CHARTERED INSTITUTE FOR SECURITIES & INVESTMENT

CHARTERED INSTITUTE FOR SECURITIES & INVESTMENT

TECHNOLOGY IN INVESTMENT MANAGEMENT (VERSION 13)

SAMPLE PAPER

TIME ALLOWED: 1 HOUR

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How to use this sample paper

These 50 questions should be answered in an hour in the real exam, so make sure you time yourself accurately.

Record your answer for each question by circling your selected answer.

When you have finished the test, you may check your answers against the **Answer Sheet** at the back of this paper.

The exam is scored as follows:

46-50	Pass with Merit
35-45	Pass
0-34	Fail

For those questions you answered incorrectly, the answer sheet will show you the corresponding syllabus element, sub element and learning objective against which the questions were written, so you can identify any syllabus areas where you may need to revise further.

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1 Keeping an accurate stock record allows a firm to identify:

A its current cash balance

B its latest credit balance

C the risk profile of securities

D the ownership of securities

2 A firm has a long position in which one of the following circumstances?

A The assets and liabilities of the business directly correlate

B The assets of the business exceed the liabilities

C Quantity of shares purchased is less than the quantity of shares sold

D Quantity of shares purchased exceeds the quantity of shares sold

3 In the systems configuration of the typical investment bank, the system which has the greatest impact on posted money values is the:

A Equity Trading System

B Bond Trading System

C Money Market Trading System

D Settlement System

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4 During which stage of the Software Development Cycle is an initial analysis of costs and budgets likely to be conducted? During:

A the feasibility study

B integrating and testing

C maintenance

D code generation

5 A testing strategy should be developed to ensure that software used within an organisation has a defect rate that:

A complies with specific regulatory defect rates

B is at an acceptable level for its application

C is zero

D is constant

6 What is the purpose of real-time messaging middleware tools?

A To increase the security of the IT business application

B To enable the relational database to be easily extended

C To maintain communication with counterparties

D To distribute data both internally and externally

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7 The role of the financial control function within a securities industry firm is to:

A limit the firm's spending

B ensure trades are settled on time

C manage the financial resources of the business

D establish and maintain a profitable blueprint for the firm

8 What steps could staff use to prevent the wrong version of code being deployed for an IT application?

A Change Control Procedures

B Disaster Recovery Plan

C Business Continuity Plan

D Level 1 support from the Help Desk

9 The stock record:

A shows the ownership of securities and their location

B provides up to date trading profit and loss figures

C is a single entry record of stock holdings

D records all trades executed by the firm

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10 The Financial Conduct Authority (FCA) recommends that which specific employee(s) of the firm should carry out safe custody reconciliations?

A The Compliance Officer only

B Anyone who is independent of the recording process

C Anyone who is previously approved by the FCA

D The Finance Director only

11 The purpose of the general ledger is to:

A highlight the profitability of the firm

B ensure settlement accuracy

C measure the assets of the firm

D check the accuracy of the accounts

12 The International Standards Organisation interacts with SWIFT by:

A laying down protocol parameters

B relaxing its International Organisation for Standardisation (ISO) requirements

C adopting its confirmed standards

D monitoring its new members

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13 Which of the following elements is part of a secondary market bond trade?

A Dividend

B Issue date

C Price of the underlying

D Accrued interest amount

14 Which of the following illustrates the typical trade agreement process for retail investors?

A Confirmation only

B Confirmation and affirmation

C Mutual exchange of confirmations

D Matching engine

15 The Financial Conduct Authority (FCA) collects information through reportable transactions to enable it to monitor:

A commission payments

B Stamp Duty accounting

C Market Abuse and Insider Dealing

D cross border cash and securities transfers

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16 An advantage of near-shoring is:

A improved regulatory compliance

B lower costs compared to classic offshoring

C a reduction in man hours

D fewer language and cultural barriers

17 Which method is used to estimate portfolio performance under normal market conditions?

A Beta testing

B Mark to market

C Regression testing

D Value at Risk

18 Under the mark to market accounting procedure, the assets concerned are recorded at what price?

A Current market value

B Purchase price

C Book value

D Discounted price

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19 The order placing system should allow for a Panel of Takeovers and Mergers (PTM) levy when a sale transaction has an aggregate share value exceeding what threshold?

A £10,000

B £20,000

C £25,000

D £50,000

20 The maximum fine for non-compliance with the EU General Data Protection Regulation is the greater of €20m or what percentage of a firm's group worldwide turnover?

A 2%

B 3%

C 4%

D 5%

21 One of the main factors driving the development of a common approach to regulation in the securities market is:

A decreasing volatility

B rising currency risk

C increasing globalisation

D falling interest rates

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22 In order for a bank to satisfactorily audit a third party provider's business continuity plans, it should typically ask the provider to furnish:

A proof of insurance cover

B evidence of test results

C long term financial projections

D indemnity declarations

23 Where a 'Request for Proposal' is prepared, to whom is it normally issued? The:

A insourced offshore companies

B compliance officer

C disaster recovery representative

D potential suppliers

24 One of the normal advantages of classic offshoring, compared to near-shoring, is:

A lower overall costs

B fewer time-zone differences

C reduced cultural barriers

D more scope to accommodate complex tasks

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25 Which of the following best describes how clerical intervention should be applied to straight through processing? It should:

A be avoided without exception

B be avoided as far as possible, but clerical staff need to manage by exception

C only be carried out by senior managers

D be carried out as a routine part of each transaction

26 What does the term principal amount refer to on a contract note for an equity trade?

A The number of shares traded multiplied by the price

B The number of shares in the trade divided by the price

C Commissions and any other charges paid by the investor

D The initial margin and any other charges paid by the investor

27 When formulating a disaster recovery plan, what should happen to the operations and processes identified within an IT department's primary functions?

A They should be simplified to ensure that they can all remain in place in the event of disaster

B Very little as operations and processes within IT functions are unlikely to be affected by a disaster

C They should be ranked in order of priority so that the department can attend to each item depending on importance

D Each department should be provided with a checklist in the event of a disaster

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28 At how many best price levels on a buy and sell trade, must investment exchanges that operate order-matching systems make aggregated order information available?

A Two

B Three

C Four

D Five

29 What is the first task in the planning phase under PRINCE2 methodology? To:

A appoint an external project sponsor

B identify and analyse products

C determine the overall effort required

D create an appropriate contingency fund

30 The environmental, social and governance approach to investment is particularly challenging because:

A financial measurement is required

B demand is highly unpredictable

C there is a shortage of data providers

D accurate measures are difficult to place against variables

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31 An analyst working within an investment firm's IT department has been asked to investigate an incident. This indicates that:

A the solutions documented in the repository did not solve the problem

B a resolutions team will need to be nominated by the head of testing

C a service specialist will be assigned to the user

D the help desk manager will conduct status tracking

32 An investment firm is using the waterfall model in developing new software for its trading department. This means that phase 3 of the project:

A must be handled by a different team to the previous phase

B can only start when phases 1 and 2 are complete

C should be developed simultaneously alongside phase 2

D will be based on a system-wide prototype

33 How does a multilateral trading facility normally link buyers and sellers?

A Through the use of a matching engine

B By operating a broker crossing network

C Through the services of a specialist broker

D By establishing a third party platform

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34 New technology was introduced by a firm to provide performance attribution analysis for reports to clients. What is this likely to indicate?

A The clients are professional investors

B The clients are retail investors

C The frequency of reporting has increased

D The frequency of benchmarking has increased

35 A routine computerised post-trade compliance check revealed a passive breach. This will normally have been triggered by:

A an error by the fund manager

B a change in market conditions

C an unusually large trade transaction

D an increase in the firm's level of fees and charges

36 When building an investment firm's technology infrastructure, what will normally link real-time messaging middleware tools with the application software?

A Change management applications

B Data replication systems

C Relational databases

D User interface layers

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37 How can business-critical technology risk be mitigated in a large investment firm?

A By establishing a disaster recovery programme

B Through the adoption of algorithmic trading processes

C By increasing the management spans of control

D Through regularly updated feasibility studies

38 The key characteristic of distributed ledgers is that when a participant makes a change to the ledger, this change will:

A not affect the ledger held by other participants

B only change the common ledger once each participant accepts the change

C automatically change each participant's copy of the ledger

D invalidate the ledgers held by the other participants

39 Which of the following roles is responsible for receiving help desk analyst reports in a typical investment firm?

A Head of Information Security

B Head of Testing

C Head of Change

D Head of Production Support

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40 An IT project has poor project planning and controls. Who is ultimately responsible for this situation?

A The Chief Operating Officer

B The Program Manager

C The Senior Responsible Owner

D The Project Manager

41 What is the regulatory objective of the Foreign Account Tax Compliance Act (FATCA)? To combat tax evasion by:

A non-US persons holding investments in offshore accounts

B US persons holding investments in US accounts

C US persons holding investments in offshore accounts

D non-US persons holding investments in US accounts

42 An investment firm recently purchased software to manage its maturity ladder. Its main function is to ensure that the firm has:

A invested its cash to provide evenly spread returns

B cash flow available to meet its obligations

C managed its cash obligations tax-efficiently

D matched cash deposits to the levels of client risk

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43 The importance attached to regulatory technology has increased primarily because it:

A is a useful competitive tool

B is now considered business critical

C has become much cheaper to install

D facilitates globalisation

44 When issuing a settlement instruction using a firm's computerised settlement system, what is the most likely reason why a second authorisation is required?

A The instruction is free of payment

B The transaction involves a foreign currency

C The security reference has been omitted

D The counterparty is a government department

45 Which of the following organisations would normally create and sell protection products?

A Stockbrokers

B Pension fund managers

C Financial advisors

D Insurance companies

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46 The operations systems at a bank have identified a shortage of stock. This is likely to lead to:

A a regulatory breach

B a settlement failure

C an interest accrual

D an options exercise

47 For what primary purpose does the Financial Conduct Authority (FCA) use transaction reports? To:

A ensure active competition in the market place

B identify incidents of market abuse

C monitor the quality and efficiency of customer service

D facilitate cross-border exchange of information

48 For a business which uses double-entry bookkeeping, what is the main accounting record?

A Corporate ledger

B General ledger

C Cash account

D Real account

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49 In relation to trading securities, how does Direct Market Access (DMA) benefit small investors?

A Retail investors can become members of the stock exchange

B Orders can be placed directly on to the queue of a stock exchange

C Clients gain direct access to stock exchange announcements

D Retail clients are notified of market movements in real time

50 The main purpose of a trade repository is to enable regulators to assess:

A share price volatility

B risk exposures

C liquidity

D data accuracy

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Question Number	Answer	Syllabus Reference
1	D	7.6.1
2	D	4.4.1
3	D	6.6.1
4	A	9.3.1
5	B	9.6.1
6	D	8.3.1
7	C	7.1.1
8	A	8.1.1
9	A	7.6.1
10	B	6.6.1
11	D	7.3.1
12	C	6.5.1
13	D	1.3.1
14	A	5.2.1
15	C	2.2.1
16	D	10.4.1
17	D	4.6.1
18	A	4.6.1
19	A	4.3.1
20	C	2.4.1
21	C	2.1.1
22	B	10.6.1
23	D	10.5.1
24	A	10.4.1
25	B	1.4.1
26	A	1.2.1
27	C	8.10.1
28	D	2.2.1
29	B	9.5.1
30	D	4.2.1
31	A	8.9.1
32	B	9.4.1
33	A	3.1.1
34	A	5.5.1
35	B	6.7.1
36	C	8.2.1
37	A	8.13.1
38	C	9.7.1
39	D	8.1.1
40	C	9.1.1
41	C	2.5.1
42	B	6.3.1

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43	**B**	**2.4.1**
44	**A**	**6.1.1**
45	**D**	**1.1.1**
46	**B**	**6.4.1**
47	**B**	**3.4.1**
48	**B**	**7.3.1**
49	**B**	**4.3.1**
50	**B**	**3.3.1**

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