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QUESTION 1

What guidelines does the Model Code provide concerning the practice of only one party to a transaction sending a written confirmation?

- A. it is only permissible in derivatives markets
- B. it is not recommended
- C. it is recommended only when dealing interbank
- D. it is only permissible when dealing value today

Correct Answer: B

QUESTION 2

A trader purchases a six month over-the-counter straddle (options strategy) for a 1 million premium from a counterparty. The maximum credit exposure over the life of the trade is:

- A. less than 1 million
- B. there is no credit exposure
- C. exactly 1 million
- D. none of the above

Correct Answer: D

QUESTION 3

In the unexpected event that a public holiday is declared on the date a particular contract matures, what is the normal market practice?

- A. if that day is NOT the final trading day of the month, all contracts maturing on that day are extended to the next business day
- B. if that day is NOT the final trading day of the month, all contracts maturing on that day are shortened to the preceding business day
- C. all new maturity dates have to be agreed upon with the counterparties involved
- D. decisions about the maturity dates of trading contracts are made by ACI's Committee for Professionalism on a case-by-case basis and must be adhered to

Correct Answer: A

QUESTION 4

With respect to financial payments, what does "bridge" mean?

- A. it refers to an electronic settlement between Euroclear and Clearstream
- B. it is an electronic settlement between US Clear and Clearcom
- C. it refers to the relationship between two nostro account institutions
- D. it designates the exchange of payment orders between a nostro and a vostro account

Correct Answer: A

QUESTION 5

As far as interest rate swaps are concerned, which risk is reduced or eliminated when a close-out netting agreement is in place?

- A. replacement risk
- B. volatility risk
- C. commercial risk
- D. market risk is reduced to a predefined amount

Correct Answer: A

QUESTION 6

The function of a prospectus can best be described as:

- A. establishing a guarantee for the prompt repayment of the issue at maturity
- B. establishing a guarantee of the issues investment value
- C. providing full disclosure about the issue
- D. formalizing the contract between the issuer and the lead / co-lead manager

Correct Answer: C

QUESTION 7

In the US commercial paper market, commercial paper is limited to

- A. a 270-day tenor
- B. a 360-day tenor
- C. a 365-day tenor

D. a 366-day tenor

Correct Answer: A

QUESTION 8

Which of the following are considered money market, cash or derivative instruments?

A. currency futures

B. forward FXs

C. currency options

D. forward rate agreements (FRA)

Correct Answer: D

QUESTION 9

What type of documentation is recommended for repos in the international markets?

A. An Overseas Securities Lenders Agreement

B. A ISDA Master Repurchase Agreement

C. A SIFMA/ICMA Global Master Repurchase Agreement

D. An International Securities Lenders Agreement

Correct Answer: C

QUESTION 10

If a money market dealer considers placing a given amount at another bank, he must first of all check:

A. the level of the prevailing market rates

B. if the funds are available on the nostro account of the bank

C. if they will be able to generate the outgoing payment

D. the availability on the country limit and the credit line of his counterparty

Correct Answer: D

QUESTION 11

Which combination of risks: market risk, settlement risk, basis risk, counterparty risk, is associated with a forward FX

deal?

- A. market risk and settlement risk
- B. market risk, settlement risk and basis risk
- C. market risk, settlement risk and counterparty risk
- D. settlement risk and counterparty risk

Correct Answer: C

QUESTION 12

Which SWIFT message type is a nostro cash reconciliation software package based on?

- A. SWIFT message type 300
- B. SWIFT message type 292
- C. SWIFT message type 571 (i.e. a statement of holdings)
- D. SWIFT message types 940 and 950 (i.e. a statement of account)

Correct Answer: D

QUESTION 13

Which interest rates are used to calculate the exchange rate of an outright transaction value tomorrow (over tom)?

- A. the overnight interest rates of both currencies
- B. the spot next interest rates of both currencies
- C. the one week interest rates of both currencies
- D. the tom next interest rates of both currencies

Correct Answer: D

QUESTION 14

Which of these statements is correct?

- A. The strike price of a Bermudan option is an average.
- B. A Bermudan option can be exercised only on a few specific dates prior to expiration.
- C. A Bermudan option can be exercised at any time before its maturity date.
- D. A Bermudan option can be exercised only at maturity.

Correct Answer: B

QUESTION 15

If Bank A sells securities to Bank B, and at the same time and as part of the same transaction, commits to repurchase equivalent securities on a specified future date, Bank A has dealt:

- A. an asset swap
- B. a CFD (contract for difference)
- C. a repo
- D. a securities lending

Correct Answer: C

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