



# 3i0-012<sup>Q&As</sup>

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**QUESTION 1**

Which of the following statements is true? The repo legal agreement between the two parties concerned should:

- A. detail the rights of counterparties regarding the substitution of collateral
- B. include named securities permitted to be traded
- C. be bi-laterally signed by both dealers involved in any transaction
- D. need not be in place before any deals are executed or finalized

Correct Answer: A

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**QUESTION 2**

Which of the following methods is a means of credit risk mitigation?

- A. entering into a plain vanilla IRS
- B. entering into collateral agreements
- C. hedging a portfolio's USD exposure
- D. investing only in sizeable and liquid markets

Correct Answer: B

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**QUESTION 3**

What is the documentation in which the parties agree to the terms that will govern future transactions?

- A. standard settlement instructions
- B. netting agreement
- C. terms of engagement
- D. master agreement

Correct Answer: D

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**QUESTION 4**

In spite of having agreed to a deal, dealers are not bound to the deal if it is subject to documentation. The Model Code:

- A. Does not regard this as a good practice.
- B. Urge dealers to be bear this in mind, as this is common practice for capital market deals.



C. Does not comment on this matter.

D. Recommends that national ACI Associations deal with this according to their local customs.

Correct Answer: A

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#### QUESTION 5

Which of the following statements does not explain why banks accept some amount of interest rate risk?

A. In their function as intermediaries, banks must necessarily accept some degree of interest rate risk.

B. Banks incur interest rate risk to increase income

C. Banks prefer credit risk to market risk.

D. If banks failed to take on interest rate risk they would not be able to meet the needs of their deposit and loan customers.

Correct Answer: C

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