Question #1 of 28

The interbank funds market is *most accurately* described as:

A) unsecured short-term loans from one bank to another.

B) banks’ borrowing of reserves from the central bank.

C) trading of negotiable certificates of deposit.

Question #2 of 28

An indenture is *most likely* to specify a bond's:

A) covenants.

B) underwriter.

C) credit rating.

Question #3 of 28

A structured security is a combination of:

A) a medium-term note and a derivative.

B) commercial paper and a backup line of credit.

C) a corporate bond and a syndicated loan.

Question #4 of 28

The interest rate on excess reserves borrowed by one bank from another bank is *most accurately* described as a(n):

A) central bank funds rate.

B) interbank lending rate.

C) reserve swap rate.

Question #5 of 28

The *most appropriate* reference rate for a one-year, U.S. dollar denominated, floating-rate note that resets monthly is:

A) 30-day LIBOR.

B) 1-year LIBOR.

C) overnight LIBOR.

Question #6 of 28

Which of the following *least likely* represents a primary market offering? When bonds are sold:

A) in a private placement.

B) from a dealer’s inventory.

C) on a best-efforts basis.

Question #7 of 28

The principal value of a sovereign bond is $1,000 at issuance and $1,055 two years after issuance. This bond *most likely*:

A) trades at a premium.

B) has been upgraded.

C) is indexed for inflation.

Question #8 of 28

Fixed income classifications by geography *most likely* include:

A) emerging market bonds.

B) supranational bonds.

C) municipal bonds.

Question #9 of 28

Settlement for corporate bond trades generally happen on what basis?

A) Trade date + 1 day.

B) Trade date + 3 days.

C) Cash settlement.

Question #10 of 28

If two banks fund a loan to a corporation, the loan is *most accurately* described as a:

A) backup line of credit.

B) bilateral loan.

C) syndicated loan.

Question #11 of 28

Which type of issuer is *most likely* to issue bonds by auction?

A) Municipal.

B) Corporate.

C) Sovereign.

Question #12 of 28

Settlement for corporate bond trades is *most likely* to happen on what basis?

A) Trade date + 1 day.

B) Trade date + 3 days.

C) Cash settlement.

Question #13 of 28

Fixed income classifications by issuer *most likely* include:

A) Money market securities.

B) Financial sector bonds.

C) Floating-rate bonds.

Question #14 of 28

Which of the following sources of short-term funding is available to banks but typically unavailable to other corporations?

A) Commercial paper.

B) Central bank funds.

C) Syndicated loans.

Question #15 of 28

A purchase of a new bond issue by a single investor is *most accurately* described as a(n):

A) private placement.

B) underwritten offering.

C) grey market transaction.

Question #16 of 28

Settlement for a government bond trade *most likely* occurs on the:

A) second trading day after the trade

B) third trading day after the trade.

C) next trading day after the trade.

Question #17 of 28

A bond is quoted at 96.25 bid and 96.75 ask. Based only on this information, this bond is *most likely*:

A) relatively illiquid.

B) a corporate bond.

C) non-investment grade.

Question #18 of 28

On November 15, 20X1, Grinell Construction Company decided to issue bonds to help finance the acquisition of new construction equipment. They issued bonds totaling $10,000,000 with a 6% coupon rate due June 15, 20X9. Grinell has agreed to pay the entire amount borrowed in one lump sum payment at the maturity date. Grinell is not required to make any principal payments prior to maturity. What type of bond structure has Grinell issued?

A) Serial maturity structure.

B) Amortizing maturity structure.

C) Term maturity structure.

Question #19 of 28

Fixed income classifications by credit quality *most likely* include:

A) investment grade bonds.

B) money market securities.

C) developed market bonds.

Question #20 of 28

A quoted Libor interest rate is *least likely* to refer to a specific:

A) maturity.

B) bank.

C) currency.

Question #21 of 28

A repurchase agreement is described as a "reverse repo" if:

A) a bond dealer is the lender.

B) collateral is delivered to the lender and returned to the borrower.

C) the repurchase price is lower than the sale price.

Question #22 of 28

Compared to a term repurchase agreement, an overnight repurchase agreement is *most likely* to have a:

A) higher repo rate and repo margin.

B) lower repo rate and higher repo margin.

C) lower repo rate and repo margin.

Question #23 of 28

Bonds issued by the International Monetary Fund (IMF) are *most accurately* described as:

A) quasi-government bonds.

B) supranational bonds.

C) non-sovereign government bonds.

Question #24 of 28

Which of the following coupon payment structures represents a leveraged inverse floater?

A) 10% – 0.75 times 180-day Libor.

B) 6% – 30-day Libor.

C) 8% – 1.5 times 90-day Libor.

Question #25 of 28

The reference rate for a floating-rate note should *least likely* match the note's:

A) reset frequency.

B) currency.

C) maturity.

Question #26 of 28

Which of the following statements regarding repurchase agreements is *most accurate*?

A) Higher credit rating of the underlying collateral results in a higher repo rate.

B) Greater demand for the underlying security results in a lower repo margin.

C) Lower credit rating of the underlying collateral results in a lower repo margin.

Question #27 of 28

TBTF Bank issues credit-linked notes (CLNs) that have 5-year debentures of Ossien Company as their reference asset. If Ossien defaults on its debentures, the CLNs will be redeemed:

A) immediately for their par value.

B) for less than their par value.

C) for their par value plus a premium.

Question #28 of 28

An investor pays $100,000 for a security that consists of a zero-coupon bond that will pay $90,000 in three months and $11,000 worth of call options on an equity index that expire in three months. This security is *most accurately* described as a:

A) guarantee certificate.

B) capital protected instrument.

C) participation instrument.