

ACI 002-101

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Latest Version: 6.0

Question: 1

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

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

Answer: A

Question: 2

Confirmations should be sent out by both counterparties through an efficient and secure means of communication, preferably electronic:

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

Answer: D

Question: 3

What is a normal" shaped curve?"

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

Answer: D

Question: 4

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

Answer: D

Question: 5

A dealer needs to buy USD against SGD. Of the following rates quoted to him, which is the best rate for him?

- A. 1.4320-25
- B. 1.4318-23
- C. 1.4315-20
- D. 1.4323-26

Answer: C

Question: 6

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

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

Answer: C

Question: 7

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 recognised closing time for the currency markets is 5:00pm New York time in Friday, so no deal is done.

- B. The recognised closing time for the currency markets is 5:00pm New York time in Friday, so no deal is done.
- C. If the knock-in is confirmed by a New York price source, the deal is done and you should confirm with your counterparty.
- D. The deal is done. You should confirm with your counterparts.
- E. The recognised closing time for the currency markets is 6:00pm New York time in Friday, so the deal is done and you should confirm with your counterparty.

Answer: A

Explanation:

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?

Question: 8

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

Answer: B

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