Question 1 of 100

A traditional bank provides a company with mezzanine financing, where the amount of the loan is greater than the collateral value of the company's available assets. This form of financing is referred to as which of the following?

- **A.** blanket financing
- **B.** stretch financing
- **C.** excess financing
- **D.** subordinated financing

Question 2 of 100

Which of the following is FALSE regarding the risk and rewards of venture debt funds and venture capital funds?

- **A.** Venture debt funds depend on a low rate of defaults because they do not have sufficient upside exposure in successful investments to compensate for failed ones.
- **B.** Venture debt funds are exposed to less downside from failing investments than venture capital funds.
- **C.** Profitable investments generate higher equity gains for venture capital funds than for venture debt funds.
- **D.** Break-even investments result in a total loss of venture debt funds, while venture capital funds recoup their initial investment.

Question 3 of 100

Which of the following is true of project finance of an infrastructure project?

- **A.** The loans are funded with an equal mix of equity and debt.
- **B.** The loans are paid back with cash flows from the project.
- **C.** The loans provided are not secured.
- **D.** The loans provided are typically recourse loans.

Question 4 of 100

Which of the following statements apply to the practices of bank and non-bank venture lenders?

I. Bank lenders provide larger loans than non-bank lenders.
II. Banks engage in venture lending to secure future business from the start-up.
III. Non-bank lenders charge higher interest rates than bank lenders.
IV. Non-bank lenders' primary motivation is generating high yield.

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

Question 5 of 100

Compared to corporate bonds, loans have:

- **A.** more default risk, more interest rate risk, and more liquidity.
- **B.** more default risk, less interest rate risk, and less liquidity.
- **C.** less default risk, less interest rate risk, and less liquidity.
- **D.** less default risk, more interest rate risk, and less liquidity.

Question 6 of 100

In which of the following aspects does a commercial mortgage-backed security differ from an insured residential mortgage-backed security?

- **A.** whether it is backed by mortgage loans
- **B.** the use of tranches
- **C.** whether it is securitized
- **D.** the embedded risk

Question 7 of 100

Which of the following are internal credit enhancements typically used for pools of credit card receivables?

- **A.** cash collateral accounts and overcollateralization
- **B.** senior certificates and letters of credit
- **C.** collateral invested amounts and senior certificates
- **D.** overcollateralization and spread accounts

Question 8 of 100

If interest rates have been declining steeply for the past two years and are predicted to level off or decline only slightly at a slower rate over the next year, then, over the next year, prepayment rates are likely to do which of the following?

- **A.** decrease
- **B.** increase
- **C.** be unaffected

Question 9 of 100

A large U.S. pension fund has entered into an indemnity-based longevity swap contract to hedge its longevity risk. Which of the following most accurately represent the risks to which the pension fund is exposed?

- **A.** rollover risk, counterparty risk, and legal risk
- **B.** basis risk, counterparty rate risk, and rollover risk
- **C.** legal risk, interest rate risk, and counterparty risk
- **D.** catastrophe risk, rollover risk, and legal risk

Question 10 of 100

The exhaustion point of a cat bond trigger is best described as which of the following?

- **A.** level of claims loss at which investors are not responsible for any additional claims
- **B.** point at which the issuer becomes exposed to basis risk
- **C.** time investors need to wait after the bond matures to reclaim the principal

Question 11 of 100

Procedures for compliance with the Code and Standards related to dealing with all clients in a fair and impartial manner when giving investment advice include which of the following?

- **A.** putting together an investment policy statement for each client
- **B.** disclosing management compensation arrangements to all clients
- **C.** submitting itemized statements of funds and securities to each client
- **D.** developing and disclosing trade allocation procedures to clients

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Question 12 of 100

Trudy Banks, a portfolio manager, has designed a new algorithm for passive portfolio management and started using it instead of the old procedure. According to the Code and Standards, Trudy:

- **A.** should inform her clients of this change because it may have a significant effect on portfolio composition.
- **B.** should not inform her clients of this change because of the proprietary nature of the algorithm.
- **C.** does not have to inform her clients of this change as long as the data analyzed by the algorithm is still the same.
- **D.** does not have to inform her clients of this change as long as her superior approves the new procedure.

Question 13 of 100

Georgi Iwanowski wants to recommend Green Mountain Coffee Roasters stock to his clients. He likes the stock in part because it is a good performer, but also because the firm runs an environmentally and socially responsible business. In fact, he likes this stock so much that he owns a large amount of it himself. According to the Code and Standards, which of the following best describes appropriate conduct by Georgi related to recommending this stock to his clients?

- **A.** Georgi cannot recommend this stock to his clients unless he first sells all of the Green Mountain Coffee Roasters stocks that he owns.
- **B.** Georgi can recommend this stock to his clients as long as he did not trade this stock over the past six months.
- **C.** Georgi can recommend this stock to his clients as long as he discloses the fact that he owns it himself.
- **D.** Georgi can recommend this stock to his clients as long as the recommendation is based on objective research.
