Vendor: ACI

Exam Code: 3I0-008

Exam Name: ACI DEALING CERTIFICATE

Version: DEMO

QUESTION 1
Click on the Exhibit Button to view the Formula Sheet.

How many USD would you have to invest at 3.5% to be repaid USD125 million (principal plus interest) in 30 days?

INTEREST RATE CONVERSIONS

Converting between bond basis and money market basis (Act/360)

$$\text{rate}_{\text{bond basis}} = \text{rate}_{\text{money market basis}} \frac{365}{360}$$

$$\text{rate}_{\text{money market basis}} = \text{rate}_{\text{bond basis}} \frac{360}{365}$$

Converting between annually and semi-annually compounding frequencies

$$\text{rate}_{\text{annually-compounded}} = \left(1 + \frac{\text{rate}_{\text{semi-annually compounded}}}{2}\right)^2 - 1$$

$$\text{rate}_{\text{semi-annually compounded}} = \left(\sqrt{1 + \text{rate}_{\text{annually compounded}}} - 1\right)2$$

The formulae for converting between annually and semi-annually compounded rate apply only to rates quoted on a bond basis, not a money market basis.

MONEY MARKET

Certificates of deposit

$$\text{proceeds at maturity} = \text{face value}\left(1 + \frac{\text{coupon} \times \text{term}}{\text{annual basis}}\right)$$

$$\text{secondary market proceeds} = \frac{\text{proceeds at maturity}}{1 + \frac{\text{yield} \times \text{day count}}{\text{annual basis}}}$$

Discount-paying instruments quoted as a true yield

$$\text{secondary market proceeds} = \frac{\text{face value}}{1 + \frac{\text{yield} \times \text{day count}}{\text{annual basis}}}$$

Discount-paying instruments quoted as a rate of discount

$$\text{discount amount} = \text{face value}\ \frac{\text{rate of discount} \times \text{day count}}{\text{annual basis}}$$

$$\text{secondary market proceeds} = \text{face value}\left(1 - \frac{\text{rate of discount} \times \text{day count}}{\text{annual basis}}\right)$$

$$\text{true yield} = \frac{\text{rate of discount}}{1 - \frac{\text{rate of discount} \times \text{day count}}{\text{annual basis}}}$$

Forward price of sell/buy-back

$$\text{forward price} = \frac{(\text{repurchase price} - \text{accrued interest on collateral at termination})}{\text{nominal price of collateral}}100$$

FORWARD-FORWARDS & FORWARD RATE AGREEMENTS

forward - forward rate =

$$\left[\frac{1+\dfrac{\text{interest rate}_{\text{long period}} \times \text{day count}_{\text{long period}}}{\text{annual basis}}}{1+\dfrac{\text{interest rate}_{\text{short period}} \times \text{day count}_{\text{short period}}}{\text{annual basis}}}-1\right]\frac{\text{annual basis}}{\text{day count}_{\text{forward-forward period}}}$$

$$\text{FRA settlement amount} = \text{notional principal amount}\ \frac{\left(\dfrac{(\text{FRA rate} - \text{settlement rate}) \times \text{day count}}{\text{annual basis}}\right)}{\left(1+\dfrac{\text{settlement rate} \times \text{day count}}{\text{annual basis}}\right)}$$

FOREIGN EXCHANGE

Forward FX rate

$$\text{forward rate} = \text{spot rate}\ \frac{1+\dfrac{\text{interest rate}_{\text{quoted currency}} \times \text{day count}}{\text{annual basis}_{\text{quoted currency}}}}{1+\dfrac{\text{interest rate}_{\text{base currency}} \times \text{day count}}{\text{annual basis}_{\text{base currency}}}}$$

Covered interest arbitrage

synthetic quoted currency interest rate =

$$\left[\left(\left(1+\frac{\text{interest rate}_{\text{base currency}} \times \text{day count}}{\text{annual basis}_{\text{base currency}}}\right)\frac{\text{forward rate}}{\text{spot rate}}\right)-1\right]\frac{\text{annual basis}_{\text{quoted currency}}}{\text{day count}}$$

synthetic base currency interest rate =

$$\left[\left(\left(1+\frac{\text{interest rate}_{\text{quoted currency}} \times \text{day count}}{\text{annual basis}_{\text{quoted currency}}}\right)\frac{\text{spot rate}}{\text{forward rate}}\right)-1\right]\frac{\text{annual basis}_{\text{base currency}}}{\text{day count}}$$

OPTIONS

Standard deviation

$$\text{standard deviation} = \sqrt{\frac{\sum_{t=1}^{n}(\text{return at time t} - \text{mean return})^2}{\text{number of observations} - 1}}$$

Calculating the volatility over a period from annualised volatility

$$\text{volatility over period t} = \text{annualised volatility} \sqrt{t}$$

Where t is in years or fractions thereof.

A. USD 124,641,442.43
B. USD 124,636,476.94
C. USD 124,635,416.67
D. USD 123,915,737.30

Answer: B

QUESTION 2
Click on the Exhibit Button to view the Formula Sheet.

What is the day count/annual basis convention for euroyen deposits?

A. Actual/365
B. Actual/360
C. Actual/actual
D. 30E/360

Answer: B

QUESTION 3
Click on the Exhibit Button to view the Formula Sheet. Todays date is Thursday 12th December. What is the spot value date? Assume no bank holidays.

A. 14th December
B. 15th December
C. 16th December

D. 17th December

Answer: C

QUESTION 4
Click on the Exhibit Button to view the Formula Sheet. 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

QUESTION 5
Click on the Exhibit Button to view the Formula Sheet. Which of the following rates represents the highest investment yield in the euromarket?

A. Semi-annual bond yield of 3.75 %
B. Annual bond yield of 3.75 %
C. Semi-annual money market yield of 3.75 %
D. Annual money market rate of 3.75 %

Answer: C

QUESTION 6
Click on the Exhibit Button to view the Formula Sheet. Which of the following are transferable instruments?

A. Eurocertificate of deposit
B. US Treasury bill
C. CP
D. All of the above

Answer: D

QUESTION 7
Click on the Exhibit Button to view the Formula Sheet. Which of the following is always a secured instrument?

A. ECP
B. Repo
C. Interbank deposit
D. CD

Answer: B

QUESTION 8

Click on the Exhibit Button to view the Formula Sheet. Which of the following is sometimes called two-name paper?

A. ECP
B. BA or bank bill
C. Treasury bill
D. CD

Answer: B

QUESTION 9
Click on the Exhibit Button to view the Formula Sheet. What usually happens to the collateral in a tri-party repo?

A. It is put at the disposal of the buyer
B. It is held by the seller in the name of the buyer
C. It is held by the tri-party agent in the name of the buyer
D. It is frozen in the sellers account with the tri-party agent

Answer: C

QUESTION 10
Click on the Exhibit Button to view the Formula Sheet. Which type of repo is the least risky for the buyer?

A. Delivery repo
B. HIC repo
C. Tri-party repo
D. There is no real difference

Answer: A

QUESTION 11
Click on the Exhibit Button to view the Formula Sheet. The Interest Rate Parity Theorem states that:

A. Interest rates in different currencies will tend to move into line with each other over time
B. Interest rates in different currencies differ due to differences in expectations about inflation
C. Selling a low interest rate currency to invest a high interest rate currency will only be profitable if one hedges the currency risk
D. Selling a low interest rate currency to invest in a high interest rate currency should not be profitable if one hedges the currency risk

Answer: D

QUESTION 12
Click on the Exhibit Button to view the Formula Sheet. 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

QUESTION 13
Click on the Exhibit Button to view the Formula Sheet. A CD with a face value of USD50 million and a coupon of 4.50% was issued at par for 90 days and is now trading at 4.50% with 30 days remaining to maturity. What has been the capital gain or loss since issue?

A. +USD 373,599.00
B. +USD 186,099.00
C. -USD 1,400.99
D. Nil

Answer: C

QUESTION 14
Click on the Exhibit Button to view the Formula Sheet. The tom/next GC repo rate for German government bonds is quoted to you at 1.75-80%. As collateral, you sell EUR10 million nominal of the 5.25% bund July 2012, which is worth EUR 11,260,000, with no initial margin. The Repurchase Price is:

A. EUR 10,000,500.00
B. EUR 10,000,486.11
C. EUR 11,260,563.00
D. EUR 11,260,547.36

Answer: C

QUESTION 15
Click on the Exhibit Button to view the Formula Sheet. The one-month (31-day) GC repo rate for French government bonds is quoted to you at 3.75-80%. As collateral, you are offered EUR25 million nominal of the 5.5% OAT April 2006, which is worth EUR 28,137,500. If you impose an initial margin of 1%, the Repurchase Price is:

A. EUR 27,947,276.43
B. EUR 27,946,077.08
C. EUR 27,950,071.43
D. EUR 27,948,871.97

Answer: D

QUESTION 16
Click on the Exhibit Button to view the Formula Sheet. If EUR/USD is quoted to you as 1.1050-53, does this price represent?

A. The number of EUR per USD
B. The number of USD per EUR
C. Depends on whether the price is being quoted in Europe or the US
D. Depends on whether the price is being quoted interbank or to a customer

Answer: B

QUESTION 17
Click on the Exhibit Button to view the Formula Sheet. How much is a big figure worth per million of base currency if EUR/GBP is 0.6990?

A. GBP 10,000
B. EUR 10,000
C. GBP 6,990
D. EUR 6,990

Answer: A

QUESTION 18
Click on the Exhibit Button to view the Formula Sheet. What is the incentive for market-making?

A. Bid/offer spread
B. Flow information
C. Relationships
D. All of the above

Answer: D

QUESTION 19
Click on the Exhibit Button to view the Formula Sheet. The forward points are calculated from:

A. The level of interest rates in the base currency
B. The level of interest rates in the quoted currency
C. The interest rates in the two currencies
D. Your expectations of the future spot rate

Answer: C

QUESTION 20
Click on the Exhibit Button to view the Formula Sheet. If 6-month EUR/AUD is quoted at 29/32, which of the following statements is correct?

A. EUR rates are higher than AUD rates in the 6-month
B. AUD rates are higher than EUR rates in the 6-month
C. There is a positive EUR yield curve
D. There is not enough information to decide

Answer: B

Thank You for Trying Our Product

Lead2pass Certification Exam Features:

★ More than 99,900 Satisfied Customers Worldwide.

★ Average 99.9% Success Rate.

★ Free Update to match latest and real exam scenarios.

★ Instant Download Access! No Setup required.

★ Questions & Answers are downloadable in PDF format and VCE test engine format.

★ Multi-Platform capabilities - Windows, Laptop, Mac, Android, iPhone, iPod, iPad.

★ 100% Guaranteed Success or 100% Money Back Guarantee.

★ Fast, helpful support 24x7.

View list of all certification exams: http://www.lead2pass.com/all-products.html

10% Discount Coupon Code: ASTR14