

Question: 1

The control failings involving Barings and Daiwa highlight the critical importance of what operational risk management practice?

- A. the taping of conversations between counterparties
- B. model signing-off and implementation controls
- C. the separation between front/back office duties
- D. the existence of contingency plans

Answer: C

Question: 2

The maximum term for which a London Certificate of Deposit may be issued is:

- A. 1 year
- B. 3 years
- C. 5 years
- D. 10 years

Answer: C

Question: 3

A collateral pool can be defined as:

- A. assets lent by members of a payment system collectively available to the system as collateral to enable them to obtain funds in specific circumstances
- B. liabilities owned by members of a payments system collectively available to the system as collateral to enable them to obtain funds in specific circumstances
- C. assets owned by members of a payment system collectively available to the system as collateral to enable them to obtain funds in specific circumstances
- D. assets swapped by members of a payment system collectively available to the system as collateral to enable them to obtain funds in specific circumstances

Answer: C

Question: 4

The prompt sending and checking of confirmations is considered a best practice when dealing in:

- A. amounts higher than USD 10,000,000.00 or the equivalent in other currencies
- B. amounts higher than USD 1,000,000.00 or the equivalent in other currencies
- C. any amount unless dealt via a broker
- D. any amount by any counterparty

Answer: D

Question: 5

When should discrepancies between front-office and back-office systems be resolved?

- A. by the end of the trading day
- B. on the next business day
- C. on the value date
- D. as soon as they become apparent

Answer: D

Question: 6

What is a nostro bank account?

- A. an account held with another bank
- B. an account another bank holds with you
- C. a trust account
- D. a suspense account

Answer: A

Question: 7

What is a feature of multilateral netting?

- A. there are no more than two participants involved in the netting process
- B. there is no redistribution of default risk
- C. there is a central clearing house
- D. no legal entity is required

Answer: C

Question: 8

You have two nostro accounts in USD, one account is long USD 5 million and the other is short USD 5 million. What action should be taken to reconcile the accounts?

- A. No action is required. The credit interest earned on the credit balance will offset the debit interest incurred on the short balance.
- B. You should borrow USD 5 million to cover the short balance and leave the long balance as it is
- C. You should lend the surplus USD 5 million in order to overdraft charges on the short balance with the interest earned on the loan
- D. You should instruct the bank with the long balance to pay USD 5 million to the other bank

Answer: D

Question: 9

Physical securities reconciliation software packages are based on:

- A. SWIFT message type 5XX
- B. SWIFT message type 2XX
- C. SWIFT message type 320
- D. SWIFT message type 400

Answer: A

Question: 10

Which of the following is the main objective of position-keeping?

- A. measuring market exposure
- B. defining capital adequacy
- C. evaluating country risk

D. monitoring counterparty credit risk

Answer: A

Question: 11

How many characters does a BIC have? (under ISO standard 9362, 2nd edition)

- A. 6 or 9 characters
- B. 9 or 12 characters
- C. 7 or 10 characters
- D. 8 or 11 characters

Answer: D

Question: 12

You have just opened a position in EUR/USD that you run overnight. What risk is present?

- A. settlement, counterparty and equity risk
- B. only counterparty risk
- C. only currency and interest rate risks
- D. settlement, counterparty and market risk

Answer: D

Question: 13

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

Answer: C

Question: 14

If the EUR/USD is quoted to you as 1.1050-53, what does this price represent?

- A. EUR per USD
- B. USD per EUR
- C. the interest rate differential between EUR and USD
- D. the fact that one USD is worth more than one EUR

Answer: B

Question: 15

In FX swaps, the rate of the spot leg

- A. may be freely chosen by the quoting party as long as both parties agree on it
- B. must always be fixed immediately at the current mid rate, to reflect the rate at the time the deal was made
- C. should be fixed immediately within the current spread, to reflect current rates at the time the transaction was made
- D. should always be fixed off the current spread in order not to be mistaken for a spot FX transaction

Answer: C

Question: 16

Under normal circumstances, which of the following is a non-negotiable instrument

- A. a Medium Term Note
- B. a Bankers Acceptance
- C. a Money Market Deposit
- D. a Treasury Bill

Answer: C

Question: 17

Your money market dealer has lent GBP 5,000,000.00 at 4 3/4% for 6 months (183 days). How much must the counterparty pay back to you in capital plus accrued interest at maturity?

- A. GBP 5,117,123.29
- B. GBP 5,119,075.00
- C. GBP 5,119,075.34
- D. GBP 5,120,729.17

Answer: C

Question: 18

Today is the fixing date for 6x9 FRA that you sold at 5.50% and for which the FRABBA LIBOR is now 6.00%. Which of the following is true?

- A. You will pay a cash settlement to the counterparty
- B. You will receive the cash settlement
- C. There is no cash settlement pending
- D. There is insufficient information to make a determination

Answer: A

Question: 19

The notional amount in an interest rate swap is:

- A. the sum of all the fixed and floating rate payments
- B. the net difference between fixed and floating rate payments
- C. the principal amount on which floating and fixed interest payments are calculated
- D. the amount at which the two counterparties can close-out their transaction

Answer: C

Question: 20

What does "modified following business day convention" mean?

- A. a convention whereby a transaction is dated the following business day, unless that day extends into the next month, in which case it is dated the preceding business day

- B. a convention whereby a transaction is dated the following business day
- C. a convention whereby a transaction is dated the preceding business day
- D. a convention whereby a transaction is dated the next business day that corresponds to the same numerical day of the month as the preceding payment

Answer: A

Question: 21

What is volatility?

- A. the difference between the current price of an asset and its previous close
- B. a statistical measure of price fluctuations as an annualised percentage
- C. the measure of the liquidity of a contract or security
- D. the difference between the annual high and low of a security

Answer: B

Question: 22

What does ISDA stand for?

- A. International Swaps and Derivatives Association
- B. Integrated System Data Association
- C. International Swap Derivatives Agreement
- D. Informative Software for Dealing Activities

Answer: A

Question: 23

What is a "tick" in the futures markets?

- A. the maximum daily price change permissible on the futures exchange
- B. a temporary suspension of trading at a futures exchange
- C. the initial margin requirements at a futures exchange
- D. the minimum price movement defined by the futures exchange

Answer: D

Question: 24

What does LIBOR stand for?

- A. London Interbank Overseas Rate
- B. London Interbank Offered Rate
- C. Lending Interbank Offered Rate
- D. Leading Interbank Basis Offered Rate

Answer: B

Question: 25

If today is Thursday, 12 December, what is the spot date for a EUR/USD transaction?

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

Answer: C

Question: 26

You take a EUR deposit on Monday, 13 February. Assuming there are no intervening bank holidays, what is the one-month maturity date?

- A. Monday, 13 March
- B. Tuesday, 14 March
- C. Wednesday, 15 March
- D. Thursday, 16 March

Answer: C

Question: 27

In the Euro deposit markets, what is spot?

- A. value one bank business day forward
- B. value two bank business days forward
- C. value one calendar day forward
- D. value two calendar days forward

Answer: B

Question: 28

If today is Wednesday, what are the value days of a spot next money market deal assuming there are no intervening bank holidays?

- A. Wednesday against Thursday
- B. Thursday against Friday
- C. Friday against Monday
- D. Monday against Tuesday

Answer: C

Question: 29

The difference between the bid and the offer rate of a money market quotation is called:

- A. the margin
- B. the spread
- C. the variation
- D. the premium

Answer: B

Question: 30

Who is responsible for producing the Model Code?

- A. the Federation of Bankers Associations
- B. the International Foreign Exchange Market Practices Committee
- C. the G7 Committee of Central Banks
- D. ACI - The Financial Markets Association

Answer: D