

Question 1 of 100

Which of the following most likely explains why the implied volatility of a long deep-out-of-the money put option on the S&P 500 index is considerably larger than the implied volatility of a comparable long in-the-money put option?

- A. risk premium required by the put option writers
 - B. positive skew of the S&P 500 index's returns
 - C. high volatility of the S&P 500 index's returns
 - D. negative skew of the S&P 500 index's returns
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Question 2 of 100

A researcher is developing a model for valuing volatility products. In addition to including volatility diffusion in the model, the researcher includes a volatility jump. Which of the following corresponds to why the researcher includes this second factor?

- A. to account for large, expected changes in volatility
 - B. to account for small, unexpected changes in volatility
 - C. to account for small, expected changes in volatility
 - D. to account for large, unexpected changes in volatility
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Question 3 of 100

Which of the following is generally true of positive gamma portfolios?

- A. They are short options and have positive theta.
 - B. They are long options and have negative theta.
 - C. They are long options and have positive theta.
 - D. They are short options and have negative theta.
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Question 4 of 100

A trader wants to take advantage of a volatility skew. Which of the following is generally true regarding this skew?

- I. Implied volatility of at-the-money puts is lower than implied volatility of out-of-the-money puts.
 - II. Out-of-the-money call options have lower implied volatilities than their put option counterparts.
 - III. Implied volatility of deep in-the-money puts on a broad equity index is higher than that of deep out-of-the-money puts.
- A. I and II only
 - B. II only
 - C. I only
 - D. II and III only
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Question 5 of 100

A trader has established a long ABC strangle position in the hope of benefiting from a large move in ABC stock price. Which of the following represents characteristics of the trader's position?

- A. negative gamma and convex payoff
 - B. negative gamma and concave payoff
 - C. positive gamma and convex payoff
 - D. positive gamma and concave payoff
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Question 6 of 100

Which of the following best describes the CBOE Volatility Index?

- A. market-based estimation of the 30-day realized volatility of S&P 500 options
 - B. model-based estimation of the 30-day implied volatility of S&P 500 options
 - C. market-based estimation of the 30-day implied volatility of S&P 500 options
 - D. model-based estimation of the 30-day realized volatility of S&P 500 options
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Question 7 of 100

The payoff diagram of which of the following structured products is the same as that of a short put option?

- A. capped capital protection
 - B. discount certificate
 - C. uncapped capital protection
 - D. barrier discount certificate
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Question 8 of 100

Which of the following statements does NOT characterize the illiquidity of real estate?

- A. A property split by a group of investors increases the ease with which each share of the property is sold.
 - B. The sale of a real estate property is generally a lengthy process because of the difficulties in matching a buyer and seller.
 - C. Sales commissions and other fees generally consume about 10% of the sales price.
 - D. Real estate illiquidity is driven primarily by property uniqueness and transaction costs.
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Question 9 of 100

An investor who wants to benefit from an increase in a foreign equity index, but wants to avoid direct exposure to foreign exchange rate risk, should take which of the following positions?

- A. long quanto futures position in a foreign equity index with collateral posted in the home currency
 - B. short quanto futures position in a foreign equity index with collateral posted in the foreign currency
 - C. short quanto futures position in a foreign equity index with collateral posted in the home currency
 - D. long quanto futures position in a foreign equity index with collateral posted in the foreign currency
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Question 10 of 100

Which of the following most accurately describes the FCA 's proposed notice period for UK-regulated property fund redemptions?

- A. UK's FCA proposed a 12-month notice period for UK-regulated closed property fund redemptions.
 - B. UK's FCA proposed a 6-month notice period for UK-regulated closed property fund redemptions.
 - C. UK's FCA proposed a 12-month notice period for UK-regulated open-ended property fund redemptions.
 - D. UK's FCA proposed a 6-month notice period for UK-regulated open-ended property fund redemptions.
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