

# ACI Online FX Global Code Exam ACI FX Global Code Certificate Exam

**Sample Questions**  
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*“Setting the benchmark in  
certifying the financial  
industry globally”*

ACI - The Financial Markets Association  
8 Rue Du Mail  
75002 Paris France  
[www.acifma.com](http://www.acifma.com)

## **1 – Introduction**

### **1.1 Which one of the following is a major objective of the FX Global Code?**

- A To promote globalisation and deregulation of the financial markets.
- B→** To maintain a professional level of competence and to disseminate a high level of ethical and professional behaviour.
- C To provide guidance in the absence of, and as an addition to, regulation.

### **1.2 Which of the following statements is correct about the FX Global Code?**

- A It was drafted solely by the Bank for International Settlements.
- B It was drafted by the Foreign Exchange Working Group.
- C→** The final draft was a result of collaborative work of a broad spectrum of participants in the FX market.

### **1.3 From the alternatives below, which one is a leading principle of the FX Global Code?**

- A→** Governance.
- B Disclosure.
- C Training.

### **1.4 According to the FX Global Code, can a retail client be classified as a Market Participant?**

- A Yes, if they trade FX at least 5 times per month.
- B→** No, as they are not generally expected to engage in regular FX market activities.
- C Yes, under the condition that they sign the Statement of Commitment.

## **2 – Ethics**

**2.1 Where dealing for personal accounts is allowed, what safeguards should be there to prevent abuse or insider dealing as stated by the FX Global Code?**

- A→ Establishing policies and controls on personal dealing.
- B Agreed list of instruments/products that dealers are permitted to trade for their own account.
- C Agreed register of E-Trading Platforms where dealers are permitted to trade for their own account.

**2.2 A dealer has been invited by a broker to go to an exclusive club for the third time in a week. He should:**

- A Agree, since entertainment is a normal part of business.
- B→** Refuse, since this level of entertainment is excessive in value and frequency and could be seen to present a conflict of interest when dealing with this broker.
- C Agree, if the broker pays for the event but does not attend it.

**2.3 Market Participants should strive for the highest standards, both ethical and professional. According to the FX Global Code they should:**

- A Act honestly in dealings but only where Clients are Market Participants.
- B Have a postgraduate doctoral degree (PhD).
- C→** Act with integrity, especially in avoiding questionable practices.

**2.4 According to the FX Global Code, which of the following might be considered a conflict of interest:**

- A Your wife works for the Legal department of your bank.
- B You put a request to your branch to provide some USD banknotes for the upcoming vacations in Florida.
- C→** You head the treasury of a bank and introduce the brokerage firm of your brother to your staff members.

### **3 – Governance**

**3.1 According to the FX Global Code, Market Participants should make all relevant personnel aware that disciplinary actions may result from unacceptable behaviours and transgressions of the Market Participants' policies. Which of the following can be an example of unacceptable behaviours?**

- A Act with integrity and avoid questionable practices.
- B→** Act normally and encourage questionable behaviours.
- C Act fairly in dealing with Clients.

**3.2 Your bank has launched a structured product for retail clients and the senior management is encouraging all sales staff to concentrate their efforts in its delivery. Which of the following factors should be considered in the remuneration and promotion structures related to the sale of that product?**

- A The total amount of the variable pay component.
- B The alignment of interests from sales staff and from the firm in the short-term horizon.
- C→** The appropriate balance between variable and fixed pay components.

**3.3 Which of the following statements is correct, related to the control functions and mechanisms that a body or individual is responsible for implementing, to assess whether or not the FX market activities of that Market Participant are conducted in a manner that reflects their operational risk and conduct requirements?**

- A The control functions and mechanisms should only cover FX market activities with volumes exceeding 500 million US Dollars.
- B→** The control functions and mechanisms should be independent.
- C The control functions and mechanisms are conditional to the profitability of the Market Participant.

**3.4 According to the FX Global Code, the investigation of potentially improper practices and behaviours:**

- A Must be done by the senior management of the firm.
- B Does not need to be supported by policies and procedures.
- C→** Must be done by parties and functions with sufficient skills and experience to conduct it.

## **4 – Execution**

- 4.1 Suspicious activity carried out on an electronic trading platform will be reported to its regulator. What does the FX Global Code recommend in respect of prices and orders quoted on electronic trading platforms?**
- A They can be indicative rates only.
  - B→** They must be posted with a clear intent for them to be tradable.
  - C They must be posted subject to later credit line approval.
- 4.2 What is the term for documentation in which the parties agree to the overall terms that will govern future transactions?**
- A Standard settlement instructions.
  - B Netting agreement.
  - C→** Standing agreement.
- 4.3 You, as a Market Participant, quote a price to a broker. It is hit by another bank, but you are not informed until sometime afterwards that the deal has been done. Who is to blame?**
- A You are, as it is your responsibility to check periodically that the price has not been dealt upon.
  - B All the parties.
  - C→** The broker, as he must immediately tell you that your price has been dealt upon.
- 4.4 Under what conditions can a broker act as a position taker?**
- A If a Principal refuse to honour the deal.
  - B Only if he cannot find another counterparty for a name switching.
  - C→** Brokers cannot take a position as they act only as intermediaries or arrangers of deals.

## **5 – Information Sharing**

**5.1 Which statement about the recording of telephone conversations and retention of messages in a trading environment is correct?**

- A Due to their confidential nature, business conversations on official back-office phone lines are exempt from recording requirements.
- B Voice recordings on dealing room telephone lines must be deleted no later than 2 months after the recording date.
- C→ All fixed line telephone conversations with clients must be recorded.**

**5.2 Based on the information examples mentioned below, which is the correct answer that reflects appropriate communications of Market Colour?**

- (i) Information must be aggregated.**
- (ii) Information on individual trading positions.**
- (iii) Information on general trading patterns.**

- A None of the above.
- B All of the above.
- C→ (i) and (iii).**

**5.3 In terms of communication between Market Participants, which of the following would be acceptable? Indicate the correct answer.**

- (i) Refer opinions as actual facts.**
- (ii) Spread rumours about price movements but do not deal for own account on those movements.**
- (iii) Refer the correct source of a third-party information.**

- A None of the above.
- B All of the above.
- C→ (iii) only.**

**5.4 When can Market Participants disclose Confidential Information to external parties?**

- A→ Only under specific circumstances.**
- B When the Market Participant makes a request to a Client for that disclosure.
- C When the Market Participant makes a voluntary disclosure to a Central Bank.

## **6 – Risk Management & Compliance**

**6.1 What sources is the middle office allowed to use in order to obtain market data for valuation purposes?**

- A Screen services only.
- B Voice brokers and risk managers only.
- C→** Screen services, brokers and other third-party providers.

**6.2 Market Participants have a framework for risk management and compliance practices. How should this be managed and implemented? Identify all the correct answers.**

- A→** Segregation of duties and independent reporting lines between Risk and Compliance and Sales/Trading.
- B→** Adequate resources and employees with clearly specified roles, responsibilities and authority.
- C Training would not be necessary for personnel working within these frameworks.

**6.3 A Prime Broker may reject a trade given up if:**

- A The trade is within the specified tenor limits.
- B→** The trade is not within the specified credit limits.
- C The trade details provided by the executing dealer and the client match.

**6.4 Quoted market prices are the best guide to a fair valuation of trading positions. When obtaining external data for valuation purposes what does the FX Global Code state about the source of that data?**

- A To use prices from brokers.
- B→** A source/function independent of the front office should check prices and mark-to-market valuations are measured accurately and correctly.
- C Should be obtained from your counterparty to the last trade.

## **7 – Confirmation & Settlement**

**7.1 Which of the following is not a recommendation in the FX Global Code as regards settlement discrepancies?**

- A Procedures should be established for detecting non-receipt of payments.
- B Market participants that have failed to make payment on value date should arrange for proper value to be applied or pay compensation costs in a timely manner.
- C→** Claims must be sent to the counterparty within 15 days of the actual settlement date.

**7.2 Master netting agreements should be supported by appropriate bilateral documentation. According to the FX Global Code which of the following does not need to be agreed upon?**

- A Procedures for confirming bilateral net amounts.
- B→** Compulsory use of SSI's.
- C Alternative settlement instructions when SSI's are not available.

**7.3 Where one party has an open or unmatched position and differences arise between Principals, why should the party with the open or unmatched position act immediately?**

- A→** To square off or neutralise the position.
- B To benefit from the free use of the funds.
- C To achieve a profitable resolution to the situation.

**7.4 Prompt sending and checking of confirmations is considered a best practice when dealing with:**

- A Bank counterparties through brokers only.
- B Corporates and other costumers only.
- C→** All types of counterparties.