

**Questions**

1. Under the Securities & Futures Ordinance, what is a characteristic of the system of regulation?
  - A. The Financial Secretary is the ultimate authority with regulatory bodies reporting to him
  - B. The regulatory commission is independent with checks and balances on the system
  - C. The system consists of regulators on short-term contracts to give maximum flexibility
  - D. The system has investor protection at a level that eliminates market malpractice
  
2. Which of the following does NOT constitute a valid contract under contract law?
  - A. Acceptance by an investor of shares in an Initial Public Offering after studying the prospectus
  - B. Undertaking by a fund manager to manage a mutual fund
  - C. Making of an unsolicited call resulting in a purchase of securities by a client
  - D. Sale of futures contracts for a client by a broker
  
3. What is the objective of the rule regarding disclosure of interests in the SFO?
  - A. To provide a level playing field
  - B. To prevent insider trading
  - A. To increase market transparency
  - C. To reduce market risk
  
4. Adlico is an overseas investment bank that wishes to temporarily do business in HK. It should
  - A. Apply for a Type 6 (Advising on Corporate Finance) license just as any company that wishes to carry on regulated activities in Hong Kong would
  - B. Apply for a temporary license good for three months
  - C. Apply for a licensing exemption from the Policy, China and Investment Products Division of the SFC
  - D. Do nothing, as carrying on of regulated activities less than three months' duration is exempt from the SFC licensing requirement
  
5. Which of the following would NOT be considered Institutional Professional Investors?
  - A. Insurers based overseas
  - B. Central banks and governments
  - C. Wholly owned holding companies of intermediaries
  - D. Professional associations such as the American Institute of CPAs or the Law Society of HK

6. Under the Drug Trafficking (Recovery of Proceeds) Ordinance, it is an offence to deal with property known or believed to be proceeds of drug trafficking. Which of the following actions would constitute dealing with property?
- I. Acquiring the property
  - II. Transferring the property offshore
  - III. Converting the property into cash and then buying securities with that cash
  - IV. Using the property as collateral to borrow money
- A. I, II and III
  - B. II and III
  - C. I and IV
  - D. I, II, III and IV
7. Which of the following would NOT be a source of capital for the SEOCH in case of a market participant's default?
- A. The defaulting market participant's collateral
  - B. The collateral of the counterparty to the defaulting market participant
  - C. The SEOCH's insurance cover
  - D. The SEOCH's Reserve Fund
8. The Takeovers Panel has ruled that there has been a breach of the Takeovers and Mergers Code and has required Nanco not to act for its client, Lumco. Lumco asks Nanco to continue to act on its behalf. Can Nanco continue to work for Lumco?
- A. Yes, client instructions must be followed
  - B. Yes, clients indemnify the intermediary from any potential loss stemming from acting on their behalf
  - C. No, Nanco can face disciplinary action that includes private and public reprimands
  - D. No, Nanco can face criminal charges in continuing to act for the client
9. Which of the following is FALSE regarding the Market Misconduct Tribunal?
- A. It can compel and receive evidence relevant to hearings
  - B. It is a part of the court system
  - C. Decisions can be subject to appeal to the Court of Appeal
  - D. It can only impose civil, not criminal, penalties.
10. Which of the following would fall under the definition of a person connected with a corporation under insider trading rules?
- I. An employee of the intermediary
  - II. A substantial shareholder of the intermediary
  - III. The external auditor of the intermediary who has access to the intermediary's data
  - IV. A close friend of the Chairman
- A. I, II and III
  - B. II and III
  - C. I and IV
  - D. I, II, III and IV

**Answers**

- 1. B
- 2. C
- 3. C
- 4. B
- 5. D
- 6. D
- 7. B
- 8. C
- 9. B
- 10. A

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**Questions**

1. What is the usual difference between a fund house and a fund manager?
- A. A fund manager will distribute funds; a fund house will not
  - B. A fund manager will market funds; a fund house will not
  - C. A fund house will perform a number of functions; a fund manager will principally manage funds
  - D. A fund house will employ portfolio managers; a fund manager will not
2. Which of the following is (are) not considered to be general approaches of the Securities and Futures Commission's for regulating asset management?
- I. Collaboration
  - II. Consistency
  - III. Cost efficiency
  - IV. Affordability
- A. I and IV only
  - B. II, III and IV only
  - C. I, II, and III only
  - D. III and IV only
3. The Securities and Futures Commission may on application approve for a licensed corporation:
- I. The adoption of inconsistent accounting policies
  - II. The inclusion share capital in approved liquid assets as defined in the Financial Resources Rules
  - III. A change in the calculation of liquid capital
  - IV. Redeemable shares and subordinated loans, with the effect that they are excluded from ranking liabilities
- A. I only
  - B. I, III and IV only
  - C. II and III only
  - D. I, II, III and IV
4. Which of the following are matters requiring notification by licensed persons to the Securities and Futures Commission?
- I. Notification of continuous professional training (CPT) details in annual returns
  - II. Notification in the case of a licensed individual of the names of connected persons holding accounts with his principal
  - III. Notice of an intended change of business address
  - IV. Notice that a person has ceased to be a director
- A. I and IV only
  - B. I, II and III only
  - C. II and IV only
  - D. III and IV only

5. Authorization of a Collective Investment Scheme by the Securities and Futures Commission must be obtained before it can be:
- I. Developed
  - II. Marketed
  - III. Advertised
  - IV. Offered
- A. II, III and IV only
  - B. II and III only
  - C. I, II and III only
  - D. I, III and IV only
6. Under the Code on Unit Trusts and Mutual Funds issued by the Securities and Futures Commission, an application for authorization of a Collective Investment Scheme (CIS) must be supported by:
- I. The appointment of an approved person
  - II. The appointment of a management company
  - III. The offering and constitutive documents of the CIS
  - IV. The appointment of a trustee if the CIS is a unit trust or a mutual fund corporation
- A. I, II and IV only
  - B. III only
  - C. II and IV only
  - D. I, II and III only
7. Under the Securities and Futures Ordinance, market misconduct that could lead to criminal prosecution includes:
- I. Insider dealing
  - II. Rat trading
  - III. Price rigging
  - IV. Stock market manipulation
- A. I only
  - B. III and IV only
  - C. I, III and IV only
  - D. I, II, III and IV
8. The Market Misconduct Tribunal (MMT):
- I. Applies the “beyond reasonable doubt” test as its standard of proof
  - II. Has three members who are appointed by the Financial Secretary
  - III. Can compel and receive evidence relevant to the hearings
  - IV. Produces a report of proceedings which will be made public
- A. I and II only
  - B. III and IV only
  - C. II, III and IV only
  - D. II and III only

9. The Market Misconduct Tribunal (MMT) may impose which of the following sanctions?
- I. Fines of up to HK\$1m to be paid to the Securities and Futures Commission
  - II. Imprisonment of up to 3 years
  - III. Prohibition on investing in Hong Kong markets for up to 5 years
  - IV. Payment of profits made or loss avoided plus interest to the Government
- A. I and II only
  - B. I, III and IV only
  - C. II and III only
  - D. III and IV only
10. Under the Securities and Futures Ordinance which of the following would be treated as connected persons under the Insider dealing rules?
- I. A non-executive director
  - II. The external auditor of the company
  - III. A holder of 3% of the company's shares
  - IV. A member of staff working in the internal audit department
- A. I, II and IV only
  - B. I and II only
  - C. III and IV only
  - D. I, II, III and IV only

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Answer

- 1. C
- 2. D
- 3. B
- 4. D
- 5. A
- 6. D
- 7. C
- 8. B
- 9. D
- 10. A

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## Questions

1. Which of the following are stated purposes of the International Monetary Fund (IMF)?
  - I. To promote international monetary cooperation
  - II. To promote exchange rate stability
  - III. To act as a bank to central banks
  - IV. To promote investment in developing countries
  - A. I and II only
  - B. II and III only
  - C. I, II and III only
  - D. I and IV only
2. Which of the following actions provides short-term liquidity to the Hong Kong banking system?
  - A. HSBC sells Exchange Fund Bills to the Hong Kong Monetary Authority
  - B. HSBC sells Exchange Fund Bills to Hang Seng Bank
  - C. The Hong Kong Monetary Authority issues 364-day Exchange Fund Bills
  - D. HSBC buys Exchange Fund Bills from the Hong Kong Monetary Authority
3. ABC company Limited issues shares which give the holder the right to a 5% dividend and an additional discretionary dividend if profits exceed certain limits. The shares would best be described as:
  - A. Ordinary shares
  - B. Preference shares
  - C. Cumulative Preference shares
  - D. Participating Preference shares
4. Which of the following statements are true?
  - I. New issues of Exchange Fund Bills and Exchange Fund Notes must be backed by Hong Kong foreign reserves
  - II. The Hong Kong debt market is predominantly exchange traded
  - III. Hong Kong government debt is issued on the primary market by a competitive tender system
  - IV. Debt of Mass Transit Railway Corporation (MTRC) is covered by the market-making programme
  - A. I and IV only
  - B. II and III only
  - C. I and III only
  - D. I, III and IV only
5. Which of the following is an example of a cross rate?
  - A. USD:Yen
  - B. Yen:Euro
  - C. USD:Euro
  - D. Sterling:USD



6. Which of the following statements relating to risk are true?
- I. The aim of risk management is to avoid risk
  - II. The level of risk increases with time
  - III. Translation risk arises as a result of mismatches between the pricing of assets and liabilities
  - IV. The existence of market makers reduces liquidity risk
- A. II, III and IV
  - B. I and IV
  - C. II and IV
  - D. All of the above
7. Mr. Lee is 50 years old and has accumulated substantial assets. All of the following are reasons he might want to invest in funds except
- A. A desire to diversify his portfolio
  - B. A desire to invest in sectors otherwise unavailable to the individual investor
  - C. A desire to lower his investment costs
  - D. A desire to fully control his investments
8. Why is retail financial advising a dynamic process?
- A. Because retail financial advisors are required by law to meet with clients on a quarterly basis
  - B. Because financial plans need to be changed according to the client's circumstances and market conditions
  - C. Because financial plans need to be submitted annually to the SFC
  - D. Because financial plans need to fulfil the guidelines of the Basel Committee
9. A proposal made up of strategies and actions designed to meet the retail investor's objectives are known as a
- A. Financial plan
  - B. Prospectus
  - C. Unit Trust
  - D. Disaster recovery plan
10. Miss A has inherited a large sum of money and wants advice on how to invest it. She should hire a
- A. Corporate financier
  - B. Asset manager
  - C. Retail financial advisor
  - D. Broker

Answers

1. A

2. A

3. D

4. D

5. B

6. A

7. D

8. B

9. A

10. C

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## Questions

1. The debt market in HK has experienced which of the following difficulties?
- I. Bond trading was not popular for the retail market
  - II. The tax system does not encourage companies to issue debt
  - III. The government had a great deal of surplus
  - IV. The companies had no fund raising needs
- A. I, II and III
  - B. I, III and IV
  - C. II, III and IV
  - D. All of the above
2. Which of the following is not the duty of the Securities and Futures Commission (SFC)?
- A. Implementation of the Securities and Futures Ordinance
  - B. Investigation of unusual price fluctuations in listed securities
  - C. For the companies failing to follow listing rules, suspension of share dealing or delisting
  - D. Licensing of market practitioners engaged in securities dealing
3. Which of the following activities in HK are subject to licensing application to the Securities and Futures Commission (SFC)?
- I. Securities margin financing
  - II. Trader
  - III. Fund management
  - IV. Dealing in financial futures
- A. I, II, III, IV
  - B. I, II, III
  - C. I, II, IV
  - D. II, III, IV
4. Generally which of the following market participants are not warrant issuers?
- I. Investment banks
  - II. Retail investors
  - III. Listed companies
  - IV. Futures traders
- A. I and II only
  - B. I, III and IV only
  - C. II and IV only
  - D. I, II and III only

5. Which of the following statements on Hong Kong Securities Clearing Ltd are correct?
- I. It is a subsidiary of HKEx
  - II. It is responsible for futures clearing and settlement
  - III. It is the operator of CCASS
  - IV. All transactions need to be cleared and settled on the following day
- A. I and II
  - B. II and III
  - C. I and III
  - D. II, III and IV
6. Technical analysis often evaluates securities by using charts. Which of the following charts may be used?
- I. Bar chart
  - II. Candlestick
  - III. Pie chart
  - IV. Line chart
- A. I and II only
  - B. II and III only
  - C. I, II and III only
  - D. I, II and IV only
7. Which of the following are the most common methods used by fund managers in selecting stocks?
- I. Macro-economic Analysis
  - II. Company's Financials
  - III. Technical Analysis
  - IV. Index Tracking
- A. I, II and III
  - B. I, II, and IV
  - C. II, III and IV
  - D. All of the above
8. An analyst tries to measure the share price of a company. She starts with exploring how the performance of this company is stimulated by global economic recovery, followed by studying the strength and behaviours of the competitors of this company, and finally analyses the financial statements of this company. Which of the following method is used by this analyst?
- A. Top-down analysis
  - B. Bottom-up analysis
  - C. Technical analysis
  - D. Growth analysis
9. What would a research analyst first examine if he were conducting a top-down analysis in order to determine the attractiveness of a stock in the Hong Kong property sector?
- A. Hong Kong gross domestic product
  - B. U.S. interest rates
  - C. Company annual reports
  - D. Recent performance of Hong Kong property sector stocks

10. If you are looking at a technical analysis graph which features o's and x's, what type of graph would you likely be examining?
- A. Bar chart
  - B. Line graph
  - C. SWOT analysis
  - D. Point and figure chart

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**Answers**

1. A

2. C

3. A

4. C

5. C

6. D

7. A

8. A

9. B

10. D

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**Questions**

1. Which of the following might be appointed as the stabilizing manager in an offering?
  - I. Global Coordinator
  - II. Lead Manager
  - III. Independent Financial Advisor
  - IV. Bookrunner
  - A. I, II and IV
  - B. II, III IV
  - C. I, II and III
  - D. I, II, III and IV
2. Which of the following best describes a primary responsibility of the sponsor?
  - A. To independently confirm the transaction pricing is fair
  - B. To represent the SEHK in ensuring that the listing applicant is complying with regulatory requirements
  - C. To assure the market that the listing document offers investors appropriate information to make investment decisions
  - D. To verify all the particulars in the listing document
3. What are the overarching market regulatory functions of a sponsor?
  - I. To conduct reasonable due diligence inquiries
  - II. In place of the listing applicant to attend all Listing Committee meetings
  - III. To be closely involved in the preparation of the new applicant's listing documents
  - IV. To represent the SEHK in ensuring that the Exchange's procedural requirements are complied with
  - A. I, III and IV
  - B. II, III IV
  - C. I and III
  - D. I, II, III and IV
4. Could the compliance advisor be the sponsor?
  - A. Yes. Only firms eligible to be sponsors can be compliance advisors, and sometimes the listing sponsor may be appointed to act as compliance advisor
  - B. Yes. Only one of the sponsors of the offering can be appointed compliance advisor
  - C. No. The compliance advisor and the sponsor must be completely independent from each other
  - D. No, the compliance advisor should be a law firm
5. Which of the following is true of situations where there are multiple sponsors?
  - A. The multiple sponsors must do their work independently to verify each other's information
  - B. The multiple sponsors must do their work independently to fulfill the SEHK's independence criteria
  - C. The multiple sponsors should work jointly to achieve the end of a well-executed offering
  - D. The multiple sponsors must be work jointly for every document and due diligence task

6. Which of the following are licensing requirements for sponsors?
- I. A Type 6 license or registration
  - II. A Type 1 license of registration
  - III. Approval from the SFC to undertake work as a sponsor
  - IV. Approval from the SEHK to undertake work as a sponsor
- A. I and III only
  - B. II and IV only
  - C. II and III only
  - D. I and IV only
7. With whom would the prospectus be finally registered?
- A. SFC
  - B. SEHK
  - C. Registrar of Companies
  - D. HKMA
8. Is there any standard for the split between the Hong Kong public offer and the institutional offering?
- A. 10% is the typical initial size of the Hong Kong public offer
  - B. 75% is the typical amount set aside for institutional investors
  - C. There is no standard, and sponsors should consult with the SEHK on a case by case basis
  - D. The amount of the Hong Kong public offer depends on how much institutional places want to put back to local tranche
9. Which of the following is NOT one of the quantitative tests that determine eligibility for listing?
- A. Profit test
  - B. Suitability test
  - C. Market capitalization/revenue/cash flow test
  - D. Market capitalization/revenue test
10. Unless any SEHK waiver is secured, what is true for directors of PRC issuers?
- A. At least 2 of its executive directors must be ordinarily resident in Hong Kong
  - B. A majority of its executive directors must be ordinarily resident in Hong Kong
  - C. At least 1 of its executive directors must have the Right of Abode
  - D. There are no particular requirements



Answers

1. A

2. C

3. C

4. A

5. C

6. A

7. C

8. A

9. B

10. A

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