which of the following is the best course of action?

- A. Hybex should become a payer of a fixed rate on a s
- B. Hybex should become a receiver of a floating rate
- C. Hybex should become a receiver of a fixed rate on
- D. Hybex should become a receiver of a floating rate

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 58

The Market Segmentation hypothesis suggests that the yield curve bends at some point along its length because:

- A. Investors have less appetite for longer-term invest
- B. Borrowers prefer to borrow long-term but lenders p
- C. Different types of institution tend to specialize
- D. The risk premium becomes significant only at longe

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 59

Responsibility for the activities of all personnel engaged in dealing (both dealers and support staff) for both principals and brokers lies with:

- A. the market supervisor
- B. the national ACI association
- C. the management of such organizations
- D. the central bank

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 60

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 61

What is the Overnight Index for EUR?

- A. EURIBOR
- B. EONIA



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- C. EUREPO
- D. EURONIA

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 62

A 7% CD was issued 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 63

You are quoted the following market rates: Spot GBP/USD 1.5525 9M (272-day) GBP 0.81% 9M (272-day) USD 0.55% What are the 9-month GBP/USD forward points?

- A. -30
- B. +29
- C. -29
- D. +30

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 64

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 65

Which of the following transactions would have the effect of lengthening the average duration of assets in the banking book?

- A. buying futures contracts on 30-year German Governm
- B. selling futures contracts on 30-year German Govern
- C. buying put options on 30-year German Government bo
- D. buying a 3x6 forward rate agreement

Correct Answer: A
Section: (none)
Explanation



Explanation/Reference:

QUESTION 66

Which of the following statements is correct?

- A. Unilateral collateral obligations to sovereign cou
- B. Under Basel III commercial banks are most likely t
- C. While banks usually do not call for collateral fro
- D. Uncollateralised exposures to sovereign counterpar

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 67

As far as fineness and weight are concerned, what are the London Bullion Market Association (LBMA) requirements for a good delivery bar?

- A. at least 995/1000 pure gold; weight between 350 an
- B. minimum 999.9/1000 pure gold; weight between 350 a
- C. at least 995/1000 pure gold; weight of 400 fine ou
- D. minimum 995/1000 pure gold; weight of 400 fine oun

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 68

How frequently should business contingency procedures be tested and updated?

- A. quarterly tests I updates as needed
- B. at least every second year

- C. half-yearly tests / yearly updates
- D. at least yearly

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 69

The tom/next GC repo rate for German government bonds is quoted to you at 1.75-80%. As collateral, you sell EUR 10,000,000.00 nominal of the 5.25% Bund July 2012, which is worth EUR 11,260,000.00, with no initial margin. The Repurchase Price is:

- A. EUR 10,000,500.00
- B. EUR 10,000,486.11
- C. EUR 11,260,563.00
- D. EUR 11,260,547.36

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 70

What is the meaning of “under reference” in the terminology of trading?

- A. a term the quoting dealer uses to caution the rece
- B. the qualification that the rate quoted in the mark
- C. the statement that the rates quoted by the broker
- D. an acknowledgement by the dealer receiving the quo

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 71

The mid-rate for USD/CHF is 0.9300 and the mid-rate for NZD/USD is 0.8560. What is the mid rate for NZD/CHF?

- A. 0.7961
- B. 1.0864 C. 1.7860
- D. 1.2561

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 72

Which of the following is a function of asset and liability management (ALM)?

- A. coordinated limit management of a financial instit
- B. running a matched trading book
- C. monitoring credit quality of assets and establishi
- D. managing the financial risk of the bank by protect

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 73

A 3-month (91-day) US Treasury bill is quoted at a rate of discount of 4.25%. What is its true yield?

- A. 4.19%
- B. 4.25%
- C. 4.30%

D. 4.31%

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 74

How long does the Model Code recommend that tapes and other records of dealers/brokers be kept?

- A. at least two months
- B. one year
- C. up to one month
- D. at least three months

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 75

If EUR/USD is quoted to you as 1.3050-53, 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 76

Basis risk on a futures contract is:



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- 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 77

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 10,500,000.00 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 78

An 'at-the-money' option has:

- A. Intrinsic value but no time value
- B. Time value but no intrinsic value
- C. Both time value and intrinsic value
- D. Neither time value nor intrinsic value

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 79

Today's spot value date is Friday 27th February. What is normally the 1-month maturity date? Assume no bank holidays.

- A. 28th March
- B. 29th March
- C. 30th March
- D. 31st March



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 80

Which type of repo is the most risky for the buyer?

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

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 81

Confirmations of non-prime brokerage deals using CLS should be exchanged:

- A. within 2 hours after deal agreed with counterparty
- B. before the value date of the trade
- C. by the end of the trade date
- D. within 24 hours

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:



QUESTION 82

Which of the following is a Eurocurrency deposit?

- A. A 3-month deposit of USD 10,000,000.00 offered by
- B. A 3-month deposit of USD 10,000,000.00 offered by
- C. A 3-month deposit of USD 10,000,000.00 offered by
- D. A 3-month deposit of GBP 10,000,000.00 offered by

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 83

If the value date of a forward USD/JPY transaction is declared a holiday in either New York or Tokyo, the correct value date will be:

- A. the value date of the financial centre that is open
- B. the next business day of the financial centre which is open
- C. the next business day when both New York and Tokyo are open
- D. the previous business day when both New York and Tokyo are open

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 84

Which of the following scenarios offer an example of wrong way risk?

- A. A bank purchases credit protection on highly-rated assets
- B. A bank sells protection on the iTraxx main index
- C. A bank sells EUR put and USD call ATM options with a hedge
- D. A bank enters into a receiver's swap while interest rates are falling

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 85

Your agent bank accepts your back-valuation request for 1 day on an amount of EUR 50,000,000.00. EONIA is 0.375% and the ECB marginal lending facility rate is 1.50%. Applying conventional administration fees, how much will this be charged?

- A. EUR 620.83
- B. EUR 868.06
- C. EUR 968.06
- D. EUR 2,183.33

Correct Answer: C



Section: (none)

Explanation

Explanation/Reference:

QUESTION 86

A broker offers a dealer a financial incentive in the form of a price reduction to the previously agreed brokerage arrangements between the firms.

- A. This is considered as a normal discount for bulk b
- B. The offer should be agreed only by directors or se
- C. The offer should be expressly approved by both the
- D. The Model Code strongly discourages such practices

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 87

You are quoted the following market rates: spot USD/SEK 6.3850 1M (30-day) USD 0.40% 1M (30-day) SEK 1.15% What is 1-month USD/SEK?

- A. 6.4250
- B. 6.3810
- C. 6.7850
- D. 6.3890

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 88

Clients of a voice-broker quote EUR/USD at 1.3556-61, 1.3559-62, 1.3557-63 and 1.3555- 59. What will be the brokers price?

- A. 1.3559 choice
- B. 1.3555-63C. 1.3559-62
- D. 1.3556-59

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 89

A corporate wishing to hedge the interest rate risk on its floating-rate borrowing would:



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- A. Sell interest rate caps
- B. Sell futures
- C. Sell FRAs
- D. Buy futures

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 90

What ought to be done in the event a trade erroneously occurs at an off-market rate?

- A. By agreement between the two counterparties, the t
- B. By agreement between the two counterparts, the tra
- C. The off-market rate should be adjusted as soon as
- D. Nothing need be done, since once a trade is agreed

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 91

Which of the following is always a secured instrument?

- A. ECP
- B. Repo
- C. Interbank deposit
- D. CD

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 92

From the following GBP deposit rates: 1M (30-day) GBP deposits 0.45% 2M (60-day) GBP deposits 0.50% 3M (91-day) GBP deposits 0.55% 4M (123-day) GBP deposits 0.65% 5M (153-day) GBP deposits 0.70% 6M (184-day) GBP deposits 0.75% Calculate the 3x4 forward-forward rate.

- A. 0.60%
- B. 0.949% C. 1.074%
- D. 0.933%

Correct Answer: D

Section: (none)

Explanation



Explanation/Reference:

QUESTION 93

Which of the following does the Model Code mention with regards to recording telephone conversations?

- A. There is no need to inform new counterparties and
- B. It is normal practice that tapes and other records
- C. The periods for which tapes and other records shou
- D. Dealers and other staff are reminded that telephon

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 94

The vega 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: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 95

A 12-month EUR/USD swap is quoted at 41/44. EUR interest rates are expected to fall, with USD interest rates remaining stable. Assuming no change in the spot rate what effect would you expect on the forward points?

- A. Unchanged
- B. Move towards 28/31

- C. Move towards 5 7/60
- D. Insufficient information

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 96

You bought a CAD 8,000,000.00 6x9 FRA at 1.95%. The settlement rate is 3-month (90- day) BBA LIBOR, which is fixed at 0.9500%. What is the settlement amount at maturity?

- A. You pay CAD 20,000.00
- B. You receive CAD 20,000.00
- C. You pay CAD 19,952.61
- D. You receive CAD 19,952.61

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 97

You quote a customer spot AUD/USD at 1.0350-55. The T/N swap is quoted to you at 3/2. The customer asks to buy USD for value tomorrow. What rate should you quote him to break-even against the other rates?

- A. 1.0352
- B. 1.0353
- C. 1.0347
- D. 1.0348

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 98

You request use of funds from your agent bank for 1 day on an amount of EUR 100,000,000.00, EONIA was 0.812% and the ECB deposit facility rate is 0.50%. What use of funds settlement amount should you expect?

- A. EUR 1,388,89
- B. EUR 1,561.11
- C. EUR 2,255.56
- D. EUR 2,951.39

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 99

Are the forward points significantly affected by changes in the spot rate?

- A. Never
- B. For very large movements and longer terms
- C. Always
- D. Spot is the principal influence

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 100

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 101

Repo is said to have double indemnity due to the creditworthiness of the counterparty and:

- A. A written legal agreement between the parties
- B. The oversight of the transaction by the custodian
- C. The creditworthiness of the collateral
- D. The right of close-out and set-off in an event of

Correct Answer: C

Section: (none)

Explanation



Explanation/Reference:

QUESTION 102

What steps will the CFP of the ACI probably not undertake after having been formally notified by one of the parties of a breach of the letter or spirit of the Model Code?

- A. consult the local ACI national association
- B. bring the matter to the appropriate court of just
- C. examine the complaint
- D. bring the matter to the attention of the appropria

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 103

You are quoted the following rates: Spot CHF/JPY 105.12-22 3M CHF/JPY 3.5/4.5 At what rate can you buy 3-month outright JPY against CHF?

- A. 105.085
- B. 105.265
- C. 108.62
- D. 105.155

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 104

You quote the following rates to a customer: Spot GBP/CHF 1.4535-45 6M GBP/CHF swap 46/41 At what rate do you sell GBP to a customer 6-month outright?

- A. 1.4494
- B. 1.4499
- C. 1.4504
- D. 1.4586



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- D. 1.4586

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 105

If you sell USD 3-month forward to a client against EUR, what should you do to hedge your position?

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

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 106

An interest rate swap (IRS) is:

- A. A contract to exchange one stream of interest paym
- B. A temporary exchange of one deposit for another of
- C. A forward-forward contract
- D. A contract to exchange an interest rate stream in



Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 107

VaR increases with:

- A. lower correlation of underlying risk factors
- B. a shorter time horizon
- C. a lower confidence level
- D. a higher confidence level

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 108

Which is the day count/annual basis convention for SGD money market deposits?

- A. ACT/365
- B. ACT/360
- C. ACT/ACT
- D. 30E/360

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 109

Under Basel Rules, the Basic Indicator Approach is a regulatory framework for:

- A. liquidity risk
- B. business risk
- C. operational risk
- D. funding risk

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 110

Clients of a voice-broker quote EUR/GBP at 0.8345-50, 0.8346-51, 0.8348-53 and 0.8349- 53. What will be the brokers price?

- A. 0.8345-53
- B. 0.8345-50
- C. 0.8349-50
- D. 0.8349-53

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 111

You are paying 5% per annum paid semi-annually and receiving 6-month LIBOR on a USD 10,000,000.00 interest rate swap with exactly two years to maturity. 6month 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 250.00, receive 1,250.00, receive 1,750.00, re
- B. Receive 250.00, pay 1,250.00, pay 1,750.00, pay 2,
- C. Pay 2,500.00, receive 12,500.00, receive 17,500.00
- D. Receive 2,500.00, pay 12,500.00, pay 17,500.00, pa



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 112

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 113

You are quoted spot USD/NOK 5.7220-28 and USD/SEK 6.3850-58, at what price can you buy NOK against SEK?

- A. 0.8963
- B. 1.1157
- C. 1.1159
- D. 1.1160

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 114

In which type of repo is “double dipping” a risk?

- A. Delivery repo
- B. HIC repo
- C. To-party repo
- D. “Double dipping” is never a risk in any type of re

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 115

In order to give a price in EUR/USD, the broker must:



- A. know whether the European Central Bank or the Fed
- B. be sure that the quoting bank's prices are not sha
- C. get the price from a bank or a bid and an offer fr
- D. make sure that the quoting banks have sufficient c

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 116

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 117

When a deal is done via a broker:

- A. it need not be confirmed between the counterpartie
- B. it should also be confirmed directly between the t
- C. it is important to note that broker confirmations
- D. the dealer should obtain acknowledgement that the

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 118

A 6-month (182-day) investment of CAD 15,500,000.00 yields a return of CAD 100,000.00. 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 119

The gamma of an option is:



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

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 120

What is meant by “turn of the month”?

- A. the last calendar day of the month
- B. the last bank business day of the month
- C. value last business day of the month against first
- D. value first business day of the month against last

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 121

Experience has shown that recourse to taped telephone conversations proves invaluable to the speedy resolution of disputes. Therefore, the Model Code recommends:

- A. that all telephone conversations (internal and ext
- B. that only conversations undertaken by dealers and
- C. that all conversations undertaken by dealers and b
- D. that only telephone conversations between dealers



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 122

Complete the following sentence. If a bank has an asset repricing in 6 months funded by a liability repriced in 3 months:

- A. the bank would benefit from higher interest rates
- B. the bank could hedge this interest rate risk with
- C. the bank will make mark-to-market losses if rates
- D. the bank could hedge this interest rate risk by se

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 123

In interbank trading, if a dealer is calling off at the same time as the broker is hitting a price:

- A. no transaction should be concluded and the broker
- B. a transaction should be concluded and the broker s
- C. the dealer has the choice of either concluding the
- D. the broker decides whether the transaction should

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 124

A dealer has been invited by a broker to go to an exclusive club for the third time in a week. He should:

- A. agree, since entertainment is a normal part of bus
- B. refer this to senior management
- C. agree but insist on paying half the cost
- D. agree, if the broker pays for the event but does n

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 125

An important reason for trading a futures contract rather than an FRA is:



- A. The expense of settling an FRA
- B. The reduced counterparty risk on a futures exchange
- C. The reduced basis risk on futures
- D. The superior interest rate risk on FRAs

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 126

A bank borrowing USD for 12 months and lending them for 6 months creates:

- 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 127

What is the ISO code for silver?

- A. XAU
- B. XAG
- C. XPT
- D. XPD

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 128

The forward points are calculated using:

- 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 129

The seller of a call option has:

- A. Substantial opportunity for gain and limited risk
- B. Substantial risk of loss and substantial opportunity
- C. Limited risk of loss and limited opportunity for gain
- D. Substantial risk of loss and limited opportunity for gain

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 130

What is the ISO code for the currency of China?

- A. CHY
- B. CNR
- C. CHR



D. CNY

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 131

Selling a FRA has the same interest rate exposure as:



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- A. Opening a positive gap
- B. Going over-borrowed
- C. Making a forward-forward loan
- D. Taking a forward-forward deposit

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 132

The spot/next repo rate for the 5% Bund 2018 is quoted to you at 1.75-80%. You sell bonds with a market value of EUR 5,798,692.00 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 133

What is the ISO code for palladium?

- A. XAU
- B. XAG
- C. XPT
- D. XPD

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 134

Where sale and repurchase agreements or stock borrowing or lending transactions are entered into:

- A. screen services, brokers and other third party pro
- B. For periods less than one month, the maturity date C. Inter-dealer brokers or the automated trading syst
- D. It is not recommended that legal opinion should be

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 135

What is a short straddle option strategy?

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

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 136

The spot/week repo rate for the 4.25% OAT 2015 is quoted to you at 2.35-38%. You buy bonds with a market value of EUR 3,295,500.00 through a sell/buy-back. The Repurchase Price is:

- A. EUR 3,297,004.19
- B. EUR 3,297,005.86
- C. EUR 3,297,025.09
- D. EUR 3,296,985.23



Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 137

When considering interest rate risk in the banking book, retail demand deposits without fixed contractual maturity:

- A. should be assumed to have zero duration
- B. should be treated like other instantly variable rate
- C. should be assumed to have a low correlation with market
- D. represent a minor contributor to interest rate risk

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 138

An option premium is normally a positive function of:

- A. the traded volume
- B. the historical volatility of the price of the unde
- C. the style (European or American) of the option
- D. the implied volatility of the price of the underlying

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 139

What is the ISO code for the Argentine peso?

- A. ARP
- B. ARS
- C. ARA
- D. AED

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 140

How would you delta hedge an 'at-the-money' long call option?

- A. Go short of the underlying commodity equal to 50%
- B. Go long of the underlying commodity equal to 50% o
- C. Go long of the underlying commodity equal to the f
- D. Go short of the underlying commodity equal to the

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 141

If spot GBP/CHF is quoted 1.4275-80 and the 3-month forward outright is 1.4254-61, what are the forward points?

- A. 19/21
- B. 2.1/1.9
- C. 21/19
- D. 0.21/0.19

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 142

If the duration gap is zero, how will a small parallel shift in interest rates affect the market value of the banks equity?

- A. If interest rates rise, the market value of equity
- B. If interest rates rise, the market value of equity
- C. The market value of equity will decrease due to an

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 143

If you are trading spot on an ATS (Automated Trading System) and see a price for EUR/USD of 1.3050-53. If you hit the button marked YOURS, what have you done?

- A. Bought EUR at 1.3053
- B. Bought USD at 1.3053
- C. Sold EUR at 1.3050
- D. Sold USD at 1.3050

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 144

Today, you sold 10 December EURODOLLAR futures contracts at 99.50. The closing price is fixed by the exchange at 99.375. What variation margin will be due?

- A. You will have to pay USD 312.50
- B. You will receive USD 312.50
- C. You will have to pay USD 3,125.00
- D. You will receive USD 3,125.00

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 145

What happens if an instruction remains unmatched and/or unsettled through CLS Bank?

- A. If there is more than one FX trade with a single c B.
- If there is only one FX trade with a single counte
- C. If there is more than one FX trade with a single c
- D. If there is more than one FX trade with a single c

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 146

How would you compute the bid side of the forward/forward FX swap points?



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- A. bid side of the near leg swap points minus offered
- B. bid side of the far leg swap points minus offered
- C. offered side of the far leg swap points minus bid
- D. offered side of the near leg swap points minus bid

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 147

A 6-month SEK/NOK Swap is quoted 40/50. Spot is 1.1145. 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 148

You sold a JPY 500,000,000 1x12 FRA at 0.35%. The settlement rate is 11-month (334- day) JPY LIBOR, which is fixed at 0.4450%. What is the settlement amount at maturity?

- A. You pay JPY 440,694
- B. You receive JPY 440,694
- C. You pay JPY 438,882
- D. You receive JPY 438,882

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 149

A forward-forward lender has an exposure to the risk of:

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

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 150

From the following AUD rates: 3M AUD (91-day) deposits 2.35% 3x6 AUD (90-day) FRA 2.55% Calculate the 6-month implied cash rate.

- A. 2.37%
- B. 2.46%
- C. 2.55%
- D. 4.90%

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 151

The two-week repo rate for the 5.25% Bund 2014 is quoted to you at 3.33-38%. You agree to reverse in bonds worth EUR 266,125,000.00 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 152

In the international market, a FRA in USD is usually settled with reference to:

- A. BBA LIBOR

- B. Fed funds
- C. ISDALIBOR
- D. EURIBOR

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 153

You quote a price to a broker. It is hit by another bank, but you are not informed until some time afterward that the deal has been done. Who is to blame?

- A. You are, as it is your responsibility to check per
- B. The broker is, as he must immediately tell you tha
- C. The other bank is, since it did not immediately se
- D. All the parties, particularly you and the other ba

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 154

You are quoted the following rates: Spot GBP/USD 1.5295-00 Spot USD/CHF 0.9320-23 6M GBP/USD swap 16/12 6M USD/CHF swap 22/18 Where can you buy GBP against CHF 6-month outright?

- A. 1.4206
- B. 1.4215 C. 1.4217
- D. 1.4225

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 155

Prudential regulation of banking book liquidity risk is dealt with by the Basel Committee (Basel II / Basel III) in the context of:

- A. capital adequacy regulations in Pillar 1
- B. market risk and Tier 3 capital elements
- C. internal management procedures subject to supervisory
- D. market discipline, disclosure and transparency in

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 156

The Liquidity Coverage Ratio (LCR) in Basel III:

- A. is a new rule that compares liquid asset levels in
- B. spells out a modernized system for calculating the
- C. compares liquid and reliably liquidating assets to
- D. tied directly into the internal ratings-based approach

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 157

The weighted average duration of liabilities can be increased by:

- A. buying additional 30-year German Government bonds
- B. selling futures contracts on 30-year German Government
- C. buying futures contracts on 10-year German Government
- D. exercising an early repayment option on a long-term



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 158

What recommendation does the Model Code make to banks accepting a stop-loss order?

- A. The Model Code emphasizes the importance of clear,
- B. Bank management must guarantee a fixed price execu
- C. The Model Code recommends that only experienced de
- D. Bank staff must secure the approval of the counter

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 159

Which of the following currency risks could only be hedged by a non deliverable forward (NDF)?

- A. an exposure in Latvian Lats (LVL)
- B. an exposure in Russian Rouble (RUB)
- C. an exposure in Romanian Leu (RON)
- D. an exposure in Bulgarian Lev (BGN)

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 160

What is a short strangle option strategy?

- A. A short call option + long put option with a high
- B. A long call option + long put option with a lower
- C. A short call option + short put option with a low
- D. A long call option + long put option with higher s

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 161

You are quoted the following market rates: Spot AUD/CAD 1.0600 12M (360-day) AUD 3.40% 12M (360-day) CAD 1.55% What are the 12-month AUD/CAD forward points?

- A. +190
- B. -193
- C. -192
- D. -190



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Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 162

What are the secondary market proceeds of a CD with a face value of EUR 5,000,000.00 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

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 organization for the futures e
- D. The owner of the futures exchange



Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 164

What is the Overnight Index for USD?

- A. H-15 Index
- B. Prime Rate
- C. Overnight Fed funds
- D. Fed funds effective rate

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 165

Automated 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 166

EUR/USD is 1.3080-83 and EUR/CHF is 1.2160-63. What price would you quote to a customer who wishes to sell CHF against USD?

- A. 1.0759
- B. 0.9299
- C. 1.5909
- D. 0.9295

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 167

What does the Model Code recommend regarding "entertainment and gifts"?

- A. Management should monitor the form, frequency and
- B. As gifts and entertainment may be offered in the n
- C. Although management should not monitor the form, f
- D. Gifts or entertainment should never be offered in

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 168

You buy a 30-day 4% CD with a face value of GBP 20,000,000.00 at par when it is issued. You sell it in the secondary market after 10 days at 4.05%. What is your holding period yield?

- A. 4.05%
- B. 3.891% C. 3.838%
- D. 1.946%

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 169

Which of the following correctly states the Model Codes recommendations regarding electronic trading and broking?

- A. Liquidity providers should be cognizant of reputat
- B. Market participants must not seek information as t
- C. Transactions should be handled in accordance with
- D. Access to systems internally and at the client int

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 170

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 EUR 25,000,000.00 nominal of the 5.5% OAT April 2012, which is worth EUR 28,137,500.00. The Repurchase Price is:

- A. EUR 28,228,360.69
- B. EUR 28,229,572.15
- C. EUR 25,080,729.18
- D. EUR 25,081,805.55

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 171

3-month EUR/USD FX swaps are quoted to you at 8/12. If the points are in your favor, 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 172

For which country's 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 173

Which of the following is required for institutions acting as prime brokers?

- A. They must remain neutral and stay out of disputes
- B. They must rely on the execution venue to resolve d
- C. They must delegate the resolution of broken trades
- D. They must take responsibility for the swift resolu

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 174

What is an FX swap from spot?

- 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. An agreement to buy (sell) an amount of base curre

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 175

What is the Overnight Index for GBP?

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

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 176

If spot NZD/CHF is quoted to you as 0.7406-09. How many NZD would you receive in exchange for CHF 5,000,000.00 if you dealt on the price?

- A. 3,704,500.00
- B. 6,748,549.06
- C. 3,703,000.00
- D. 6,751,282.74



Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 177

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 178

What is interest rate immunization in the context of bank gap management?



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- A. the strategy of holding more interest rate sensiti
- B. the strategy of holding fewer interest rate sensit
- C. reducing the size of the balance sheet
- D. structuring a banks portfolio so that its net inte



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 179

An Overnight Indexed Swap (OIS) 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. A floating-for-floating rate swap in different cur

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 180

If 6-month USD/CAD forward rates are quoted at 40/45, which of the following statements is correct?

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

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:



QUESTION 181

A euro zone-based bank that is asset-sensitive to market interest rate changes might reduce interest rate risk by:

- A. entering into a pay fixed I receive variable stand
- B. entering into a receive fixed I pay variable stand
- C. entering into a pay fixed / receive variable amort
- D. entering into a GBP/USD FX swap

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 182

The "spot basis" of a 2 against 4 months EUR/USD forward/forward swap is:

- A. usually the current spot EUR/USD mid-market rate
- B. commonly the prevailing 4-month forward EUR/USD mi
- C. always the forward EUR/USD bid rate of the first s
- D. generally the prevailing 2-month forward EUR/USD m

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 183

You are quoted the following market rates: Spot EUR/USD 1.3150 3M (92-day) EUR 0.20% 3M (92-day) USD 0.44% What is 3-month EUR/USD?

- A. 1.3159
- B. 1.3158
- C. 1.3142
- D. 1.3230

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 184

For which of the following might an MT370 be used?

- A. To confirm an FX transaction
- B. To advise the netting position of a currency in ND
- C. To advise changes in SSIs
- D. To confirm a MM transaction

Correct Answer: B

Section: (none)

Explanation



Explanation/Reference:

QUESTION 185

Whose compliance rules, regulations and best practices should be followed in FX electronic trading?

- A. solely those of the electronic trading platforms v
- B. exclusively ACI's Model Code Best Practices
- C. ACI's Model Code Best Practices and ICMA's Market
- D. the electronic trading platforms vendors and the A

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 186

Which of the following statements about leverage ratios under Basel III is correct?

- A. The leverage ratio is the ratio of the banks Tier
- B. The purpose of introducing a leverage ratio is to
- C. The leverage ratio under Basel III must be higher
- D. The leverage ratio is the ratio of the banks Tier

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 187

Under Basel rules the meaning of CCF is:

- A. Currency Conversion Factor
- B. Credit Conversion Factor
- C. Credit Contribution Factor

D. Credit Collateralization Factor

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 188

Bank XYZ calls you for a quote in EUR/USD for EUR 50,000,000.00. If you decide to quote, which of the following is true?

- A. You must be prepared to deal EUR 50,000,000.00.
- B. You may quote without stating the amount you are p
- C. You are only committed to deal in a marketable amo
- D. You must be prepared to deal for more than EUR 50,

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 189

Which of the following are specifically quoted in terms of a yield-to-maturity?

- A. US Treasury bill
- B. CD
- C. Interbank deposit
- D. USCP

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 190

Which one of the following is a major objective of ACI-The Financial Markets Association?

- A. to promote globalization and deregulation of the f
- B. to maintain the professional level of competence a
- C. to act as the official international market regula
- D. to become the sole global corporation of wholesale

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 191

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 4x7D. Buy 4x7



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 192

Under Basel rules, expected credit loss is a function of which of the following sets of parameters:



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- A. 1 minus recovery rate, probability of default and
- B. exposure at origination, exposure at default and l
- C. loss given default, 1 minus recovery rate and expo
- D. exposure at origination, recovery rates and probab

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 193

Who takes the counterparty risk on the seller in a to-party repo?

- A. The buyer
- B. The to-party agent
- C. A third-party guarantor
- D. A central clearing counterparty

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 194

A US security yields 7% on an annually-compounded bond basis. What is the equivalent annually- compounded money market yield?

- A. 7.09%
- B. 7.03%
- C. 6.90%
- D. 6.95%

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 195

Under Basel rules the risk weight for claims on unrated sovereigns and their central banks in the standardized approach is:

- A. 75%
- B. 100%
- C. 150%
- D. 350%



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 196

Today's spot value date is the 29th of February. What is the maturity date of a 4-month USD deposit deal today? Assume no bank holidays.

- A. Thursday 27th June
- B. Friday 28th June
- C. Saturday 29th June
- D. Monday 1st July

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 197

You are quoted the following rates: Spot GBP/CHF 1.4535-45 3M GBP/CHF swap 22/19 At what rate can you sell GBP against CHF outright 3-month?

- A. 1.4523
- B. 1.4526 C. 1.4513
- D. 1.4516

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 198

A Eurodollar futures price of 99.685 implies:

- A. A forward-forward rate of 0.685%
- B. A forward-forward rate of 0.315%
- C. Current 3-month LIBOR of 0.6850%
- D. Current 3-month LIBOR of 0.3150%

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 199

Does the slope of the interest yield curve typically have a substantial impact on a banks net interest margin?

- A. No, it doesnt, since the slope of the yield cure i

- B. No, it doesn't. There isn't any link at all between
- C. Yes it does. In banking, long-term rates usually apply to a bank
- D. Yes it does. Long-term rates usually apply to a bank

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 200

When can a broker consider a deal to be done?

- A. if he is confident that the dealer will not back out
- B. if both parties to the deal have established credit
- C. if one party to the deal acknowledges interest
- D. if he receives acknowledgement from both the dealer

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 201

Which one of the following formulae is correct?

- A. Long a straight bond + pay fixed on a swap = long
- B. Long a straight bond + pay floating on a swap = long
- C. Short a straight bond + receive fixed on a swap = long
- D. Short a straight bond + pay fixed on a swap = long

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 202

Which of the following risks are considered market risks?

- A. interest rate, currency, equity and commodity risk
- B. interest rate, currency, equity and default risk
- C. interest rate, equity, liquidity and default risk
- D. legal, reputation and regulatory risk

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 203

Which of the following statements best describes the conditions under which a prime broker may accept a trade given up?

- A. the trade is within the specified tenor limits
- B. the trade is within the tenor limits and is of an
- C. the trade is within the tenor limits and credit li
- D. the trade is within the tenor limits, credit limit



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 204

According the Model Code, a principal, whose name has been rejected, feeling that the broker may have actually quoted a price or rate that it could not in fact substantiate, may:

- A. deduct points from the broker or adjust the broker
- B. in some centres, ask either the central bank or so
- C. in some centres, ask the local ACI to investigate
- D. insist that the broker discloses the name of the o

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 205

If several banks hit a broker simultaneously for an amount greater than the amount for which the price was shown:

- A. no transaction is done
- B. the broker has to honor each and every amount hit
- C. the broker has to split the amount among the banks
- D. the broker may freely choose the bank(s) he will d

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:



QUESTION 206

What does the Model Code say about omitting the “big figure” in voice communication?

- A. The “big figure” should not be included in outrigh
- B. In order to avoid misunderstandings, the big figur
- C. For the sake of brevity and efficiency, big figure
- D. The Model Code recommends that the big figure be i

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 207

If GBP/USD is 1.5350-53 and USD/JPY is 97.50-53, what is GBP/JPY?



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- A. 149.66-74
- B. 149.69-71
- C. 63.52-53
- D. 63.51-54

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 208

Under the Model Code, if a broker shouts “done” or “mine” at the very moment a dealer shouts “off”:

- A. No deal is done and the broker should inform both
- B. The deal is done and the broker should inform both
- C. The matter should be resolved in consultation with
- D. The ACI’s Committee for Professionalism will inves

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 209

For which country's currency is SEK the ISO code?

- A. South Korea
- B. Sri Lanka
- C. Slovakia
- D. Sweden

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 210

How would you delta hedge a deeply "in-the-money" short put option?

- A. Go short of the underlying commodity equal to 50%
- B. Go long of the underlying commodity equal to 50% o
- C. Go long of the underlying commodity equal to more
- D. Go short of the underlying commodity equal to more



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 211

What is the name of the reference against which most USD and JPY deposits and loans are fixed in London?

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

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 212

You are a sales person in a bank and are about to sell a structured note to a non- professional customer. Before finalizing the transaction you remember to doublecheck the customers charter. You learn that the customer is not allowed to invest in structured products. The risk you have avoided is most likely to be classified as:

- A. credit risk
- B. liquidity risk
- C. legal risk
- D. refinancing risk

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 213

Which of the following statements reflects the position of the Model Code on gambling or betting amongst market participants?

- A. Gambling and betting amongst market participants s
- B. Gambling and betting amongst market participants m
- C. Gambling and betting amongst market participants s
- D. Gambling and betting amongst market participants i

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 214

Which of the following risks is best mitigated by CLS?

- A. currency risk
- B. operational risk
- C. liquidity risk
- D. settlement risk

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 215

In trade confirmation, which one of the following statements about “matching” is correct?

- A. matching should be performed by no later than the
- B. matching processes are manual and may not be autom
- C. matching should be performed as soon as possible u
- D. confirmation matching should be a post-settlement



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 216

In a plain vanilla interest rate swap, the “fixed-rate payer”:

- A. has established the price sensitivities of a longe
- B. has established the price sensitivities of a longe
- C. receives fixed in the swap
- D. pays floating in the swap

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 217

Under new Basel rules, what is the meaning of CVA?

- A. Credit Value Adaption
- B. Call Value Adaption
- C. Credit Value Adjustment
- D. Counterpart Value Adjustment

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 218

Which one of the following statements about mark-to-model valuation is correct?

- A. Mark-to-model valuation is used for exchange-trade
- B. Asset managers are not allowed to use mark-to-mode
- C. Mark-to-model valuation is used for complex financ
- D. Mark-to-model valuation refers to prices determine

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 219

What should a broker do if his quoted price is hit simultaneously by several dealers for a total amount greater than that for which the price concerned was valid?

- A. allot the amount for which the price is valid pro
- B. decide which principals he will allot the amount f
- C. evenly allocate the amount for which the price is
- D. apportion the amount for which the price is valid

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 220

The columns below list short-term cash rates on 3rd April and 3rd F1ay 3rd April 3rd May

	<u>3rd April</u>	<u>3rd May</u>
T/N	5.55%	3.99%
S/N	5.41%	3.99%
1W	5.27%	4.01%
2W	5.17%	4.02%
1M	4.95%	4.05%
2M	4.81%	4.07%
3M	4.69%	4.09%
6M	4.51%	4.14%
12M	4.25%	4.25%



- A. Positive, steepening
- B. Positive, flattening
- C. Inverted, steepening
- D. Inverted, flattening

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 221

What is the Purchase Price of a repo?

- A. The market value of bond collateral at the start o
- B. The market value of bond collateral at the start o
- C. The amount of cash actually paid for collateral at
- D. The amount of cash actually paid for collateral at

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 222

By what means should a financial institution preferably submit SSI changes and notifications to its clients?

- A. e-mail
- B. fax or letter
- C. MTn99 SWIFT message
- D. MT670/671 SWIFT message

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 223

A CD with a face value of USD 50,000,000.00 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?



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- 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 224

Your GBP/CHF rate is 1.3710-15. How many GBP would your customer have to give you to buy CHF 10,000,000.00?

- A. 7,291,286.91
- B. 7,293,946.02
- C. 13,710,000.00
- D. 13,715,000.00

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 225

An interest rate guarantee (IRG) is:



- A. AnFRA
- B. An option on an FRA
- C. A collar
- D. AnIRS

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 226

You are the buyer of a receivers swap. All other things being equal your counterparty risk is increasing if

- A. the swap curve is shifting downwards
- B. the swap curve is shifting upwards
- C. swaption volatilities are decreasing
- D. time to expiry is becoming shorter

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 227

From 2019 on the total capital requirement for banks under Basel III will be defined as:

- A. 8% of RWA plus conservation buffer
- B. 10.5% of RWA plus conservation buffer
- C. 8% of RWA plus countercyclical buffer
- D. 10.5% of RWA plus countercyclical buffer

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 228

The Interest Rate Parity Theorem should work because, when one sells a low interest rate currency to invest in a high interest rate currency and hedges the currency risk:

- A. The cost of hedging is given by the forward points
- B. The high interest rate currency will depreciate
- C. The profit from the appreciation of the high inter
- D. Interest rates are mean reverting, which means the

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 229

The Liquidity Coverage Ratio imposed by Basel III requires a bank:

- A. to keep enough highly liquid assets to cover its n
- B. to keep enough highly liquid assets to cover its n
- C. to keep enough highly liquid assets to cover its n
- D. to retain enough liquidity to cover its assets aga

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 230

What would be the strategy for a bank if it is unable to speculate on interest rates and/or unable to absorb market risk?

- A. to run a zero gap
- B. to hold more interest rate sensitive assets than i

- C. to reduce the size of the balance sheet
- D. to hold fewer interest rate sensitive assets than

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 231

Today is Monday, 8th December. You sell a 9x12 USD 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. December next year

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 232

You quote spot EUR/USD at 1.3023-26 in 5 to another bank. He says, Take 5, could do 8. How much are you obliged to do?

- A. Nothing, as he changed the terms of the deal
- B. EUR 5,000,000.00
- C. More than EUR 5,000,000.00, but a maximum of EUR 8
- D. EUR 8,000,000.00

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 233

Under Basel III rules the meaning of RSF is:

- A. Reviewed Supervisory Factor
- B. Required Stable Funding
- C. Riskless Stable Funding
- D. Riskless Supervised Funding

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 234

Cable is quoted at 1.5575-80 and you say "5 yours!" to the broker. What have you done?

- A. Sold USD 5,000,000.00 at 1.5575
- B. Sold GBP 5,000,000.00 at 1.5575
- C. Bought GBP 5,000,000.00 at 1.5580
- D. Bought USD 5,000,000.00 at 1.5580



Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 235

Which one of the following bullion coins has a 999.9/1000 gold purity (.9999 fineness)?

- A. the Canadian "Maple Leaf"
- B. the South African "Krugrand"
- C. the American "Gold Eagle"
- D. the United Kingdom "Sovereign"

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 236

As to the Charter of ACI - The Financial Markets Association, what do members not pledge?

- A. to maintain the professional level of competence a
- B. to develop sound reciprocal dealing relationships
- C. to demonstrate the best ethical behavior in strict
- D. to maintain the highest possible standards in thei

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 237

Using reprising gap analysis, a banks balance sheet is considered liability-sensitive to market interest rate changes, if:.



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- A. more liabilities than assets will be reprised in t
- B. more assets than liabilities will be reprised in t
- C. more assets than liabilities have variable rates o
- D. non-interest bearing liabilities are greater than

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 238

A closed position in a particular foreign currency exists:

- A. when the net spot position plus the forward position is zero
- B. when the forward purchases of a foreign currency are equal to the forward sales of a foreign currency
- C. when the reverse repurchases of foreign currency are equal to the forward purchases of a foreign currency
- D. when the maturity structure of the assets in one currency is equal to the maturity structure of the liabilities in one currency

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:



QUESTION 239

7-day 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 240

A negative yield curve is one in which:

- A. Longer rates are lower than short rates
- B. Forward exchange rates are at a discount
- C. Short term rates are lower than long
- D. Forward exchange rates are a premium

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 241

What does the Model Code recommend in respect of prices and orders made on electronic trading platforms?

- A. They must be posted with a clear intent to be trad
- B. They must be identified as indicative rates only.
- C. They must be posted subject to later credit line a
- D. They need not be posted in an appropriate trading

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 242

What rates should a panel bank contribute to the EURIBOR fixings?

- A. The offer side of the quotes it is making to other
- B. The offer side of the quotes which it is receiving
- C. The offer side of the interbank quotes it observes
- D. The offer side of the quotes it has actually borro

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 243

The Model Code stipulates that you have a right to qualify your quotes in terms of amounts:

- A. if you do so when you make the price
- B. provided the amounts are marketable
- C. once you have discovered the name of the counterpa
- D. at anytime

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 244

Where voicemail equipment is used for the reporting and recording of off-premises transactions, voice mail should be:

- A. installed on secret number known only to the chief
- B. installed and located in the office of the head of
- C. installed and located in such a way that reported
- D. securely saved by recordings that have to be store

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 245

A USD deposit traded in London between two German banks is cleared:

- A. Wherever the parties agree
- B. In London

C. In NewYorkD. In Frankfurt

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 246

What happens when the issuer of a bond being used as collateral in a classic repo fails to pay a coupon on the bond during the term of the repo?

- A. The transaction is terminated and the collateral i
- B. The transaction is rolled over until the coupon is
- C. The buyer is obliged to make a manufactured paymen
- D. The buyer is not obliged to make a manufactured pa

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 247

Under Basel rules the risk weight for MA-rated claims on corporate in the standardized approach

- A. 0%
- B. 15% C. 20%
- D. 75%

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 248

Which of the following dealing strategies involves the placing of orders with very short quote lives into a market?

- A. frequency trading
- B. high-incidence trading
- C. flash trading
- D. liquidity aggregators

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 249

The popularity of FX-trading via Internet platforms has serious implications for the applicability of traditional rules such as Know Your Customer. Which of the following are correct?

- A. Know Your Customer rules cannot be applied online
- B. Know Your Customer rules apply only to retail cust
- C. In practice, banks can avoid Know Your Customer ru
- D. No trading should be carried out without first ide



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 250

Net funding requirements in liquidity management are determined by means of:

- A. adding up expected vault cash outflows, ATMs and o
- B. establishing a forward cash flow plan that takes a
- C. the net cash flow from investment activities in th
- D. subtracting short-term liabilities from short-term

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 251

Which of the following does the Model Code not recommend to prevent technical errors by etrading devices?

- A. A manual kill button to disable the systems abilit
- B. An inbound message rate feature that monitors the
- C. A repeated automated execution throttle monitoring
- D. A fat-finger quantity feature limiting the size of

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:



QUESTION 252

What is the value date of a 1-month outright forward FX transaction dealt today, if todays spot date is Monday, 30th January? Assume there are no bank holidays and that the year is not a leap year.



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- A. 2nd March
- B. 1st March

- C. 29th February
- D. 28th February

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 253

When differences in payment arise because of errors in the payment of funds:

- A. claims should be made for the costs incurred by the party
- B. no party involved can be enforced to contribute to the costs
- C. no market participant should be unjustly enriched
- D. claims are calculated on the full principal amount

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 254

What is the ISO code for the Indian rupee?

- A. IDR
- B. RUP
- C. INR
- D. IND

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 255

At the end of the day, you are short CHF 3,500,000.00 against SEK at 6.9275. You are asked to revalue your position at 6.9190. What is the resulting profit or loss?

- A. Profit of CHF 29,750.00
- B. Profit of SEK 29,750.00
- C. Loss of SEK 29,750.00
- D. Loss of CHF 29,750.00

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 256

A purchased 3X6 FRA should be reported in a gap report as

- A. a given deposit with a term of six months
- B. a taken deposit with a term of three months
- C. a given deposit with a term of three months and a
- D. a taken deposit with a term of three months and a



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 257

What is the Repurchase Price of a classic repo?

- A. The market value of bond collateral at the end of
- B. The market value of bond collateral at the end of
- C. The amount of cash actually paid for collateral at
- D. The amount of cash actually paid for collateral at

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 258

Which of the following is not transferable?

- A. Euro certificate of deposit
- B. US Treasury bill
- C. CP
- D. Call deposit

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 259

A dealer in the spot foreign exchange market has to assume that a price given to a voice broker is only valid:

- A. for a short length of time, usually 30 seconds
- B. until the price has been taken "off" by the dealer
- C. for a short length of time, typically a matter of
- D. for a minute or two

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 260

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 ECB's official repo rate

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 261

What is the meaning of CCP within the Basel framework?

- A. Collateralized Clearing Process
- B. Central Clearing Counterparty
- C. Collateralized Counterparty Protection
- D. Collateralized Credit Protection

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 262

If the issuer of the collateral used in a repo defaults during the term of the transaction, who suffers the loss?

- A. Buyer
- B. Seller
- C. Issuer
- D. It depends on the agreement between the buyer and

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 263

What kind of information should dealers and brokers take care when relaying?

- A. Information that could be damaging to a third part
- B. Unsubstantiated rumours
- C. Unsubstantiated information that they suspect may
- D. Price-sensitive information

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 264

Using the following rates: Spot GBP/CHF1.4235-55 Spot CHF/SEK6.8815-45 3M GBP/SEK swap 140/150 What is the price for 3-month outright GBP/SEK?

- A. 9.8141-9.8246
- B. 9.8108-9.8279
- C. 9.8098-9.8289
- D. 9.8151-9.8236



Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 265

USD/CHF is quoted to you at 0.9290-93 and GBP/USD at 1.5320-30. At what rate could you buy GBP and sell CHF?

- A. 1.4242
- B. 1.4232
- C. 1.4246
- D. 1.4237

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 266

Which one of the following statements regarding the variance-covariance method for calculating value-at-risk is true?

- A. The volatilities of the underlying assets are norm
- B. The risk factors are normally distributed and vola
- C. The prices of underlying assets are normally distr
- D. The returns of underlying assets are normally dist

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:



QUESTION 267

What is the value date of a 6-month outright forward FX transaction dealt today, if today's spot date is Monday, 30th 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 268

What should be done when a voice broker hits a dealer's price as "done" at the very instant the dealer calls "off"?

- A. The deal should not be concluded and the broker sh
- B. The transaction should be concluded and the broker
- C. The broker should immediately inform both counterp
- D. The broker should decide whether the transaction i

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 269

What is the day count/annual basis convention for JPY money market deposits?

- A. ACT/365
- B. ACT/360
- C. ACT/ACT
- D. 30E/360



Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 270

Which of the following statements is correct regarding duration?.



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- A. It is a measure of the average price of a financial
- B. It doesn't take into account the timing and market
- C. It increases if the average coupon increases.
- D. It decreases as maturity decreases

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 271

All prices quoted by brokers should be taken to be:

- A. under reference
- B. firm, but not necessarily in marketable amounts
- C. firm, unless otherwise qualified
- D. merely indicative

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 272

Which of the following statements is correct?

- A. With liquidity transfer pricing (LTP) banks attrib
- B. With liquidity transfer pricing (LTP) banks are mo
- C. With liquidity transfer pricing (LTP) banks are ag
- D. Liquidity transfer pricing charges providers of fu

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 273

The Model Code's correct recommendation regarding electronic trading states:

- A. Time stamps on e-trading platforms need to be inte
- B. All records should be archived and appropriate aud
- C. Regular tests for loss of access to external liqui
- D. Testing of the systems capability to cope with ext



Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 274

When would an exporter commonly use an NDF?

- A. when receiving THB in 1 month
- B. when receiving HKD in 2 months
- C. when receiving PHP in 2 bank business days
- D. when receiving KRW in 3 months

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:
QUESTION 275

Which of the following currencies is quoted on an ACT/365 basis for the calculation of interest on interbank deposits in London?

- A. EUR
- B. JPY
- C. HKD
- D. AUD

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:



QUESTION 276

Which of the following are all goals of the originator of securitized assets?

- A. to increase funding diversification , to reduce fu
- B. to increase funding diversification , to reduce fu
- C. to increase funding diversification , to reduce op
- D. to increase funding diversification , to reduce op

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 277

What is the result of combining a 1-month buy and sell FX swap with a 2-month sell and buy FX swap?

- A. a 1x2 FRA short position
- B. a 1- against 2-month buy and sell forward/forward
- C. a 1- against 2-month sell and buy forward/forward
- D. a 1- against 2-month forward/forward long position

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 278

You are paying 1,00% per annum paid semi-annually and receiving 6-month LIBOR on a USD 10,000,000.00 interest rate swap with exactly two years to maturity. 6month LIBOR for the next payment date is fixed today at 0.95%. 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 279

3-month USD/CHF is quoted at 12/10. Interest rates in Switzerland are reduced but USD rates (which are higher) are unchanged. What would you expect the 3month forward USD/CHF rate to be?

- A. unchanged
- B. 15/13
- C. 10/8
- D. 6/4

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:
QUESTION 280

Which of the following statements about the Liquidity Coverage Ratio is correct?

- A. The LCR is a measure to ensure that the reserve of B. the ratio (cash outflow in a 30-day stress period
- C. Covered bonds are class 1 assets.
- D. Obligations issued by central banks or government

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 281

Claims should be communicated in writing via e-mail or preferably by authenticated SWIFT. What information should be provided in the claim?

- A. the details of the transaction involved, the numbe
- B. the details of the transaction involved, the numbe
- C. the details of the transaction involved, the numbe
- D. the details of the transaction involved, the numbe

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 282

Which one of the following statements is incorrect under Basel III?



- A. Instruments qualifying for recognition as Tier 1 o
- B. Basel III does not include Tier 3 capital
- C. There is a distinction between upper Tier 2 and lo
- D. New non-common equity Tier 1 and Tier 2 instrument

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 283

You borrow GBP 2,500,000.00 at 0.625% for 165 days. How much do you repay including interest?

- A. GBP 2,507,161.46
- B. GBP 2,507,063.36
- C. GBP 2,507,006.85
- D. GBP 2,507,106.16

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 284

Which of the following may pay a return as a mix of income and capital/gain loss?

- A. CD
- B. Interbank deposit
- C. Classic repo
- D. Treasury bill

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 285

Which of the following is true regarding the consummation of a deal?

- A. verbal agreements are considered binding
- B. written confirmations always override terms verbal
- C. deals agreed to verbally can be done subject to do
- D. verbal agreements are never to be considered legal

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 286

If GBP/USD is quoted to you at 1.6120-30, how much GBP would you receive if you sold USD 2,000,000.00?

- A. 1,239,925.60
- B. 1,237,873.80
- C. 1,240,694.79
- D. 1,242,720.50

Correct Answer: A



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Section: (none)

Explanation

Explanation/Reference:

QUESTION 287

An FRA is:

- A. A cash instrument
- B. An exchange traded derivative
- C. An interest rate derivative
- D. A balance sheet instrument

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 288

Which of the following does not represent an operational risk as defined by Basel rules?

- A. theft of information
- B. damage to an organization through loss of its repu
- C. market manipulation
- D. loss incurred from the use of incorrect documentat

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 289

You and a dealer at another bank have a verbal bilateral reciprocal arrangement to quote each other two-way prices. During periods of high volatility, the other dealer refuses to quote to you. What does the Model Code say about this situation?

- A. The other dealer is bound to reciprocate.
- B. This is not in any way an enforceable or binding c
- C. The Model Code does not comment on dealing recipro
- D. It is common market practice to suspend reciprocit

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 290

A CD with a face value of USD 250,000,000.00 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 291

How many Yen would you pay to buy 1 ounce of gold if you were quoted the following? XAU/USD 1575.25-75 USD/JPY 96.55-60

- A. JPY 152,090
- B. JPY 152,139
- C. JPY 152,169
- D. JPY 152,217

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 292

What does the Model Code say concerning repos and stock-lending?

- A. Legal documentation must be put in place as soon a
- B. All market participants should use the Modified Pr
- C. The exact maturity (end) dates for transactions mu
- D. All market participants should use the Modified Fo

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 293

In order to be introduced in a controlled manner, which areas should be involved before a new product or business strategy is launched?

- A. Product Control, Legal and Compliance, Front Offic
- B. Senior management only
- C. Front Office and Treasury Middle Office
- D. All relevant areas

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 294

A 3-month (90-day) NZD deposit is 2.75% and 6-month (180-day) NZD deposit is 3.00%. What is the 3x6 NZD deposit rate?

- A. 3.2281%
- B. 3.2278%
- C. 3.00%
- D. 2.875%

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 295

You buy a 181-day 2.75% CD with a face value of USD 1,500,000.00 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 296

What is the Gold Offered Forward Rate (GOFO)?

- 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 297

As regards controls, which of the following best practices for counterparty identification is incorrect?

- A. Amendments to customer standing data should be sub
- B. The set up of settlement instructions and the conf
- C. No trading should be done without first identifyin
- D. Counterparty identification and setup of settlemen

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 298

You are quoted the following rates: Spot cable 1.5340-43 0/N cable swap 0.14/0.11 T/N cable swap 0.16/0.13 S/N cable swap 0.43/0.37 At what rate can you buy cable for value tomorrow?

- A. 1.534284
- B. 1.534316
- C. 1.534287
- D. 1.534313

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 299

Which of the following pays a return in the form of a discount to face value?

- A. Treasury bill
- B. CD
- C. Interbank deposit
- D. Classic repo

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 300

Principals are allowed to:



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- A. visit a broker's dealing room to arrange or confir
- B. visit a broker's dealing room with the permission
- C. deal from within a brokers dealing room with the p
- D. place an order with a broker from within the same

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 301

The interest earned on a USD 5,000,000.00 money market deposit for 184 days is USD 12,500.00. What was the interest rate?

- A. 0.470%
- B. 0.196%
- C. 0.500%
- D. 0.169%

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 302

Which of the following is not the responsibility of the asset and liability committee (ALCO)?

- A. ensure that compliance is carried out efficiently
- B. set limits on borrowing in the short-term markets
- C. develop, evaluate, monitor and approve strategies
- D. report to the board of directors



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 303

You have prepared the following economic capital table for the next ALCO meeting:

Credit risk:	minimum 100 ; maximum 200 ; actual 170
Interest rate risk:	minimum 10 ; maximum 20 ; actual 12
Liquidity risk:	minimum 5 ; maximum 10 ; actual 11
Currency risk:	minimum 5 ; maximum 10 ; actual 6

- A. credit risk
- B. interest rate risk
- C. liquidity risk
- D. currency risk

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 304

Which of the following market participants would least likely be a user of repo?

- A. Investment funds
- B. Credit institutions and central banks
- C. Corporates
- D. Retail and private customers

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 305

A transaction that entails market price risks may be entered into in the absence of a market price risk limit...

- A. ...only at the discretion of the head of treasury.
- B. ...only at the discretion of the head of trading.
- C. ...as long a counterparty and issuer limit is in p
- D. ... is not permitted.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 306

Three of the following non-EU countries have unilaterally adopted the Euro. Which one has not?

- A. Kosovo
- B. Andorra
- C. Albania
- D. Montenegro

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 307

Who typically communicates the bank's asset and liability management policy internally?

- A. the management board
- B. the chief risk officer
- C. the bank's ALCO
- D. the Risk and Capital Committee

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 308

If you funded your 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 lon

D. You should not: there would be too much basis risk

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 309

All other things being equal, if a bank borrows short and lends long what is the effect on the liquidity risk of the bank?

- A. positive
- B. changes only when interest rates levels are high
- C. negative
- D. changes only when interest rates levels are low

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 310

Under Basel Securitization rules the highest potential risk weight is:

- A. 350%
- B. 750%
- C. 1250%
- D. 1500%

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 311

Once a prime-broker has matched and accepted a trade, separate confirmations must be exchanged between:

- A. the prime-broker and the executing dealer only
- B. the prime-broker and the executing dealer, and bet
- C. the prime-broker and the executing dealer, and bet
- D. the prime-broker and the client, and between the e

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 312

You are quoted the following market rates: Spot EUR/USD 1.3097-00 0/N EUR/USD swap 0.08/0.11 TIN EUR/USD swap 0.29/0.34 S/N EUR/USD swap 0.10/0.13
Where can you buy EUR against USD for value tomorrow?

- A. 1.299971
- B. 1.309966
- C. 1.309971
- D. 1.310029



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 313

Which of the following statements about Credit Default Swaps (CDS) is correct?

- A. CDS are used to recover funds from defaulted swap
- B. CDS provide protection against specified credit ev
- C. CDS provide protection against the default of the
- D. CDS provide compensation to the protection buyer,

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 314

Which of the following statements about “standard settlement instructions” (SSI) is correct?

- A. The Head of Operations has the sole responsibility
- B. SSIs should be stored and maintained in the bank’s
- C. Each institution should have a separate SSI team t
- D. SSI staff should be fully integrated within Operat

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 315

When quoting the exchange rate between the USD and AUD which is conventionally the base currency?



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- A. USD
- B. AUD
- C. Depends on whether the price is being quoted in Au
- D. Depends on whether the price is being quoted inter

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 316

Which of the following statements regarding economic capital is correct?

- A. Economic capital is calculated externally and is t
- B. Economic capital is calculated on an expected shor
- C. Economic capital is used for measuring and reporti
- D. Economic capital is always lower than regulatory c

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:



QUESTION 317

If the yield curve is upward sloping, a bank would not profit from:

- A. borrowing short and lending long
- B. borrowing long and lending short
- C. paying a higher rate on deposits than the market
- D. increasing the banks leverage

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 318

Taking collateral to hedge the credit risk on a counterparty means that you have:

- A. Eliminated credit risk
- B. Eliminated market risk
- C. Taken a guarantee from the issuer of the collatera
- D. Taken on market, legal and operational risks

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 319

The major difference between FRAs and futures is that FRAs are:

- A. Exchange-traded
- B. Margined
- C. Standardized
- D. Dealt over the counter

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 320

If you lend for 3 months and borrow for 6 months, you may be said to:

- A. Be over-lent
- B. Have a negative gap
- C. Be exposed to higher interest rates
- D. Be over-borrowed

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 321

Which of the following statements is true? The repo legal agreement between the two parties concerned should:

- A. detail the rights of counterparties regarding the
- B. include named securities permitted to be traded
- C. be bi-laterally signed by both dealers involved in
- D. need not be in place before any deals are executed

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 322

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 323

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 324

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 325

Which of the following transactions would have the effect of shortening the average duration of liabilities in the banking book?

- A. selling holdings of 30-year German Government bond
- B. replacing retail savings accounts with 3-month bor
- C. selling futures contracts on 30-year German Govern
- D. placing a 20-year covered bond in the market

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 326

You are the buyer of protection in a credit default swap. All other things being equal your counterparty credit risk is increasing if:

- A. the credit spread is decreasing
- B. the credit spread is decreasing and recovery rate
- C. the credit spread is increasing
- D. the recovery rate is increasing

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 327

Which one of the formulae below is correct?

- A. Long a FRN + pay fixed on a swap = long a syntheti
- B. Long a FRN + receive floating on a swap = long a s
- C. Long a FRN + pay floating on a swap = short a synt
- D. Long a FRN + pay floating on a swap = long a synth



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 328

A fixed rate forward/forward non-deliverable deposit/loan transaction, settled in cash with an agreed upon process for calculating the market reference at the commencement of the forward/forward period, is called:

- A. an interest rate swap

- B. a forward rate agreement
- C. a short term interest rate future
- D. an interest rate collar

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 329

The risk associated with a stock or a bond that is not correlated with events in the market is known as:

- A. interest rate risk
- B. model risk
- C. currency risk
- D. specific risk

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 330

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 gro
- D. The risk that default by a counterparty before the

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 331

If USD/JPY is quoted to you as 98.10-15 and USD/CHF as 0.9294-99, what is the rate at which you can buy CHF against JPY?

- A. 105.50
- B. 105.61
- C. 10555
- D. 0.009474

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 332

A customer would hedge a currency exposure with a forward FX time option if:

- A. he is unsure about the presence of a currency risk
- B. the amount of the currency risk is not precisely k
- C. his currency risk might change over time
- D. the precise maturity of the currency risk is not k

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 333

Which one of the following statements about claims is true?



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- A. Claims are not expected to be submitted after 15 d
- B. Claims of less than USD 5,000.00 are not expected
- C. Claims are calculated on the full principal amount
- D. Acknowledgement of receipt of a claim should be co

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 334

Issues relating to the bank's liquidity management are commonly discussed in:

- A. the Asset Liability Management Committee (ALCO)
- B. the Financial Resources and Compensation Committee
- C. the Credit Committee
- D. the Federal Open Market Committee

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 335

Which of the following situations would be most likely to result in a negative mark-to-market for a bank borrowing short term and lending long term?

- A. credit spread tightening of the long term position
- B. if the yield curve is inverted
- C. if the yield curve becomes steeper
- D. if there is a downward parallel shift in the yield

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 336

The maturity of a straight 3-months deposit falls on Saturday, which happens to be the last day of the month. What is the actual deposit maturity date?

- A. The following Monday
- B. Saturday
- C. Sunday
- D. The previous Friday



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 337

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 bought USD forward
- B. Bought USD and sold EUR spot, and sold USD and bought EUR forward
- C. Synthetically taken a USD loan in exchange for making a EUR loan
- D. Sold EUR/USD spot and bought back EUR/USD forward

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 338

The rho 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: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 339

The buyer of a USD/ARS NDF could be:

- A. a buyer of Argentine Pesos
- B. expecting a falling USD/ARS rate
- C. hedging against a weakening of the Argentine Peso
- D. speculating on an appreciation of the Argentine Pe

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 340

A short USD put/JPY call option:

- A. Gives you the right but not the obligation to sell
- B. Gives you the right but not the obligation to buy
- C. Gives your counterparty the right but not the obli
- D. Gives your counterparty the right but not the obli

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 341

If you have created a synthetic asset by buying and selling a USD/CHF swap, what have you done?

- A. Created an exposure to the CHF
- B. Created an exposure to the USD
- C. Switched a CI-IF asset temporarily into USD without
- D. Switched a USD asset temporarily into CHF without

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 342

What should be done if a broker fails to conclude a transaction at the quoted price and the dealer has to accept a lesser quote to neutralize his risk?

- A. 'stuff' the broker and insist on a replacement nam
- B. accept a bank transfer compensation payment in fav
- C. refuse any sort of compensation from the broker fo
- D. acknowledge the excuses of the broker and accept h

Correct Answer: B

Section: (none)

Explanation



Explanation/Reference:

QUESTION 343

The buyer of a currency put option has:

- A. Substantial opportunity for gain and limited risk
- B. Substantial risk of loss and substantial opportunity
- C. Limited risk of loss and limited opportunity for gain
- D. Substantial risk of loss and limited opportunity for gain

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 344

Where dealing for personal account is allowed, what safeguards to prevent abuse or insider dealing are stated by the Model Code?

- A. The need to maintain confidentiality with respect to the account
- B. The maximum amounts or sizes of trades dealers are allowed to execute
- C. The instruments/products dealers can trade for the account
- D. The pledge that no action is taken by employees that would be a conflict of interest

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 345

A customer gives you GBP 25,000,000.00 at 0.625% same day for 7 days. Through a broker, you place the funds with a bank for the same period at 0.6875%. 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 346

If you sell forward USD to a client against EUR, what is the first thing you should do to cover your exposure to exchange rate movements?

- A. Sell and buy USD in the FX swap market
- B. Sell USD in the spot market
- C. Buy USD in the spot market
- D. Buy and sell USD in the FX swap market

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 347

You want to hedge your deposit against falling interest rates. Which of the alternatives below are appropriate for this purpose?

- A. Selling a Money Market Future and/or selling a For
- B. Buying a Money Market Future and/or buying a Forwa
- C. Selling a Money Market Future and/or buying a Forw
- D. Buying a Money Market Future and/or selling a Forw

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 348

Which of the following statements about operational risk awareness is correct?

- A. It is good practice to collect and disclose incidents
- B. It is good practice to collect and analyze incidents
- C. A report describing operational risks should be made
- D. A report describing operational risks should be made

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 349

What needs to be done in the event that a trade is amended by one or both parties?

- A. A new confirmation should be generated by both parties
- B. The amending party should verbally inform the other party
- C. A new confirmation should be generated and the original confirmation should be cancelled
- D. A new confirmation need not be generated but the original confirmation should be cancelled



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 350

Dealers are authorized to deal:

- A. anywhere, even away from their own dealing premises
- B. after-hours, but only if listed as such by management
- C. after-hours, but only from their private residence
- D. away from their broker's dealing premises

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 351

The market is quoting: 1-month (30-day) GBP 0.47% 7-month (213-day) GBP 0.74% What is the 1x7 rate in GBP?

A. 0.7956%



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B. 0.7946% C. 0.7840%

D. 0.7732%



Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 352

Which of the following statements is correct?

A. The best strategy to treat and mitigate risk is av

B. The best strategy to treat and mitigate risk is tr

C. The best strategy to treat and mitigate risk is to

D. The best strategy to treat and mitigate risk is to

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:
QUESTION 353

Principals who enter into an interest rate swap with the intention of shortly afterwards assigning or transferring the swap to a third party:

- A. should never reveal their future dealing intention
- B. should make clear their intention to do so when in
- C. should agree upon the method of assignment before
- D. should only reveal any such intentions after the c

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:



QUESTION 354

Which of the following statements about requirements for limit setting is correct?

- A. In the case of trading transactions, counterparty
- B. In the case of trading transactions, counterparty
- C. In the case of trading transactions, counterparty
- D. In the case of trading transactions, counterparty

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 355

What is the policy of the Model Code on drugs, alcohol and other substance abuse in the dealing room?

- A. Management is to proximately inform the local regu
- B. The chief dealer must inform the ACIs Committee fo
- C. Policies should be developed and clearly announced
- D. Management should take all reasonable steps to sto

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 356

Today is the fixing date for a 6x9 FRA that you sold at 2.55%. BBA LIBOR fixes at 2.7175%. Which of the following is true?

- A. You will pay a net settlement amount
- B. You will receive a net settlement amount
- C. There will be an exchange of gross interest paymen
- D. There will be an exchange of gross interest paymen

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 357

Which of the following is not an officially published settlement or reference rate?

- A. LIBID
- B. LIBOR
- C. EURIBOR
- D. EURO LIBOR

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 358

In the event that standard settlement instructions are provided by a third party, full authentication and authorization of those SSIs should be independently performed by?

- A. Sales I trading staff
- B. Operations staff
- C. Nostro staff
- D. Front office staff

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 359

Which of the following both provide credit enhancement to a true-sale securitization?

- A. reserve account and third-party insurance
- B. subordinated tranches and creditworthiness of the
- C. creditworthiness of the originator and third-party
- D. reserve account and interest rate hedging

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 360

The primary issue for insuring prudent liquidity management in accord with the guidance provided by the Basel Committee (Basel II I Basel III) is:

- A. Tier 3 capital requirements held against liquidity
- B. The nature and amount of high quality liquid asset

- C. Central bank internal management processes regardi
- D. The transparent disclosure of illiquid on-balance

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 361

The Model Code recommends that standard terms and conditions be used in legal documents. Which one of the following statements is correct?

- A. When trading in financial products described by th
- B. Standard terms and conditions should be signed bil
- C. When using legal agreements any proposed modificat
- D. For many instruments, standard master agreements i

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 362

How is an outright forward FX transaction quoted?

- A. pared points
- B. Depends on the term
- C. Depends on whether it is interbank or to a custome
- D. Depends on the currency pair

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 363

What is Funds Transfer Pricing in the ALM process?

- A. A maturity analysis of a bank's interest-bearing a
- B. A method used to measure how much each source of f
- C. A calculation of the spread between the duration o
- D. The evaluation and management of the gap between a

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 364

The market is quoting: 3-month (90-day) NZD 2.55% 6-month (182-day) NZD 2.75% What is the 3x6 rate in NZD?

- A. 2.338%
- B. 2.650%
- C. 2.927%
- D. 2.992%



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 365

When is interest conventionally due on a 3-year interbank EUR deposit?

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

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:
QUESTION 366

The delta of an 'at-the-money' long put option is:

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

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 367

What is the correct interpretation of a EUR 5,000,000.00 one-week VaR figure with a 99% confidence level?

- A. A loss of at least EUR 5,000,000.00 can be expected
- B. A loss of at most EUR 5,000,000.00 can be expected
- C. A loss of at most EUR 5,000,000.00 can be expected
- D. A loss of at least EUR 5,000,000.00 can be expected

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 368

What happens when a coupon is paid on bond collateral during the term of a sell/buy-back?

- A. Nothing
- B. A margin call is triggered on the seller
- C. A manufactured payment is made to the seller
- D. The equivalent value plus reinvestment income is d

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 369

If spot USD/HKD is 7.7600 and USD/SGD is 1.2350, what is SGD/HKD?

- A. 9.5836
- B. 6.2834
- C. 0.1591
- D. 0.1043

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 370

If EUR/USD is 1.3025-28 and the 6-month swap is 15.50/17, what is the 6-month outright price?



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- A. 1.3042-1.30435
- B. 1.30405-1.3045
- C. 1.30095-1.3011
- D. 1.4575- 1.4728

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 371

What is the purpose of a short straddle option strategy?

- A. To anticipate lower volatility in the price of the
- B. To anticipate moderately high volatility in the pr
- C. To anticipate increasing volatility in the price o
- D. To anticipate very high volatility in the price of

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 372

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 strictly prohibited
- B. After-hours trading should be prohibited.
- 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 373

You are the fixed-rate payer in a plain vanilla interest rate swap. If your counterparty defaults, your exposure at default is:

- A. greater, the higher the market swap rate and the s
- B. lower, the lower the market swap rate and the shor
- C. lower, the lower the market swap rate and the long
- D. greater, the higher the market swap rate and the l

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 374

A forward/forward FX swap:

- A. is a contract by which the maturity of a regular F
- B. is a swap transaction where the near leg is traded
- C. is a swap that does not start spot and where both
- D. is a transaction by which a maturing outright forw

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 375

What is the major difference between a CD and a deposit?

- A. The CD yields a higher rate of return
- B. The CD has less credit risk



- C. The CD is a transferable instrument
- D. The CD has a shorter range of maturities

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 376

Where there are shared management responsibilities or where an investment or shareholding exists in a broker by a counterparty:

- A. the broker is not obligated to reveal any material
- B. the broker is not required to reveal any connectio
- C. the broker is legally obliged to advise his client
- D. is a matter which is not covered by the Model Code

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 377

You are short of 6 December EURODOLLAR futures contracts at 99.50. Yesterday, the closing price was 99.35. Today's closing price is 99.105. What variation margin will be due?

- A. You will have to pay USD 5,925.00
- B. You will receive USD 5,925.00
- C. You will have to pay USD 3,675.00
- D. You will receive USD 3,675.00

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 378

What is the expression used to describe a genuine error (wrong amount, wrong side, wrong rate) made by a dealer in the execution of an order on an electronic platform?

- A. mis-stroke
- B. slip-bid
- C. mis-hit
- D. broken trade

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 379

Which of the following is part of the typical scope of Asset Liability Management (ALM)?

- A. Selling distressed assets and investing in bank li
- B. Making sure that fixed assets are depreciated acco
- C. Planning the maturity structure and net funding re
- D. Planning the liability structure and net funding r



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 380

The market is quoting: 1-month (31-day) NOK 1.75% 3-month (91-day) NOK 2.05% What is the 1x3 rate in NOK?

- A. 4.261%
- B. 2.202%
- C. 1.900%
- D. 1.592%

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 381

What is a long strangle option strategy?

- A. A short call option + short put option with a high
- B. A long call option + long put option with a lower
- C. A short call option + short put option with a lowe
- D. A long call option + short put option with higher

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 382

For which one of the following disputes is the Chairman and members of the ACI's CFP ready to assist through the ACI's Expert Determination?

- A. all legal disputes
- B. disputes related to market practice or conduct as
- C. disputes between two market participants, at least
- D. disputes related to over-the-counter financial ins

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 383

Which of the following statements about requirements for dealing with limit violations is correct?

- A. Financial institutions have to establish procedure
- B. If a partial limit violation does not exceed the o
- C. The definition of escalation levels is not require
- D. It is adequate and proper to define reactions only

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 384

The 180-day CAD/CHF rate is bid 62 and the 90-day CAD/CHF rate is bid 29. What is the bid rate for 120 days, assuming straight-line interpolation?

- A. 33
- B. 42
- C. 27
- D. 40



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 385

You have borrowed at 3-month LIBOR+50. LIBOR for the loan will be re-fixed in exactly one month. The market is quoting: 1x3 USD FRA 0.42-45% 1x4 USD FRA 0.54-58% 1x5 USD FRA 0.57-62% To hedge the next LIBOR fixing, you should:

- A. Sell a 1x3 FRA at 0.42%
- B. Buy a 1x3 FRA at 0.45%
- C. Buy a 1x4 FRA at 0.58%
- D. Sell a 1x4 FRA at 0.54%

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 386

Management has a specific responsibility to issue guidelines to staff on transacting after- hours and off-premises. Which of the following does the Model Code suggest?

- A. Dealing should only be allowed during normal trading hours
- B. It is not recommended that an unofficial close of trading be observed
- C. There should be clear written guidelines regarding after-hours and off-premises transactions
- D. All after-hours and off-premises transactions must be approved by senior management

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:



QUESTION 387

How much is one big figure worth per million of base currency if EUR/GBP is 0.8990?

- A. GBP 10,000.00
- B. EUR 10,000.00
- C. GBP 8,990.00
- D. EUR 8,990.00

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 388

The buyer of a cap:



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- A. Receives compensation if a reference interest rate B.
- B. Pays compensation if a reference interest rate fal
- C. Receives compensation if a reference interest rate
- D. Pays compensation if a reference interest rate ris

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 389

You are quoted the following rates: Spot EUR/NOK 7.5250-60 O/N EUR/NOK swap 3.10/3.20 T/N EUR/NOK swap 3.12/3.22 S/N EUR/NOK swap 9.35/9.55 At what rate can you sell EUR against NOK for value tomorrow?

- A. 7.525322
- B. 7.525312
- C. 7.524688
- D. 7.524678

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 390

You have bought a 93-day US Treasury bill at 5.63%. What is the true yield?

- A. 5.71%
- B. 5.69%
- C. 5.72%
- D. 5.62%

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 391

All other things being equal the interest rate risk of a fixed coupon bond is:

- A. greater, the higher the coupon and the longer the
- B. greater, the lower the coupon and the longer the t
- C. lower, the lower the coupon and the shorter the te
- D. lower, the higher the coupon and the longer the te

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 392

Which of the following is the best description of a “broken trade”?

- A. when a trade has been agreed to with dates (maturi
- B. when one of the parties to the deal unilaterally d
- C. when, due to a system break, one or both parties t
- D. when, due to a system break, one or both parties t

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 393

Which of the following is a Model Code good practice regarding the passing of names?

- A. Bank dealers should, wherever possible, give broke
- B. Brokers may divulge the names of principals premat
- C. Dealers should never give brokers guidance on the
- D. When a principals name proves unacceptable to anot

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 394

When a broker needs to switch a name this should be done:

- A. only after consultation with the local regulator
- B. only if the switching transaction is done at the c
- C. only provided that such transactions are identifie
- D. only after approval by the broker's senior managem



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 395

What should be done when a voice broker calls "off" at the very instant the dealer hits the broker's price as "mine" or "yours"?

- A. The transaction should be concluded and the broker
- B. The dealer who hits the brokers price may decide w

- C. The deal should not be concluded and the broker sh
- D. The broker should immediately inform both counterp

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 396

What is the maximum maturity of a US Treasury bill?

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

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 397

Between which departments are clear and structured escalation procedures required for the management of incorrect funding balances?

- A. Nostro reconciliations, the Cash Management Depart
- B. Front Office, the Cash Management Department and O
- C. Front Office, Nostro reconciliations and Operation
- D. Front Office, Nostro reconciliations and the Cash

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 398

If manual trade capture methods are used, when should deals be recorded in systems used for this purpose?

- A. The same day they are dealt B. Promptly
- C. Within 24 hours of execution
- D. Within an hour of execution

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 399

Which of the following statements about hedge accounting is not correct?

- A. A prerequisite for hedge accounting is that a hedg
- B. Hedge accounting enables gains and losses on a hed
- C. If one of the criteria for hedge accounting is no
- D. Strict criteria must be met at inception and throu



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 400

Your broker quotes you EUR/USD at 1.3425-28. You respond by saying yours. Which one of the following statements is true?

- A. You are committed to sell a marketable EUR amount
- B. You are committed to sell to the counterparty his
- C. You are committed to sell EUR up to the amount per
- D. You are committed to sell a marketable USD amount

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 401

What criteria define a market-maker?

- A. He will only quote to brokers
- B. He will quote choice prices on request
- C. He will only quote two-way prices to brokers
- D. He will quote two-way prices for marketable amount

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 402

Which of the following will tend to have the higher yield?

- A. Treasury bill
- B. Repo against Treasury bill collateral
- C. They have the same yield
- D. Cannot say

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 403

What is a "normal" shaped curve?



- A. Gradual positive slope
- B. Steep positive slope
- C. Flat
- D. Inverted

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 404

The process of confirming trades is a function that can be performed by:

- A. any dealer as long as he/she is not a party to the
- B. staff in the back-office/operations who are indepe
- 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 405

Under Basel rules, what is the meaning of RWA?

- A. Risk Weighted Assets
- B. Risk Weighted Average
- C. Recovery Weighted Assets
- D. Risk Weighted Adjustments

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 406

After having quoted a rate of 1.5005-10, the quoting bank says, "Your risk". This means:

A. The quoted rate is subject to change at the risk o



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B. The quoting bank is reminding you of the market ri

C. This is a requirement of any market maker

D. The market maker needs to check your credit limit



Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 407

A bank quotes a spot rate that is verifiably incorrect and deviates substantially from the prevailing market rate.

A. you should hit the price and hold the bank to the

B. you should ask the dealer to check his price, as i

C. you should point out the mistake and split the dif

D. you should keep on dealing with this bank until th

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 408

You have quoted a Swiss customer spot USD/CHF as 0.9273-78, but he asks you to quote it as CHF/USD. What do you quote?

- A. 0.9278-73
- B. 1.0784-78
- C. 1.0778-84
- D. 1,0773-78

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 409

When should confirmations be sent out?

- A. one day after the deal is done
- B. within two hours of the trade being booked and as
- C. immediately after having received the confirmation
- D. no later than the value date of the first leg of t

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 410

If the value of the collateral in a repo has fallen during the term of the transaction, who suffers the loss?

- A. Seller



- B. Buyer
- C. Issuer
- D. It depends on the agreement between the buyer and

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 411

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 412

You are quoted the following rates: Spot USD/JPY 97.10-15 3M USD/JPY swap 9/6 Spot USD/CHF 0.9320-23 3M USD/CHF swap 11/8 Where can you sell CHF against JPY 3-month outright?

- A. 104.14
- B. 104.21
- C. 104.23
- D. 104.30

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 413

Which of the following statements about Eurodollar deposits is correct?

- A. Eurodollar deposits can only be dealt by banks in
- B. US withholding tax applies to Eurodollar deposits
- C. Eurodollar deposits are free of US reserve require
- D. Eurodollar deposits are subject to US exchange con

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 414

Today, you sell GBP 5,000,000.00 to a customer against JPY for spot value. Tomorrow, the customer defaults. What is your exposure called?

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

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 415

What is a hedge?

- A. A means by which to reduce a risk
- B. An equal and opposite risk
- C. A riskless transaction
- D. A means of cancelling a deal

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 416

Mark-to-market' in a repo means:

- A. Revaluing collateral versus cash
- B. Revaluing collateral
- C. Calculating net present value
- D. Calculating the net replacement cost

Correct Answer: A
Section: (none)
Explanation
Explanation/Reference:



QUESTION 417

Which of the following functions does a to-party repo agent not perform?

- A. It checks the eligibility and sufficiency of colla
- B. It can impose an initial margin on behalf of the b
- C. It manages substitution of collateral on behalf of
- D. It participates in the risk of transactions if one

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 418

Which of following terms is not used as an expression for dates other than regular dates/periods?

- A. cock dates
- B. broken dates
- C. odd dates
- D. weird dates

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 419

Under what conditions can an FX broker act as a position taker?

- A. if a principal refuses to honour the deal
- B. no conditions are required; the broker is entitled
- C. only if he can not find another counterparty for a
- D. brokers act only as intermediaries or arrangers of

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:



QUESTION 420

Which of the following correctly states the Model Codes recommendations regarding terms and documentation?

- A. Such documentation should be bi-laterally signed b
- B. When using such agreements... the wording in the a
- C. Such documentation should be signed, in many cases
- D. For instruments where standard terms do not exist,

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 421

If 6-month EUR/AUD is quoted at 129/132, which of the following statements is correct?.



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- 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 422

What is the name of a swap in which the counterparties sell currencies to each other with a concomitant agreement to reverse the exchange of currencies at a fixed date in the future at the same price, and where the interest rates for the two currencies are reflected in the two exchanges but paid separately?

- A. aFXswap
- B. an in/out swap
- C. a currency swap
- D. a quanto swap

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 423

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 EUR 25,000,000.00 nominal of the 5.5% OAT April 2015, which is worth EUR 28,137,500.00. 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 424

A customer sells a 3-month Euro Swiss Franc (EUROSWISS) futures contract. Which of the following risks could he be trying to hedge?

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

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 425

Forward points represent:

- A. The expected appreciation or depreciation of the b
- B. The expected appreciation or depreciation of the q
- C. Largely, the interest rate differential between tw
- D. Solely, the interest rate differential between two

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 426

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 427

Which of the following statements about the Net Stable Funding Ratio is correct?

- A. Assets are classified with an available stable fun
- B. Liabilities are classified with a required stable
- C. The ratio of available funding to required funding
- D. Equity has an available stable funding factor of 1

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 428

Which of the following statements is an incorrect statement in respect of Model Code recommendations concerning electronic trading?

- A. It is recommended that ECNs have mechanisms that c
- B. A manual kill button that disables the systems abi
- C. The sudden withdrawal of a specific credit limit o
- D. Algorithms require appropriate supervision perform

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 429

You are entering into a swap as a fixed rate receiver with Party A and into an offsetting position with party B. All other things being equal, which of the scenarios below will lead to the greatest increase in the sum of the Credit Value Adjustments for A and B?

- A. upward shift of the swap curve and rating downgrad
- B. downward shift of the swap curve and rating downgr
- C. downward shift of the swap curve and rating downgr
- D. downward shift of the swap curve only

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 430

With regard to operational risk awareness, which of the following best practices is incorrect?

- A. A report describing operational risks, the most si

- B. It is good practice to collect and analyze incident
- C. Every time a report describing operational risks is
- D. Whenever possible action plans should be put in place

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 431

What are financial market professionals not explicitly required by the Model Code to clarify and agree to in writing?

- A. that the customer understands he will be charged for
- B. that the customer understands the terms, conditions
- C. that the customer understands that any information
- D. that the customer understands he is entering into

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 432

What should a dealer say to express his commitment to putting an additional bid or offer at a current bid or offer price already quoted by his broker?

- A. "same way"
- B. "me too"
- C. "par", or "parity"
- D. "join at", or "support at"

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 433

Which one of the following statements about “CLS rescinds” is correct?

- A. CLS settlement members may rescind instructions un
- B. CLS settlement members may rescind instructions un
- C. CLS settlement members may rescind instructions bi
- D. CLS settlement members may rescind instructions bi

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 434

Which of the following statements with respect to trading and broking ethics through the use of technology is the correct quote from the Model Code?



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- A. Deliberate attempts at gaming and abuse using the
- B. Management should ensure that the complete e-tradi
- C. All bid-offers presented to electronic platforms s
- D. Trades which occur at off-market rates, by agreeme

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 435

For a bank to count funds as regulatory capital:

- A. There has to be an ultra long term maturity date
- B. The risk taken by the bank must be taken or shared
- C. The funds must be in the form of pure equity
- D. The funds must be re-invested only in cash

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 436

Which of the following is a characteristic of all liquid assets under Basel III?

- A. uncertainty of valuation
- B. high correlation with risky assets
- C. listed on a developed and recognized exchange
- D. readily marketable



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 437

What is the ISO code for platinum?

- A. XAU
- B. XAG
- C. XPT
- D. XPD

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 438

What is the London Gold Price Fix (London Gold Fixing)?

- A. the gold price fixed twice a day to balance supply
- B. the gold price fixed at the end of the day in the
- C. the gold price fixed at 11:00 am. local time in th
- D. the gold price fixed at 11:00 a.m. to settle gold

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 439

If a dealer needs to hedge an over-lent 3x6 position against 1MM dates for which the FRA is quoted 1.30-1.34% and futures at 98.64, which would be cheapest for him (ignoring margin costs on futures positions) to cover his gap?

- A. FRA
- B. Futures
- C. No difference
- D. Too little information to decide

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 440

Assume the following scenario: Bank A bids for EUR 5,000,000.00 at 1.3592. Bank B offers EUR 10,000,000.00 at 1.3597. Broker XYZ quotes to the market EUR/USD 1.3592/97. Bank C takes the offer at 1.3597. What information is the broker obliged to reveal?

- A. the name of Bank A and Bank B
- B. the names of Bank B and Bank C
- C. the amount that was bid but not the name of Bank A
- D. the amount taken by Bank C as well as the amount t

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 441

If you take an 18-month USD deposit, when is interest payable?

- A. Quarterly
- B. At maturity
- C. Semi-annually
- D. After one year and at maturity



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 442

The outright forward FX rate is not a function of which of the following?

- A. The interest rates of the two currencies
- B. The spot exchange rate
- C. Thedaycount
- D. Market expectation

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 443

What does the Model Code advise regarding the taping of telephone conversations?

- A. The tapes and other records should be kept until t
- B. Management should ensure that the installation and
- C. All front office personnel should have access to t

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 444

Which of the following is a measure of a banks gross exposure to foreign exchange rate risk?

- A. The maturity mismatch among assets and liabilities
- B. The gap between variable and fixed rate assets and
- C. The sum of all assets in one currency minus the su
- D. The sum of all off-balance sheet assets in one for

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 445

Under what circumstances are banks allowed to park deals or positions with a counterparty?

- A. Not under any circumstances, since the parking of
- B. in conditions of exceptional volatility

- C. only if the two counterparties to the deal agree
- D. only if “parking” of deals or positions has been a

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 446

Which of the following statements does not explain why banks accept some amount of interest rate risk?

- A. In their function as intermediaries, banks must ne B.
Banks incur interest rate risk to increase income
- C. Banks prefer c red it risk to market risk.
- D. If banks failed to take on interest rate risk they

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 447

What does the term “mine” mean when given in response to an FX spot quotation?

- A. I buy the base currency at the bid rate.
- B. I buy the base currency at the offer rate.
- C. I buy the counter-currency at the offer rate.
- D. I sell you the base currency at the bid rate,

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 448

When constructing a gap report, how would a EUR 25,000,000.00 long position in 6x12 FRA be categorized?

- A. as a EUR 25,000,000.00 6-month liability and a EUR
- B. as a EUR 25,000,000.00 12-month liability and a EU
- C. as a EUR 12,500,000.00 6-month liability and a EUR
- D. as a EUR 12,500,000.00 6-month asset and a EUR 12,

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 449

In the unforeseen event that a particular maturity date is declared a public holiday, what is standard market practice for spot FX?

- A. to extend the contract to the next business day
- B. to shorten the contract to the previous business d
- C. The two parties involved agree to a new maturity d
- D. There is no standard market practice. ACIs Committ



Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 450

What is the recommended follow-up procedure in case of a settlement discrepancy?

- A. All investigation cases should be handled within t
- B. Investigation cases received before noon should be
- C. Investigation cases received before noon should be

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 451

Using the following rates: 3M (90-day) EUR deposit 0.25% 6M (180-day) EUR deposit 0.50% What is the rate for a EUR deposit, which runs from 3 to 6 months?

- A. 0.25%
- B. 0.375%
- C. 0.75%
- D. 0.50%

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 452

Under Basel III the Credit Value Adjustment will apply to:



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- A. bilaterally cleared ABS trades only
- B. exchange traded derivatives only
- C. derivatives cleared via a CCP
- D. bilaterally settled OTC derivatives trades

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 453

As to general risk management principles, the Model Code mentions that the organizational structure should ensure independent risk management and controls. Which one of the following is not among those controls?

- A. open and effective communication channels between
- B. regular internal audits should be carried out toge
- C. complete segregation of duties between the front,
- D. a separate system for independent monitoring to en

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:



QUESTION 454

Four banks provide you with quotes in CHF/SEK. Which is the best price for you to buy SEK?

- A. 6.5825
- B. 6.5820
- C. 6.5815
- D. 6.5830

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:

QUESTION 455

In dealing terminology, what does “my risk” refer to?

- A. the market amount for which the quote is valid
- B. the acknowledgement by the broker that he may be s
- C. the acknowledgement by the dealer receiving the qu
- D. the quoting dealer cautions the receiver of the qu

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 456

From the following CAD rates: 1M (31-day) CAD deposit 0.95% 1x2 CAD (30-day) FRA 1.21% 2x3 CAD (31-day) FRA 2.01% Calculate the 3-month implied cash rate.

- A. 1.42%
- B. 1.39%
- C. 2.01%
- D. 4.21%



Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 457

An FX forward outright has been dealt for a value date which is subsequently declared to be a bank holiday. According to the Model Code, the exchange rate for the deal:

- A. should be adjusted to take account of the change i
- B. cannot be adjusted if one of the counterparties wi
- C. must be adjusted if one of the counterparties wish
- D. should be adjusted if the adjustment is for two da

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 458

A CD can usually only be issued by what type of institution?

- A. Credit institution
- B. Investment bank
- C. Discount house
- D. Corporate

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:



QUESTION 459

Under Basel rules the risk weight for AM-rated claims on corporates in the standardized approach is:

- A. 0%
- B. 15% C. 20%
- D. 75%

Correct Answer: C
Section: (none)
Explanation
Explanation/Reference:

QUESTION 460

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. Margin maintenance or re-pricing, but usually marg
- D. Margin maintenance or re-pricing, but usually re-p

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 461

Which SWIFT message should be used to advise the netting position of a currency resulting from FX, NDF, options and other trades?

- A. MTn99
- B. MT300
- C. MT370
- D. MT670/671

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 462

Any breaches in confidentiality should be:

- A. documented and reported to the local regulator
- B. communicated to local staff by a confidential inte
- C. investigated immediately according to a properly d
- D. reported to the ACIs Committee for Professionalism

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 463

If a 12-month AUD/NZD swap is quoted 53/47, which of the following statements would you consider to be correct?

- A. 12-month AUD rates are higher than 12-month NZD rates
- B. 12-month AUD rates are lower than 12-month NZD rates
- C. Spot AUD/NZD will be higher by approximately 50 points
- D. The AUD yield curve is positive, whilst the NZD yield curve is negative

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 464

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 'in-the-money' put option



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 465

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/ND. Buy GBP/USD spot, and buy and sell GBP/USD T/N

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 466

If you took a short position in USD/JPY, how could the Fed “squeeze” you?

- A. Raise USD interest rates
- B. Lower USD interest rates
- C. Lower reserve requirements
- D. It could not squeeze you

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 467

How is a USD Overnight Indexed Swap (OIS) 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. Two days after maturity by net payment

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 468

You quote your customer EUR/USD 1.3070-73, However they need the rate quoted in EUR per USD. What do you quote?

- A. 1.3073-70
- B. 0.7651-49
- C. 0.7646-49
- D. 0.7649-51

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 469

The Model Code is clear on "position parking". What does it say?

- A. The parking of deals or positions with any counter
- B. The parking of deals or positions should be subject to the Model Code
- C. In jurisdictions where position parking is allowed



Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 470

Which one of the following best describes expected shortfall/conditional value-at-risk at the 95% level?



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- A. the expected loss on the portfolio in the worst 95
- B. the expected loss in those cases where the loss ex
- C. the maximum loss in those cases where the loss exc
- D. the expected loss in those cases where the loss ex

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 471

A long collar is:

- A. A purchase of a cap and a sale of a floor
- B. A purchase of a floor and a sale of a cap
- C. A purchase of a cap and a purchase of a floor
- D. A sale of a cap and a sale of a floor

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 472

What do you call a combination of a long (short) call option and short (long) put option with same face value, same expiration date, same style, where the strike price is equal to the forward price?

- A. a synthetic forward
- B. a straddle
- C. risk reversal
- D. a strangle

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 473

A bank expects interest rates to fall with a parallel downward shift in the yield curve. What action should the bank take, if it wants to benefit from this view?

- A. increase the maturity of its liabilities
- B. reduce the maturity of its asset portfolio
- C. run a zero gap
- D. lengthen the maturity of its asset portfolio

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 474

When is your settlement risk greatest on a spot FX deal?

- A. Today
- B. Tomorrow
- C. After you make an irrevocable payment
- D. On the spot value date

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 475

In foreign exchange markets, the first currency in a currency pair is:

- A. The quoted currency
- B. The base currency
- C. The counter currency
- D. The terms currency

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 476

Which one of the following statements concerning covenants is incorrect?

- A. Covenants are clauses in bank credit agreements an
- B. Covenants must be tailored to reflect the specific
- C. Covenants require the holder of the debt to refrai
- D. Three different types of covenants in credit agree

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 477

You are quoted the following market rates: Spot EUR/USD 1.3010 6M (181-day) EUR 0.30% 6M (181-day) USD 0.50% What is 6-month EUR/USD?

- A. 1.2993
- B. 1.3023
- C. 1.3141
- D. 1.4323

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 478

The two-week repo rate for the 5.25% Bund 2011 is quoted to you at 3.33-38%. You agree to reverse in bonds worth EUR 266,125,000.00, but insist on an initial margin of 2%. You would earn repo interest of:

- A. EUR 337,874A0
- B. EUR 342,947.58C. EUR 337,739.24
- D. EUR 342,810.40

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 479

What are de minimis claims?

- A. claims of less than USD 100.00
- B. claims of less than USD 1,000.00C. claims of less than EUR 100.00
- D. claims of less than EUR 1,000.00

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 480

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 481

In FX trading a “third party beneficiary” is best described as:

- A. the issuer of a payment for the relevant trade dis
- B. the issuer of a payment for the relevant trade ide
- C. the recipient of a payment for the relevant trade
- D. the recipient of a payment for the relevant trade



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 482

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 483

Which of the following statements is correct?

- A. Hedging a long bond position with payer's swap inv
- B. Hedging the credit risk of an asset swap package w
- C. Basis risk is a result only of maturity mismatches
- D. Basis risk is a result only of duration mismatches

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:



QUESTION 484

What is the purpose of the Liquidity Coverage Ratio?

- A. to mitigate market replacement risk across markets
- B. to eliminate funding mismatches by establishing a
- C. to ensure that banks have enough high-quality liqu
- D. to minimize duration risk on a bank's assets over

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 485

What is an outright forward FX transaction?

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

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 486

Under Basel rules, what is the meaning of LGD?

- A. Loss Given Default
- B. Liquidity Given Distress
- C. Limit Given Default
- D. Loss Given Distress

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 487

What would happen to a banks net interest income if it ran a zero gap in an environment of decreasing interest rates?

- A. Net interest income would increase slightly.
- B. Net interest income would increase considerably.
- C. Net interest income would decrease.
- D. Net interest income would hardly change at all.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 488

When may a broker 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 acknowledgement is received from the principa
- D. When both back offices acknowledge the deal

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 489

Is gambling or betting between market participants allowed?

- A. Yes, it is allowed for sporting events.
- B. Yes, it is allowed if no money is involved.
- C. Although not prohibited, it is strongly discourag
- D. It is allowed for purposes of charity.



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 490

Which one of the following is a major objective of ACI-The Financial Markets Association?

- A. to promote globalization and deregulation of the f
- B. to maintain the professional level of competence a
- C. to act as the official international market regula
- D. to become the sole global corporation of wholesale

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 491

The seller of a floor:



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- A. Receives compensation if a reference interest rate
- B. Pays compensation if a reference interest rate fal
- C. Receives compensation if a reference interest rate
- D. Pays compensation if a reference interest rate ris

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 492

A prime broker may not reject a trade given up if:

- A. the trade is not within the specified tenor limits
- B. the trade is not within the specified credit limit
- C. the trade details provided by the executing dealer



D. the trade is a permitted transaction type as speci

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 493

In the deposit broker market, which one of the following is not a valid reason for the proposed borrower to decline the lenders name?

- A. In the case of short date deposits, if the borrowe B.
- The borrower has no lending line for the placer of
- C. If he secures a better rate elsewhere.
- D. The borrower would be in breach of internal or reg

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 494

A bank wants to use STIR futures for establishing a macro hedge for the asset portfolio. Which of the following statements is correct?

- A. It is reasonable for the bank to purchase futures
- B. It is reasonable for the bank to take a long posit
- C. Losses (or gains) in the value of the cash positio
- D. It is reasonable for the bank to sell futures cont

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 495

If making a claim in respect of use of funds, payments should be settled within how many days?

- A. 15
- B. 20
- C. 35
- D. 40

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 496

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 you find a counterparty.
- C. You cannot do this.
- D. The Model Code does not make recommendations on this.



Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 497

To curb attempted fraud, banks should:

- A. Require greater vigilance by the management and staff.
- B. Take particular care when the beneficiary is a third party.
- C. Ensure that details of all telephone deals which do not involve the use of a computer are recorded.
- D. All of the above.

Correct Answer: D
Section: (none)
Explanation

Explanation/Reference:
QUESTION 498

With reference to dealing periods, what does the term “short dates” refer to?

- A. overnight, tom-next and spot-next
- B. maturities up to one week
- C. maturity dates of less than one month
- D. maturity dates of less than 10 days

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:



QUESTION 499

If the daily 90% confidence level VaR of a portfolio is correctly estimated to be USD 5,000.00, one would expect that:

- A. in 1 out of 10 days, the portfolio value will decl
- B. in 1 out of 90 days, the portfolio value will decl
- C. in 1 out of 10 days, the portfolio value will decl
- D. in 1 out of 90 days, the portfolio value will decl

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 500

What rate should be used if the settlement date in a foreign exchange transaction is no longer a good date?

- A. The original rate of the transaction
- B. The original rate of the transaction adjusted by t
- C. The affected parties should agree to adjust the ex
- D. The rate is open to negotiation by the two parties

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 501

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 502

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 503

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 504

When initially negotiating an interest rate swap, a principal indicated his intention to assign it to a third party. In executing such a transfer:

A. The principal is entitled to provide the name of t

B. The principal is entitled to provide the name of t

C. The principal should obtain the consent of the tra

D. The principal should obtain the consent of the ori

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 505

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 506

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 507

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 professionals do
- C. Not good practice.
- D. A criminal offence.

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 508

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 509

Risk capital is intended to ensure that an institution can:

- A. Survive a liquidity crisis
- B. Absorb credit losses
- C. Absorb any type of unexpected loss
- D. Absorb any type of expected loss

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 510

You are quoted the following market rates: Spot AUD/USD 1.0380-85 0/N AUD/USD swap 2.42/2.35 TIN AUD/USD swap 0.82/0.79 S/N AUD/USD swap 0.80/0.77
Where can you buy AUD against USD for value tomorrow?





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- A. 1.038579
- B. 1.038582
- C. 1.038418
- D. 1.038421

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 511

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 512

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 513

A dealer does the following deals in EUR/USD: buys EUR 1 m at 11020 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 EUP 1.5 m at 1.1036
- C. Long EUR 1.5 m at 1.1012
- D. Short EUR 3.0 mat 1.1025



Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 514

When an employee executes a personal trade in advance of a clients or institutions order to benefit from the anticipated movement in the market price following the execution of a large trade, it is called:

- A. front running
- B. ex ante trading
- C. insider dealing
- D. forward-facing

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 515

The mid-rate for USD/CHF is 1.3950 and the mid-rate for AUD/USD is 0.7060. What is the midrate for CHF/AUD?

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

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:



QUESTION 516

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 517

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

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 518

What is the maximum maturity of a London CD?

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



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 519

What is the principal risk identified by gap management reporting?

- A. Currency risk
- B. Interest rate risk
- C. Operational risk
- D. Credit risk

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:

QUESTION 520

What is the effect of netting?

- A. To reduce the number and size of payments and transactions
- 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 521

It is now permissible in most markets for brokers to be owned by banks and other principals. Where there is shared management, or a share holding or other investment in a broker by a counterparty:

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

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 522

A 3-month (91-day) UK Treasury bill with a face value of GBP 50,000,000.00 is quoted at a yield of 4.25%. How much is the bill worth?

- A. GBP 47,875,000.00
- B. GBP 49,462,847.22
- C. GBP 49,470,205.48
- D. GBP 49,475,760.27

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 523

When you are accepting a stop loss order, you must:

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

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 524

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 525

On fixing date, the settlement payment of an NDF reflects the differential between the agreed forward rate and:

- A. the fixing spot rate
- B. the daily high
- C. the days' average rate
- D. the average rate over the NDF period

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 526

Gambling or betting amongst market participants has obvious dangers and:



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- 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 527

Under Basel rules, what is the meaning of IRB?

- A. Internal Risk Based
- B. Internal Ratings Based
- C. Intrinsic Risk Based
- D. Internal Rule Based

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 528

Voice-brokers in spot FX are remunerated with:

- A. Commission paid by both parties at rates agreed be
- B. A fee paid by the seller
- C. Bid/offer spread
- D. A share of the bid/offer spread

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 529

What is one of the responsibilities of the Middle Office according to the Model Code?

- A. Sending settlement instructions
- B. Investigating settlement discrepancies



- C. Keeping a contact list of all back office staff of
- D. Exchanging standard settlement instructions (SSIs)

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 530

What does the Model Code recommend regarding the practice of “name switching/substitution”?

- A. Dealers may seek a compensation payment in favor o
- B. If requested by a broker to clear a transaction th
- C. The practice of name switching/substitution is nei
- D. Name switching/substitution transactions should be

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 531

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 532

Where answer phone equipment is used for reporting and recording of off-premises transactions, it should be:

- A. On a special number known only to the chief dealer
- B. On a number located in the office of the internal auditor
- C. Secured so that reported transactions cannot be eavesdropped on
- D. Secured by recordings that are stored for a suitable period

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 533

If there is a need for assistance to help resolve a dispute over differences between a broker and a bank, the Model Code suggests turning to:

- A. the monetary authority in the country where the broker is located
- B. the banking association in the country where the bank is located
- C. the Committee for Professionalism of the ACI
- D. the local foreign exchange market committee



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 534

You are quoted the following rates: spot CHF/JPY 60.12-22 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 535

Which position below is NOT a component of common equity Tier 1 capital?

- A. innovative hybrid capital instruments with incenti
- B. common shares issued by bank
- C. retained earnings
- D. stock surplus (share premium)

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 536

Payment and settlement instructions should be passed:

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

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 537

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 538

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 539

Which of the following are quoted in terms of a discount rate?

- A. USTreasury bill
- B. CD
- C. Interbank deposit
- D. ECP

Correct Answer: A

Section: (none)

Explanation



Explanation/Reference:

QUESTION 540

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. 69.36-39

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 541

You are quoted the following rates: Spot JPY/CHF 0.009520-25 6M JPY/CHF 10/7 At what rate can you buy 6-month outright CHF against JPY?

- A. 0.008520
- B. 0.009510
- C. 0.009515
- D. 0.009518



Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 542

What are 1MM dates?



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- A. the tenth of the following months: March, June, Se
- B. the third Wednesday of January, April, July and Oc
- C. the Monday before the third Wednesday of March, Ju
- D. the third Wednesday of March, June, September and

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 543

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 544

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 545

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.
- 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 546

Which of the following statements is false? The repo legal agreement between the two parties concerned should:

- A. enable the parties to comply with any capital adeq
- B. provide for the absolute transfer of title to secu
- C. provide for the calculation of initial considerati
- D. detail the course of action in the case of default

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 547

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 548

To establish and maintain a short position in deliverable securities, you must:

- A. Sell
- B. Sell and subsequently buy back
- C. Sell and borrow
- D. Sell, borrow and buy back simultaneously

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 549

ACI's Committee for Professionalism will offer expert opinion in disputes between firms if:

- A. both parties to the dispute are members of the ACI
- B. one of the counterparties requests the assistance
- C. the two counterparties are located in different fi
- D. the amount in dispute is more than USD 100,000.00

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 550

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 551

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 assignee
- D. The dealer should seek the permission of the originator

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 552

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 553

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 554

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 curie



D. There is not enough information to decide

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 555

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 556

You have made a price by a Japanese bank in (SD 2,000,000.00 against JPY. They made you 98.95-03 and you took the offer. USD/JPY is now quoted 98.78-81 and you square your position. What is your profit or loss?

- A. Profit of JPY 340.000
- B. Profit of JPY 1.500,000
- C. Loss of JPY 340.000
- D. Loss of JPY 500.000

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 557

How can options be used to synthesize 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 558

What is the incentive for market-making?



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

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 559

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 buyer
- D. It is frozen in the seller's account with the tri-party agent

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 560

An option granted by the seller that gives the buyer the right to enter into an underlying interest rate swap transaction is called:

- A. a swap
- B. a cap
- C. a swaption
- D. a collar



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 561

The term "under reference" refers to:

- A. an unavailability of a credit limit for the counterparty
- B. a qualification stating that a transaction needs to be approved by the counterparty
- C. the unacceptability of the counterparty's name
- D. a qualification stating that the rate quoted may not be available

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 562

Dealers are allowed to trade for their own account only if:

- A. they have good track records in dealing both for t
- B. there have been no previous conflicts of interest
- C. there is a clearly defined and written policy about
- D. the dealers see no conflict of interest in such de

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 563

A payer's 3-month USD LIBOR swap with a remaining term of five years must be reported as:

- A. a five-year liability and a three-month asset
- B. a five-year asset and a three-month liability
- C. a five-year asset only
- D. a three-month liability only

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 564

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 565

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 566

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 567

In spite of having agreed to a deal, dealers are not bound to its terms if it is “subject to documentation”. What position does the Model Code take with regard to this practice?

- A. The practice of making a transaction subject to do
- B. It urges dealers to be bear in mind that this is a
- C. The Model Code does not comment on the matter.
- D. It recommends that national ACI Associations deal

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 568

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 569

If EUR/USD is quoted to you as 1.3030-40 and GBP/USD as 1.5320-30, at what rate can you sell GBP and buy EUR?

- A. 0.8500
- B. 0.8506
- C. 0.8512
- D. 0.8505

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 570

Which of the following definitions of a nostro account is correct?

- A. A nostro account is an account held by a bank in a B.
- A nostro account is an account held by a bank in a
- C. A nostro account is an account held by a bank in a
- D. A nostro account is an account held by a bank in i

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 571

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 572

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 573

A Eurozone-based bank that is liability-sensitive to market interest rate changes might reduce interest rate risk by:



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- A. entering into a pay fixed I receive variable stand
- B. entering into a receive fixed I pay variable amort
- C. entering into a EUR/USD FX swap
- D. entering into a receive fixed I pay variable stand

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 574

What does the Model Code recommend with regard to any give-up agreement between a prime broker and an executing dealer?

- A. That the Master FX Give-Up Agreement (FMLG - New Y
- B. That this agreement need not specify the permitted
- C. That this agreement must include instructions that
- D. That this agreement should not involve any require

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 575

When performing a gap analysis, into which of the following time buckets should a 5-year floating-rate note with a 6-month LIBOR coupon be slotted?

- A. the 6-month bucket
- B. the 2.5-year bucket
- C. the 5-year bucket
- D. It should be weighted and apportioned in each of t



Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 576

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 577

Deals transacted directly or via a broker prior to 5:00 am 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 578

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 579

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 580

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 581

Which of the following cannot produce a capital gain?

- A. Treasury bill
- B. CD
- C. ECP
- D. Classic repo

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 582

What is the minimum basis on which a BCP should be updated and tested?

- A. Every 6 months
- B. Yearly
- C. Whenever the BCP procedures are changed
- D. Every 3 months

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 583

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 584

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 585

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 s
- C. cannot be taken as a fixed-price guarantee unless
- D. will always be the stop loss rate, if the order is

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 586

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 587

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 fal
- C. Depends solely on the volatility of the price of t
- D. Becomes negative if the market price of the underl

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 588

A sold JUN 3-month STIR-future should be reported in the gap report as of 22 May:

- A. as a given deposit with a term of one month and a
- B. as a taken deposit with a term of one month
- C. as a taken deposit with a term of one month and a
- D. as a given deposit with a term of four months

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 589

You have just sold USD 5,000,000.00 spot against JPY. What type of risk does not apply?

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

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 590

What recommendation does the Model Code make in cases of market disruption?

- A. Market participants should strictly adhere to the
- B. Even if local provisions are in place, market part
- C. Participants must at all times adhere to the rules
- D. Parties may unilaterally decide whether they wish

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 591

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 592

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 593

Name switching is:

- A. the practice of a dealer attempting to replace one
- B. the practice of a broker having to show a new name
- C. the practice of a broker attempting to substitute
- D. the practice of a broker attempting to show a subs

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:



QUESTION 594

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 595

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 596

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 laFd down policy.
- D. The dealers see no conflict of Interest in such de



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 597

What is replacement cost a function of?

- A. Credit risk



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

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 598

Click on the Exhibit Button to view the Formula Sheet. You are short of 6 Dec euro dollar 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 599

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 600

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 counterparty



Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 601

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 602

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 603

What is the value date of a 6-month outright forward FX transaction dealt today, if today's spot date is Monday, 30th 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 604

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 possible.
- D. All of the above.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 605

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 and integrity.
- B. It is a purely commercial matter for your two institutions.
- C. Such arrangements are not in any way enforceable or binding.
- D. All of the above.



Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 606

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 607

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 608

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 609

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 610

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 611

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 612

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 613

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 614

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 615

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?



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

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 616

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. ACIs Committee for Professionalism will decide whether
- D. The transaction should not be concluded.

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 617

When dealing with customers, financial market professionals are advised by the Model Code to clarify that all transactions are entered into solely at each party's risk by explicitly agreeing in writing that:

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

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 618

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 619

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 620

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 621

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 same strike price
- C. A long call option + short put option with the same strike price
- D. A short call option + long put option with the same strike price

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 622

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 623

In all dealing conversations, the Model Code strongly recommends:

- A. Dealers stick to market terminology in order to avoid confusion
- B. Dealers clarify what is being proposed rather than assume
- C. Dealers restrict themselves to terminology listed in the Model Code
- D. Dealers define complex terminology in the confirmation

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 624

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 625

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 626

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 627

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 628

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

Correct Answer: C
Section: (none)
Explanation

Explanation/Reference:

QUESTION 629

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 630

In a dispute between the dealer and a broker, the Model Code recommends that this should be referred in the first instance to:

- 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 631

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 loca
- D. None of the above.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 632

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 633

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 634

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 twos. What have you done?

- A. Borrowed USD 20 million 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 635

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?

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

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:



QUESTION 636

If GSP/USD is quoted to you at 1.61 20-30, how much GSP would you receive if you sold USD 2000,000?



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- 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 637

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 3month forward USD/CHF rate to be?

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

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:



QUESTION 638

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 639

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 640

Which of the following currencies is quoted on an actual/360 basis?

- A. EUR
- B. JPY
- C. CHF
- D. All of the above

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 641

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 642

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 643

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 644

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 645

You are quoted spot NZD/USD 0.6821-26 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 646

Which of the following is not in the Model Code?

- A. Banks and brokers should record, by tapes or other
- B. There is no need to inform new counterparties and
- C. On completion of recordings, tapes should be kept
- D. The storage of recorded tapes should be strictly m

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 647

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 648

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 649

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, 12x10 and 16x24 FRAs
- D. sell a strip of 6x12, 12x18 and 18x24 FRAs

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 650

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 651

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 652

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 653

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 654

How can material divergences between the value of cash and collateral be managed in a documented sell/buy-back?



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- 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 655

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 is

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 656

How is an outright forward FX transaction quoted?

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

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 657

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 brokers liability should be limited as he is n



Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 658

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 659

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.
- C. Agree but insist on paying half the cost.
- D. Refuse. Going back to the same club is clearly excessive.

Correct Answer: B
Section: (none)
Explanation

Explanation/Reference:



QUESTION 660

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 check.
- B. Cancel the order.
- C. Continue with the order.
- D. None of the above.

Correct Answer: A
Section: (none)
Explanation

Explanation/Reference:

QUESTION 661

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 662

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 responsibili
- C. Dealers are required to pass the ACI Dealing Certi
- D. Given the wide range of electronic dealing platfor



Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 663

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

Section: (none)

Explanation

Explanation/Reference:

QUESTION 664

You are quoted the following market rates: spot EUR/GBP 0.6670 6M (182-day) EUR 2.35% 6M (182-day) GBP 375% 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 665

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 666

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 667

An interest rate swap is:

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

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:



QUESTION 668

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 system
- C. Is accepted for senior dealers.
- D. Is accepted for hedging transactions.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 669

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

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 670

When using legal documentation proposed modifications:

- A. Should be documented as soon as possible after a d
- 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 671

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 672

Where dealing through an intermediary with an unidentified principal, the Model Code recommends:

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

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:

QUESTION 673

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 674

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 675

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 676

A customer asks for a price in 3-month CHF/JPY. You quote 56/54. The customer deals at 54. What have you done?



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- 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 677

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 or the above.

Correct Answer: A

Section: (none)

Explanation

Explanation/Reference:

QUESTION 678

Under the Model Code, it 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 679

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 680

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 681

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 682

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 683

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 684

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 685

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 GSP 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 686

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 16,000
- D. -CAD 13,000

Correct Answer: B

Section: (none)

Explanation

Explanation/Reference:

QUESTION 687

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 688

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 689

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 690

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 691

What does the Model Code say about netting?

- A. Market participants are strongly recommended to net
- B. Market participants should establish payments netting
- C. Market participants should establish legally binding netting
- D. Market participants should establish legally binding netting

Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 692

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 counterparty
- B. Monitoring all payments to counterparties who are not netting
- C. Establishing legally binding bilateral netting arrangements
- D. Seeking pre-payment.



Correct Answer: C

Section: (none)

Explanation

Explanation/Reference:

QUESTION 693

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 111.60
- 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 694

When quoting the exchange rate between the EUR and AUDI 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 695

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 696

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 697

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?



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

Correct Answer: A
Section: (none)

C.....	2
D.....	8
Correct Answer:	8

Explanation
Explanation/Reference:

QUESTION 698

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

Section: (none)

Explanation

Explanation/Reference:

QUESTION 699

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 700**

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 701

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 702

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 703

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:

QUESTION 704

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 705

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 706

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 rairly 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 707

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 708

If you buy GBP 2,000,000 against USD at 1.6020; GSP 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 709

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 710

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 711

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 712

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 713

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 714

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 715

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 716

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 717

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 tick
- D. All of the above

Correct Answer: D

Section: (none)

Explanation

Explanation/Reference:



QUESTION 718

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 719

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 720

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:



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