

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”*

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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.

1.5 The FX Global Code was developed by a partnership between central banks and institutions on the private sector side. Which of the following statements is true?

- A→** There was a collaborative effort in the creation of the Code between the public and private sectors.
- B Central banks had the sole responsibility of producing the drafts of the Code.
- C Institutions in the private sector were only called to provide comments to the drafts.

1.6 Which of these is a leading principle that specifically covers how orders given by Clients should be handled?

- A Ethics.
- B→** Execution.
- C Trade Information.

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.

2.5 Which of the following statements best support high standards of conduct by Market Participants?

- A→ Act with competence, skill and have sufficient relevant experience, technical knowledge and qualifications.
- B Act with knowledge of markets and their products.
- C Act with knowledge of general rules and regulations.

2.6 A dealer receives a Christmas gift, within the Market Participant's guidelines, from a broker. The card mentions: "Wishing you a great year with more trades going through me.". What should the dealer do?

- A Keep quiet, do not respond and do not report internally.
- B→ Declare internally both the gift and the card.
- C Declare internally just the gift and tear up the card.

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.

3.5 What of the following factors should be considered in the Market Participants' remuneration and promotion structures?

- A The variable pay component must always be higher than the fixed pay component.
- B The variable pay component must always be paid in full and once a year.
- C→** How those structures should align the interests of both Market Participants (entity and its personnel).

3.6 On the policies and procedures that Market Participants should have to handle and respond to potentially improper practices and behaviours effectively, the FX Global Code mentions that:

- A Investigations must be completed and their outcome must be determined within a period of not more than five business days.
- B The report and results should never be brought to the attention of relevant regulatory or public authorities, should always be kept internal.
- C→** It may be appropriate to escalate (internally) and report (externally) before conclusion of the investigation.

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.
- 4.5 The FX Global Code suggests which of the following as good practice regarding name switching when there is insufficient credit between Market Participants?**
- A Brokers may disclose the names of Market Participants prior to a transaction being undertaken in order to facilitate potential name switching.
 - B→** Market Participants should execute and book transactions as promptly as possible and maintain paper records.
 - C When Market Participant's name proves unacceptable to another Market Participant, the broker must disclose the identity of each Market Participant to the other.

4.6 What is considering a good practice under the FX Global Code regarding the partial filling of orders if a Market Participant has his quoted price hit simultaneously by several other Market Participants for a total amount greater than that for which the price concerned was valid?

- A Evenly allocate the amount for which the price is valid amongst all the Market Participants that hit the order and inform all of them of this procedure.
- B→** Fully fill the orders that the Market Participant is capable of filling, in a sequential manner within time of receipt of the order.
- C The Market Participant is entitled to use its discretion to allot the amount for which the price is valid pro rata amongst some Market Participants in accordance with the amount proposed by the selected ones and inform the other Market Participants that “nothing was done”.

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.

5.5 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 corporate desk phone lines are exempt from recording requirements.
- B Voice recordings on dealing room telephone lines must be deleted no later than 6 months after the recording date.
- C→** Market Participants should, where possible, record all phone conversations on sales and trading desks.

5.6 When inquired by a Client regarding the recent moves in the FX Spot Market, what information can be shared by a Market Participant?

- A “There has been heavy buying by a foreign bank due to their public involvement in a significant corporate acquisition.”
- B “I know what happened, but I can only mention details if you call my personal mobile later today.”
- C→** “My opinion is that some Market Participants were active in the market given that we are two days away from the end of the fiscal year.”

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.

6.5 According to the FX Global Code, what are good market practices for Market Participants that regularly mark-to-market the value of their trading positions?

- A Local reference rates.
- B Prices quoted by a broker as good levels.
- C→** Quoted market prices.

- 6.6 Market Participants should have frameworks for risk management and compliance. What component may be included in those frameworks?**
- A Training, but only on the prevention of money laundering and terrorist financing.
 - B→** Independence of risk management and compliance functions.
 - C Segregation of duties exclusively between trading and sales.
- 6.7 According to the FX Global Code, what is a key element of a review to assess the effectiveness of and adherence to risk management and compliance functions?**
- A→** Findings should be reported to an appropriately senior level for review and follow-up.
 - B Only compliance risk related to FX markets should be covered.
 - C Review of effectiveness and adherence does not have to be undertaken by an independent party.
- 6.8 Which automated processes should have a documented automated and/or manual contingency to support the business continuity plan of a Market Participant?**
- A→** All critical automated processes as determined by the Market Participant.
 - B All critical automated processes as determined by the Central Bank.
 - C All automated processes as determined by the applicable local regulator.
- 6.9 Market Participants should keep an accurate and timely record of orders and transactions. Which of the following is not a good practice?**
- A It is necessary to record when an order is accepted and is triggered/executed.
 - B→** It is necessary to record when an order is triggered/executed only.
 - C Sufficiently granular and consistent time-stamping should be applied on recording orders.
- 6.10 Which of the following is to be detailed on trader or desk mandates which, according to the FX Global Code, should be maintained by Market Participants?**
- A The home address of all traders in the desk.
 - B Identification of all counterparties that the trader or desk can trade with.
 - C→** Identification of products that the trader or desk can 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.

7.5 According to the FX Global Code, which kind of trade confirmations are strongly recommended (when available)?

- A Voice affirmation and e-mail confirmation.
- B Voice affirmation and physical confirmation.
- C→** Automated trade confirmation from matching systems.

- 7.6 Which of the following is the most appropriate procedure to address a dispute about a FX transaction executed by two Market Participants?**
- A Market Participants should agree to resolve the discrepancy by making adequate adjustments on subsequent trades between them.
 - B→** The disputed transaction should be escalated to their respective management, and the transaction details should be immediately investigated by employees that were not involved in the transaction.
 - C Market Participants should immediately bring the disputed transaction to the attention of their local regulator so that it can be promptly and independently investigated.
- 7.7 On trade settlement, which of the following good market practices is incorrect in the verification processes of counterparties' identities?**
- A→** It is not necessary to project the balance of accounts on a real time basis.
 - B Each transaction should be processed always in advance of the payment cut-off time.
 - C Trade settlement should be prioritised taking into consideration payment cut-off times including currency sensitivity and amount.
- 7.8 Sending and checking confirmations on a prompt manner is considered a good market practice when dealing:**
- A Only with other Market Participants through Brokers.
 - B Only with Clients.
 - C→** With all types of Market Participants and Clients.
- 7.9 Which of the following statements best describes the FX Global Code recommendations regarding settlement discrepancies?**
- A It is up to each Market Participant to decide if escalation procedures should be in place.
 - B It is up to each Market Participant to decide if procedures for detecting non-receipt of payments should be in place.
 - C→** Market Participants that have failed to make payment on value date can choose to have proper value applied or to have compensation costs paid in a timely manner.
- 7.10 The netting of FX settlements, when used by Market Participants, should be supported by appropriate bilateral documentation. Which of the following does not need to be agreed upon?**
- A Procedures for confirming bilateral net amounts.
 - B→** The account details contained in the SSI of a Market Participant.
 - C Cut-off times.