

THE DEALING ROOM

EXERCISES BOOK

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Tony Illis

The Dealing Room Exercises Book

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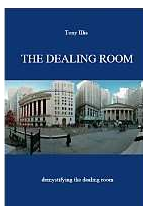
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THE FiMA CERTIFICATE

The **Financial Markets Professional** training is a post-graduate training that is provided to personnel of banks and other financial institutions with the aim of providing them insight into the workings of a dealing room: which business lines exist within the dealingroom; per business line, which desks are recognized; per desk, which products are traded; and per product, *how* are these products traded, the processes around trading, which parties are involved, which systems are used for each product, how is supervision carried out, et cetera. At the end of this training course, the participants will know the Financial Markets business inside out. The FiMa training is provided by TLM Academy and the University of Amsterdam and can be made completely bespoke for any bank. The training has been given within the top tier banks in the Netherlands since 2009, and more than 800 people have already followed this training. The training course consists of fourteen modules of three hours each: twelve content modules and two exam modules. The first exam module is a trial exam in which exam questions are practiced; the other module consists of the actual (final) exam. If this exam is passed, the participant receives a certification as *Financial Markets Professional*. This certificate is a post-graduate diploma from the University of Amsterdam which results in a registration in the worldwide FiMa-register. The title FiMa is a globally recognized and is an accredited title which alumni can put behind their name. The curriculum for the FiMa certificate runs parallel with the chapters of the book *The Dealing Room* (available in English and Dutch).

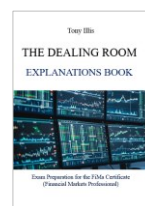
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The registration in the global FiMa Register is done after passing of the exam. The yearly extension of the registration requires four hours of Permanent Education (PE) per year. The PE subject for each year is determined in January. The training sessions are planned in the months Feb, Apr, Jun, Aug, Oct and Dec (6 sessions), so each graduate has sufficient opportunity to attend one of these 4-hour sessions. The PE is not completed with an exam, it just requires attendance. The PE subject per year is determined by the Advice Council of the University of Amsterdam (UVA ABV). The exercises in the book you are now holding help participants prepare for the FiMa exam. It contains 350 exercises with multiple-choice answers. There is also the Explanations Book (see white cover above) which contains the 350 worked-out answers. The Explanations Book is highly recommended in preparing for the exam. It's our advice to buy it.

EXERCISES

1. INTRODUCTION

1

Book Chapter 1 | Introduction
Section 1.1
Subject: Changing Times

Which of the below factors is not one of the five factors contributing to a company's success, as recognized by Idea Lab?

- a) Product/Idea
- b) Timing
- c) Leadership
- d) Innovation

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Book Chapter 1 | Introduction
Section 1.1
Subject: Changing Times

Which of the below factors is considered by Idea Lab to be the most important factor contributing to a company's success?

- a) Product/Idea
- b) Timing
- c) Leadership
- d) Employees

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Book Chapter 1 | Introduction
Section 1.1
Subject: Changing Times

What is NOT an area in which banks are facing increasing competition, as published by Idea Lab?

- a) The mortgage business getting competition from insurers and pension funds
- b) The channels business getting competition from entertainment companies
- c) The exchange rate business getting competition from crypto companies
- d) The payments business getting competition from (fin-)tech companies

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Book Chapter 1 | Introduction
Section 1.2
Subject: Terminology

Which of the markets below is not a recognized market type within financial services?

- a) The Capital Market
- b) The Investor Market
- c) The Financial Market
- d) The Money Market

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Book Chapter 1 | Introduction
Section 1.2
Subject: Terminology

Which of the below organizations is described with the following definition?

An organization that securely preserves and protects securities on behalf of its clients, and that is responsible for the cash- and securities settlement for trades their clients have done with other trading members.

- a) Custodian
- b) Clearing
- c) Exchange
- d) Central Securities Depository

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Book Chapter 1 | Introduction
Section 1.2
Subject: Terminology

Which of the below organizations is described with the following definition?

An organization that fulfills a buffer function for the traders on the one hand and the central counterparty on the other hand.

- a) Custodian
- b) Clearing House
- c) Exchange
- d) Central Securities Depository

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Book Chapter 1 | Introduction
Section 1.2
Subject: Terminology

Which of the below organizations is described with the following definition?

An organization that takes custody of securities with the aim of being able to automatically process transactions with those securities.

- a) Custodian
- b) Clearing House
- c) Exchange
- d) Central Securities Depository

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Book Chapter 1 | Introduction
Section 1.2
Subject: Terminology

Which of the below strategies is described with the following definition?

A risk management strategy employed to offset losses in investments by taking an opposite position in a related asset. The reduction in risk also results in a reduction in potential profits.

- a) Arbitrage
- b) Asset Optimization
- c) Securitization
- d) Hedging

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Book Chapter 1 | Introduction
Section 1.2
Subject: Terminology

Which of the below trading strategies is described with the following definition?

Taking advantage of price differences in the same product in different markets, or taking advantage of differences in payable versus receivable interest and/or dividend between long and short products, either physical or synthetic.

- a) Arbitrage
- b) Asset Optimization
- c) Securitization
- d) Hedging

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Book Chapter 1 | Introduction
Section 1.2
Subject: Terminology

Which of the below financial terms is described with the following definition?

A trading technique in which an investor sells a security with plans to buy it back later, resulting in a credit on the cash side of the trading balance sheet and a debit on the securities side of the trading balance sheet.

- a) Long
- b) Short
- c) Flat
- d) Listed

2. THE BANKING BUSINESS

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Book Chapter 2 | The Banking Business
Section 2.1
Subject: Cases

Which Dutch bank went bankrupt on 19 October 2009, due to public scrutiny on excessive commissions charged by the bank and on nepotistic management of the bank, eventually resulting in a bank run?

- a) Fortis Bank
- b) SNS Bank
- c) Lehman Brothers
- d) DSB Bank

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Book Chapter 2 | The Banking Business
Section 2.2
Subject: The Role of Banks in Society

What is not historically considered to be a primary function of banks?

- a) Savings
- b) Payments
- c) Loans
- d) Proprietary Trading

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Book Chapter 2 | The Banking Business
Section 2.2
Subject: The Role of Banks in Society

Which of the below is traditionally NOT a separate organizational division within banks?

- a) Savings
- b) Loans
- c) Wealth management
- d) High Frequency Trading

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Book Chapter 2 | The Banking Business
Section 2.2
Subject: The Role of Banks in Society

A client with more than €1,000,000 worth of savings and/or more than €500,000 in investments will, at most banks, be banking at the division:

- a) Retail Clients
- b) Small & Medium Enterprises
- c) Private Banking
- d) Mid Corporates

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Book Chapter 2 | The Banking Business
Section 2.2
Subject: The Role of Banks in Society

Which desk is traditionally responsible for managing for their clients any currency and liquidity challenges, and is responsible for minimizing their clients' interest payments, and is responsible for performing cash pooling and cash netting activities for their clients?

- a) Channels Desk
- b) Payments Desk
- c) Trade Desk
- d) Liquidity Management Desk