ACI Dealing Certificate

ACI 3I0-012

Version Demo

Total Demo Questions: 20

Total Premium Questions: 740

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Topic Break Down

Topic	No. of Questions
Topic 1, Volume A	100
Topic 2, Volume B	100
Topic 3, Volume C	100
Topic 4, Volume D	100
Topic 5, Volume E	100
Topic 6, Volume F	100
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QUESTION NO: 1

Your broker quotes you EUR/USD at 1.3425-28. You respond by saying “yours”. Which one of the following statements is true?

A. You are committed to sell a marketable EUR amount unless the quote was for a specific amount.

B. You are committed to sell to the counterparty his full EUR amount subject to credit limits on the counterparty.

C. You are committed to sell EUR up to the amount permitted by your credit limits on the counterparty.

D. You are committed to sell a marketable USD amount unless the quote was for a specific amount.

ANSWER: A

QUESTION NO: 2

After having quoted a rate of 1.5005-10, the quoting bank says, “Your risk”. This means:

A. The quoted rate is subject to change at the risk of the price-taker

B. The quoting bank is reminding you of the market risk of your potential trade

C. This is a requirement of any market maker

D. The market maker needs to check your credit limit

ANSWER: A

QUESTION NO: 3

You are paying 5% per annum paid semi-annually and receiving 6-month LIBOR on a USD 10 million interest rate swap with exactly two years to maturity . 6-month LIBOR for the next payment date is fixed today at 4.95%. You expect 6-month LIBOR in 6 months to fix at 5.25%, in 12 months at 5.35% and in 18 months at 5.40%. What do you expect the net settlement amounts to be over the next 2 years? Assume 30-day months.

A. pay 250, receive 1,250, receive 1,750, receive 2,000

B. receive 250, pay 1,250, pay 1,750, pay 2,000

C. pay 2,500, receive 12,500, receive 17,500, receive 20,000

D. receive 2,500, pay 12,500, pay 17,500, pay 20,000

ANSWER: C

QUESTION NO: 4

Which of the following statements is correct?

A. With liquidity transfer pricing (LTP) banks attribute the costs, benefits and risks of liquidity to respective business units within a bank

B. With liquidity transfer pricing (LTP) banks are monitoring and diversifying their funding base

C. With liquidity transfer pricing (LTP) banks are agreeing with external liquidity providers on the fair market price of funds

D. Liquidity transfer pricing charges providers of funds for the cost of liquidity and users of funds for the benefit of liquidity

ANSWER: A

QUESTION NO: 5

The organisational structure of market participants should ensure a strict segregation between front and back office of:

A. Duties and reporting lines.

B. Systems.

C. Career paths.

D. All of the above.

ANSWER: A

QUESTION NO: 6

Which position below is NOT a component of common equity Tier 1 capital?

A. innovative hybrid capital instruments with incentives to redeem

B. common shares issued by bank

C. retained earnings

D. stock surplus (share premium)

ANSWER: A

QUESTION NO: 7

How can material divergences between the value of cash and collateral be managed in a documented sell/buy-back?

A. Margin maintenance

B. Re-pricing

C. Either of the above, but usually (a)

D. Either of the above, but usually (b)

ANSWER: D

QUESTION NO: 8

A 12-month EUR/USD swap is quoted at 41/44. EUR interest rates are expected to fall, with USD interest rates remaining stable.

Assuming no change in the spot rate what effect would you expect on the forward points?

A. Unchanged

B. Move towards 28/31

C. Move towards 5 7/60

D. Insufficient information

ANSWER: C

QUESTION NO: 9

The gamma of an option is:

A. The sensitivity of the option value to changes in volatility

B. The sensitivity of the option value to changes in the time to expiry

C. The sensitivity of the delta to changes in the value of the underlying

D. The sensitivity of the option value to changes in the price of the underlying

ANSWER: C

QUESTION NO: 10

What is the major difference between a CD and a deposit?

A. The CD yields a higher rate of return

B. The CD has less credit risk

C. The CD is a transferable instrument

D. The CD has a shorter range of maturities

ANSWER: C

QUESTION NO: 11

Which of the following statements is true concerning dealing and rollovers at non-current rates?

A. When setting the rates for an FX swap to extend the maturity, the spot rate should be fixed immediately within the current spread

B. Where the use of non-current rates may be necessary, they should only be entered into with the prior explicit permission of the quoting party's senior management

C. Dealing and rollovers at non-current rates are relatively common market practice and therefore should not be treated differently from any other transaction

D. Dealing and rollovers at non-current rates are forbidden as they can help perpetrate fraud and tax evasion

ANSWER: A

QUESTION NO: 12

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 synthetic forward

B. a straddle

C. risk reversal

D. a strangle

ANSWER: A

QUESTION NO: 13

A dealer has been invited by a broker to go to an exclusive club for the third time in a week. He should:

A. agree, since entertainment is a normal part of business

B. refer this to senior management

C. agree but insist on paying half the cost

D. agree, if the broker pays for the event but does not attend it

ANSWER: B

QUESTION NO: 14

What does the Model Code say about omitting the “big figure” in voice communication?

A. The “big figure” should not be included in outright quotations.

B. In order to avoid misunderstandings, the “big figure” should not be mentioned when repeating the details (facts/rates) of the deal.

C. For the sake of brevity and efficiency, “big figures” should never be quoted at all in spot FX trading.

D. The Model Code recommends that the “big figure” be included in all outright and spot FX quotations.

ANSWER: D

QUESTION NO: 15

Click on the Exhibit Button to view the Formula Sheet. A 6-month (182-day) investment of CHF15.5 million yields a return of CHF100,000. What is the rate of return?

A. 1.32%

B. 1.29%

C. 1.28%

D. 0.65%

ANSWER: C

QUESTION NO: 16

An FRA is:

A. A cash instrument

B. An exchange traded derivative

C. An interest rate derivative

D. A balance sheet instrument

ANSWER: C

QUESTION NO: 17

Are the forward points materially affected by changes in the spot rate?

A. never

B. Only for very large movements and longer terms

C. always

D. spot is the principal influence

ANSWER: B

QUESTION NO: 18

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

QUESTION NO: 19

Bank XYZ calls you for a quote in EUR/USD for EUR 50,000,000.00. If you decide to quote, which of the following is true?

A. You must be prepared to deal EUR 50,000,000.00.

B. You may quote without stating the amount you are prepared to deal.

C. You are only committed to deal in a marketable amount.

D. You must be prepared to deal for more than EUR 50,000,000.00 in case Bank XYZ wishes to.

ANSWER: A

QUESTION NO: 20

Issues relating to the bank's liquidity management are commonly discussed in:

A. the Asset Liability Management Committee (ALCO)

B. the Financial Resources and Compensation Committee

C. the Credit Committee

D. the Federal Open Market Committee

ANSWER: A