3I0-012 Q&As

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QUESTION 1

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 thefollowing 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

QUESTION 2

You quote spot EUR/USD at 1.3023-26 in 5 to another bank. He says, "Take 5, could do 8". How much are you obliged to do?

A. Nothing, as he changed the terms of the deal

B. EUR 5,000,000.00

C. More than EUR 5,000,000.00, but a maximum of EUR 8,000,000.00

D. EUR 8,000,000.00

Correct Answer: B

QUESTION 3

Which one of the following statements regarding the variance-covariance method for calculating value- at-risk is true?

A. The volatilities of the underlying assets are normally distributed and the prices remain constant.

B. The risk factors are normally distributed and volatilities of risk factors and correlations between risk factors are constant.

C. The prices of underlying assets are normally distributed, the volatilities of risk factors follow a GARCH process and correlations between risk factors are constant.

D. The returns of underlying assets are normally distributed and volatilities of risk factors and correlations between risk factors are constant.

Correct Answer: D

QUESTION 4

When is your settlement risk greatest on a spot FX deal?

A. Today

B. Tomorrow

C. After you make an irrevocable payment

D. On the spot value date

Correct Answer: C

QUESTION 5

The exercise price in an option contract is:

A. The price of the underlying instrument at the time of the transaction

B. The price at which the transaction on the underlying instrument will be carried out if and when the option is exercised

C. The price the buyer of the option pays to the seller when entering into the options contract

D. The price at which the two counterparties can close-out their position

Correct Answer: B