



NISM-Series-I: Currency Derivatives Certification Examination

SAMPLE QUESTIONS

- 1) The market where currencies are traded is known as the _____.
 - (a) Equity Market
 - (b) Bond Market
 - (c) Fixed Income Market
 - (d) Foreign Exchange Market

- 2) The USD/CAD (US – Canadian Dollars) currency pair settles in _____ basis.
 - (a) T+1
 - (b) T+2
 - (c) T+3
 - (d) T+4

- 3) A derivatives contract cannot exist without an _____.
 - (a) Exchange
 - (b) Underlying, be it equity, interest rate etc.
 - (c) Increase in volatility
 - (d) Increase in arbitrage

- 4) The first participants who traded in derivatives where those exposed to _____.
 - (a) Exchange rate risk
 - (b) Interest Rate risk
 - (c) Equity price risk
 - (d) Commodity price risk

- 5) OTC Derivatives stand for _____.
 - (a) Over the Counter Derivatives
 - (b) Outstanding Transaction Credit Derivatives
 - (c) Options Trade Credit Derivatives
 - (d) Commodity price risks

- 6) There are no formal rules or mechanisms for ensuring market stability and integrity, and for safeguarding the collective interests of market participants. Which type of Derivatives contracts are being referred to here?
 - (a) Over the Counter Derivatives
 - (b) Exchange traded derivatives
 - (c) Stock Futures
 - (d) Commodity derivatives



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7) In a currency pair, term currency is in the:

- (a) Numerator
- (b) Denominator

8) Bids and offers are for the:

- (a) Counter Currency
- (b) Term Currency
- (c) Base Currency
- (d) All the above

9) A quotation for “dollar-rupee” means the dollar is the:

- (a) Counter Currency
- (b) Term Currency
- (c) Base Currency
- (d) All the above

10) For most currencies, bid and offer quotes are presented to the fourth decimal place usually called a:

- (a) Value
- (b) Quotes
- (c) Unit
- (d) Pip

11) The forward rate for any two currencies is generally a function of their spot rate and:

- (a) Trade Difference
- (b) Difference in the exchange rate
- (c) Interest rate differential between them
- (d) Both B and C

12) The underlying for futures contract that is presently permitted in India is:

- (a) USD/INR
- (b) Euro/Dollar
- (c) Dollar/Yen
- (d) Euro/INR

13) Closing price of USD/INR futures contract at the end of an active trading session will be calculated based on the:

- (a) Weighted average of the last 30 trades done in the last 60 minutes
- (b) Weighted average of the last 5 trades done in the last 60 minutes
- (c) Weighted average of all the trades done in the last 30 minutes
- (d) Simple average of the last 30 trades done in the last 30 minutes



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- 14) In Exchange-traded currency futures contracts, who acts as a central counterparty to all trades?
- (a) Government
 - (b) Regulator
 - (c) Market Maker
 - (d) Clearing House
- 15) If the numbers of trades during the last 30 minutes are less than 5, then the closing price is based on the:
- (a) Weighted average price of the last 5 trades executed during the day.
 - (b) Weighted average price of the last 10 trades executed during the day.
 - (c) Weighted average price of the last 15 trades executed during the day.
 - (d) Weighted average price of the last 25 trades executed during the day.
- 16) If the numbers of trades during the day are less than 5, then the closing price is taken as the:
- (a) Weighted average price of the last 3 trades executed during the day.
 - (b) Weighted average price of the last 4 trades executed during the day.
 - (c) Weighted average price of the last 2 trades executed during the day.
 - (d) Weighted average of all trades executed during the day
- 17) Exchanges in India trade in Currency Options. True or False?
- (a) True
 - (b) False
- 18) Arbitragers take advantage of _____ in the markets?
- (a) Hedgers
 - (b) Volatility
 - (c) Mispricing
 - (d) Speculators
- 19) On 15th January Mr. Arvind Sethi bought a January USD/INR futures contract which cost him Rs.43,000. Each USD/INR futures contract is for delivery of USD1000. The RBI reference rate for final settlement was fixed as 43.10. How much profit/loss did he make?
- (a) (+) Rs. 1000
 - (b) (+) Rs. 100
 - (c) (-) Rs.100
 - (d) (-) Rs. 1000
- 20) If you are bullish about the Indian Rupee, you would _____.
- (a) Short USD/INR currency futures
 - (b) Go long USD/INR currency futures
 - (c) Buy Dollars
 - (d) Say neutral since markets may turn volatile



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- 21) Presume Mr. A is expecting a remittance for USD 5000 on 29 August. Wants to lock in the foreign exchange rate today so that the value of inflow in Indian Rupee terms is safeguarded. Mr. A can do so by _____.
- (a) Buying five contracts of USD/INR futures
 - (b) Selling five contracts of USD/INR futures
 - (c) Selling five thousand contracts of USD/INR futures
 - (d) Buying five thousand contracts of USD/INR futures
- 22) On August 1, 2008, an active trader in the currency futures market expects INR will appreciate against USD, caused by softening of crude oil prices in the international market and hence helping India's trade balance. On the basis of his view, he should:
- (a) Go long on USD/INR futures contract
 - (b) Go short on USD/INR futures contract
 - (c) Do nothing
 - (d) Both A and B
- 23) One year interest rates in US and India are say 5% and 10% respectively and the spot rate of USD in India is Rs. 43. Then one year USD/INR futures fair value is :
- (a) Rs. 41.25
 - (b) Rs. 43.70
 - (c) Rs. 45.20
 - (d) Rs. 41.63
- 24) Under normal circumstances the Futures price trades at a _____ price than the Spot price :
- (a) Higher
 - (b) Lower
 - (c) Same price as spot
 - (d) Depends on the type of contract
- 25) Clearing Members are entities in the clearing and settlement system of the Currency Derivatives Segment. True or False?
- (a) True
 - (b) False
- 26) There are designated currency future's market makers assigned for making markets in the Currency Derivatives Market Segment. True or False?
- (a) True
 - (b) False
- 27) For stop-loss buy order, the trigger price is _____ the limit price.
- (a) Less than
 - (b) Greater than
 - (c) Equal to
 - (d) None of the above



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- 28) If a day order does not find a match in the trading system, it is _____
- (a) Removed from the trading system after seven days
 - (b) Removed from the trading system at the end of the day
 - (c) Removed from the trading system on the expiry day
 - (d) Removed from the trading system when the buyer / seller wishes
- 29) A client of a trading member is required to enter into _____ with the trading member before he can commence trading.
- (a) An understanding
 - (b) An arrangement
 - (c) Negotiations
 - (d) An agreement
- 30) A trading member has more than one user.
- (a) True
 - (b) False
- 31) A Trading Member can trade _____
- (a) on their own account
 - (b) on behalf of their clients
 - (c) on behalf of participants
 - (d) all of the above
- 32) While entering a stop loss order, one needs to specify the _____
- (a) High price
 - (b) Trigger price
 - (c) Low price
 - (d) Price band
- 33) The limit price is necessarily set higher than the market price irrespective of buy/sell trade.
- (a) True
 - (b) False
- 34) For stop-loss buy order, the trigger price is _____ the limit price
- (a) Less than
 - (b) Greater than
 - (c) Equal to
 - (d) None of the above
- 35) An Indian refiner enters into a contract to export 1000 barrels of oil with payment to be received in US Dollar (USD) in next three months. His risk is:
- (a) When INR weakens, he makes a loss
 - (b) When INR weakens, he makes a profit
 - (c) When INR strengthens, he makes a profit



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- (d) When INR strengthens, he makes a loss
- 36) An exchange, during a trading session disseminates _____ prices through its trading system in real time basis
- (a) open
 - (b) high and low
 - (c) last traded
 - (d) all of the above
- 37) For a USD/INR Currency Futures contract, the previous day's settlement price is Rs.41.0000 and today's settlement price is Rs.40.0000. An investor's 'Sell' position of 30 contracts is brought forward from the previous day. What will be his market to market settlement value?
- (a) (-) Rs. 30,000
 - (b) (+) Rs. 30,000
 - (c) (-) Rs. 3,000
 - (d) (+) Rs. 3,000
- 38) Proprietary position : Buy 20*1000*40.0000 indicates :
- (a) A Buy position of 20 contracts with contract size of 1000 and a price of Rs. 40.0000
 - (b) A Buy position of 1000 contracts with contract size of 20 and a price of Rs. 40.0000
 - (c) A Buy position of 2000 contracts with contract size of 1000 and a price of Rs. 40.0000
 - (d) A Buy position of 20000 contracts a price of Rs. 40.0000
- 39) In the Currency Derivatives Segment, clients' positions are arrived at by summing together _____ positions of each individual client.
- (a) Gross (buy + sell)
 - (b) Net (buy - sell)
 - (c) Net or Gross
 - (d) Client's positions are not taken into account in the Currency Derivatives Segment
- 40) For a USD/INR Currency Futures contract, the previous day's settlement price is Rs.40.0000 and today's settlement price is Rs.41.0000. An investor's 'Sell' position of 50 contracts is brought forward from the previous day. What will be his market to market settlement value?
- (a) (-) Rs. 50,000
 - (b) (+) Rs. 50,000
 - (c) (-) Rs. 5,000
 - (d) (+) Rs. 5,000

PLEASE NOTE THAT THESE ARE ONLY SAMPLE QUESTIONS PROVIDED AS A GUIDE TO CANDIDATES AND MAY NOT BEAR ANY RESEMBLANCE TO QUESTIONS IN THE CERTIFICATION EXAMINATION.



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ANSWERS

- | | | | |
|----|-----|----|-----|
| 1 | (d) | 21 | (b) |
| 2 | (a) | 22 | (b) |
| 3 | (b) | 23 | (c) |
| 4 | (d) | 24 | (a) |
| 5 | (a) | 25 | (a) |
| 6 | (a) | 26 | (b) |
| 7 | (a) | 27 | (a) |
| 8 | (c) | 28 | (b) |
| 9 | (c) | 29 | (d) |
| 10 | (d) | 30 | (a) |
| 11 | (c) | 31 | (d) |
| 12 | (a) | 32 | (b) |
| 13 | (c) | 33 | (b) |
| 14 | (d) | 34 | (b) |
| 15 | (a) | 35 | (d) |
| 16 | (d) | 36 | (d) |
| 17 | (b) | 37 | (b) |
| 18 | (c) | 38 | (a) |
| 19 | (b) | 39 | (b) |
| 20 | (a) | 40 | (a) |