

# 3i0-012<sup>Q&As</sup>

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## QUESTION 1

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

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## QUESTION 2

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

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## QUESTION 3

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

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## QUESTION 4

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 is increasing
- C. the credit spread is increasing
- D. the recovery rate is increasing

Correct Answer: C

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#### QUESTION 5

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

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#### QUESTION 6

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 off-premises should only be undertaken on mobile phones approved by management.
- D. Deals transacted after normal business hours or off-premises either by mobile phones or any other equipment should only be undertaken with the approval of management.

Correct Answer: D

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#### QUESTION 7

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

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## QUESTION 8

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

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## QUESTION 9

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 that was bid

Correct Answer: B

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## QUESTION 10

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

- A. An upward parallel shift of interest rates will cause a loss of income if the rate-sensitivity of a bank's liabilities is higher than the rate-sensitivity of its assets.
- B. A bank will lose income if it has more rate-sensitive liabilities than rate-sensitive assets.

C. Falling interest rates will always result in mark-to-market profits on short positions in fixed rate securities.

D. Rising interest rates can result in mark-to-market losses on fixed-rate assets.

Correct Answer: D

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**QUESTION 11**

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

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**QUESTION 12**

Hybex Electrics 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 swap against receipt of LIBOR.

B. Hybex should become a receiver of a floating rate on a swap against payment of a fixed rate

C. Hybex should become a receiver of a fixed rate on a swap against payment of LIBOR D.

D. Hybex should become a receiver of a floating rate on a swap against payment of LIBOR

Correct Answer: C

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**QUESTION 13**

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

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## QUESTION 14

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

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## QUESTION 15

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

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