

Exam : ACI 310-008

Title : ACI DEALING CERTIFICATE

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1. EURIBOR is the:

- A. Daily fixing of EUR interbank deposit rates in the European market
- B. Daily fixing of EUR interbank deposit rates in the London market
- C. Another name for EUR LIBOR
- D. The ECBs official repo rate

Answer: A

2. 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

Answer: B

3. Which of the following is issued by auction?

- A. Treasury bill
- B. CD
- C. BA
- D. USCP

Answer: A

4. 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

Answer: B

5. 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 the seller is declared insolvent
- D. A court is appointed to decide what happens to the collateral

Answer: A

6. What are the secondary market proceeds of a CD with a face value of EUR 5 million 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

Answer: D

7. Four banks provide you with quotes in CHF/SEK. Which is the best price for you to buy SEK?
- A. 5.5825
 - B. 5.5820
 - C. 5.5815
 - D. 5.5830

Answer: D

8. Voice-brokers in spot FX are remunerated with:
- A. Commission paid by both parties at rates agreed beforehand
 - B. A fee paid by the seller
 - C. Bid/offer spread
 - D. A share of the bid/offer spread

Answer: A

9. Covered interest arbitrage is possible when:
- A. The low interest rate currency depreciates

- B. There is a large swing in the spot rate
- C. The values of the forward points and of the interest rate differential between two currencies diverge
- D. The interest rate differential widens rather than narrows

Answer: C

10. What is the ISO code for platinum

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

Answer: C

11. 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

Answer: B

12. The 180-day GBP/USD rate is bid 62 and the 90-day GBP/USD rate is bid 29.

What is the bid rate for 120 days, assuming straight-line interpolation?

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

Answer: D

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

- A. BBA LIBOR
- B. Fed funds

- C. ISDA LIBOR
- D. EURIBOR

Answer: A

14. 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 forward rate
- C. Forward-forward rate
- D. All of the above

Answer: D

15. What is the Overnight Index for GBP?

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

Answer: A

16. Prior to expiration, an in-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

Answer: C

17. The position delta of an in-the-money short put option is:

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

D. +0.5

Answer: C

18. The seller of a floor:

- A. Receives compensation if a reference interest rate falls below an agreed level
- B. Pays compensation if a reference interest rate falls below an agreed level
- C. Receives compensation if a reference interest rate rises above an agreed level
- D. Pays compensation if a reference interest rate rises above an agreed level

Answer: B

19. 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

Answer: C

20. 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 collateral
- D. Taken on market, legal and operational risks

Answer: D

21. Making interest rate swap transactions subject to agreement on documentation:

- A. Is recommended where the complications of the transaction warrant the practice.
- B. Is strictly forbidden.
- C. Is considered bad practice.
- D. Must have senior management approval.

Answer: C

22. One of your major customers is visiting your bank and wishes to meet you and see the dealing room.

What is the Model Code recommendation?

- A. There is no problem.
- B. There is no problem provided the visitor is a member of your customers management and not a dealer for the customer.
- C. There is no problem with a short, one-off visit approved by management.
- D. Non-treasury personnel and visitors should not be allowed into the dealing room.

Answer: C

23. It is now permissible in most markets for brokers to be owned by banks and other principals. Where there is shared management, or a shareholding or other investment in a broker by a counterparty:

- A. The broker is not obligated to reveal the connection provided Chinese Walls are in place.
- B. The broker is not obligated to reveal the connection in the professional market.
- C. The broker should advise the other counterparty of the connection.
- D. The matter is covered in the Model Code.

Answer: C

24. If a counterparty's name is not acceptable to a lending bank, that bank:

- A. Can revise the rate according to his credit position for the counterparty.
- B. Should not revise the rate.
- C. Can revise the rate but only with the consent of senior management.
- D. Can revise the rate according to the credit rating of the counterparty

Answer: B

25. Written confirmation is a function that can be done by:

- A. Any dealer as long as he/she is not a party to the trade.
- B. Staff in the back-office.
- C. Staff in the dealing room who are not dealing.
- D. Any staff outside the dealing room.

Answer: B

26. The extension of an off-market rate could have the following implications:

- A. An unauthorised extension of credit to the counterparty.
- B. Deferring a loss to a future date.
- C. Deferring an income to a future date.
- D. All of the above.

Answer: D

27. Although The Model Code discourages the extension of forward FX contracts at their historic rates, one of the conditions required for this is:

- 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.

Answer: A

28. What are some of the major objectives of The Model Code?

- A. To clarify the roles of dealers, brokers and customers
- B. To promote a high level of ethical, professional behaviour
- C. To act as a guide in the absence of government regulation
- D. All of the above

Answer: D

29. What is the amount of the principal plus interest due at maturity on a 1-month (31-day) deposit of EUR

50 million placed at 3.67%?

- A. EUR 50,152,916.70
- B. EUR 50,155,849.30
- C. EUR 50,158,013.90
- D. EUR 50,161,888.90

Answer: C

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

- A. EUR
- B. JPY
- C. GBP
- D. CHF

Answer: C

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