

Financial Markets

1. Which of the following does financial services industry consist of?

- I. ☐ Telecommunication
- II. ☐ Insurance
- III. ☐ Fund Management
- IV. ☐ Trusts

- A. I and II
- B. III and IV
- C. I, II and III
- D. II, III and IV**

2. Which of the following statements describe the main functions of Hong Kong Monetary Authority?

- I. ☐ Keeping the Hong Kong dollar stable.
- II. ☐ Promoting the safety of Hong Kong's banking system.
- III. ☐ Assisting the Chief Executive to promote his policies.
- IV. ☐ Managing the Exchange Fund (Hong Kong's official reserves) in a sound and effective way.

- A. I and III
- B. II and IV
- C. I, II and IV**
- D. II, III and IV

3. Which of the following statements describing securities firms is (are) CORRECT?

- I. ☐ They are regulated by Hong Kong Monetary Authority.
- II. ☐ They act as intermediaries between buyers and sellers of securities.
- III. ☐ They charge a commission for their services.
- IV. ☐ They may also provide advice to investors.

- A. I only
- B. II only
- C. I and IV
- D. II, III and IV**

4. What is the meaning of “financing” in the financial market?

- A. Advising an organization to raise charity funds
- B. Investing in the securities market
- C. Sourcing funds**
- D. Converting the assets into cash

5. The capital markets consist of the primary market and secondary market. Which of the following statements is TRUE regarding the differences between the two markets?

- A. New issues are distributed to investors in the primary market while existing securities are traded in the secondary market.**
- B. Existing securities are traded in the primary market while new issues are distributed to investors in the secondary market.
- C. New issues are traded in the primary market while existing securities are distributed in the secondary market.
- D. Existing securities are distributed to investors in the primary market while new issues are traded in the secondary market.

6. The short term financial instruments traded in money market is commonly called
- A. Bonds
 - B. Shares
 - C. Notes
 - D. Commercial Papers**
7. Financial intermediation is the process that the financial intermediaries connect _____ and _____ by transferring funds from one side to another.
- A. Banks and account holders
 - B. Borrowers and lenders**
 - C. Borrowers and securities firms
 - D. Investors and lenders
8. You bought a share for \$10 and sold it for \$12 after one year. You received share dividend \$1 during the holding period. What was the rate of holding period return?
- A. 10%
 - B. 20%
 - C. 30%**
 - D. 40%
9. If the interest rate of saving accounts offered by the banks is 5% and the inflation rate is 3%, then what is the real interest rate?
- A. 1.58%
 - B. 1.85%
 - C. 1.94%**
 - D. 2.00%

10. Which of the following are the regulators of securities market and banking industry of the HKSAR respectively?
- A. Monetary Regulatory Committee and Hong Kong Association of Banks
 - B. Securities and Futures Commission and Hong Kong Association of Banks
 - C. Hong Kong Stock Exchange and Monetary Regulatory committee
 - D. Securities and Futures Commission and Hong Kong Monetary Authority**
11. Which of the following statements is a CORRECT description of “hard currency” in the foreign exchange market?
- A. The values of the currencies often fluctuate often due to political uncertainty.
 - B. The values of the currencies often fluctuate due to economic uncertainty
 - C. The currencies have higher appreciation rates than the soft currency.
 - D. The currencies are widely accepted around the world as a form of payment for goods and services.**
12. If the inflation rate is 5%, what will be the selling price after 3 years of a goods that you can buy right now for \$1,500?
- A. \$1,628
 - B. \$1,704
 - C. \$1,736**
 - D. \$1,827
13. If Peter wants to save \$1 million for his son’s overseas university study fee after 15 years, how much does Peter have to set aside right now? (Assuming that the investment return rate is 7%).
- A. \$255,235
 - B. \$362,446**
 - C. \$458,356
 - D. \$528,239

14. Which of the following indexes is generally used as the measure to reflect changes in the price level of consumer goods and services purchased by households?
- A. Hang Seng Index
 - B. Consumer Price Index**
 - C. Producer Price Index
 - D. Consumer Confidence Index
15. According to the three-tier banking system of Hong Kong, the deposit-taking companies are restricted to take deposits up to the limit of _____.
- A. HK\$10,000 or more
 - B. HK\$100,000 or more**
 - C. HK\$500,000 or more
 - D. HK\$1,000,000 or more
16. Which of the following instruments would be commonly used as proxies of risk-free assets?
- I. ☐ U.S. Treasury Bills
 - II. ☐ Hong Kong Stocks
 - III. ☐ Exchange-Fund Bills
 - IV. ☐ Corporate Bonds
- A. I and III**
 - B. II and IV
 - C. I, II and IV
 - D. II, III and IV
17. According to their own risk levels, rank the following investment funds in ascending order (from lowest to highest risk).
- I. ☐ Regional stock fund
 - II. ☐ Bond fund
 - III. ☐ Hedge fund
 - IV. ☐ Global stock fund

- A. (I) (IV) (II) (III)
- B. (I) (II) (III) (IV)
- C. (II) (III) (IV) (I)
- D. (II) (IV) (I) (III)**

18. According to regulatory requirements of Hong Kong Monetary Authority, all authorized financial institutes have to meet the minimum levels of two financial ratios. What are these two ratios?

- A. Current ratio and liquidity ratio
- B. Capital adequacy ratio and debt ratio
- C. Debt ratio and current ratio
- D. Liquidity ratio and capital adequacy ratio**

19. Which of the following statements are **INCORRECT** for a restricted licence bank operated in Hong Kong?

- I. ☐ It may take time deposits from members of the public in amount of HK\$100,000 and above.
- II. ☐ It may take time deposits from members of the public in amount of HK\$500,000 and above.
- III. ☐ It may take time deposits from members of the public without restriction on maturity.
- IV. ☐ It may take time deposits from members of the public with restriction on maturity of at least three months.

- A. I and III
- B. I and IV
- C. II and III**
- D. II and IV

20. Which of the following institutions is responsible for supervising the insurers operated in Hong Kong?

- A. Insurance Authority**
- B. Insurance Industry Union
- C. Insurance Claim Department

D. Hong Kong Federation of Insurers

21. A couple has an investment portfolio in their joint account with market value of HK\$380,000 (in stocks) and \$180,000 (in futures). What will be the amount of compensation received from the Investor Compensation Fund by the couple for their loss if their intermediary defaults?

A. \$300,000

B. \$380,000

C. \$480,000

D. \$560,000

22. Which of the following is NOT the responsibility of Mandatory Provident Fund Schemes Authority?

A. Supervising approved trustees

B. Working with the service providers to promote their MPF products

C. Working with other financial regulators in overseeing MPF products and MPF intermediaries

D. Overseeing the operation of retirement schemes that fall under the Occupational Retirement Schemes ORSO

23. Which of the following ordinances is(are) the legislation on money laundering in Hong Kong?

I. ☐ The Anti-Money Laundering Ordinance

II. ☐ The Drug Trafficking (Recovery of Proceeds) Ordinance

III. ☐ The Drug Trafficking and Money Laundering Ordinance

IV. ☐ The Organized and Serious Crimes Ordinance

A. I only

B. II and IV

C. II and III

D. I, III and IV

24. Which of the following constitutes stock market manipulation?

- A. Actively interfere the demand and supply of the securities and derivatives**
- B. Company director disclose the sensitive company news which have not been publicly disclosed
- C. Anyone who disclose unfavorable information intentionally regarding the company business
- D. An account executive trades stocks or uses funds in an account without the clients' consent or knowledge

25. In order to avoid being trapped by the boiler room operation, which of the following should people do when they are “cold-called”?

- I. ☐ Call the police immediately
 - II. ☐ Hang up immediately
 - III. ☐ Check if the company is on the “Alert List”
 - IV. ☐ Verify the legitimacy of the persons or the companies with the SFC's Public Register of Licensee and Registered Institutions
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- A. I and III
 - B. II and IV
 - C. I, II and IV
 - D. II, III and IV**