



Introduction knowledge and competence test

Instructions:

You have 60 minutes to complete 60 questions. Each question has three or four choices out of which only one is correct.

You are required to answer 70% of questions (42 answers) correctly in order to demonstrate acceptable competency on a test.

Name:

Score:

LEGAL PART

1. Clients are classified under MiFID as?

- a. Retail, professional or intermediate
- b. Private, professional or intermediate
- c. Private, intermediate or eligible counterparty
- d. Retail, professional or eligible counterparty

2. A person employed by a CIF must:

- a. Submit a clean criminal record certificate
- b. Submit his university degree
- c. Not have a portfolio in another CIF
- d. Be a client of the CIF

3. A CIF when providing information to clients regarding past performance of financial instruments, the following information must be provided:

- a. It must disclose the sources and currency.
- b. It must disclose the sources, currency and commission paid.
- c. It must disclose the sources, currency, commission paid and a warning that the figures are merely historic.

4. Which of the following is an ancillary service:

- a. Investment advice
- b. Placing of financial instruments without a firm commitment
- c. Reception and transmission of orders
- d. Investment research



5. Which of the following cases require clients to take the suitability test?

- a. The provision of reception and transmission of orders to a professional client.
- b. The provision of investment research to a retail client.
- c. The provision of portfolio management to a retail client.
- d. All of the above.

6. Can a tied agent hold client's money?

- a. Yes, if it has a prior approval of its clients.
- b. Yes, if it has a prior approval of an investment firm.
- c. Yes, but only if the amount is less than 5,000 USD.
- d. No, it shall never hold client's money.

7. Which of the following services is not an investment service under MiFID?

- a. Investment advice
- b. Portfolio management
- c. Reception and transmission of orders.
- d. Investment research

8. Which investment services and activities can a Cyprus Investment Firm provide in another EU country via its MiFID passport?

- a. Any investment and ancillary services under Law 144/2007.
- b. Any investment services only.
- c. Any of the investment and ancillary services covered under the Cyprus Investment Firm's licence.
- d. Any investment services covered under the Cyprus Investment Firm's license and all the ancillary services.

9. Which of the following services may not be provided by a tied agent?

- a. Portfolio management
- b. Reception and transmission of orders
- c. Safekeeping and administration of financial instruments
- d. Investment advice

10. A CIF authorized in Cyprus can also provide services to:

- a. Russia
- b. Greece and Turkey
- c. All EU member states
- d. Worldwide

11. Can a sales person provide an investment advice to clients?

- a. Yes, if a client requests for the investment advice.



- b. No, the sales person shall never provide the investment advice to any client.
- c. Yes, the sales person can provide the investment advice to any client.

12. Who is considered as a politically exposed person under the AML legislation?

- a. Natural persons who are residing within or outside Cyprus and who are or have been entrusted with prominent public functions.
- b. Legal persons that have been established in jurisdictions outside of the European Union.
- c. Natural persons who are residing in any African country.

13. What communication does not comply with the fair, clear and not misleading rule?

- a. Mentioning only benefits of investing in financial instruments without mentioning of associated risks.
- b. Communication that does include the name of the firm.
- c. Is sufficient for, and presented in a way that is likely to be understood by, the average member of the group to whom it is directed, or by whom it is likely to be received.
- d. Does not disguise, diminish or obscure important items, statements or warnings.

14. When communicating information to clients

- a. The salesman can use his/her nickname if it is well known in an investment firm.
- b. The salesman can use his/her nickname if it is approved by an investment firm.
- c. The salesman shall never use his/her nickname.

15. What forms of communication with clients is allowed?

- a. Phone calls from company's recorded lines.
- b. Private messages through Whatsapp, Facebook or other messengers.
- c. Skype videocalls upon client's request.

16. What is an aggressive marketing of investment services?

- a. Informing clients about a new IPO.
- b. Exercising of pressure and urging/advising clients to invest or to deposit funds.
- c. Sending clients repeated emails such as a daily outlook, an invitation to seminars etc.

17. What is the benefit of being a member of the Investor Compensation Fund in Cyprus?

- a. The clients of investment company will be compensated in case they lose their funds in trading.
- b. The clients are provided with the guarantee that they will be paid up to 20.000 EUR in case the investment firm ceases trading or becomes insolvent.
- c. The clients are provided with the guarantee that they will be fully compensated in case the investment firm ceases trading or becomes insolvent.

18. Can a Cypriot investment firm provide investment services in other EU countries?

- a. Yes, but it shall employ the persons speaking all official languages of the EU.



- b. Yes, but it shall passport its investment license to other EU countries.
- c. Yes, but it shall appoint tied agents in those EU countries.

FINANCAL KNOWLEDGE

19. What are the costs of CFD trading?

- a. Spreads, swaps, taxes
- b. Swaps, spreads and commissions
- c. Swaps, spreads, commissions and dividends.

20. If a client buys 10.000 Google CFD shares, it means

- a. The client will take physical ownership of Google shares.
- b. The client expects the price of Google shares goes up.
- c. The client will own Google shares with voting rights.

21. How much is the spread if a client opens a long position at size of one (1) lot of EUR/USD 1.0621/1.0624?

- a. 10 USD
- b. 30 USD
- c. 25 USD

22. In Forex trading, price distances are typically measured in?

- a. Pits
- b. Pips
- c. Pints

23. The abbreviation "SGD" represents which currency?

- a. Singaporean Yen
- b. Swedish Gulden
- c. Singaporean Dollar

24. "KIWI" is the nickname for which currency?

- a. Japanese Yen
- b. Australian Dollar
- c. New Zealand Dollar

25. The three "commodity currencies" are

- a. Canadian Dollar, Australian Dollar, US Dollar
- b. Euro, US Dollar, Japanese Yen
- c. Canadian Dollar, Australian Dollar, New Zealand Dollar

26. NFP stands for



- a. Non-farm Payrolls
- b. Non-federal policy
- c. Not foreseeable price action

27. You think the Euro will rise against the US Dollar. What should you do?

- a. Go long the Euro
- b. Go long the Dollar
- c. Short the Euro

28. What is 'the Spread'?

- a. The difference between the maximum and minimum price achieved in one day.
- b. The difference between the current buy and sell price (Bid/Ask).
- c. The difference between the value of the currency pair in New York and London.
- d. The difference between profit and loss of the investor, i.e. net profit.

29. What does the term lot mean?

- a. The level of loss in the investor's account.
- b. The level of profit in the investor's account.
- c. The difference between the buy and sell price (Bid/Ask).
- d. Unit volume trading.

30. What does the term swap mean?

- a. The difference between the interest rates of the individual currencies in the currency pair increased by a broker's commission.
- b. The difference between profit and loss of the investor.
- c. The mechanism that adjusts the price of the financial instrument by a prespecified value when the underlying contract ends and is being replaced by a new contract with a longer expiry date.

31. What does the term rollover mean?

- a. The mechanism that adjusts the price of the financial instrument by a prespecified value when the underlying contract ends and is being replaced by a new contract with a longer expiry date.
- b. The difference between the interest rates of the individual currencies in the currency pair increased by a broker's commission, which is cleared every day at 23:00 CET.
- c. When a currency of a trading account is converted into another currency.

32. If the USDJPY pair moves from 110.00 to 112.00, it means that:

- a. The US dollar strengthens and the Japanese yen weakens.
- b. The US dollar weakens and the Japanese yen strengthens.
- c. Both currencies strengthen together.
- d. Both currencies weaken together.



33. A long position on the EURUSD pair means:

- a. A position, which must be held for a minimum of 6 months.
- b. A position, which must be held for a minimum of 12 months.
- c. EURUSD pair was sold.
- d. EURUSD pair was bought.

34. If an investor is short the GBPUSD pair then:

- a. He is in profit, when the GBPUSD pair declines.
- b. He is in profit, when the GBPUSD pair rises.
- c. He is in profit, when the GBPUSD pair does not move.

35. A financial leverage can:

- a. Reduce trading fees
- b. Increase a potential profit or loss
- c. Improve client's services from a broker

36. What is a standard LOT size?

- a. 1,000 currency units
- b. 10,000 currency units
- c. 100,000 currency units

37. To reduce or stop a loss from an open trading position an investor can use:

- a. Take profit order
- b. Stop loss order
- c. Close all order

38. To realize a potential profit from an open trading position in the future an investor can use:

- a. Stop loss order
- b. Close all order
- c. Take profit order

39. Technical analysis does the following:

- a. Studies the financial markets from the price perspective, uses only charts and previous prices.
- b. Analyzes companies and their economic results, such as revenues, profits, costs.



c. Studies the macroeconomic situation and its impact on the financial markets.

40. Fundamental analysis does the following:

- a. Studies the financial markets from the price perspective, uses only charts and previous prices.
- b. Studies the macroeconomic situation, central banks, interest rates, GDP.
- c. Impact on trading from human emotions.

41. When an interest rate rises, it usually:

- a. Strengthens the impacted currency.
- b. Weakens the impacted currency.
- c. Has no impact on the impacted currency.

42. To achieve a long-term success on the financial markets it is required:

- a. To use the biggest possible leverage.
- b. To create and follow a trading strategy.
- c. To not use stop-loss orders.

43. The cost of a CFD depends on

- a. The opening price
- b. The client's permanent residence
- c. There is no cost

44. When is the forex market open?

- a. 5 days a week, 12 hours a day.
- b. 5 days a week, 24 hours a day.
- c. Monday through Thursday, 24 hours a day.

45. In CFD trading, which statement best describes a margin call?

- a. A margin call is triggered when a client does not have enough equity to maintain open positions.
- b. A margin call is triggered when a trading account balance is negative.
- c. A margin call happens when a trading account has enough equity to support the open trades.

46. What is the risk of trading CFDs?

- a. CFDs are financial products designed to create losses.
- b. CFDs are leverage products and losses can be greater than gains.
- c. CFD traders do not often receive sufficient market information.

47. How is trading in CFDs taxed?

- a. Any gains from trading in CFDs are tax free.
- b. Any gains from trading in CFDs are taxed as capital gains in a client's tax residence.



c. A client can choose a jurisdiction where to tax his/her capital gains.

GENERAL KNOWLEDGE

48. Who is the president of the USA?

- a. George Bush
- b. Barack Obama
- c. Donald Trump

49. What is OPEC?

- a. The Organization for Prevention and Education of Customers
- b. The Organization of the Petroleum Exporting Countries
- c. The Organization of the Palladium Exporting Countries

50. What is the currency in Sweden?

- a. Euro
- b. Swedish Krona
- c. Swedish Gulden

51. Is Switzerland a part of the European Union?

- a. Yes
- b. No

52. Who is the President of the European Central Bank?

- a. Mario Draghi
- b. Jean-Claude Trichet
- c. Martin Schulz

53. What is the Standard&Poor's 500 Index?

- a. Is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ.
- b. Is an ETF that tracks indexes of NASDAQ and FTSE 100.
- c. Is a hedge fund investing into the 500 large US companies.

54. If a camera costs 10.000 CZK, and one USD costs 25 CZK, then the USD cost of the camera is:

- a. USD 400.
- b. USD 270.
- c. USD 300.
- d. USD 200.



55. The U.S. government agency in charge of regulating stock and bond markets is the:

- a. FDIC
- b. SEC
- c. ICC
- d. Commerce Department.

56. What is Brexit?

- a. Departure of the United Kingdom from the Commonwealth of Nations.
- b. Departure of England from the United Kingdom.
- c. A term for the departure of the United Kingdom from the European Union.

57. The type of financial security which has linked payoff to another issued security is classified as

- a. Linked security
- b. Derivative security
- c. Payable security
- d. Non issuing security

MORAL KNOWLEDGE

58. If you have any insider information about publicly traded company

- a. You can trade its shares if you have a prior consent from the person who has passed such information on to you.
- b. You cannot trade its shares under any circumstances.
- c. You can trade its shares if you are not an employee of that company.

59. Trading in forex or CFDs is appropriate for

- a. A pensioner, older than 65 years, who intends to capitalize his savings.
- b. A businessman, who diversifies his savings.
- c. Everybody, who is interested in Forex market.

60. Which of the following is not ethical?

- a. Putting your own interests before the client.
- b. Increasing transparency.
- c. Encouraging a reduction in conflicts of interest through better systems.
- d. Continual learning and improvement for all knowledge workers.