3I0-008 Q&As

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QUESTION 1

Click on the Detail Button to view the Formula Sheet. For which of the following reasons is the extension of

forward contracts at non-current rates is discouraged:

These could be used to conceal profit or losses.

ii.These could be used to perpetrate fraud.

iii.These could result in an unauthorised extension of credit.

iv.These could result in confusing settlement instructions.

A. (i), (ii), (iii), and (iv).

B. (i), (ii) and (iii).

C. (i) and (iii).

D. none of the above.

Correct Answer: B

QUESTION 2

Click on the Detail Button to view the Formula Sheet. Which of the following would not constitute an event of market disruption under the Model Code?

A. The imposition of capital controls.

B. A major terrorist attack on a financial centre.

C. The failure of SWIFT.

D. Concerted central bank intervention.

Correct Answer: D

QUESTION 3

Click on the Detail Button to view the Formula Sheet. 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. 6month 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

Correct Answer: C

QUESTION 4

Click on the Detail Button to view the Formula Sheet.

You are quoted the following market rates:

spot EUR/USD. 1.2250

3M (91-day) EUR 2.55%

3M (91-day) USD. 2.00%

What is 3-month EUR/USD?

A. 1.2232

B. 1.2233

C. 1.2234

D. 1.2267

Correct Answer: B

QUESTION 5

Click on the Detail Button to view the Formula Sheet. A CD with a face value of USD 250 million was issued at par with a coupon of 5% for 91 days. You buy it in the secondary market when it has 30 days remaining to maturity and is trading at 5.25%. How much do you pay?

A. USD 252,056,972.97

B. USD 252,028,916.32

C. USD 250,000,000.00

D. USD 248,911,014.31

Correct Answer: A