

## **FRONT OFFICE/MIDOFFICE/BACK OFFICE**

### **TI & RM Chapter 11**

**Q: 1 The front office of a bank's treasury is mainly responsible to execute trades, manage positions, and develop market strategies. The primary scope of functions for the front office is to engage in which of the following activities?**

- a) Recording and settling all trades after execution.
- b) Conducting customer account reconciliations and preparing internal audit reports.
- c) Buying, selling, and trading in money market instruments, securities, forex, equity, derivatives, and precious metals.
- d) Approving and setting exposure limits for dealers.

**Q: 2 Which of the following is NOT a typical Front-Office function in Treasury management ?**

- a) Managing customer accounts and deposits.
- b) Collaborating with trading and delivery teams

- c) Managing liquidity effectively
- d) Conducting trades to generate profits

**Q: 3 Decisions regarding restructuring, reorganizing, or prepayment are typically made by which office?**

- a) Mid-office
- b) Back-office
- c) Front-office
- d) Audit Committee

**Q: 4 The Dealing Room serves as the interface with international and domestic financial markets and acts as the center for \_\_\_\_\_.**

- a) Human resource management.
- b) Market and risk management activities.
- c) Legal compliance for all bank operations.
- d) Customer relationship management.

**Q: 5 Which of the following statements about front-office dealers is correct?**

- a) They primarily focus on administrative tasks.
- b) They are responsible for detailed management reports on risk levels.
- c) They manage Nostro account funds.
- d) They analyze and develop views on asset classes, securities, currencies, and derivative products.

**Q: 6 The front office of a treasury has a responsibility to manage investment and market risks in accordance with instructions received from which entity?**

- a) The Chief Dealer
- b) The bank's ALCO
- c) The Reserve Bank of India (RBI)
- d) The Risk Management Department

**Q: 7 Which of the following best describes the role of a Dealer in a financial institution?**

- a) To manage customer accounts and deposits.
- b) To conduct market research and analysis.
- c) To buy and sell financial instruments in the market.
- d) To oversee the bank's regulatory compliance.

**Q: 8 Which of the following statements about dealers is correct?**

- a) Dealers specialize only in the foreign exchange market.
- b) Dealers are generally unfamiliar with all markets in an integrated treasury.
- c) Dealers may specialize in one market, but in an integrated treasury, they are generally familiar with all markets.
- d) Dealers only work in the securities market.

**Q: 9 Who normally heads the Dealing functions?**

- a) The CEO of the bank.
- b) The Chief Dealer.
- c) The head of the Mid-office.
- d) The head of the Back-office.

**Q: 10 Dealers are governed by which of the following within which each dealer is, generally free to buy and sell in allotted area/currency/security?**

- a) Only ethical guidelines.
- b) Exposure limits, stop loss limits,
- c) Daily sales targets only.

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d) Customer satisfaction ratings.

**Q: 11 Which office is responsible for assessing and managing risks in real-time?**

Chief Dealer

Mid-office

Front-Office

Back-Office

**Q: 12 Which of these is a function of the mid-office?**

- a) The mid-office is responsible for assessing and managing risks in real-time
- b) Setting limits for risk exposure and regularly monitoring whether those limits are being followed.
- c) Developing strategies to hedge (protect) the bank's assets and liabilities from market risks.
- d) All of the above.

**Q: 13     The mid-office works as the Secretariat to which committee?**

- a) Investment Committee
- b) Risk Management Committee
- c) Board of Directors
- d) Asset Liability Management Committee (ALCO)

**Q: 14     Which of the following is NOT a responsibility of the mid-office?**

- a) Calculating Value at Risk (VaR).
- b) Conducting stress tests and back tests.

- c) Submitting required reports to the Reserve Bank of India (RBI).
- d) Regularly updating the value of open positions.

**Q: 15 Which office is responsible for handling the administrative and support tasks required to complete financial transactions?**

- a) Front-Office
- b) Mid-Office
- c) Back-Office
- d) Dealing Room



**Q: 16 Which of the following specifically does not belong to the back-office functions?**

- a) Checking and validating the details of trade transactions.
- b) Generating and sending confirmations to counterparties and ensuring their receipt.
- c) Managing outgoing and incoming payments accurately.
- d) Developing strategies to hedge the bank's assets and liabilities from market risks.

**Q: 17 In forex treasury back-office operations, several tasks ensure accurate settlement and reporting. Which of the following is a typical forex back-office function?**

- a) In the case of forex treasury deals, back office looks after foreign exchange settlement, and interbank confirmations.

- b) It maintains Nostro mirror ledgers, returns, merchant forward contracts, advance bills EEFC.
- c) It prepares of detailed reports on currency positions at end of the day
- d) All of the above

**Q: 18 Which department evaluates the profit and loss from foreign exchange transactions at the end of a specified period?**

- a) Front office
- b) Mid-office
- c) Accounts Department
- d) Risk Management Department

**Q: 19     What must banks do with specimen signatures of authorized officials of counterparty banks, branch officials, and authorized brokers?**

- a) They should be destroyed after each transaction.
- b) They should be kept on record.
- c) They are only required for foreign exchange deals.
- d) They should be sent to the RBI for verification.

**Q: 20     Which entity is responsible for approving a bank's Internal Investment Policy Guidelines?**

- a) The Chief Dealer
- b) The Board
- c) The Mid-office
- d) The Reserve Bank of India (RBI)

**Q: 21     Which of the following is NOT deemed to be part of PD business according to the investment policy?**

- a) Investments in Corporate/PSU/FI bonds.
- b) Market-making in Government Securities.

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- c) Dealing in Government Securities.
- d) Underwriting Government Securities.

**Q: 22 Which of the following types of risks should the Risk Management Policy cover?**

- a) Only market risk.
- b) Only liquidity risk and interest rate risk.
- c) Only operational risk.
- d) Market risk, liquidity risk, interest rate/exchange risk, credit risk, operational risk, compliance risk, and others.

**Q: 23 "Alignment with Business Strategies" in Risk Management Policy ensures what?**

- a) That all employees are aligned with business strategies.
- b) That risk management policies are consistent with the organization's overall business strategies.

- c) That the bank only invests in low-risk assets.
- d) That the risk management function operates independently.

**Q: 24 What is the purpose of "Prudential Limits and Governance" in the Risk Management Policy?**

- a) To increase risk-taking activities for higher profits.
- b) To set clear guidelines and limits for risk-taking activities to maintain financial discipline.
- c) To delegate all risk management responsibilities to the front office.
- d) To eliminate all risks from the bank's operations.

**Q: 25 What is the main objective of the 'Customer/User Appropriateness and Suitability Policy'?**

- a) To increase sales of complex treasury instruments.
- b) To protect the bank against credit, reputation, and litigation risks which may arise from 'mis-selling' products.
- c) To ensure that customers invest in all available treasury instruments.

d) To reduce the number of treasury transactions.

**Q: 26 Who must be aware of and educated about the 'Customer/User Appropriateness and Suitability Policy'?**

- a) Only the legal department.
- b) Only the back office staff.
- c) All front office sales team or dealers.
- d) Only senior management.

**Q: 27 Who is responsible for monitoring the timely receipt of requisite written confirmation from the counterparty?**

- a) The front office.
- b) The dealing room.
- c) The back office.
- d) The Audit Committee.

**Q: 28 Banks must report all OTC trades involving financial instruments like Commercial Papers (CPs) and Certificates of Deposits (CDs) on which platform?**

- a) Reuters.
- b) Bloomberg.
- c) F-TRAC.
- d) SWIFT.

**Q: 29 When trades are reported on the F-TRAC platform, how are they usually confirmed?**

- a) Electronically without physical confirmation.
- b) By physically checking with the front offices of both parties.
- c) By physically confirming by the back offices of both parties involved in the transaction.
- d) By the Chief Dealer's approval.

**Q: 30 Banks having an SGL facility can make transfers through SGL accounts only if they maintain what?**

- a) A separate savings account with the Reserve Bank.
- b) A regular current account with the Reserve Bank.
- c) A credit line with the Reserve Bank.
- d) A fixed deposit with the Reserve Bank.

**Q: 31 For which type of Government securities should transactions be put through SGL accounts only?**

- a) All Government securities regardless of SGL facility availability.
- b) Government securities for which SGL facility is available.
- c) Only short-term Government securities.
- d) Only Government securities traded through brokers.



**Q: 32      When should the purchasing bank issue cheques according to the guidelines?**

- a) Immediately after the deal is concluded.
- b) After receiving the SGL transfer forms from the selling bank.
- c) Before receiving the SGL transfer forms to speed up the process.
- d) At the end of the trading day.

**Q: 33      SGL transfer forms should be signed by how many authorized officials of the bank?**

- a) One authorized official.
- b) Two authorized officials.
- c) Three authorized officials.
- d) Any number of officials as per bank policy.