

Please Print Your Full Name

*Mullers*

Good Luck!

MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

- 1) Which of the following departments in a securities firm will be responsible for examining securities to ensure they meet the proper registration and good delivery requirements? 1) \_\_\_\_\_
  - A) Credit and Compliance
  - B) Financial Administration
  - C) Underwriting /Financing
  - D) Trading
  
- 2) IAs are? 2) \_\_\_\_\_
  - A) Investment Auctions
  - B) Investment Advisors
  - C) Institutional Advisors
  - D) Institutional Auctions
  
- 3) Personal disposable income; 3) \_\_\_\_\_
  - A) The amount of money that is saved by individuals
  - B) The amount of money that is available before taxes
  - C) The amount of money that is available after taxes to purchase goods & services and to save.
  - D) The amount of money that is available for the purchase of goods & services and to save
  
- 4) What role is an investment firm most likely performing when it completes a sell transaction from its inventory of a security that is trading on a listed exchange? 4) \_\_\_\_\_
  - A) Principal
  - B) Broker
  - C) Agent
  - D) Underwriter
  
- 5) Arbitration occurs because; 5) \_\_\_\_\_
  - A) A client is unfairly treated by the member of a SRO and was unsuccessful in its law suit.
  - B) A client is unfairly treated by the member of a SRO
  - C) The security firm is unable to successfully sue its customer for wrongdoing
  - D) The security firm is unable to buy/sell shares for its client when a "halt" is imposed on a particular firm
  
- 6) One of the following is an example of an unlisted security: 6) \_\_\_\_\_
  - A) Exchange traded options
  - B) Financial futures
  - C) Money market instruments
  - D) Exchange traded common shares
  
- 7) Which financial intermediary focuses exclusively on wealth management? 7) \_\_\_\_\_
  - A) Chartered banks
  - B) Life insurance
  - C) Investment funds
  - D) Investment dealers
  
- 8) If an investor decides to open an account with a mutual fund for \$150,000 and also open a bank account under its name for \$125,000 and he used the total amount to purchase shares, which organization(s) will cover his investment(s) and how much coverage will he receive if the firms become insolvent. 8) \_\_\_\_\_
  - A) MFDA IPC for \$275,000
  - B) MFDA IPC for \$150,000 and CIPF for \$125,000
  - C) CIPF for \$200,000
  - D) MFDA IPC for \$100,000 and CIPF for \$100,000
  
- 9) What is not true about Foreign investment; 9) \_\_\_\_\_
  - A) Leads to long-term outflows of interest and dividend payments
  - B) Supply capital to the Canadian society
  - C) Important source of investment capital
  - D) Government of Canada favoured foreign investment
  
- 10) Which of the following statements about proxies is correct? 10) \_\_\_\_\_
  - A) A proxy is a power of attorney
  - B) A proxy is irrevocable
  - C) Proxy holders must be shareholders
  - D) Proxy voting is only permitted under federal laws

- 11) **Schedule III banks;** \_\_\_\_\_
- A) They have been registered as Charter banks
  - B) They are incorporated and operate as federally foreign bank subsidiaries
  - C) They are federally regulated foreign bank branches of foreign institutions and are authorized to do banking in Canada
  - D) They are incorporated and operate as federally foreign institutions and are authorized to do banking in Canada
- 12) **What type of a market is CNSX?** \_\_\_\_\_
- A) An auction market
  - B) An over-the-counter market
  - C) A dealer market
  - D) An unlisted market
- 13) **If you looked at Schedule II and Schedule III banks, what would you say is the biggest difference between them?** \_\_\_\_\_
- A) Schedule II banks are actually foreign bank branches
  - B) Schedule III banks are actually foreign bank branches
  - C) Schedule III banks branches are regulated Provincially
  - D) Schedule II banks branches are regulated Provincially
- 14) **The Investment Industry Regulatory Organization Of Canada (IIROC)oversees all investment dealers and trading activity on debt and equity in the market place in Canada and its role is:** \_\_\_\_\_
- A) Financial Compliance, Business Management Compliance, Registration and Enforcement
  - B) Financial Compliance, Business Conduct Compliance, Registration and Management
  - C) Financial Compliance, Business Conduct Compliance, Registration and Enforcement
  - D) Financial Compliance, Business Conduct Compliance, Arbitration and Enforcement
- 15) **When a country consumes more goods and services than it produces than:** \_\_\_\_\_
- A) Exports minus imports are negative
  - B) Exports minus imports are positive
  - C) Exports are equal to imports
  - D) Imports are negative
- 16) **Mary is interested in buying 1,000 shares of BCE. The company first issued share 20 years ago and they have nearly doubled in value since then. If Mary decides to purchase the shares, how can she obtain them?** \_\_\_\_\_
- A) On the primary market
  - B) Directly from the company
  - C) On the secondary market
  - D) From the dealers' IPO allotment
- 17) **Which of the following statement regarding the Canadian Stock Exchange is false?** \_\_\_\_\_
- A) The TSX is a for profit public corporation
  - B) Private corporations cannot list on the TSX
  - C) The TSX trades only using physical resources
  - D) Stock exchanges are part of the SRO
- 18) **What statutory right allows purchasers to cancel their contract for the purchase of securities if a prospectus contains misrepresentation?** \_\_\_\_\_
- A) Right of Proxy
  - B) Right of rescission
  - C) Right of withdrawal
  - D) Right of action for damages
- 19) **Insurance companies are required to adhere to investment rules based on;** \_\_\_\_\_
- A) Prudent Portfolio approach
  - B) Prohibition from acquiring substantial investments in entities other than those listed in the authorizes financial list.
  - C) Portfolio asset limits designed to reduce the total exposure into real property and equity securities.
  - D) All of the above
- 20) **A dealer market is better know as;** \_\_\_\_\_
- A) Market makers
  - B) Negotiated market by market makers
  - C) Network of dealers who trade with each other
  - D) All of the above

- 21) **The following does not have a Fiduciary Obligation;** \_\_\_\_\_
- A) An employee at an investment dealer
  - B) An accountant involved with financing securities
  - C) A lawyer involved with underwritings
  - D) A director of a private corporation
- 22) **The Federal government announces that it will have a balanced budget;** \_\_\_\_\_
- A) Its total expenditures are equal to its total debt
  - B) Its total revenues are equal to its total debt
  - C) Its total revenues are equal to its total issuance of bonds
  - D) Its total expenditures are equal to its total revenues
- 23) **Stock Exchange Index Market Capitalization is defined as;** \_\_\_\_\_
- A) Total value of all the shares in a particular Index
  - B) Total value of all the shares in a particular Index times its total shares
  - C) Weighted value of all the shares in a particular Index
  - D) Weighted value of all the shares that comprise the Index
- 24) **ABC holding currently owns 9.5% of the outstanding common shares of Nortel. As a result of trades in the company's stock, ABC now owns more than 10% common shares, what immediate action must ABC take?** \_\_\_\_\_
- A) Issue a press release
  - B) File a report with the administrator
  - C) Offer to purchase all remaining outstanding share
  - D) Issue a formal take-over bid
- 25) **If the Consumer Price Index (CPI) was 140.6 last year and 149.9 this year, what was the inflation rate over the year?** \_\_\_\_\_
- A) 6.61%
  - B) 6.34%
  - C) 6.31%
  - D) 9.37%
- 26) **Assume that the Canadian dollar is falling against most other major currencies and this had become a concern to the Canadian government. What is the quickest and most immediate short-term action that the Bank of Canada could take to try and rectify these situations?** \_\_\_\_\_
- A) Buy Canadian dollars in the open market
  - B) Lower interest rates
  - C) Sell Canadian dollars in the open market
  - D) Raise interest rates
- 27) **Demutualization is;** \_\_\_\_\_
- A) A common share holder selling his/her stock
  - B) Schedule 1 bank converting to a public corporation
  - C) A trust that is planning to issue units
  - D) Insurance companies changing its charter from unit holders to share holders
- 28) **What is real capital?** \_\_\_\_\_
- A) Money
  - B) Buildings
  - C) Land
  - D) all of the above
- 29) **Which of the following statements about dealer markets is true?** \_\_\_\_\_
- A) Rights and warrants can be bought and sold through this market
  - B) The volume of trading is far greater than the equities market
  - C) Closed-end funds are sold exclusively through this market
  - D) This market uses a system where buyers and sellers enter competitive bids and offers simultaneously
- 30) **The expansion cycle means:** \_\_\_\_\_
- A) Labor shortage
  - B) Product shortage
  - C) Interest rates fall
  - D) Inflation is stable

- 31) When acting as a "broker" for a securities' firm in the secondary market and doing transactions for the firm's clients, this person is acting as; 31) \_\_\_\_\_
- A) An Agent
  - B) A Principal
  - C) An Agent for the seller and as a principal for the buyer
  - D) A Principal for the seller and as an agent for the buyer
- 32) The MFDA covers the following eligible accounts if a member firm becomes insolvent; 32) \_\_\_\_\_
- A) Securities, Cash Balances, Segregated Funds, and losses in client account due to bad investment choices
  - B) Securities, Cash Balances and Segregated Funds
  - C) Securities, Cash Balances and Certain Other Property Held in the Account
  - D) Securities, Cash Balances, Segregated Funds and Certain Other Property Held in the Account
- 33) ATs are; 33) \_\_\_\_\_
- A) Publicly owned computerized networks that match orders for securities outside recognized exchange facilities
  - B) Large banks owned computerized networks that match orders for securities outside recognized exchange facilities
  - C) Privately owned computerized networks that match orders for securities outside recognized exchange facilities
  - D) Small banks owned computerized networks that match orders for securities outside recognized exchange facilities
- 34) If a contraction period in the economy develops and a major auto company in Canada lays-off several thousands of full-time employees. This is an example of; 34) \_\_\_\_\_
- A) Structural unemployment
  - B) Frictional unemployment
  - C) Cyclical unemployment
  - D) Temporary unemployment
- 35) Liquidity is; 35) \_\_\_\_\_
- A) Infrequent sales,
  - B) Large price spread between bid and ask prices
  - C) Many investors buying and selling shares of different companies
  - D) None of the above
- 36) Assumes that the economy is moving towards the peak of an expansionary period, the government passes legislation raising the minimum wage. Holding all other factors constant, which of the following statements is correct regarding inflation and structural unemployment? 36) \_\_\_\_\_
- A) Inflation is likely rising and structural unemployment would rise
  - B) Inflation is likely falling and structural unemployment would decrease
  - C) Inflation is likely falling and structural unemployment would increase
  - D) Inflation is likely rising and structural unemployment would decrease
- 37) What will happen if we began to experience, at this time, an inverted yield curve in our economy? 37) \_\_\_\_\_
- A) The debentures and bond prices will decrease
  - B) the debentures and bond prices will increase
  - C) The economy slows and stock prices will drop as short term rates are higher and bond prices decrease
  - D) The economy grows and stock prices will increase as short term rates are lower and bond prices increase
- 38) Chinese Walls; 38) \_\_\_\_\_
- A) The concept of sharing clients information between banks and its subsidiaries
  - B) The concept of not sharing clients information between banks and its subsidiaries
  - C) Allowing bank customers to gather information on banks and their subsidiaries but not to disseminate such information to the public at large
  - D) Allowing bank customers to gather information on banks and their subsidiaries and to disseminate it to the public at large

- 39) **Bid and Ask quotes are;** \_\_\_\_\_
- A) Prices that the investor will pay for the security
  - B) Prices that the investor will receive for the security
  - C) Bid is the lowest price a seller will accept
  - D) Ask is the lowest price a seller will accept

- 40) **Which of the following organizations is responsible for regulating and supervising banks, insurance, loans and investment companies at the Federal level?** \_\_\_\_\_
- A) The Office of the Superintendent of Financial Institutions
  - B) The Office of the Inspector General of Canada
  - C) The Superintendent of Financial Institutions
  - D) The Bank of Canada

- 41) **An example of a Leading indicator would be;** \_\_\_\_\_
- A) Industrial Production
  - B) Labour Costs
  - C) Salary
  - D) Money supply

- 42) **Which of the following statements concerning Alternative Trading Systems (ATS) is false?** \_\_\_\_\_
- A) ATS lessen market transparency
  - B) ATS increase the order flow through the exchanges
  - C) ATS allow for a direct negotiation of the price
  - D) ATS facilitate global trading

- 43) **The Phillips Curve indicates the short run trade off between;** \_\_\_\_\_
- A) Actual Output and GDP
  - B) Cost-Push and Demand—Pull Inflation
  - C) Inflation and Unemployment
  - D) Inflation and Deflation

- 44) **Investment money comes from many sources; retail investors, institutional investors and government agencies. If an investor wanted to purchase "Canadian bonds", where would be the best place to purchase them?** \_\_\_\_\_
- A) Directly from the government of Canada
  - B) Secondary Market transaction
  - C) Over the counter and brokerage/investment houses
  - D) Banks

- 45) **The most important component of the Current Account is;** \_\_\_\_\_
- A) Net investment account
  - B) Net transfer account
  - C) Savings account
  - D) Merchandise trade (exports and imports)

- 46) **Claire has a \$150,000 term deposit with TBD Trust and a \$75,000 term deposit with PRO Trust. Both Trust companies are member institutions of the Canada Deposit Insurance Corporation (CDIC). If both companies become insolvent, what maximum coverage under CDIC is Claire entitled to?** \_\_\_\_\_
- A) \$175,000
  - B) \$125,000
  - C) \$200,000
  - D) \$225,000

- 47) **Which of the following statements is correct regarding underwriting risk?** \_\_\_\_\_
- A) The risk remains with the issuer until the issue is complete
  - B) The risk is shared equally between the issuer and the underwriters
  - C) The financing and banking groups assume the risk of the underwriting as principals
  - D) The risk is borne primarily by the lead underwriter

- 48) **Insurance companies are regulated by;** \_\_\_\_\_
- A) Office of the Superintendent of Financial Institutions
  - B) Federal legislation
  - C) Federal legislation and other regulators depending on which business they also have apart from insurance
  - D) Provincial securities' regulators

- 49) **The Administration Department of a securities' firm includes the main following Sections;** 49) \_\_\_\_\_
- A) Operations, Credit and Compliance and Financial
  - B) Credit and Compliance, Research and Financial
  - C) Financial, Credit and Compliance and Trading
  - D) Operations, Sales and Financial
- 50) **Many investors buy debt instruments to diversify their portfolios. Choose the most appropriate portfolio that includes only debt instruments.** 50) \_\_\_\_\_
- A) Bonds, Indentures, Commercial Paper and Treasury Bills
  - B) Government bonds, Corporate Bonds, Common Stock and Treasury Bills
  - C) Bonds, Indentures, Commercial Paper and Common Stock
  - D) Bonds, Debentures, Commercial Paper and Treasury Bills
- 51) **NAIRU is defined as;** 51) \_\_\_\_\_
- A) The economy is not at full capacity
  - B) The normal level of employment in a recessionary period
  - C) Below capacity in the economic cycle
  - D) Normal unemployment rate when the economy is at its full potential or full capacity
- 52) **Sales Finance and Consumer Loan Companies are;** 52) \_\_\_\_\_
- A) Companies or trust that sell shares or units to the public and invest those proceeds thereafter
  - B) Provide loans to consumers who usually repay principal and interest in instalments
  - C) Companies that continuously issue shares to investors and redeem them on demand
  - D) None of the above
- 53) **What is "portfolio investment" in the capital account;** 53) \_\_\_\_\_
- A) Foreign investor owns more than 10% in a Canadian company
  - B) Total ownership of a Canadian company
  - C) Canadian how has 51% ownership of an American company
  - D) Foreign investor owns less than 10% in a Canadian company
- 54) **An institutional investor is:** 54) \_\_\_\_\_
- A) Individuals
  - B) Organizations
  - C) Individuals and organizations
  - D) None of the above
- 55) **The organization that acts as a central clearing system for security transactions in Canada is known as;** 55) \_\_\_\_\_
- A) *CDS*
  - B) *CPA*
  - C) *BOC*
  - D) *ATS*
- 56) **"Know Your Client Rule" is an important step to know everything about your client, what is the first step to comply under this Rule?** 56) \_\_\_\_\_
- A) Complete the New Account Application Form (NAAF) or similar document provided by your investment representative or advisor?
  - B) Complete the Financial information required under the New Account Application Form (NAAF) only
  - C) Gather personal information about the client namely; name, address, marital status and salary
  - D) Gather personal investment goals and objectives and salary information only
- 57) **Which of the following statements about the most recent changes to the Bank Act regarding Schedule 1 Chartered Banks is true?** 57) \_\_\_\_\_
- A) Chartered banks have ceased issuing debentures and preferred share
  - B) Chartered banks were granted broader powers in terms of the range of available business activities
  - C) Chartered banks can actively pursue merging with large international banks
  - D) Chartered banks are required to maintain an increased percentage of their assets in liquid reserves

- 58) **Scheduled II Banks;**
- A) Focus on corporate, institutional finance and investment banking
  - B) Focus on retail banking and electronic financial services and derive most of their revenues from these sources
  - C) Focus on financial planning, cash management and wealth management services
  - D) Focus on retail, commercial and corporate banking
- 59) **The nature of money is;**
- A) Medium of exchange
  - B) Unit of account
  - C) Store of value
  - D) All of the above
- 60) **Bid prices are defined as;**
- A) The highest price someone will pay for the security
  - B) The lowest price someone will pay for the security
  - C) The theoretical price for the stock at that particular time
  - D) The calculated price for the stock at that particular time
- 61) **Primary distribution of financial assets for a secondary use in a stock exchange is;**
- A) Purchased at a discount by an investment Dealer
  - B) Purchased at a premium by an investment Dealer
  - C) Purchased at par by an investment Dealer
  - D) Purchased at market prices by an investment Dealer
- 62) **Leverage buy-out is;**
- A) The financing of expanding firms for their acquisition
  - B) The acquisition of companies financed with equity and debt
  - C) The financing of firms that are in the infancy stages
  - D) The purchase of debt securities of private or public companies
- 63) **Mrs. Tobin has had an Mutual Fund Account with her brokerage house for over 10 years. Lately, the brokerage house has been mismanaged and finally today, it had to file for bankruptcy. Mrs. Tobin worries about her account that was managed by the brokerage house since it contained \$10,000 in cash and \$1,050,00 in various securities. How much maximum protection can she be guaranteed?**
- A) \$1,060,000
  - B) \$1,050,000
  - C) \$10,000
  - D) \$1,000,000
- 64) **Terms of trade is the ratio of;**
- A) Imports to exports
  - B) Exports to imports
  - C) Current account to capital account
  - D) Capital account to current account
- 65) **Debt instruments are;**
- A) Preferred stock
  - B) Equity
  - C) Bonds
  - D) Common stock
- 66) **The following financial assets are considered to be sold in the secondary market;**
- A) Guaranteed Investment Certificates (GICs)
  - B) preferred stocks or shares
  - C) Canadian government bonds purchased at a financial institution; bank
  - D) Treasury Bills (T-bills)
- 67) **"Front Running" is an unethical practice that may deceive the public, it represents;**
- A) Making a practice of effecting a trade for the advisor's own account prior to effecting a trade for the client
  - B) Leading a client to believe that there is no risk through opening or trading in an account or purchasing a specific security
  - C) Deliberately causing the last sale for the day in a security to be higher than warranted
  - D) Entering or attempting to enter into any scheme or arrangement to sell and repurchase a security in an effort to manipulate the market
- 68) **The Canadian dollars is at \$1.25 versus the US\$, how many US\$ can \$1.00 Canadian buy?**
- A) \$1.25US
  - B) \$0.80US
  - C) \$1.80US
  - D) \$0.75US

69) **IIROC is defined as;**

- A) The Investment Industry Regulatory Operation of Canada
- B) The Investing Industry Regulatory Organization of Canada
- C) The Investment Industry Regulatory Organization of Canada
- D) The Investment Incorporated Regulatory Organization of Canada

69) \_\_\_\_\_

70) **A firm is acting as "Principal" when;**

- A) The firm is selling and buying shares for its clients
- B) The firm is selling and buying shares for its clients from its own inventory
- C) The firm is selling and buying shares for anybody that calls them and wants to make a transactions
- D) The firm is selling and buying shares from its customers' accounts.

70) \_\_\_\_\_

71) **What department within a security's organization is responsible for raising capital for its clients?**

- A) Sales department
- B) Trading department
- C) Management department
- D) Underwriting/financing department

71) \_\_\_\_\_

72) **CIPF stand for;**

- A) Canadian Investment Protection Fund
- B) Canadian Investor Protection Financing
- C) Canadian Investment Protection Financing
- D) Canadian Investor Protection Fund

72) \_\_\_\_\_

73) **Which of the following statements about dealer markets is true?**

- A) The volume of trading is far greater than the equities market
- B) It is a negotiated market where dealer's bid and ask quotations are entered and those dealers are acting as market makers
- C) Closed-end funds are sold exclusively through this market
- D) Rights and warrants can be bought and sold through this market

73) \_\_\_\_\_

74) **A Trust and Loan Company is;**

- A) Not registered but offers a broad range of financial services
- B) Is registered only provincially but offers a broad range of financial services
- C) Is registered only federally but offers a broad range of financial services
- D) Is registered federally and provincially but offers a broad range of financial services

74) \_\_\_\_\_

75) **If interest rates are decreasing we have a;**

- A) Crash in the bond market
- B) Increase in the gold market
- C) A decrease in the stock market
- D) A rally in the bond market

75) \_\_\_\_\_

