

RES 12B — Comprehensive MCQ Question Bank

This question bank follows the RES 1B and RES 2B structure and the four-choice multiple-choice format illustrated by the source review questions. It contains 310 questions: the original 210 study questions converted to MCQ format plus 100 additional original revision questions. The actual examination format stated in RES12B.md is 60 multiple-choice questions in 1 hour 30 minutes with a 75% passing mark; this expanded bank is not a literal mock examination.

Answers and rationales are hidden in expandable HTML disclosure blocks. The generated PDF intentionally contains questions and options only.

How to use this bank

Attempt every question before opening Show answer. For a combination-choice question, select one of the four combinations. Treat the bank as a study and application resource and verify operational decisions against current legislation, MAS notices, SGX rules, clearing rules and firm procedures.

Part I — RES 1B

1. [Single choice] [RES 1B §1.1] What is the difference between a primary market and a secondary market?

a. Legislation and MAS regulations establish statutory obligations and offences, while exchange and clearing rules govern trading, membership, settlement and market operations. b. MAS is Singapore's central bank and financial regulator. c. In a primary market, an issuer raises new capital by issuing securities to investors. d. The guide describes three routes: a profit test involving at least S\$30 million of aggregate pre-tax profit over the latest three years with minimum profit in the latest year.

Answer: c. In a primary market, an issuer raises new capital by issuing securities to investors.

Rationale: In a primary market, an issuer raises new capital by issuing securities to investors. In a secondary market, investors trade securities already issued, usually with other investors rather than with the issuer. The distinction matters for understanding the issuer's financing process, investor liquidity and the roles of intermediaries and trading venues.

2. [Single choice] [RES 1B §1.1] Distinguish exchange trading from over-the-counter trading.

a. A SPAC is a listed shell formed to raise funds and later acquire an operating business. b. Catalist is a sponsor-supervised market and does not use the same quantitative entry tests as Mainboard. c. Admission is not the end of the issuer's obligations. d. Exchange trading takes place through a regulated venue with standardised products, published rules and organised matching.

Answer: d. Exchange trading takes place through a regulated venue with standardised products, published rules and organised matching.

Rationale: Exchange trading takes place through a regulated venue with standardised products, published rules and organised matching. OTC trading is negotiated bilaterally or through a dealer network, allowing more flexible terms but creating greater counterparty, documentation, valuation and liquidity considerations.

3. [Single choice] [RES 1B §1.2] What are the principal functions of banks, securities dealers, fund managers and other institutional participants?

a. Banks provide financing, deposit-taking and payment services; securities dealers arrange or execute trades and may act as agent or principal; fund managers manage pooled or discretionary portfolios; and other participants such as insurers, pension funds, corporations and government-linked entities supply or demand capital and investment products. b. In a primary market, an issuer raises new capital by issuing securities to investors. c. Exchange trading takes place through a regulated venue with standardised products, published rules and

organised matching. d. A CMS licence holder conducts regulated activities such as dealing in capital markets products, fund management or advising, subject to the scope of its licence, financial resources, representatives, systems and continuing obligations.

Answer: a. Banks provide financing, deposit-taking and payment services; securities dealers arrange or execute trades and may act as agent or principal; fund managers manage pooled or discretionary portfolios; and other participants such as insurers, pension funds, corporations and government-linked entities supply or demand capital and investment products.

Rationale: Banks provide financing, deposit-taking and payment services; securities dealers arrange or execute trades and may act as agent or principal; fund managers manage pooled or discretionary portfolios; and other participants such as insurers, pension funds, corporations and government-linked entities supply or demand capital and investment products.

4. [Single choice] [RES 1B §1.2] What is the role of a CMS licence holder in the capital markets?

a. MAS is Singapore's central bank and financial regulator. b. A CMS licence holder conducts regulated activities such as dealing in capital markets products, fund management or advising, subject to the scope of its licence, financial resources, representatives, systems and continuing obligations. c. Legislation and MAS regulations establish statutory obligations and offences, while exchange and clearing rules govern trading, membership, settlement and market operations. d. The guide describes three routes: a profit test involving at least S\$30 million of aggregate pre-tax profit over the latest three years with minimum profit in the latest year.

Answer: b. A CMS licence holder conducts regulated activities such as dealing in capital markets products, fund management or advising, subject to the scope of its licence, financial resources, representatives, systems and continuing obligations.

Rationale: A CMS licence holder conducts regulated activities such as dealing in capital markets products, fund management or advising, subject to the scope of its licence, financial resources, representatives, systems and continuing obligations. It must protect customers, maintain proper records and comply with applicable conduct and prudential requirements.

5. [Single choice] [RES 1B §1.3] Differentiate MAS, SGX, SGX RegCo, SGX-ST and CDP.

a. Admission is not the end of the issuer's obligations. b. Catalist is a sponsor-supervised market and does not use the same quantitative entry tests as Mainboard. c. MAS is Singapore's central bank and financial regulator. d. A SPAC is a listed shell formed to raise funds and later acquire an operating business.

Answer: c. MAS is Singapore's central bank and financial regulator.

Rationale: MAS is Singapore's central bank and financial regulator. SGX operates the exchange group; SGX RegCo performs frontline regulatory functions; SGX-ST operates the securities trading market; and CDP provides central depository and clearing-related services for securities. Their exact responsibilities should be read with the applicable legislation and rules.

6. [Single choice] [RES 1B §1.3] Why must a representative understand both legislation and exchange rules?

a. Banks provide financing, deposit-taking and payment services; securities dealers arrange or execute trades and may act as agent or principal; fund managers manage pooled or discretionary portfolios; and other participants such as insurers, pension funds, corporations and government-linked entities supply or demand capital and investment products. b. In a primary market, an issuer raises new capital by issuing securities to investors. c. Exchange trading takes place through a regulated venue with standardised products, published rules and organised matching. d. Legislation and MAS regulations establish statutory obligations and offences, while exchange and clearing rules govern trading, membership, settlement and market operations.

Answer: d. Legislation and MAS regulations establish statutory obligations and offences, while exchange and clearing rules govern trading, membership, settlement and market operations.

Rationale: Legislation and MAS regulations establish statutory obligations and offences, while exchange and clearing rules govern trading, membership, settlement and market operations. A transaction can comply with one layer and still breach another, so representatives must apply the full rule framework.

7. [Single choice] [RES 1B §1.4] What are the main quantitative entry routes for a Mainboard listing described in the guide?

a. The guide describes three routes: a profit test involving at least S\$30 million of aggregate pre-tax profit over the latest three years with minimum profit in the latest year. b. A CMS licence holder conducts regulated activities such as dealing in capital markets products, fund management or advising, subject to the scope of its licence, financial resources, representatives, systems and continuing obligations. c. MAS is Singapore's central bank and financial regulator. d. Legislation and MAS regulations establish statutory obligations and offences, while exchange and clearing rules govern trading, membership, settlement and market operations.

Answer: a. The guide describes three routes: a profit test involving at least S\$30 million of aggregate pre-tax profit over the latest three years with minimum profit in the latest year.

Rationale: The guide describes three routes: a profit test involving at least S\$30 million of aggregate pre-tax profit over the latest three years with minimum profit in the latest year; a profit-and-market-capitalisation route involving profit over three years and at least S\$150 million market capitalisation; and a revenue-and-market-capitalisation route involving revenue in the latest completed financial year and at least S\$300 million market capitalisation. Exact eligibility must be checked against the current listing rules.

8. [Single choice] [RES 1B §1.4] How does Catalist differ from Mainboard in admission and continuing obligations?

a. The guide describes three routes: a profit test involving at least S\$30 million of aggregate pre-tax profit over the latest three years with minimum profit in the latest year. b. Catalist is a sponsor-supervised market and does not use the same quantitative entry tests as Mainboard. c. Admission is not the end of the issuer's obligations. d. A SPAC is a listed shell formed to raise funds and later acquire an operating business.

Answer: b. Catalist is a sponsor-supervised market and does not use the same quantitative entry tests as Mainboard.

Rationale: Catalist is a sponsor-supervised market and does not use the same quantitative entry tests as Mainboard. A full sponsor assesses and supervises the issuer; the guide highlights public-shareholding and shareholder-spread requirements, an offer document and a stated period for listing. Mainboard issuers have direct SGX admission and continuing-listing requirements, while Catalist issuers rely more heavily on sponsor supervision.

9. [Single choice] [RES 1B §1.4] What is the significance of continuing listing obligations and SGXNet disclosure?

a. Exchange trading takes place through a regulated venue with standardised products, published rules and organised matching. b. In a primary market, an issuer raises new capital by issuing securities to investors. c. Admission is not the end of the issuer's obligations. d. Banks provide financing, deposit-taking and payment services; securities dealers arrange or execute trades and may act as agent or principal; fund managers manage pooled or discretionary portfolios; and other participants such as insurers, pension funds, corporations and government-linked entities supply or demand capital and investment products.

Answer: c. Admission is not the end of the issuer's obligations.

Rationale: Admission is not the end of the issuer's obligations. The issuer must continue to meet requirements relating to disclosure, financial reporting, interested-person transactions, shareholder meetings and other corporate actions. Material information must be released through the prescribed channel, including SGXNet, so that investors receive information on an equal and timely basis.

10. [Single choice] [RES 1B §1.4] What is a SPAC and what investor-protection issues should a representative recognise?

a. Legislation and MAS regulations establish statutory obligations and offences, while exchange and clearing rules govern trading, membership, settlement and market operations. b. A CMS licence holder conducts regulated activities such as dealing in capital markets products, fund management or advising, subject to the scope of its licence, financial resources, representatives, systems and continuing obligations. c. MAS is Singapore's central bank and financial regulator. d. A SPAC is a listed shell formed to raise funds and later acquire an operating business.

Answer: d. A SPAC is a listed shell formed to raise funds and later acquire an operating business.

Rationale: A SPAC is a listed shell formed to raise funds and later acquire an operating business. Representatives should understand the conditions for listing, time limits and de-SPAC process, disclosure and shareholder-approval requirements, redemption or exit features, dilution and conflicts, and the risk that no suitable acquisition is completed.

11. [Single choice] [RES 1B §2.1–2.2] What is the purpose of a CMS licence and why is the activity scope important?

a. A CMS licence authorises a legal entity to conduct specified regulated activities. b. The guide describes a board with at least two directors, including a Singapore-resident director, a Singapore-resident chief executive officer, and at least two full-time representatives for each regulated activity, subject to the applicable requirements. c. Changes to key persons, business activities, ownership, representatives, offices, financial condition or other prescribed particulars may require notification or approval. d. Registration identifies an individual authorised to act for a principal in specified regulated activities.

Answer: a. A CMS licence authorises a legal entity to conduct specified regulated activities.

Rationale: A CMS licence authorises a legal entity to conduct specified regulated activities. The holder may conduct only the activities and deal in the products permitted by its licence, and must satisfy requirements on management, representatives, financial resources, systems, controls and customer protection.

12. [Single choice] [RES 1B §2.2] State the base-capital amounts highlighted for a securities dealer under the guide's BCR table.

a. The representative and principal must make the prescribed notifications, including cessation and changes in particulars, within the applicable time periods; the guide highlights seven- and 14-day requirements for different changes. b. The guide's table highlights S\$5 million for a clearing member, S\$1 million for a trading member or non-member, S\$500,000 for an introducing broker and S\$50,000 for other relevant categories. c. It must be clear, fair, balanced and not misleading. d. For retail customers trading SIPs, the firm uses a CAR for listed SIPs and a CKA for unlisted SIPs, unless an applicable exemption or alternative rule applies.

Answer: b. The guide's table highlights S\$5 million for a clearing member, S\$1 million for a trading member or non-member, S\$500,000 for an introducing broker and S\$50,000 for other relevant categories.

Rationale: The guide's table highlights S\$5 million for a clearing member, S\$1 million for a trading member or non-member, S\$500,000 for an introducing broker and S\$50,000 for other relevant categories. These are study-guide figures and must be checked against the current regulations before operational use.

13. [Single choice] [RES 1B §2.2] What management and staffing features are relevant to a CMS licence application?

a. For a listed SIP, the guide allows a negative CAR outcome to be followed only by the prescribed senior-management approval, written outcome and warnings, customer confirmation and responsibility acknowledgement. b. The guide states that CAR is valid for three years and CKA for one year, subject to the relevant transaction, change-of-circumstance and reassessment rules. c. The guide describes a board with at least two directors, including a Singapore-resident director, a Singapore-resident chief executive officer, and at least two

full-time representatives for each regulated activity, subject to the applicable requirements. d. The classification determines whether additional knowledge or experience safeguards apply.

Answer: c. The guide describes a board with at least two directors, including a Singapore-resident director, a Singapore-resident chief executive officer, and at least two full-time representatives for each regulated activity, subject to the applicable requirements.

Rationale: The guide describes a board with at least two directors, including a Singapore-resident director, a Singapore-resident chief executive officer, and at least two full-time representatives for each regulated activity, subject to the applicable requirements. MAS also assesses fitness, propriety, competence, financial resources, compliance arrangements and internal controls.

14. [Single choice] [RES 1B §2.2] What kinds of changes must a CMS licence holder notify to MAS, and why?

a. The guide highlights contract notes by the next business day and periodic statements, including monthly or quarterly statements where prescribed. b. Customer information must be collected, used, disclosed and retained only for proper purposes and in accordance with the Banking Act secrecy framework, PDPA obligations, applicable Do-Not-Call rules and permitted exceptions. c. The firm should establish and verify customer identity, authority, risk profile, account terms, trading permissions, beneficial ownership and relevant declarations. d. Changes to key persons, business activities, ownership, representatives, offices, financial condition or other prescribed particulars may require notification or approval.

Answer: d. Changes to key persons, business activities, ownership, representatives, offices, financial condition or other prescribed particulars may require notification or approval.

Rationale: Changes to key persons, business activities, ownership, representatives, offices, financial condition or other prescribed particulars may require notification or approval. The purpose is to let MAS assess whether the licence holder continues to meet the conditions under which it was authorised; the guide highlights a 14-day period for specified changes.

15. [Single choice] [RES 1B §2.3] What does registration of a representative achieve?

a. Registration identifies an individual authorised to act for a principal in specified regulated activities. b. Books and audit trails let the firm reconstruct orders, decisions, communications, approvals, allocations, money movements and compliance reviews. c. Customer money is cash received or held for the customer, while customer assets include securities and other property held for or belonging to the customer. d. Deposit or hold them only with permitted institutions or custodians, maintain trust or custody arrangements and accurate ledgers, complete reconciliations, make permitted withdrawals or investments, give required disclosures, and ensure lending, pledging or use of assets is authorised and documented.

Answer: a. Registration identifies an individual authorised to act for a principal in specified regulated activities.

Rationale: Registration identifies an individual authorised to act for a principal in specified regulated activities. The representative must meet competence and fit-and-proper requirements, act for only one principal at a time, remain properly supervised and comply with continuing professional-development and notification obligations.

16. [Single choice] [RES 1B §2.3] What are the representative's obligations when changing particulars or ceasing to act for a principal?

a. A CMS licence authorises a legal entity to conduct specified regulated activities. b. The representative and principal must make the prescribed notifications, including cessation and changes in particulars, within the applicable time periods; the guide highlights seven- and 14-day requirements for different changes. c. The guide's table highlights S\$5 million for a clearing member, S\$1 million for a trading member or non-member, S\$500,000 for an introducing broker and S\$50,000 for other relevant categories. d. The guide describes a board with at least two directors, including a Singapore-resident director, a Singapore-resident chief executive officer, and at least two full-time representatives for each regulated activity, subject to the applicable requirements.

Answer: b. The representative and principal must make the prescribed notifications, including cessation and changes in particulars, within the applicable time periods; the guide highlights seven- and 14-day requirements for different changes.

Rationale: The representative and principal must make the prescribed notifications, including cessation and changes in particulars, within the applicable time periods; the guide highlights seven- and 14-day requirements for different changes. The representative must not continue holding out as authorised after cessation.

17. [Single choice] [RES 1B §2.4] What must a compliant advertisement for a capital-markets product or service avoid?

a. Registration identifies an individual authorised to act for a principal in specified regulated activities. b. Changes to key persons, business activities, ownership, representatives, offices, financial condition or other prescribed particulars may require notification or approval. c. It must be clear, fair, balanced and not misleading. d. The representative and principal must make the prescribed notifications, including cessation and changes in particulars, within the applicable time periods; the guide highlights seven- and 14-day requirements for different changes.

Answer: c. It must be clear, fair, balanced and not misleading.

Rationale: It must be clear, fair, balanced and not misleading. It should identify material risks and limitations, avoid false or unsubstantiated claims, avoid presenting past performance as a promise, state relevant fees or conditions, and comply with the firm's approval and record-keeping procedures.

18. [Single choice] [RES 1B §2.5] When are a Customer Account Review and Customer Knowledge Assessment relevant?

a. For a listed SIP, the guide allows a negative CAR outcome to be followed only by the prescribed senior-management approval, written outcome and warnings, customer confirmation and responsibility acknowledgement. b. It must be clear, fair, balanced and not misleading. c. The guide states that CAR is valid for three years and CKA for one year, subject to the relevant transaction, change-of-circumstance and reassessment rules. d. For retail customers trading SIPs, the firm uses a CAR for listed SIPs and a CKA for unlisted SIPs, unless an applicable exemption or alternative rule applies.

Answer: d. For retail customers trading SIPs, the firm uses a CAR for listed SIPs and a CKA for unlisted SIPs, unless an applicable exemption or alternative rule applies.

Rationale: For retail customers trading SIPs, the firm uses a CAR for listed SIPs and a CKA for unlisted SIPs, unless an applicable exemption or alternative rule applies. The purpose is to assess knowledge and experience, not to guarantee suitability or eliminate investment risk.

19. [Single choice] [RES 1B §2.5] Compare the validity periods of CAR and CKA in the guide.

a. The guide states that CAR is valid for three years and CKA for one year, subject to the relevant transaction, change-of-circumstance and reassessment rules. b. The classification determines whether additional knowledge or experience safeguards apply. c. Customer information must be collected, used, disclosed and retained only for proper purposes and in accordance with the Banking Act secrecy framework, PDPA obligations, applicable Do-Not-Call rules and permitted exceptions. d. The firm should establish and verify customer identity, authority, risk profile, account terms, trading permissions, beneficial ownership and relevant declarations.

Answer: a. The guide states that CAR is valid for three years and CKA for one year, subject to the relevant transaction, change-of-circumstance and reassessment rules.

Rationale: The guide states that CAR is valid for three years and CKA for one year, subject to the relevant transaction, change-of-circumstance and reassessment rules. Firms must keep evidence of the assessment, result, explanations and customer communications.

20. [Single choice] [RES 1B §2.5] What should happen when a customer fails a knowledge or experience assessment?

a. The guide highlights contract notes by the next business day and periodic statements, including monthly or quarterly statements where prescribed. b. For a listed SIP, the guide allows a negative CAR outcome to be followed only by the prescribed senior-management approval, written outcome and warnings, customer confirmation and responsibility acknowledgement. c. Books and audit trails let the firm reconstruct orders, decisions, communications, approvals, allocations, money movements and compliance reviews. d. Customer money is cash received or held for the customer, while customer assets include securities and other property held for or belonging to the customer.

Answer: b. For a listed SIP, the guide allows a negative CAR outcome to be followed only by the prescribed senior-management approval, written outcome and warnings, customer confirmation and responsibility acknowledgement.

Rationale: For a listed SIP, the guide allows a negative CAR outcome to be followed only by the prescribed senior-management approval, written outcome and warnings, customer confirmation and responsibility acknowledgement. A negative CKA generally prevents the customer from dealing in an unlisted SIP unless a stated exemption applies. The customer must not be pressured into proceeding.

21. [Single choice] [RES 1B §2.5] Why is the EIP/SIP classification important?

a. A CMS licence authorises a legal entity to conduct specified regulated activities. b. Deposit or hold them only with permitted institutions or custodians, maintain trust or custody arrangements and accurate ledgers, complete reconciliations, make permitted withdrawals or investments, give required disclosures, and ensure lending, pledging or use of assets is authorised and documented. c. The classification determines whether additional knowledge or experience safeguards apply. d. The guide's table highlights S\$5 million for a clearing member, S\$1 million for a trading member or non-member, S\$500,000 for an introducing broker and S\$50,000 for other relevant categories.

Answer: c. The classification determines whether additional knowledge or experience safeguards apply.

Rationale: The classification determines whether additional knowledge or experience safeguards apply. If a product is not an EIP or if the firm cannot properly classify it, it may have to treat it as a SIP and perform the relevant assessment. Outsourcing classification does not remove the CMS holder's responsibility.

22. [Single choice] [RES 1B §2.6] What confidentiality principles apply to customer information?

a. Registration identifies an individual authorised to act for a principal in specified regulated activities. b. The guide describes a board with at least two directors, including a Singapore-resident director, a Singapore-resident chief executive officer, and at least two full-time representatives for each regulated activity, subject to the applicable requirements. c. Changes to key persons, business activities, ownership, representatives, offices, financial condition or other prescribed particulars may require notification or approval. d. Customer information must be collected, used, disclosed and retained only for proper purposes and in accordance with the Banking Act secrecy framework, PDPA obligations, applicable Do-Not-Call rules and permitted exceptions.

Answer: d. Customer information must be collected, used, disclosed and retained only for proper purposes and in accordance with the Banking Act secrecy framework, PDPA obligations, applicable Do-Not-Call rules and permitted exceptions.

Rationale: Customer information must be collected, used, disclosed and retained only for proper purposes and in accordance with the Banking Act secrecy framework, PDPA obligations, applicable Do-Not-Call rules and permitted exceptions. Access should be limited to those with a legitimate need, with controls against unauthorised disclosure.

23. [Single choice] [RES 1B §2.7] What documents and controls should exist for a customer trading account?

a. The firm should establish and verify customer identity, authority, risk profile, account terms, trading permissions, beneficial ownership and relevant declarations. b. The representative and principal must make the

prescribed notifications, including cessation and changes in particulars, within the applicable time periods; the guide highlights seven- and 14-day requirements for different changes. c. It must be clear, fair, balanced and not misleading. d. For retail customers trading SIPs, the firm uses a CAR for listed SIPs and a CKA for unlisted SIPs, unless an applicable exemption or alternative rule applies.

Answer: a. The firm should establish and verify customer identity, authority, risk profile, account terms, trading permissions, beneficial ownership and relevant declarations.

Rationale: The firm should establish and verify customer identity, authority, risk profile, account terms, trading permissions, beneficial ownership and relevant declarations. It should record instructions, confirmations, statements, communications, limits, approvals and changes, and monitor the account for unauthorised activity, conflicts and unusual conduct.

24. [Single choice] [RES 1B §2.7] When should a securities contract note and customer statement be provided?

a. The guide states that CAR is valid for three years and CKA for one year, subject to the relevant transaction, change-of-circumstance and reassessment rules. b. The guide highlights contract notes by the next business day and periodic statements, including monthly or quarterly statements where prescribed. c. For a listed SIP, the guide allows a negative CAR outcome to be followed only by the prescribed senior-management approval, written outcome and warnings, customer confirmation and responsibility acknowledgement. d. The classification determines whether additional knowledge or experience safeguards apply.

Answer: b. The guide highlights contract notes by the next business day and periodic statements, including monthly or quarterly statements where prescribed.

Rationale: The guide highlights contract notes by the next business day and periodic statements, including monthly or quarterly statements where prescribed. The documents should accurately identify the transaction, price, quantity, charges, capacity and settlement information.

25. [Single choice] [RES 1B §2.8] Why are books and audit trails important, and what retention period is highlighted?

a. The firm should establish and verify customer identity, authority, risk profile, account terms, trading permissions, beneficial ownership and relevant declarations. b. Customer information must be collected, used, disclosed and retained only for proper purposes and in accordance with the Banking Act secrecy framework, PDPA obligations, applicable Do-Not-Call rules and permitted exceptions. c. Books and audit trails let the firm reconstruct orders, decisions, communications, approvals, allocations, money movements and compliance reviews. d. The guide highlights contract notes by the next business day and periodic statements, including monthly or quarterly statements where prescribed.

Answer: c. Books and audit trails let the firm reconstruct orders, decisions, communications, approvals, allocations, money movements and compliance reviews.

Rationale: Books and audit trails let the firm reconstruct orders, decisions, communications, approvals, allocations, money movements and compliance reviews. The guide highlights retaining relevant records for five years, together with annual accounts within five months and auditor reporting requirements.

26. [Single choice] [RES 1B §2.9] What is the difference between customer money and customer assets?

a. A CMS licence authorises a legal entity to conduct specified regulated activities. b. Books and audit trails let the firm reconstruct orders, decisions, communications, approvals, allocations, money movements and compliance reviews. c. Deposit or hold them only with permitted institutions or custodians, maintain trust or custody arrangements and accurate ledgers, complete reconciliations, make permitted withdrawals or investments, give required disclosures, and ensure lending, pledging or use of assets is authorised and documented. d. Customer money is cash received or held for the customer, while customer assets include securities and other property held for or belonging to the customer.

Answer: d. Customer money is cash received or held for the customer, while customer assets include securities and other property held for or belonging to the customer.

Rationale: Customer money is cash received or held for the customer, while customer assets include securities and other property held for or belonging to the customer. Both require segregation, proper records, permitted account or custody arrangements, reconciliations and controls against misuse.

27. [Single choice] [RES 1B §2.9] What are the key controls for handling customer money and assets?

a. Deposit or hold them only with permitted institutions or custodians, maintain trust or custody arrangements and accurate ledgers, complete reconciliations, make permitted withdrawals or investments, give required disclosures, and ensure lending, pledging or use of assets is authorised and documented. b. The guide's table highlights S\$5 million for a clearing member, S\$1 million for a trading member or non-member, S\$500,000 for an introducing broker and S\$50,000 for other relevant categories. c. The guide describes a board with at least two directors, including a Singapore-resident director, a Singapore-resident chief executive officer, and at least two full-time representatives for each regulated activity, subject to the applicable requirements. d. Changes to key persons, business activities, ownership, representatives, offices, financial condition or other prescribed particulars may require notification or approval.

Answer: a. Deposit or hold them only with permitted institutions or custodians, maintain trust or custody arrangements and accurate ledgers, complete reconciliations, make permitted withdrawals or investments, give required disclosures, and ensure lending, pledging or use of assets is authorised and documented.

Rationale: Deposit or hold them only with permitted institutions or custodians, maintain trust or custody arrangements and accurate ledgers, complete reconciliations, make permitted withdrawals or investments, give required disclosures, and ensure lending, pledging or use of assets is authorised and documented. The guide highlights next-business-day handling requirements for relevant receipts.

28. [Single choice] [RES 1B §3.1–3.2] Why can market-conduct provisions have extraterritorial reach?

a. It is conduct that creates or maintains a false or misleading appearance of active trading or market activity, or affects the price of a capital-markets product through artificial transactions. b. Conduct outside Singapore can affect Singapore markets, investors or listed products. c. Deliberately pushing a market price toward known stop orders to trigger them, without legitimate trading purpose and with an intention to create an artificial price or profit from the triggered orders, may amount to manipulation or false trading. d. It is conduct intended or likely to create an artificial price, maintain a price at an artificial level, or otherwise manipulate the market for securities.

Answer: b. Conduct outside Singapore can affect Singapore markets, investors or listed products.

Rationale: Conduct outside Singapore can affect Singapore markets, investors or listed products. The SFA provisions may therefore apply where the conduct has the required Singapore connection or market impact; a representative cannot assume that offshore execution removes Singapore obligations.

29. [Single choice] [RES 1B §3.3] What is false trading or market rigging?

a. It involves using deception, concealment or other fraudulent conduct to induce another person to enter into or refrain from entering into a transaction. b. Investors may trade on the information and the market may be distorted. c. It is conduct that creates or maintains a false or misleading appearance of active trading or market activity, or affects the price of a capital-markets product through artificial transactions. d. A scheme can be deceptive because of the overall method, timing, order pattern or concealment, even when no individual statement is obviously false.

Answer: c. It is conduct that creates or maintains a false or misleading appearance of active trading or market activity, or affects the price of a capital-markets product through artificial transactions.

Rationale: It is conduct that creates or maintains a false or misleading appearance of active trading or market activity, or affects the price of a capital-markets product through artificial transactions. Examples include wash trades, matched orders or trades lacking genuine change of beneficial ownership.

30. [Single choice] [RES 1B §3.3] How can “hunting stops” become market misconduct?

a. It is specific information that is not generally available and would be material to an investor’s decision or likely to affect price or value. b. Repeating or distributing information about an illegal transaction can encourage further trading, amplify the artificial price or help the wrongdoer profit. c. The person possesses information that is not generally available and that would be likely to materially affect the price or value of the product, and deals or communicates the information in circumstances prohibited by the SFA. d. Deliberately pushing a market price toward known stop orders to trigger them, without legitimate trading purpose and with an intention to create an artificial price or profit from the triggered orders, may amount to manipulation or false trading.

Answer: d. Deliberately pushing a market price toward known stop orders to trigger them, without legitimate trading purpose and with an intention to create an artificial price or profit from the triggered orders, may amount to manipulation or false trading.

Rationale: Deliberately pushing a market price toward known stop orders to trigger them, without legitimate trading purpose and with an intention to create an artificial price or profit from the triggered orders, may amount to manipulation or false trading. The focus is on purpose, conduct, effect and the surrounding facts.

31. [Single choice] [RES 1B §3.4] What is securities-market manipulation?

a. It is conduct intended or likely to create an artificial price, maintain a price at an artificial level, or otherwise manipulate the market for securities. b. Securities hawking is the prohibited solicitation or offering of securities in circumstances covered by the SFA’s hawking provisions. c. A seller must identify and mark a sale correctly, comply with short-position reporting requirements where applicable, and not misrepresent ownership or availability. d. Candidates should understand that market misconduct can lead to criminal, civil, regulatory, disciplinary, reputational and financial consequences, and that different offences have different consequences.

Answer: a. It is conduct intended or likely to create an artificial price, maintain a price at an artificial level, or otherwise manipulate the market for securities.

Rationale: It is conduct intended or likely to create an artificial price, maintain a price at an artificial level, or otherwise manipulate the market for securities. The analysis considers the transaction pattern, orders, information, intent and whether the activity distorts genuine supply and demand.

32. [Single choice] [RES 1B §3.5] Why are false or misleading statements and information prohibited?

a. Conduct outside Singapore can affect Singapore markets, investors or listed products. b. Investors may trade on the information and the market may be distorted. c. It is conduct that creates or maintains a false or misleading appearance of active trading or market activity, or affects the price of a capital-markets product through artificial transactions. d. Deliberately pushing a market price toward known stop orders to trigger them, without legitimate trading purpose and with an intention to create an artificial price or profit from the triggered orders, may amount to manipulation or false trading.

Answer: b. Investors may trade on the information and the market may be distorted.

Rationale: Investors may trade on the information and the market may be distorted. The prohibition covers publishing or communicating materially false or misleading information, including information likely to affect price, where the relevant mental element and market connection are present.

33. [Single choice] [RES 1B §3.6] What is fraudulent inducement to deal in capital-markets products?

a. Investors may trade on the information and the market may be distorted. b. It is conduct intended or likely to create an artificial price, maintain a price at an artificial level, or otherwise manipulate the market for securities. c. It involves using deception, concealment or other fraudulent conduct to induce another person to enter into or refrain from entering into a transaction. d. A scheme can be deceptive because of the overall method, timing, order pattern or concealment, even when no individual statement is obviously false.

Answer: c. It involves using deception, concealment or other fraudulent conduct to induce another person to enter into or refrain from entering into a transaction.

Rationale: It involves using deception, concealment or other fraudulent conduct to induce another person to enter into or refrain from entering into a transaction. A representative must not make misleading claims, omit material facts or exploit a customer's reliance to obtain a trade.

34. [Single choice] [RES 1B §3.7] What is the risk of using manipulative or deceptive devices even if no single false statement is made?

a. It is specific information that is not generally available and would be material to an investor's decision or likely to affect price or value. b. Repeating or distributing information about an illegal transaction can encourage further trading, amplify the artificial price or help the wrongdoer profit. c. The person possesses information that is not generally available and that would be likely to materially affect the price or value of the product, and deals or communicates the information in circumstances prohibited by the SFA. d. A scheme can be deceptive because of the overall method, timing, order pattern or concealment, even when no individual statement is obviously false.

Answer: d. A scheme can be deceptive because of the overall method, timing, order pattern or concealment, even when no individual statement is obviously false.

Rationale: A scheme can be deceptive because of the overall method, timing, order pattern or concealment, even when no individual statement is obviously false. The rule captures conduct designed to defraud, deceive or manipulate and requires representatives to assess the substance and purpose of a strategy.

35. [Single choice] [RES 1B §3.8] Why is disseminating information about illegal transactions prohibited?

a. Repeating or distributing information about an illegal transaction can encourage further trading, amplify the artificial price or help the wrongdoer profit. b. Securities hawking is the prohibited solicitation or offering of securities in circumstances covered by the SFA's hawking provisions. c. A seller must identify and mark a sale correctly, comply with short-position reporting requirements where applicable, and not misrepresent ownership or availability. d. Candidates should understand that market misconduct can lead to criminal, civil, regulatory, disciplinary, reputational and financial consequences, and that different offences have different consequences.

Answer: a. Repeating or distributing information about an illegal transaction can encourage further trading, amplify the artificial price or help the wrongdoer profit.

Rationale: Repeating or distributing information about an illegal transaction can encourage further trading, amplify the artificial price or help the wrongdoer profit. A person should not communicate or publish information that promotes or supports prohibited conduct.

36. [Single choice] [RES 1B §3.9] What are the core elements of insider trading?

a. Conduct outside Singapore can affect Singapore markets, investors or listed products. b. The person possesses information that is not generally available and that would be likely to materially affect the price or value of the product, and deals or communicates the information in circumstances prohibited by the SFA. c. It is conduct that creates or maintains a false or misleading appearance of active trading or market activity, or affects the price of a capital-markets product through artificial transactions. d. Deliberately pushing a market price toward known stop orders to trigger them, without legitimate trading purpose and with an intention to create an artificial price or profit from the triggered orders, may amount to manipulation or false trading.

Answer: b. The person possesses information that is not generally available and that would be likely to materially affect the price or value of the product, and deals or communicates the information in circumstances prohibited by the SFA.

Rationale: The person possesses information that is not generally available and that would be likely to materially affect the price or value of the product, and deals or communicates the information in circumstances prohibited by the SFA. The guide distinguishes connected and non-connected persons and explains statutory exceptions or defences.

37. [Single choice] [RES 1B §3.9] What is “inside information” in practical terms?

a. Investors may trade on the information and the market may be distorted. b. It is conduct intended or likely to create an artificial price, maintain a price at an artificial level, or otherwise manipulate the market for securities. c. It is specific information that is not generally available and would be material to an investor’s decision or likely to affect price or value. d. It involves using deception, concealment or other fraudulent conduct to induce another person to enter into or refrain from entering into a transaction.

Answer: c. It is specific information that is not generally available and would be material to an investor’s decision or likely to affect price or value.

Rationale: It is specific information that is not generally available and would be material to an investor’s decision or likely to affect price or value. Rumour, incomplete information or information held inside a firm is not automatically safe to use; the representative must consider whether it is public, precise and material.

38. [Single choice] [RES 1B §3.10] What is securities hawking?

a. The person possesses information that is not generally available and that would be likely to materially affect the price or value of the product, and deals or communicates the information in circumstances prohibited by the SFA. b. A scheme can be deceptive because of the overall method, timing, order pattern or concealment, even when no individual statement is obviously false. c. Repeating or distributing information about an illegal transaction can encourage further trading, amplify the artificial price or help the wrongdoer profit. d. Securities hawking is the prohibited solicitation or offering of securities in circumstances covered by the SFA’s hawking provisions.

Answer: d. Securities hawking is the prohibited solicitation or offering of securities in circumstances covered by the SFA’s hawking provisions.

Rationale: Securities hawking is the prohibited solicitation or offering of securities in circumstances covered by the SFA’s hawking provisions. Representatives should use approved channels and materials, respect customer contact rules and avoid unsolicited pressure or misleading sales tactics.

39. [Single choice] [RES 1B §3.11] What are short-selling controls highlighted in the guide?

a. A seller must identify and mark a sale correctly, comply with short-position reporting requirements where applicable, and not misrepresent ownership or availability. b. It is specific information that is not generally available and would be material to an investor’s decision or likely to affect price or value. c. Securities hawking is the prohibited solicitation or offering of securities in circumstances covered by the SFA’s hawking provisions. d. Candidates should understand that market misconduct can lead to criminal, civil, regulatory, disciplinary, reputational and financial consequences, and that different offences have different consequences.

Answer: a. A seller must identify and mark a sale correctly, comply with short-position reporting requirements where applicable, and not misrepresent ownership or availability.

Rationale: A seller must identify and mark a sale correctly, comply with short-position reporting requirements where applicable, and not misrepresent ownership or availability. Borrowing or lending arrangements should meet applicable requirements, including the guide’s reference to full collateralisation for relevant securities-lending arrangements.

40. [Single choice] [RES 1B §3.12] What is the exam relevance of penalties when the amount is not tested?

a. Conduct outside Singapore can affect Singapore markets, investors or listed products. b. Candidates should understand that market misconduct can lead to criminal, civil, regulatory, disciplinary, reputational and financial consequences, and that different offences have different consequences. c. It is conduct that creates or maintains a false or misleading appearance of active trading or market activity, or affects the price of a capital-markets product through artificial transactions. d. Deliberately pushing a market price toward known stop orders to trigger them, without legitimate trading purpose and with an intention to create an artificial price or profit from the triggered orders, may amount to manipulation or false trading.

Answer: b. Candidates should understand that market misconduct can lead to criminal, civil, regulatory, disciplinary, reputational and financial consequences, and that different offences have different consequences.

Rationale: Candidates should understand that market misconduct can lead to criminal, civil, regulatory, disciplinary, reputational and financial consequences, and that different offences have different consequences. The guide says the amount of penalties is not tested, so focus on the prohibited conduct and consequence categories rather than memorising figures.

41. [Single choice] [RES 1B §4.1–4.2] How are legal compliance and ethical conduct related?

a. Follow lawful firm procedures, protect confidential information and assets, supervise or escalate appropriately, cooperate with compliance and avoid conduct that damages market integrity. b. Identify conflicts early, disclose material conflicts where appropriate, obtain approvals, segregate duties or decline to act when controls are insufficient. c. Law sets minimum enforceable standards; ethics also asks what is fair, honest, prudent and appropriate when a rule does not give a complete answer. d. Identify the facts and dilemma; identify stakeholders and duties; generate realistic options; test the options against law, policy, professional standards and consequences; seek advice or escalate; then decide, document, act and review the outcome.

Answer: c. Law sets minimum enforceable standards; ethics also asks what is fair, honest, prudent and appropriate when a rule does not give a complete answer.

Rationale: Law sets minimum enforceable standards; ethics also asks what is fair, honest, prudent and appropriate when a rule does not give a complete answer. A decision can be technically legal yet inconsistent with professional integrity, customer trust or the firm's code.

42. [Single choice] [RES 1B §4.3] What makes an ethical dilemma difficult?

a. Do not misrepresent qualifications, services, products, risks, returns, guarantees or historical performance. b. Law sets minimum enforceable standards; ethics also asks what is fair, honest, prudent and appropriate when a rule does not give a complete answer. c. A representative must maintain the knowledge and skills needed for the service, understand the product and risks, conduct reasonable investigation, use reliable information, keep appropriate records and act promptly and carefully. d. It involves competing duties, incentives, interests or values, such as customer loyalty versus revenue pressure, confidentiality versus reporting, or speed versus adequate diligence.

Answer: d. It involves competing duties, incentives, interests or values, such as customer loyalty versus revenue pressure, confidentiality versus reporting, or speed versus adequate diligence.

Rationale: It involves competing duties, incentives, interests or values, such as customer loyalty versus revenue pressure, confidentiality versus reporting, or speed versus adequate diligence. The representative should identify the facts, stakeholders, duties, conflicts and consequences rather than choosing based only on convenience.

43. [Single choice] [RES 1B §4.4] What do the professional standards require regarding competence and diligence?

a. A representative must maintain the knowledge and skills needed for the service, understand the product and risks, conduct reasonable investigation, use reliable information, keep appropriate records and act promptly and carefully. b. Do not trade, recommend or communicate it improperly. c. Treat customers fairly and consistently, allocate opportunities and orders using legitimate criteria, do not favour one customer improperly, and communicate material information honestly. d. Understand the customer's objectives, finances, knowledge, experience, risk tolerance and constraints before making a recommendation.

Answer: a. A representative must maintain the knowledge and skills needed for the service, understand the product and risks, conduct reasonable investigation, use reliable information, keep appropriate records and act promptly and carefully.

Rationale: A representative must maintain the knowledge and skills needed for the service, understand the product and risks, conduct reasonable investigation, use reliable information, keep appropriate records and act promptly and carefully. Lack of knowledge is a reason to escalate or decline, not to improvise.

44. [Single choice] [RES 1B §4.4] What is the duty concerning misrepresentation and performance information?

a. Identify conflicts early, disclose material conflicts where appropriate, obtain approvals, segregate duties or decline to act when controls are insufficient. b. Do not misrepresent qualifications, services, products, risks, returns, guarantees or historical performance. c. Follow lawful firm procedures, protect confidential information and assets, supervise or escalate appropriately, cooperate with compliance and avoid conduct that damages market integrity. d. Identify the facts and dilemma; identify stakeholders and duties; generate realistic options; test the options against law, policy, professional standards and consequences; seek advice or escalate; then decide, document, act and review the outcome.

Answer: b. Do not misrepresent qualifications, services, products, risks, returns, guarantees or historical performance.

Rationale: Do not misrepresent qualifications, services, products, risks, returns, guarantees or historical performance. Performance information should be fair, balanced, supported by records and accompanied by meaningful assumptions, comparisons, fees, risks and limitations.

45. [Single choice] [RES 1B §4.4] How should a representative handle material non-public information?

a. It involves competing duties, incentives, interests or values, such as customer loyalty versus revenue pressure, confidentiality versus reporting, or speed versus adequate diligence. b. Law sets minimum enforceable standards; ethics also asks what is fair, honest, prudent and appropriate when a rule does not give a complete answer. c. Do not trade, recommend or communicate it improperly. d. A representative must maintain the knowledge and skills needed for the service, understand the product and risks, conduct reasonable investigation, use reliable information, keep appropriate records and act promptly and carefully.

Answer: c. Do not trade, recommend or communicate it improperly.

Rationale: Do not trade, recommend or communicate it improperly. Preserve confidentiality, restrict access, follow watch-list or restricted-list procedures, escalate to compliance and wait until the information is properly public or compliance authorises an action under an applicable exception.

46. [Single choice] [RES 1B §4.4] What does fair dealing require?

a. Understand the customer's objectives, finances, knowledge, experience, risk tolerance and constraints before making a recommendation. b. Do not misrepresent qualifications, services, products, risks, returns, guarantees or historical performance. c. Do not trade, recommend or communicate it improperly. d. Treat customers fairly and consistently, allocate opportunities and orders using legitimate criteria, do not favour one customer improperly, and communicate material information honestly.

Answer: d. Treat customers fairly and consistently, allocate opportunities and orders using legitimate criteria, do not favour one customer improperly, and communicate material information honestly.

Rationale: Treat customers fairly and consistently, allocate opportunities and orders using legitimate criteria, do not favour one customer improperly, and communicate material information honestly. Fair dealing does not mean identical outcomes; it means a fair process consistent with disclosed terms and duties.

47. [Single choice] [RES 1B §4.4] What are the standards for suitability and customer interest?

a. Understand the customer's objectives, finances, knowledge, experience, risk tolerance and constraints before making a recommendation. b. Identify conflicts early, disclose material conflicts where appropriate, obtain approvals, segregate duties or decline to act when controls are insufficient. c. Follow lawful firm procedures, protect confidential information and assets, supervise or escalate appropriately, cooperate with compliance and avoid conduct that damages market integrity. d. Identify the facts and dilemma; identify stakeholders and duties; generate realistic options; test the options against law, policy, professional standards and consequences; seek advice or escalate; then decide, document, act and review the outcome.

Answer: a. Understand the customer's objectives, finances, knowledge, experience, risk tolerance and constraints before making a recommendation.

Rationale: Understand the customer's objectives, finances, knowledge, experience, risk tolerance and constraints before making a recommendation. The recommendation should have a reasonable basis, fit the customer's circumstances, explain material risks and not be driven by the representative's compensation.

48. [Single choice] [RES 1B §4.4] How should conflicts, gifts, referral fees and outside interests be managed?

a. Law sets minimum enforceable standards; ethics also asks what is fair, honest, prudent and appropriate when a rule does not give a complete answer. b. Identify conflicts early, disclose material conflicts where appropriate, obtain approvals, segregate duties or decline to act when controls are insufficient. c. It involves competing duties, incentives, interests or values, such as customer loyalty versus revenue pressure, confidentiality versus reporting, or speed versus adequate diligence. d. A representative must maintain the knowledge and skills needed for the service, understand the product and risks, conduct reasonable investigation, use reliable information, keep appropriate records and act promptly and carefully.

Answer: b. Identify conflicts early, disclose material conflicts where appropriate, obtain approvals, segregate duties or decline to act when controls are insufficient.

Rationale: Identify conflicts early, disclose material conflicts where appropriate, obtain approvals, segregate duties or decline to act when controls are insufficient. Benefits or referral fees must not distort advice, order priority, product selection or customer treatment.

49. [Single choice] [RES 1B §4.4] What is the representative's duty to the employer and to the profession?

a. Do not trade, recommend or communicate it improperly. b. Do not misrepresent qualifications, services, products, risks, returns, guarantees or historical performance. c. Follow lawful firm procedures, protect confidential information and assets, supervise or escalate appropriately, cooperate with compliance and avoid conduct that damages market integrity. d. Treat customers fairly and consistently, allocate opportunities and orders using legitimate criteria, do not favour one customer improperly, and communicate material information honestly.

Answer: c. Follow lawful firm procedures, protect confidential information and assets, supervise or escalate appropriately, cooperate with compliance and avoid conduct that damages market integrity.

Rationale: Follow lawful firm procedures, protect confidential information and assets, supervise or escalate appropriately, cooperate with compliance and avoid conduct that damages market integrity. The duty to the employer does not justify breaking the law or harming customers.

50. [Single choice] [RES 1B §4.5] State a practical six-step framework for resolving an ethical dilemma.

a. Follow lawful firm procedures, protect confidential information and assets, supervise or escalate appropriately, cooperate with compliance and avoid conduct that damages market integrity. b. Understand the customer's objectives, finances, knowledge, experience, risk tolerance and constraints before making a recommendation. c. Identify conflicts early, disclose material conflicts where appropriate, obtain approvals, segregate duties or decline to act when controls are insufficient. d. Identify the facts and dilemma; identify stakeholders and duties; generate realistic options; test the options against law, policy, professional standards and consequences; seek advice or escalate; then decide, document, act and review the outcome.

Answer: d. Identify the facts and dilemma; identify stakeholders and duties; generate realistic options; test the options against law, policy, professional standards and consequences; seek advice or escalate; then decide, document, act and review the outcome.

Rationale: Identify the facts and dilemma; identify stakeholders and duties; generate realistic options; test the options against law, policy, professional standards and consequences; seek advice or escalate; then decide, document, act and review the outcome. The precise labels may differ, but the framework should be reasoned and auditable.

51. [Single choice] [RES 1B §5.1–5.2] What should a representative accomplish during client onboarding?

a. Establish and verify identity, authority, beneficial ownership, objectives, financial circumstances, experience, knowledge, risk appetite, constraints and expected activity; explain the service, products, fees, risks and con-

licts; obtain required documents and approvals; and set suitable account permissions and monitoring. b. The guide discusses account structures such as cash, margin, discretionary or managed arrangements, joint, trust, corporate and custody-related accounts. c. Through accurate and timely communication, reliability, confidentiality, fair dealing, transparency about fees and conflicts, consistent follow-up, prompt correction of errors and conduct aligned with the customer's objectives. d. It is the risk that a customer, counterparty, issuer, broker or other obligor fails to perform a payment or delivery obligation.

Answer: a. Establish and verify identity, authority, beneficial ownership, objectives, financial circumstances, experience, knowledge, risk appetite, constraints and expected activity; explain the service, products, fees, risks and conflicts; obtain required documents and approvals; and set suitable account permissions and monitoring.

Rationale: Establish and verify identity, authority, beneficial ownership, objectives, financial circumstances, experience, knowledge, risk appetite, constraints and expected activity; explain the service, products, fees, risks and conflicts; obtain required documents and approvals; and set suitable account permissions and monitoring.

52. [Single choice] [RES 1B §5.2] Distinguish AI, II, EI and retail customers.

a. Establish and verify identity, authority, beneficial ownership, objectives, financial circumstances, experience, knowledge, risk appetite, constraints and expected activity; explain the service, products, fees, risks and conflicts; obtain required documents and approvals; and set suitable account permissions and monitoring. b. Accredited, institutional and expert investors meet different regulatory criteria and may receive different protections or be eligible for different products and processes. c. Risk profiling considers capacity for loss, objectives, time horizon, liquidity needs, knowledge, experience, investment constraints and behavioural tolerance. d. The representative should connect the customer's objectives and constraints to an understandable thesis, asset or product selection, position size, time horizon, risks, costs, exit conditions and monitoring plan.

Answer: b. Accredited, institutional and expert investors meet different regulatory criteria and may receive different protections or be eligible for different products and processes.

Rationale: Accredited, institutional and expert investors meet different regulatory criteria and may receive different protections or be eligible for different products and processes. Retail customers generally receive the fullest set of conduct and knowledge safeguards. A label is not enough: the firm must verify status, obtain required consent or declarations and apply the correct rules.

53. [Single choice] [RES 1B §5.2] Why is risk profiling not the same as asking a customer whether the customer is willing to lose money?

a. Consider price, costs, speed, likelihood of execution and settlement, size, nature of the order, liquidity, venue and the customer's instructions. b. Explain the product and strategy, material risks, possible loss, liquidity and valuation issues, fees and charges, conflicts, assumptions, relevant tax or currency considerations and the limits of any forecast or disclaimer. c. Risk profiling considers capacity for loss, objectives, time horizon, liquidity needs, knowledge, experience, investment constraints and behavioural tolerance. d. A payment or benefit for routing orders can create a conflict between the customer's best interests and the firm's revenue.

Answer: c. Risk profiling considers capacity for loss, objectives, time horizon, liquidity needs, knowledge, experience, investment constraints and behavioural tolerance.

Rationale: Risk profiling considers capacity for loss, objectives, time horizon, liquidity needs, knowledge, experience, investment constraints and behavioural tolerance. A customer's informal answer does not replace a documented, evidence-based assessment or the representative's duty to explain product-specific risks.

54. [Single choice] [RES 1B §5.3] What is meant by presenting a coherent investment or trading strategy?

a. They prevent and detect unauthorised trading, errors, fraud, conflicts, unsuitable recommendations, misuse of customer money or assets, data leakage and failures in settlement or reporting. b. A cross trade can disadvantage one customer or conceal a conflict if price, allocation, consent and priority are not fair and documented. c. It should recognise that the best result may require staged execution, different venues, limit orders, careful information handling and a balance between price, market impact, speed and certainty. d. The representative

should connect the customer's objectives and constraints to an understandable thesis, asset or product selection, position size, time horizon, risks, costs, exit conditions and monitoring plan.

Answer: d. The representative should connect the customer's objectives and constraints to an understandable thesis, asset or product selection, position size, time horizon, risks, costs, exit conditions and monitoring plan.

Rationale: The representative should connect the customer's objectives and constraints to an understandable thesis, asset or product selection, position size, time horizon, risks, costs, exit conditions and monitoring plan. The recommendation should be internally consistent rather than a collection of disconnected trades.

55. [Single choice] [RES 1B §5.3] What disclosures should accompany a recommendation?

a. Explain the product and strategy, material risks, possible loss, liquidity and valuation issues, fees and charges, conflicts, assumptions, relevant tax or currency considerations and the limits of any forecast or disclaimer. b. The guide discusses account structures such as cash, margin, discretionary or managed arrangements, joint, trust, corporate and custody-related accounts. c. Through accurate and timely communication, reliability, confidentiality, fair dealing, transparency about fees and conflicts, consistent follow-up, prompt correction of errors and conduct aligned with the customer's objectives. d. It is the risk that a customer, counterparty, issuer, broker or other obligor fails to perform a payment or delivery obligation.

Answer: a. Explain the product and strategy, material risks, possible loss, liquidity and valuation issues, fees and charges, conflicts, assumptions, relevant tax or currency considerations and the limits of any forecast or disclaimer.

Rationale: Explain the product and strategy, material risks, possible loss, liquidity and valuation issues, fees and charges, conflicts, assumptions, relevant tax or currency considerations and the limits of any forecast or disclaimer. Communications and the customer's decision should be recorded.

56. [Single choice] [RES 1B §5.4] What are the principal elements of best execution?

a. Establish and verify identity, authority, beneficial ownership, objectives, financial circumstances, experience, knowledge, risk appetite, constraints and expected activity; explain the service, products, fees, risks and conflicts; obtain required documents and approvals; and set suitable account permissions and monitoring. b. Consider price, costs, speed, likelihood of execution and settlement, size, nature of the order, liquidity, venue and the customer's instructions. c. Accredited, institutional and expert investors meet different regulatory criteria and may receive different protections or be eligible for different products and processes. d. Risk profiling considers capacity for loss, objectives, time horizon, liquidity needs, knowledge, experience, investment constraints and behavioural tolerance.

Answer: b. Consider price, costs, speed, likelihood of execution and settlement, size, nature of the order, liquidity, venue and the customer's instructions.

Rationale: Consider price, costs, speed, likelihood of execution and settlement, size, nature of the order, liquidity, venue and the customer's instructions. The firm needs an execution policy, monitoring and review process, and evidence that the outcome was reasonably designed to achieve the best result for the customer.

57. [Single choice] [RES 1B §5.4] Why is payment for order flow a concern?

a. Explain the product and strategy, material risks, possible loss, liquidity and valuation issues, fees and charges, conflicts, assumptions, relevant tax or currency considerations and the limits of any forecast or disclaimer. b. The representative should connect the customer's objectives and constraints to an understandable thesis, asset or product selection, position size, time horizon, risks, costs, exit conditions and monitoring plan. c. A payment or benefit for routing orders can create a conflict between the customer's best interests and the firm's revenue. d. Consider price, costs, speed, likelihood of execution and settlement, size, nature of the order, liquidity, venue and the customer's instructions.

Answer: c. A payment or benefit for routing orders can create a conflict between the customer's best interests and the firm's revenue.

Rationale: A payment or benefit for routing orders can create a conflict between the customer's best interests and the firm's revenue. The guide highlights prohibition or strict treatment of payment for order flow; routing must not be selected because it produces an inducement at the expense of execution quality.

58. [Single choice] [RES 1B §5.4] What are the risks in cross trades and late trading?

a. They prevent and detect unauthorised trading, errors, fraud, conflicts, unsuitable recommendations, misuse of customer money or assets, data leakage and failures in settlement or reporting. b. A payment or benefit for routing orders can create a conflict between the customer's best interests and the firm's revenue. c. It should recognise that the best result may require staged execution, different venues, limit orders, careful information handling and a balance between price, market impact, speed and certainty. d. A cross trade can disadvantage one customer or conceal a conflict if price, allocation, consent and priority are not fair and documented.

Answer: d. A cross trade can disadvantage one customer or conceal a conflict if price, allocation, consent and priority are not fair and documented.

Rationale: A cross trade can disadvantage one customer or conceal a conflict if price, allocation, consent and priority are not fair and documented. Late trading can give a customer an improper advantage by accepting orders after a valuation or market cut-off; both require strict controls and supervision.

59. [Single choice] [RES 1B §5.4] How should an execution policy treat large or illiquid orders?

a. It should recognise that the best result may require staged execution, different venues, limit orders, careful information handling and a balance between price, market impact, speed and certainty. b. The guide discusses account structures such as cash, margin, discretionary or managed arrangements, joint, trust, corporate and custody-related accounts. c. Through accurate and timely communication, reliability, confidentiality, fair dealing, transparency about fees and conflicts, consistent follow-up, prompt correction of errors and conduct aligned with the customer's objectives. d. It is the risk that a customer, counterparty, issuer, broker or other obligor fails to perform a payment or delivery obligation.

Answer: a. It should recognise that the best result may require staged execution, different venues, limit orders, careful information handling and a balance between price, market impact, speed and certainty.

Rationale: It should recognise that the best result may require staged execution, different venues, limit orders, careful information handling and a balance between price, market impact, speed and certainty. A policy designed only for small liquid orders is not adequate for large, bespoke or illiquid orders.

60. [Single choice] [RES 1B §5.5] What are internal controls intended to prevent?

a. Establish and verify identity, authority, beneficial ownership, objectives, financial circumstances, experience, knowledge, risk appetite, constraints and expected activity; explain the service, products, fees, risks and conflicts; obtain required documents and approvals; and set suitable account permissions and monitoring. b. They prevent and detect unauthorised trading, errors, fraud, conflicts, unsuitable recommendations, misuse of customer money or assets, data leakage and failures in settlement or reporting. c. Accredited, institutional and expert investors meet different regulatory criteria and may receive different protections or be eligible for different products and processes. d. Risk profiling considers capacity for loss, objectives, time horizon, liquidity needs, knowledge, experience, investment constraints and behavioural tolerance.

Answer: b. They prevent and detect unauthorised trading, errors, fraud, conflicts, unsuitable recommendations, misuse of customer money or assets, data leakage and failures in settlement or reporting.

Rationale: They prevent and detect unauthorised trading, errors, fraud, conflicts, unsuitable recommendations, misuse of customer money or assets, data leakage and failures in settlement or reporting. Controls include segregation of duties, approvals, limits, reconciliations, surveillance, exception reporting, access controls and escalation.

61. [Single choice] [RES 1B §5.6] What account types should a representative be able to distinguish?

a. Explain the product and strategy, material risks, possible loss, liquidity and valuation issues, fees and charges, conflicts, assumptions, relevant tax or currency considerations and the limits of any forecast or disclaimer. b. The representative should connect the customer's objectives and constraints to an understandable thesis, asset or product selection, position size, time horizon, risks, costs, exit conditions and monitoring plan. c. The guide discusses account structures such as cash, margin, discretionary or managed arrangements, joint, trust, corporate and custody-related accounts. d. Consider price, costs, speed, likelihood of execution and settlement, size, nature of the order, liquidity, venue and the customer's instructions.

Answer: c. The guide discusses account structures such as cash, margin, discretionary or managed arrangements, joint, trust, corporate and custody-related accounts.

Rationale: The guide discusses account structures such as cash, margin, discretionary or managed arrangements, joint, trust, corporate and custody-related accounts. Each has different authority, documentation, liability, suitability, money-handling and conflict implications; the representative must not treat all accounts as ordinary individual cash accounts.

62. [Single choice] [RES 1B §5.7] How is a strong client relationship built on trust?

a. It should recognise that the best result may require staged execution, different venues, limit orders, careful information handling and a balance between price, market impact, speed and certainty. b. A payment or benefit for routing orders can create a conflict between the customer's best interests and the firm's revenue. c. A cross trade can disadvantage one customer or conceal a conflict if price, allocation, consent and priority are not fair and documented. d. Through accurate and timely communication, reliability, confidentiality, fair dealing, transparency about fees and conflicts, consistent follow-up, prompt correction of errors and conduct aligned with the customer's objectives.

Answer: d. Through accurate and timely communication, reliability, confidentiality, fair dealing, transparency about fees and conflicts, consistent follow-up, prompt correction of errors and conduct aligned with the customer's objectives.

Rationale: Through accurate and timely communication, reliability, confidentiality, fair dealing, transparency about fees and conflicts, consistent follow-up, prompt correction of errors and conduct aligned with the customer's objectives. Trust is a control outcome as well as a commercial relationship: it reduces pressure to conceal problems or oversell products.

63. [Single choice] [RES 1B §5.8] What is credit risk in securities dealing?

a. It is the risk that a customer, counterparty, issuer, broker or other obligor fails to perform a payment or delivery obligation. b. They prevent and detect unauthorised trading, errors, fraud, conflicts, unsuitable recommendations, misuse of customer money or assets, data leakage and failures in settlement or reporting. c. The guide discusses account structures such as cash, margin, discretionary or managed arrangements, joint, trust, corporate and custody-related accounts. d. Through accurate and timely communication, reliability, confidentiality, fair dealing, transparency about fees and conflicts, consistent follow-up, prompt correction of errors and conduct aligned with the customer's objectives.

Answer: a. It is the risk that a customer, counterparty, issuer, broker or other obligor fails to perform a payment or delivery obligation.

Rationale: It is the risk that a customer, counterparty, issuer, broker or other obligor fails to perform a payment or delivery obligation. Manage it through due diligence, limits, margin or collateral, settlement controls, concentration monitoring, escalation and timely action when exposures deteriorate.

64. [Single choice] [RES 1B §6.1–6.2] What are CPFIS-OA and CPFIS-SA, and why is the distinction important?

a. A CPF investment account is the account through which eligible CPF monies are used for permitted CPFIS investments. b. CPFIS-OA permits specified investments from the Ordinary Account, while CPFIS-SA relates to the Special Account and has more restricted investment possibilities and retirement-purpose safeguards. c.

The member must meet the applicable age, CPF balance, account and product requirements, complete the prescribed self-awareness or risk-assessment process where required, and open the relevant investment account. d. Confirm eligibility and product inclusion, ensure the CPF investment account and agent-bank process are in place, submit an authorised instruction, execute through the permitted provider, settle using the correct CPF channel and record the transaction.

Answer: b. CPFIS-OA permits specified investments from the Ordinary Account, while CPFIS-SA relates to the Special Account and has more restricted investment possibilities and retirement-purpose safeguards.

Rationale: CPFIS-OA permits specified investments from the Ordinary Account, while CPFIS-SA relates to the Special Account and has more restricted investment possibilities and retirement-purpose safeguards. The available products, limits, service providers and withdrawal treatment differ, so a representative must identify the source account before discussing an investment.

65. [Single choice] [RES 1B §6.3] What is the role of a CPF investment account?

a. Transfers into the CPF Ordinary Account and transfers between CPF and investment channels are subject to prescribed procedures and limits. b. Approved agent banks, investment administrators, brokers and other service providers provide the infrastructure and controls for CPF transactions. c. A CPF investment account is the account through which eligible CPF monies are used for permitted CPFIS investments. d. Release is governed by CPF rules, including the relevant age and retirement-sum framework, and is not simply an ordinary brokerage withdrawal.

Answer: c. A CPF investment account is the account through which eligible CPF monies are used for permitted CPFIS investments.

Rationale: A CPF investment account is the account through which eligible CPF monies are used for permitted CPFIS investments. The member must open it with an approved agent bank, meet eligibility and assessment requirements, and ensure that transactions, dividends, proceeds and charges are handled according to CPF rules.

66. [Single choice] [RES 1B §6.4–6.5] What eligibility checks and learning requirements apply before a member invests?

a. Confirm eligibility and product inclusion, ensure the CPF investment account and agent-bank process are in place, submit an authorised instruction, execute through the permitted provider, settle using the correct CPF channel and record the transaction. b. CPFIS-OA permits specified investments from the Ordinary Account, while CPFIS-SA relates to the Special Account and has more restricted investment possibilities and retirement-purpose safeguards. c. A CPF investment account is the account through which eligible CPF monies are used for permitted CPFIS investments. d. The member must meet the applicable age, CPF balance, account and product requirements, complete the prescribed self-awareness or risk-assessment process where required, and open the relevant investment account.

Answer: d. The member must meet the applicable age, CPF balance, account and product requirements, complete the prescribed self-awareness or risk-assessment process where required, and open the relevant investment account.

Rationale: The member must meet the applicable age, CPF balance, account and product requirements, complete the prescribed self-awareness or risk-assessment process where required, and open the relevant investment account. Eligibility is not a guarantee that a particular product is suitable or available.

67. [Single choice] [RES 1B §6.6] Summarise the CPFIS purchase and sale process.

a. Confirm eligibility and product inclusion, ensure the CPF investment account and agent-bank process are in place, submit an authorised instruction, execute through the permitted provider, settle using the correct CPF channel and record the transaction. b. Approved agent banks, investment administrators, brokers and other service providers provide the infrastructure and controls for CPF transactions. c. Transfers into the CPF Ordinary Account and transfers between CPF and investment channels are subject to prescribed procedures and limits. d.

Release is governed by CPF rules, including the relevant age and retirement-sum framework, and is not simply an ordinary brokerage withdrawal.

Answer: a. Confirm eligibility and product inclusion, ensure the CPF investment account and agent-bank process are in place, submit an authorised instruction, execute through the permitted provider, settle using the correct CPF channel and record the transaction.

Rationale: Confirm eligibility and product inclusion, ensure the CPF investment account and agent-bank process are in place, submit an authorised instruction, execute through the permitted provider, settle using the correct CPF channel and record the transaction. On sale, proceeds and dividends must be credited or applied as the CPF rules require rather than paid out as ordinary cash.

68. [Single choice] [RES 1B §6.7–6.8] What are service providers and product-inclusion criteria intended to achieve?

a. CPFIS-OA permits specified investments from the Ordinary Account, while CPFIS-SA relates to the Special Account and has more restricted investment possibilities and retirement-purpose safeguards. b. Approved agent banks, investment administrators, brokers and other service providers provide the infrastructure and controls for CPF transactions. c. A CPF investment account is the account through which eligible CPF monies are used for permitted CPFIS investments. d. The member must meet the applicable age, CPF balance, account and product requirements, complete the prescribed self-awareness or risk-assessment process where required, and open the relevant investment account.

Answer: b. Approved agent banks, investment administrators, brokers and other service providers provide the infrastructure and controls for CPF transactions.

Rationale: Approved agent banks, investment administrators, brokers and other service providers provide the infrastructure and controls for CPF transactions. Product-inclusion criteria limit investments to products and markets that meet prescribed eligibility, disclosure, liquidity, rating, listing or other safeguards.

69. [Single choice] [RES 1B §6.9–6.11] How are transfers, dividends and charges treated under CPFIS?

a. Approved agent banks, investment administrators, brokers and other service providers provide the infrastructure and controls for CPF transactions. b. Confirm eligibility and product inclusion, ensure the CPF investment account and agent-bank process are in place, submit an authorised instruction, execute through the permitted provider, settle using the correct CPF channel and record the transaction. c. Transfers into the CPF Ordinary Account and transfers between CPF and investment channels are subject to prescribed procedures and limits. d. Release is governed by CPF rules, including the relevant age and retirement-sum framework, and is not simply an ordinary brokerage withdrawal.

Answer: c. Transfers into the CPF Ordinary Account and transfers between CPF and investment channels are subject to prescribed procedures and limits.

Rationale: Transfers into the CPF Ordinary Account and transfers between CPF and investment channels are subject to prescribed procedures and limits. Dividends, interest and profits generally return through the required CPF route, while agent-bank, brokerage, platform, transaction and other permitted charges reduce the investment amount or proceeds as disclosed.

70. [Single choice] [RES 1B §6.12–6.14] What happens to CPFIS holdings on release, bankruptcy or death?

a. The member must meet the applicable age, CPF balance, account and product requirements, complete the prescribed self-awareness or risk-assessment process where required, and open the relevant investment account. b. CPFIS-OA permits specified investments from the Ordinary Account, while CPFIS-SA relates to the Special Account and has more restricted investment possibilities and retirement-purpose safeguards. c. A CPF investment account is the account through which eligible CPF monies are used for permitted CPFIS investments. d. Release is governed by CPF rules, including the relevant age and retirement-sum framework, and is not simply an ordinary brokerage withdrawal.

Answer: d. Release is governed by CPF rules, including the relevant age and retirement-sum framework, and is not simply an ordinary brokerage withdrawal.

Rationale: Release is governed by CPF rules, including the relevant age and retirement-sum framework, and is not simply an ordinary brokerage withdrawal. Bankruptcy and death trigger special statutory, estate, nomination and administrative treatment; the representative should not promise immediate access and should refer the member to CPF, the agent bank and the proper estate or insolvency process.

71. [Single choice] [RES 1B §7.1] Distinguish money laundering, terrorism financing, sanctions evasion and fraud.

a. Money laundering disguises the origin or ownership of criminal proceeds; terrorism financing provides or moves funds for terrorist purposes and may involve legitimate funds; sanctions evasion circumvents restrictions imposed on designated persons, countries or activities; and fraud obtains value through deception. b. The guide highlights transaction-monitoring attention around the S\$20,000 threshold, a 30-day review period for relevant circumstances, a 120-day period for specified follow-up or review situations, STR filing within 15 business days after forming the required suspicion, and retention of records for five years. c. Tipping off is improperly alerting a customer or another person that a suspicious transaction report, investigation or law-enforcement action is being considered or made. d. It tests whether governance, risk assessment, CDD, screening, monitoring, investigation, reporting, record keeping and training actually identify and mitigate risk.

Answer: a. Money laundering disguises the origin or ownership of criminal proceeds; terrorism financing provides or moves funds for terrorist purposes and may involve legitimate funds; sanctions evasion circumvents restrictions imposed on designated persons, countries or activities; and fraud obtains value through deception.

Rationale: Money laundering disguises the origin or ownership of criminal proceeds; terrorism financing provides or moves funds for terrorist purposes and may involve legitimate funds; sanctions evasion circumvents restrictions imposed on designated persons, countries or activities; and fraud obtains value through deception. One transaction can involve more than one risk.

72. [Single choice] [RES 1B §7.2–7.4] What is the purpose of Singapore's AML/CFT regime and MAS notices?

a. Money laundering disguises the origin or ownership of criminal proceeds; terrorism financing provides or moves funds for terrorist purposes and may involve legitimate funds; sanctions evasion circumvents restrictions imposed on designated persons, countries or activities; and fraud obtains value through deception. b. The regime requires financial institutions to identify and understand customers and beneficial owners, assess risk, monitor relationships and transactions, maintain controls, file reports and avoid tipping off. c. The guide refers to the SFA and related regulations, the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act, the Terrorism (Suppression of Financing) Act, the MAS Act and applicable tax legislation, together with MAS notices and regulations. d. They restrict dealings with designated persons, entities, countries, assets or activities, including terrorist financing and proliferation-related targets.

Answer: b. The regime requires financial institutions to identify and understand customers and beneficial owners, assess risk, monitor relationships and transactions, maintain controls, file reports and avoid tipping off.

Rationale: The regime requires financial institutions to identify and understand customers and beneficial owners, assess risk, monitor relationships and transactions, maintain controls, file reports and avoid tipping off. MAS notices and guidelines translate statutory duties into sector-specific control expectations.

73. [Single choice] [RES 1B §7.3] Name the main laws that the guide associates with financial-crime controls.

a. The first line is the business and front office, which owns customer and transaction risk; the second line is compliance or risk management, which sets standards, advises, monitors and challenges; and the third line is internal audit, which independently tests governance and controls. b. Certain tax offences can be predicate offences that generate criminal proceeds. c. The guide refers to the SFA and related regulations, the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act, the Terrorism (Suppression of Financing) Act, the MAS Act and applicable tax legislation, together with MAS notices and regulations. d. Obtain and verify identity, address, occupation or business, purpose and intended nature of the relationship, source of

funds and wealth where relevant, beneficial ownership, ownership and control structure, expected activity and connected parties.

Answer: c. The guide refers to the SFA and related regulations, the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act, the Terrorism (Suppression of Financing) Act, the MAS Act and applicable tax legislation, together with MAS notices and regulations.

Rationale: The guide refers to the SFA and related regulations, the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act, the Terrorism (Suppression of Financing) Act, the MAS Act and applicable tax legislation, together with MAS notices and regulations. The exact scope must be read with current law.

74. [Single choice] [RES 1B §7.5] What are targeted financial sanctions?

a. Controls include customer and transaction screening, ongoing monitoring, unusual-activity alerts, risk-based review, approval and escalation, staff access controls, reliable records, independent testing, vendor oversight and management information. b. PEP relationships require risk-sensitive senior approval, source-of-wealth or source-of-funds measures and enhanced ongoing monitoring. c. It identifies and assesses the firm's ML, TF and sanctions risks across customers, countries, products, services, delivery channels, technologies and transactions, then links the risk rating to controls and resources. d. They restrict dealings with designated persons, entities, countries, assets or activities, including terrorist financing and proliferation-related targets.

Answer: d. They restrict dealings with designated persons, entities, countries, assets or activities, including terrorist financing and proliferation-related targets.

Rationale: They restrict dealings with designated persons, entities, countries, assets or activities, including terrorist financing and proliferation-related targets. Firms need screening, escalation, asset-freezing or non-dealing procedures as applicable, and must not help a customer evade a sanction or alert the customer improperly.

75. [Single choice] [RES 1B §7.6] Why are tax crimes relevant to AML controls?

a. Certain tax offences can be predicate offences that generate criminal proceeds. b. The guide highlights transaction-monitoring attention around the S\$20,000 threshold, a 30-day review period for relevant circumstances, a 120-day period for specified follow-up or review situations, STR filing within 15 business days after forming the required suspicion, and retention of records for five years. c. Tipping off is improperly alerting a customer or another person that a suspicious transaction report, investigation or law-enforcement action is being considered or made. d. It tests whether governance, risk assessment, CDD, screening, monitoring, investigation, reporting, record keeping and training actually identify and mitigate risk.

Answer: a. Certain tax offences can be predicate offences that generate criminal proceeds.

Rationale: Certain tax offences can be predicate offences that generate criminal proceeds. A tax-related transaction may therefore require the same source-of-wealth, source-of-funds, transaction-monitoring, escalation and reporting analysis as other suspected criminal proceeds.

76. [Single choice] [RES 1B §7.7–7.8] Explain the three lines of defence.

a. Money laundering disguises the origin or ownership of criminal proceeds; terrorism financing provides or moves funds for terrorist purposes and may involve legitimate funds; sanctions evasion circumvents restrictions imposed on designated persons, countries or activities; and fraud obtains value through deception. b. The first line is the business and front office, which owns customer and transaction risk; the second line is compliance or risk management, which sets standards, advises, monitors and challenges; and the third line is internal audit, which independently tests governance and controls. c. The regime requires financial institutions to identify and understand customers and beneficial owners, assess risk, monitor relationships and transactions, maintain controls, file reports and avoid tipping off. d. The guide refers to the SFA and related regulations, the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act, the Terrorism (Suppression of Financing) Act, the MAS Act and applicable tax legislation, together with MAS notices and regulations.

Answer: b. The first line is the business and front office, which owns customer and transaction risk; the second line is compliance or risk management, which sets standards, advises, monitors and challenges; and the third line is internal audit, which independently tests governance and controls.

Rationale: The first line is the business and front office, which owns customer and transaction risk; the second line is compliance or risk management, which sets standards, advises, monitors and challenges; and the third line is internal audit, which independently tests governance and controls. The board and senior management provide governance and accountability across the lines.

77. [Single choice] [RES 1B §7.9] What information should be obtained during AML/CFT onboarding?

a. Certain tax offences can be predicate offences that generate criminal proceeds. b. They restrict dealings with designated persons, entities, countries, assets or activities, including terrorist financing and proliferation-related targets. c. Obtain and verify identity, address, occupation or business, purpose and intended nature of the relationship, source of funds and wealth where relevant, beneficial ownership, ownership and control structure, expected activity and connected parties. d. The first line is the business and front office, which owns customer and transaction risk; the second line is compliance or risk management, which sets standards, advises, monitors and challenges; and the third line is internal audit, which independently tests governance and controls.

Answer: c. Obtain and verify identity, address, occupation or business, purpose and intended nature of the relationship, source of funds and wealth where relevant, beneficial ownership, ownership and control structure, expected activity and connected parties.

Rationale: Obtain and verify identity, address, occupation or business, purpose and intended nature of the relationship, source of funds and wealth where relevant, beneficial ownership, ownership and control structure, expected activity and connected parties. For a legal person, determine who ultimately owns or controls it, including the guide's 25% beneficial-ownership threshold where applicable.

78. [Single choice] [RES 1B §7.9] What are PEP, simplified CDD and enhanced CDD controls?

a. Controls include customer and transaction screening, ongoing monitoring, unusual-activity alerts, risk-based review, approval and escalation, staff access controls, reliable records, independent testing, vendor oversight and management information. b. Obtain and verify identity, address, occupation or business, purpose and intended nature of the relationship, source of funds and wealth where relevant, beneficial ownership, ownership and control structure, expected activity and connected parties. c. It identifies and assesses the firm's ML, TF and sanctions risks across customers, countries, products, services, delivery channels, technologies and transactions, then links the risk rating to controls and resources. d. PEP relationships require risk-sensitive senior approval, source-of-wealth or source-of-funds measures and enhanced ongoing monitoring.

Answer: d. PEP relationships require risk-sensitive senior approval, source-of-wealth or source-of-funds measures and enhanced ongoing monitoring.

Rationale: PEP relationships require risk-sensitive senior approval, source-of-wealth or source-of-funds measures and enhanced ongoing monitoring. Simplified CDD may be used only where the risk and applicable rules permit; enhanced CDD applies to higher-risk cases, such as complex ownership, high-risk jurisdictions, unusual activity or sanctions and PEP concerns.

79. [Single choice] [RES 1B §7.10–7.11] What is an enterprise-wide risk assessment?

a. It identifies and assesses the firm's ML, TF and sanctions risks across customers, countries, products, services, delivery channels, technologies and transactions, then links the risk rating to controls and resources. b. The guide highlights transaction-monitoring attention around the S\$20,000 threshold, a 30-day review period for relevant circumstances, a 120-day period for specified follow-up or review situations, STR filing within 15 business days after forming the required suspicion, and retention of records for five years. c. Tipping off is improperly alerting a customer or another person that a suspicious transaction report, investigation or law-enforcement action is being considered or made. d. It tests whether governance, risk assessment, CDD, screening, monitoring, investigation, reporting, record keeping and training actually identify and mitigate risk.

Answer: a. It identifies and assesses the firm's ML, TF and sanctions risks across customers, countries, products, services, delivery channels, technologies and transactions, then links the risk rating to controls and resources.

Rationale: It identifies and assesses the firm's ML, TF and sanctions risks across customers, countries, products, services, delivery channels, technologies and transactions, then links the risk rating to controls and resources. The guide highlights reviewing it at least every two years and reassessing new products, practices and technologies before launch.

80. [Single choice] [RES 1B §7.12] What operational controls support an effective AML/CFT programme?

a. Money laundering disguises the origin or ownership of criminal proceeds; terrorism financing provides or moves funds for terrorist purposes and may involve legitimate funds; sanctions evasion circumvents restrictions imposed on designated persons, countries or activities; and fraud obtains value through deception. b. Controls include customer and transaction screening, ongoing monitoring, unusual-activity alerts, risk-based review, approval and escalation, staff access controls, reliable records, independent testing, vendor oversight and management information. c. The regime requires financial institutions to identify and understand customers and beneficial owners, assess risk, monitor relationships and transactions, maintain controls, file reports and avoid tipping off. d. The guide refers to the SFA and related regulations, the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act, the Terrorism (Suppression of Financing) Act, the MAS Act and applicable tax legislation, together with MAS notices and regulations.

Answer: b. Controls include customer and transaction screening, ongoing monitoring, unusual-activity alerts, risk-based review, approval and escalation, staff access controls, reliable records, independent testing, vendor oversight and management information.

Rationale: Controls include customer and transaction screening, ongoing monitoring, unusual-activity alerts, risk-based review, approval and escalation, staff access controls, reliable records, independent testing, vendor oversight and management information. Controls should be calibrated to risk rather than treated as a purely mechanical checklist.

81. [Single choice] [RES 1B §7.13] What reporting timelines and thresholds are highlighted in the guide?

a. Certain tax offences can be predicate offences that generate criminal proceeds. b. They restrict dealings with designated persons, entities, countries, assets or activities, including terrorist financing and proliferation-related targets. c. The guide highlights transaction-monitoring attention around the S\$20,000 threshold, a 30-day review period for relevant circumstances, a 120-day period for specified follow-up or review situations, STR filing within 15 business days after forming the required suspicion, and retention of records for five years. d. The first line is the business and front office, which owns customer and transaction risk; the second line is compliance or risk management, which sets standards, advises, monitors and challenges; and the third line is internal audit, which independently tests governance and controls.

Answer: c. The guide highlights transaction-monitoring attention around the S\$20,000 threshold, a 30-day review period for relevant circumstances, a 120-day period for specified follow-up or review situations, STR filing within 15 business days after forming the required suspicion, and retention of records for five years.

Rationale: The guide highlights transaction-monitoring attention around the S\$20,000 threshold, a 30-day review period for relevant circumstances, a 120-day period for specified follow-up or review situations, STR filing within 15 business days after forming the required suspicion, and retention of records for five years. These are example references and should be verified against current notices.

82. [Single choice] [RES 1B §7.13–7.14] What is tipping off and why is it dangerous?

a. It identifies and assesses the firm's ML, TF and sanctions risks across customers, countries, products, services, delivery channels, technologies and transactions, then links the risk rating to controls and resources. b. Obtain and verify identity, address, occupation or business, purpose and intended nature of the relationship, source of funds and wealth where relevant, beneficial ownership, ownership and control structure, expected activity and connected parties. c. PEP relationships require risk-sensitive senior approval, source-of-wealth or source-of-funds measures and enhanced ongoing monitoring. d. Tipping off is improperly alerting a customer or

another person that a suspicious transaction report, investigation or law-enforcement action is being considered or made.

Answer: d. Tipping off is improperly alerting a customer or another person that a suspicious transaction report, investigation or law-enforcement action is being considered or made.

Rationale: Tipping off is improperly alerting a customer or another person that a suspicious transaction report, investigation or law-enforcement action is being considered or made. It can frustrate investigations, enable asset movement and expose the firm and staff to legal and regulatory consequences.

83. [Single choice] [RES 1B §7.14–7.16] How does a firm assess AML/CFT effectiveness?

a. It tests whether governance, risk assessment, CDD, screening, monitoring, investigation, reporting, record keeping and training actually identify and mitigate risk. b. Controls include customer and transaction screening, ongoing monitoring, unusual-activity alerts, risk-based review, approval and escalation, staff access controls, reliable records, independent testing, vendor oversight and management information. c. The guide highlights transaction-monitoring attention around the S\$20,000 threshold, a 30-day review period for relevant circumstances, a 120-day period for specified follow-up or review situations, STR filing within 15 business days after forming the required suspicion, and retention of records for five years. d. Tipping off is improperly alerting a customer or another person that a suspicious transaction report, investigation or law-enforcement action is being considered or made.

Answer: a. It tests whether governance, risk assessment, CDD, screening, monitoring, investigation, reporting, record keeping and training actually identify and mitigate risk.

Rationale: It tests whether governance, risk assessment, CDD, screening, monitoring, investigation, reporting, record keeping and training actually identify and mitigate risk. Use independent audit, thematic reviews, sample testing, quality indicators, root-cause analysis, remediation tracking and senior-management reporting; effectiveness is more than having written policies.

84. [Single choice] [RES 1B Appendix A] What are the three broad fit-and-proper dimensions?

a. Registration identifies an individual authorised to act for a principal in specified regulated activities. b. Honesty, integrity and reputation; competence and capability; and financial soundness. c. The representative and principal must make the prescribed notifications, including cessation and changes in particulars, within the applicable time periods; the guide highlights seven- and 14-day requirements for different changes. d. It must be clear, fair, balanced and not misleading.

Answer: b. Honesty, integrity and reputation; competence and capability; and financial soundness.

Rationale: Honesty, integrity and reputation; competence and capability; and financial soundness. The assessment considers seriousness, relevance, recency, repetition, remediation and the person's role, not just whether there has been a formal conviction.

85. [Single choice] [RES 1B Appendix B] What routes can satisfy the CAR knowledge and experience criteria?

a. The guide states that CAR is valid for three years and CKA for one year, subject to the relevant transaction, change-of-circumstance and reassessment rules. b. For retail customers trading SIPs, the firm uses a CAR for listed SIPs and a CKA for unlisted SIPs, unless an applicable exemption or alternative rule applies. c. The guide highlights an appropriate diploma or professional qualification, six transactions in listed SIPs during the preceding three years, or at least three consecutive years of relevant experience in the preceding ten years, subject to the prescribed evidence and assessment rules. d. For a listed SIP, the guide allows a negative CAR outcome to be followed only by the prescribed senior-management approval, written outcome and warnings, customer confirmation and responsibility acknowledgement.

Answer: c. The guide highlights an appropriate diploma or professional qualification, six transactions in listed SIPs during the preceding three years, or at least three consecutive years of relevant experience in the preceding ten years, subject to the prescribed evidence and assessment rules.

Rationale: The guide highlights an appropriate diploma or professional qualification, six transactions in listed SIPs during the preceding three years, or at least three consecutive years of relevant experience in the preceding ten years, subject to the prescribed evidence and assessment rules.

86. [Single choice] [RES 1B Appendix C] How does CKA differ from CAR?

a. The firm should establish and verify customer identity, authority, risk profile, account terms, trading permissions, beneficial ownership and relevant declarations. b. The classification determines whether additional knowledge or experience safeguards apply. c. Customer information must be collected, used, disclosed and retained only for proper purposes and in accordance with the Banking Act secrecy framework, PDPA obligations, applicable Do-Not-Call rules and permitted exceptions. d. CKA is directed to unlisted SIPs and uses product-relevant knowledge and experience, including unlisted products, CIS or ILP treatment as applicable.

Answer: d. CKA is directed to unlisted SIPs and uses product-relevant knowledge and experience, including unlisted products, CIS or ILP treatment as applicable.

Rationale: CKA is directed to unlisted SIPs and uses product-relevant knowledge and experience, including unlisted products, CIS or ILP treatment as applicable. CAR is directed to listed SIPs. Both require evidence, a recorded outcome and the firm's prescribed controls.

87. [Single choice] [RES 1B Appendix D] What categories of risk appear in the overseas-listed product warning?

a. Regulatory and legal risk, disclosure and information risk, tax and currency risk, transaction and custody costs, counterparty and settlement risk, liquidity and valuation risk, and political, economic and social risk. b. The guide highlights contract notes by the next business day and periodic statements, including monthly or quarterly statements where prescribed. c. Books and audit trails let the firm reconstruct orders, decisions, communications, approvals, allocations, money movements and compliance reviews. d. Customer money is cash received or held for the customer, while customer assets include securities and other property held for or belonging to the customer.

Answer: a. Regulatory and legal risk, disclosure and information risk, tax and currency risk, transaction and custody costs, counterparty and settlement risk, liquidity and valuation risk, and political, economic and social risk.

Rationale: Regulatory and legal risk, disclosure and information risk, tax and currency risk, transaction and custody costs, counterparty and settlement risk, liquidity and valuation risk, and political, economic and social risk. The customer should receive and acknowledge the warning where required.

88. [Single choice] [RES 1B Appendix E] What is the practical meaning of an excluded investment product?

a. Deposit or hold them only with permitted institutions or custodians, maintain trust or custody arrangements and accurate ledgers, complete reconciliations, make permitted withdrawals or investments, give required disclosures, and ensure lending, pledging or use of assets is authorised and documented. b. It is a product excluded from the relevant simplified treatment or classified outside the EIP category under the applicable regulations. c. Conduct outside Singapore can affect Singapore markets, investors or listed products. d. It is conduct that creates or maintains a false or misleading appearance of active trading or market activity, or affects the price of a capital-markets product through artificial transactions.

Answer: b. It is a product excluded from the relevant simplified treatment or classified outside the EIP category under the applicable regulations.

Rationale: It is a product excluded from the relevant simplified treatment or classified outside the EIP category under the applicable regulations. The firm must classify it accurately; if it is a SIP, apply the relevant CAR or CKA process and customer safeguards.

89. [Single choice] [RES 1B Appendix F] Give four categories of suspicious transaction examples.

a. It is conduct intended or likely to create an artificial price, maintain a price at an artificial level, or otherwise manipulate the market for securities. b. Deliberately pushing a market price toward known stop orders to trigger

them, without legitimate trading purpose and with an intention to create an artificial price or profit from the triggered orders, may amount to manipulation or false trading. c. Examples include transactions with no apparent economic purpose, unexplained cash or third-party payments, rapid or complex transfers between jurisdictions, accounts using false or inconsistent identity information, unexplained changes in tax or wealth profile, and activity linked to terrorism, sanctions or high-risk persons. d. Investors may trade on the information and the market may be distorted.

Answer: c. Examples include transactions with no apparent economic purpose, unexplained cash or third-party payments, rapid or complex transfers between jurisdictions, accounts using false or inconsistent identity information, unexplained changes in tax or wealth profile, and activity linked to terrorism, sanctions or high-risk persons.

Rationale: Examples include transactions with no apparent economic purpose, unexplained cash or third-party payments, rapid or complex transfers between jurisdictions, accounts using false or inconsistent identity information, unexplained changes in tax or wealth profile, and activity linked to terrorism, sanctions or high-risk persons. A red flag is not proof; it requires risk-based investigation and escalation.

90. [Single choice] [RES 1B Appendix G–H] How should the review questions and essential readings be used?

a. Obtain the customer's signed acknowledgement that the prescribed Risk Warning Statement highlighting the key risks has been received. b. Changes such as the firm's name and principal place of business for the licensed activity are prescribed notification matters. c. Inability to meet financial obligations is relevant to financial soundness. d. The review questions should be attempted after studying each chapter and then used to identify gaps; the essential readings identify the SFA, regulations, PDPA, CDSA, MACMA, TSOFA, tax legislation, MAS notices and SGX rules that underpin the guide.

Answer: d. The review questions should be attempted after studying each chapter and then used to identify gaps; the essential readings identify the SFA, regulations, PDPA, CDSA, MACMA, TSOFA, tax legislation, MAS notices and SGX rules that underpin the guide.

Rationale: The review questions should be attempted after studying each chapter and then used to identify gaps; the essential readings identify the SFA, regulations, PDPA, CDSA, MACMA, TSOFA, tax legislation, MAS notices and SGX rules that underpin the guide. They are a navigation and revision tool, not permission to rely on outdated text.

91. [Single choice] [RES 1B Appendix G, source Q1] Which changes to a CMS licence holder's records typically require notification to MAS?

a. The source's 35% limit applies to specified higher-risk CPFIS-OA investment categories such as stocks or shares and corporate bonds, subject to the CPF rules. b. Use sound due-diligence and execution policies, execute with appropriate speed, and apply considerations specific to the order type. c. Communicate risk disclosures, give customer orders appropriate priority, distinguish whether the firm acts as agent or principal, and maintain professional product and process knowledge. d. Changes such as the firm's name and principal place of business for the licensed activity are prescribed notification matters.

Answer: d. Changes such as the firm's name and principal place of business for the licensed activity are prescribed notification matters.

Rationale: Changes such as the firm's name and principal place of business for the licensed activity are prescribed notification matters. Client-pool contact numbers and back-office arrangements are not a substitute for the prescribed record changes.

92. [Single choice] [RES 1B Appendix G, source Q2] Which fit-and-proper concern is directly relevant to a representative's eligibility?

a. Inability to meet financial obligations is relevant to financial soundness. b. OCBC Bank is one of the agent banks identified in the source; the guide also discusses DBS and UOB. c. No. d. The ETF should not be on the SGX-ST watch-list and must comply with CPF Investment Guidelines.

Answer: a. Inability to meet financial obligations is relevant to financial soundness.

Rationale: Inability to meet financial obligations is relevant to financial soundness. Fit and propriety also cover honesty, integrity, reputation, competence and capability, including serious or relevant past conduct.

93. [Single choice] [RES 1B Appendix G, source Q3] What acknowledgement is required before accepting relevant overseas-listed investment-product transactions from a retail investor?

a. A Grant of Probate is the relevant document where there is a will and probate is required; letters of administration or other estate documents may apply in other circumstances. b. Obtain the customer's signed acknowledgement that the prescribed Risk Warning Statement highlighting the key risks has been received. c. It most closely illustrates layering because the proceeds are moved through transactions or accounts to make tracing more difficult. d. The Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act is the principal statute highlighted.

Answer: b. Obtain the customer's signed acknowledgement that the prescribed Risk Warning Statement highlighting the key risks has been received.

Rationale: Obtain the customer's signed acknowledgement that the prescribed Risk Warning Statement highlighting the key risks has been received. A verbal explanation alone or an undocumented mailing is not the required substitute.

94. [Single choice] [RES 1B Appendix G, source Q4] What is the purpose of periodic customer statements, and what is not enough to waive them?

a. Identify and verify the customer, understand the source of funds and determine the customer's business activity or purpose. b. The guide highlights at least five years, subject to the applicable notice, investigation, litigation or firm policy requirements. c. Statements give customers a regular record of holdings, transactions, balances and charges. d. Follow the sanctions process, including immediately preventing or freezing prohibited dealings where required and reporting or escalating to the authorities and compliance.

Answer: c. Statements give customers a regular record of holdings, transactions, balances and charges.

Rationale: Statements give customers a regular record of holdings, transactions, balances and charges. A verbal request, no change in the account or information sent separately by CDP does not by itself satisfy the prescribed conditions for not sending a statement; use the applicable written-consent and regulatory process.

95. [Single choice] [RES 1B Appendix G, source Q5] In what general circumstance may a CMS holder advance its own money to a customer trust account?

a. Inability to meet financial obligations is relevant to financial soundness. b. The review questions should be attempted after studying each chapter and then used to identify gaps; the essential readings identify the SFA, regulations, PDPA, CDSA, MACMA, TSOFA, tax legislation, MAS notices and SGX rules that underpin the guide. c. Changes such as the firm's name and principal place of business for the licensed activity are prescribed notification matters. d. Only for a permitted purpose connected with facilitating positions or transactions in capital-markets products, or another purpose expressly allowed by the rules.

Answer: d. Only for a permitted purpose connected with facilitating positions or transactions in capital-markets products, or another purpose expressly allowed by the rules.

Rationale: Only for a permitted purpose connected with facilitating positions or transactions in capital-markets products, or another purpose expressly allowed by the rules. It must not be an unauthorised way to conceal an under-funded trust account.

96. [Single choice] [RES 1B Appendix G, source Q6] Does executing a trade outside Singapore necessarily avoid SFA insider-trading rules?

a. No. b. Obtain the customer's signed acknowledgement that the prescribed Risk Warning Statement highlighting the key risks has been received. c. Statements give customers a regular record of holdings, transactions,

balances and charges. d. Only for a permitted purpose connected with facilitating positions or transactions in capital-markets products, or another purpose expressly allowed by the rules.

Answer: a. No.

Rationale: No. The SFA can apply extraterritorially where the required Singapore connection or market effect exists. Use of a foreign broker, foreign venue or foreign currency does not by itself remove the market-conduct obligation.

97. [Single choice] [RES 1B Appendix G, source Q7] What are typical channels for circulating false or misleading information?

a. No. b. Electronic media, rumours, word-of-mouth “hot tips” and unverified claims can all be used. c. The connection may create access to generally unavailable material information, a conflict or an artificial appearance of trading. d. Record whether the dealer acts as agent or principal, follow procedures for returning borrowed products, and maintain collateral at the required level—highlighted in the source as 100% of market value for the relevant arrangement.

Answer: b. Electronic media, rumours, word-of-mouth “hot tips” and unverified claims can all be used.

Rationale: Electronic media, rumours, word-of-mouth “hot tips” and unverified claims can all be used. Circulating an accurate audited account is not automatically a false-information technique, though a person can still misrepresent or selectively present it.

98. [Single choice] [RES 1B Appendix G, source Q8] Why can a transaction between connected persons raise a market-conduct concern?

a. Authority figures are an external influence. b. Civil penalties or sanctions and criminal penalties may apply, together with regulatory, disciplinary, financial and reputational consequences. “Restraint sanctions” is not a substitute category to memorise. c. The connection may create access to generally unavailable material information, a conflict or an artificial appearance of trading. d. It is a self-interest threat.

Answer: c. The connection may create access to generally unavailable material information, a conflict or an artificial appearance of trading.

Rationale: The connection may create access to generally unavailable material information, a conflict or an artificial appearance of trading. The representative must assess beneficial ownership, information barriers, approvals, disclosure and whether the transaction has a genuine economic purpose.

99. [Single choice] [RES 1B Appendix G, source Q9] What securities-lending conditions should a dealer remember?

a. Consider the ethical issues and relevant duties without allowing bias to control the decision, then execute the chosen course and track its progress. b. It misrepresents the certainty of performance and may mislead the prospective customer about risk, methodology and track record. c. Trading personally ahead of a customer order, receiving undisclosed extra compensation from a company being analysed, using a former employer’s research as one’s own, or engaging in outside activities that impair duties may all require conflict management. d. Record whether the dealer acts as agent or principal, follow procedures for returning borrowed products, and maintain collateral at the required level—highlighted in the source as 100% of market value for the relevant arrangement.

Answer: d. Record whether the dealer acts as agent or principal, follow procedures for returning borrowed products, and maintain collateral at the required level—highlighted in the source as 100% of market value for the relevant arrangement.

Rationale: Record whether the dealer acts as agent or principal, follow procedures for returning borrowed products, and maintain collateral at the required level—highlighted in the source as 100% of market value for the relevant arrangement. The arrangement must also be properly documented and monitored.

100. [Single choice] [RES 1B Appendix G, source Q10] What consequence categories can follow SFA market misconduct?

a. Civil penalties or sanctions and criminal penalties may apply, together with regulatory, disciplinary, financial and reputational consequences. "Restraint sanctions" is not a substitute category to memorise. b. A second appropriately authorised person independently reviews or approves the risk profile or related decision. c. The guide's fact pattern is directed to the accredited investor category, subject to the exact statutory criteria and required verification. d. Obtain relevant customer information, including objectives, financial situation, knowledge, experience, constraints and risk profile, before making or executing recommendations that require it.

Answer: a. Civil penalties or sanctions and criminal penalties may apply, together with regulatory, disciplinary, financial and reputational consequences. "Restraint sanctions" is not a substitute category to memorise.

Rationale: Civil penalties or sanctions and criminal penalties may apply, together with regulatory, disciplinary, financial and reputational consequences. "Restraint sanctions" is not a substitute category to memorise.

101. [Single choice] [RES 1B Appendix G, source Q11] Which is an external influence on ethical judgement: authority figures or moral values?

a. Use sound due-diligence and execution policies, execute with appropriate speed, and apply considerations specific to the order type. b. Authority figures are an external influence. c. Communicate risk disclosures, give customer orders appropriate priority, distinguish whether the firm acts as agent or principal, and maintain professional product and process knowledge. d. The source's 35% limit applies to specified higher-risk CPFIS-OA investment categories such as stocks or shares and corporate bonds, subject to the CPF rules.

Answer: b. Authority figures are an external influence.

Rationale: Authority figures are an external influence. Moral values are internal; overconfidence and rationalisation are internal psychological or cognitive influences.

102. [Single choice] [RES 1B Appendix G, source Q12] What ethical threat arises when a representative changes a portfolio mainly to protect personal commission income?

a. No. b. OCBC Bank is one of the agent banks identified in the source; the guide also discusses DBS and UOB. c. It is a self-interest threat. d. The ETF should not be on the SGX-ST watch-list and must comply with CPF Investment Guidelines.

Answer: c. It is a self-interest threat.

Rationale: It is a self-interest threat. The representative puts personal financial benefit ahead of the customer's mandate and must identify, disclose, control or remove the conflict.

103. [Single choice] [RES 1B Appendix G, source Q13] Why is promising a guaranteed 20% return usually a professional-standards breach?

a. The Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act is the principal statute highlighted. b. A Grant of Probate is the relevant document where there is a will and probate is required; letters of administration or other estate documents may apply in other circumstances. c. It most closely illustrates layering because the proceeds are moved through transactions or accounts to make tracing more difficult. d. It misrepresents the certainty of performance and may mislead the prospective customer about risk, methodology and track record.

Answer: d. It misrepresents the certainty of performance and may mislead the prospective customer about risk, methodology and track record.

Rationale: It misrepresents the certainty of performance and may mislead the prospective customer about risk, methodology and track record. The conduct is misrepresentation even if the representative has a long history or a popular model.

104. [Single choice] [RES 1B Appendix G, source Q14] Give examples of conflicts that should be disclosed or controlled.

a. Trading personally ahead of a customer order, receiving undisclosed extra compensation from a company being analysed, using a former employer's research as one's own, or engaging in outside activities that impair duties may all require conflict management. b. The guide highlights at least five years, subject to the applicable notice, investigation, litigation or firm policy requirements. c. Identify and verify the customer, understand the source of funds and determine the customer's business activity or purpose. d. Follow the sanctions process, including immediately preventing or freezing prohibited dealings where required and reporting or escalating to the authorities and compliance.

Answer: a. Trading personally ahead of a customer order, receiving undisclosed extra compensation from a company being analysed, using a former employer's research as one's own, or engaging in outside activities that impair duties may all require conflict management.

Rationale: Trading personally ahead of a customer order, receiving undisclosed extra compensation from a company being analysed, using a former employer's research as one's own, or engaging in outside activities that impair duties may all require conflict management. The response depends on the facts and firm policy, but concealment is not acceptable.

105. [Single choice] [RES 1B Appendix G, source Q15] What two actions are central to applying an ethical framework?

a. The review questions should be attempted after studying each chapter and then used to identify gaps; the essential readings identify the SFA, regulations, PDPA, CDSA, MACMA, TSOFA, tax legislation, MAS notices and SGX rules that underpin the guide. b. Consider the ethical issues and relevant duties without allowing bias to control the decision, then execute the chosen course and track its progress. c. Changes such as the firm's name and principal place of business for the licensed activity are prescribed notification matters. d. Inability to meet financial obligations is relevant to financial soundness.

Answer: b. Consider the ethical issues and relevant duties without allowing bias to control the decision, then execute the chosen course and track its progress.

Rationale: Consider the ethical issues and relevant duties without allowing bias to control the decision, then execute the chosen course and track its progress. Identifying "enemies" is not a substitute for stakeholder and consequence analysis.

106. [Single choice] [RES 1B Appendix G, source Q16] What is the four-eyes principle in client risk profiling?

a. Statements give customers a regular record of holdings, transactions, balances and charges. b. Obtain the customer's signed acknowledgement that the prescribed Risk Warning Statement highlighting the key risks has been received. c. A second appropriately authorised person independently reviews or approves the risk profile or related decision. d. Only for a permitted purpose connected with facilitating positions or transactions in capital-markets products, or another purpose expressly allowed by the rules.

Answer: c. A second appropriately authorised person independently reviews or approves the risk profile or related decision.

Rationale: A second appropriately authorised person independently reviews or approves the risk profile or related decision. It improves objectivity and reduces the chance that sales pressure, bias or a single person's error determines the customer's risk classification.

107. [Single choice] [RES 1B Appendix G, source Q17] A designated market maker with S\$50 million net assets owned by three corporations may meet which investor category?

a. The connection may create access to generally unavailable material information, a conflict or an artificial appearance of trading. b. No. c. Electronic media, rumours, word-of-mouth "hot tips" and unverified claims can all be used. d. The guide's fact pattern is directed to the accredited investor category, subject to the exact statutory criteria and required verification.

Answer: d. The guide's fact pattern is directed to the accredited investor category, subject to the exact statutory criteria and required verification.

Rationale: The guide's fact pattern is directed to the accredited investor category, subject to the exact statutory criteria and required verification. Investor status should never be inferred from a label alone.

108. [Single choice] [RES 1B Appendix G, source Q18] What information must be obtained when establishing a client relationship?

a. Obtain relevant customer information, including objectives, financial situation, knowledge, experience, constraints and risk profile, before making or executing recommendations that require it. b. Record whether the dealer acts as agent or principal, follow procedures for returning borrowed products, and maintain collateral at the required level—highlighted in the source as 100% of market value for the relevant arrangement. c. Civil penalties or sanctions and criminal penalties may apply, together with regulatory, disciplinary, financial and reputational consequences. "Restraint sanctions" is not a substitute category to memorise. d. Authority figures are an external influence.

Answer: a. Obtain relevant customer information, including objectives, financial situation, knowledge, experience, constraints and risk profile, before making or executing recommendations that require it.

Rationale: Obtain relevant customer information, including objectives, financial situation, knowledge, experience, constraints and risk profile, before making or executing recommendations that require it. The customer cannot be left with the entire responsibility for suitability.

109. [Single choice] [RES 1B Appendix G, source Q19] Which best-execution practices should a securities dealer apply?

a. It is a self-interest threat. b. Use sound due-diligence and execution policies, execute with appropriate speed, and apply considerations specific to the order type. c. It misrepresents the certainty of performance and may mislead the prospective customer about risk, methodology and track record. d. Trading personally ahead of a customer order, receiving undisclosed extra compensation from a company being analysed, using a former employer's research as one's own, or engaging in outside activities that impair duties may all require conflict management.

Answer: b. Use sound due-diligence and execution policies, execute with appropriate speed, and apply considerations specific to the order type.

Rationale: Use sound due-diligence and execution policies, execute with appropriate speed, and apply considerations specific to the order type. Best execution is not limited to a customer's written consent or to one factor such as price.

110. [Single choice] [RES 1B Appendix G, source Q20] Name three practices that strengthen the client-representative relationship.

a. A second appropriately authorised person independently reviews or approves the risk profile or related decision. b. Consider the ethical issues and relevant duties without allowing bias to control the decision, then execute the chosen course and track its progress. c. Communicate risk disclosures, give customer orders appropriate priority, distinguish whether the firm acts as agent or principal, and maintain professional product and process knowledge. d. The guide's fact pattern is directed to the accredited investor category, subject to the exact statutory criteria and required verification.

Answer: c. Communicate risk disclosures, give customer orders appropriate priority, distinguish whether the firm acts as agent or principal, and maintain professional product and process knowledge.

Rationale: Communicate risk disclosures, give customer orders appropriate priority, distinguish whether the firm acts as agent or principal, and maintain professional product and process knowledge. These practices support informed decisions and trust.

111. [Single choice] [RES 1B Appendix G, source Q21] What type of CPFIS-OA investment is subject to the highlighted 35% limit?

a. Communicate risk disclosures, give customer orders appropriate priority, distinguish whether the firm acts as agent or principal, and maintain professional product and process knowledge. b. Obtain relevant customer information, including objectives, financial situation, knowledge, experience, constraints and risk profile, before making or executing recommendations that require it. c. Use sound due-diligence and execution policies, execute with appropriate speed, and apply considerations specific to the order type. d. The source's 35% limit applies to specified higher-risk CPFIS-OA investment categories such as stocks or shares and corporate bonds, subject to the CPF rules.

Answer: d. The source's 35% limit applies to specified higher-risk CPFIS-OA investment categories such as stocks or shares and corporate bonds, subject to the CPF rules.

Rationale: The source's 35% limit applies to specified higher-risk CPFIS-OA investment categories such as stocks or shares and corporate bonds, subject to the CPF rules. It is not a blanket 35% limit on every CPFIS product.

112. [Single choice] [RES 1B Appendix G, source Q22] Name an agent bank included under CPFIS in the source.

a. OCBC Bank is one of the agent banks identified in the source; the guide also discusses DBS and UOB. b. The source's 35% limit applies to specified higher-risk CPFIS-OA investment categories such as stocks or shares and corporate bonds, subject to the CPF rules. c. No. d. The ETF should not be on the SGX-ST watch-list and must comply with CPF Investment Guidelines.

Answer: a. OCBC Bank is one of the agent banks identified in the source; the guide also discusses DBS and UOB.

Rationale: OCBC Bank is one of the agent banks identified in the source; the guide also discusses DBS and UOB. Current approved-provider lists should be checked before use.

113. [Single choice] [RES 1B Appendix G, source Q23] Would a member with S\$18,000 in OA and S\$20,000 in SA meet the source's basic CPFIS investment thresholds?

a. A Grant of Probate is the relevant document where there is a will and probate is required; letters of administration or other estate documents may apply in other circumstances. b. No. c. It most closely illustrates layering because the proceeds are moved through transactions or accounts to make tracing more difficult. d. The Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act is the principal statute highlighted.

Answer: b. No.

Rationale: No. The source highlights minimum balances of S\$20,000 in OA and S\$40,000 in SA for the relevant eligibility tests; employment status alone is not the decisive issue.

114. [Single choice] [RES 1B Appendix G, source Q24] What are two important CPFIS ETF inclusion conditions?

a. Identify and verify the customer, understand the source of funds and determine the customer's business activity or purpose. b. The guide highlights at least five years, subject to the applicable notice, investigation, litigation or firm policy requirements. c. The ETF should not be on the SGX-ST watch-list and must comply with CPF Investment Guidelines. d. Follow the sanctions process, including immediately preventing or freezing prohibited dealings where required and reporting or escalating to the authorities and compliance.

Answer: c. The ETF should not be on the SGX-ST watch-list and must comply with CPF Investment Guidelines.

Rationale: The ETF should not be on the SGX-ST watch-list and must comply with CPF Investment Guidelines. Listing on SGX-ST and Singapore-dollar trading alone do not replace all inclusion criteria.

115. [Single choice] [RES 1B Appendix G, source Q25] Which document generally supports a claim for residual CPFIS investments after a member's death?

a. Inability to meet financial obligations is relevant to financial soundness. b. The review questions should be attempted after studying each chapter and then used to identify gaps; the essential readings identify the SFA, regulations, PDPA, CDSA, MACMA, TSOFA, tax legislation, MAS notices and SGX rules that underpin the guide. c. Changes such as the firm's name and principal place of business for the licensed activity are prescribed notification matters. d. A Grant of Probate is the relevant document where there is a will and probate is required; letters of administration or other estate documents may apply in other circumstances.

Answer: d. A Grant of Probate is the relevant document where there is a will and probate is required; letters of administration or other estate documents may apply in other circumstances.

Rationale: A Grant of Probate is the relevant document where there is a will and probate is required; letters of administration or other estate documents may apply in other circumstances. The representative should refer the claimant to the agent bank and proper estate process.

116. [Single choice] [RES 1B Appendix G, source Q26] Reselling luxury goods and depositing the proceeds into multiple accounts illustrates which laundering stage?

a. It most closely illustrates layering because the proceeds are moved through transactions or accounts to make tracing more difficult. b. Obtain the customer's signed acknowledgement that the prescribed Risk Warning Statement highlighting the key risks has been received. c. Statements give customers a regular record of holdings, transactions, balances and charges. d. Only for a permitted purpose connected with facilitating positions or transactions in capital-markets products, or another purpose expressly allowed by the rules.

Answer: a. It most closely illustrates layering because the proceeds are moved through transactions or accounts to make tracing more difficult.

Rationale: It most closely illustrates layering because the proceeds are moved through transactions or accounts to make tracing more difficult. Placement is the initial entry of proceeds into the financial system; integration is the appearance that laundered proceeds are legitimate wealth.

117. [Single choice] [RES 1B Appendix G, source Q27] Which Singapore statute is the principal money-laundering statute highlighted in the review question?

a. No. b. The Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act is the principal statute highlighted. c. Electronic media, rumours, word-of-mouth "hot tips" and unverified claims can all be used. d. The connection may create access to generally unavailable material information, a conflict or an artificial appearance of trading.

Answer: b. The Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act is the principal statute highlighted.

Rationale: The Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act is the principal statute highlighted. The SFA, TSOFA and other laws may also be relevant to particular conduct and controls.

118. [Single choice] [RES 1B Appendix G, source Q28] What minimum retention period is highlighted for AML documents?

a. Civil penalties or sanctions and criminal penalties may apply, together with regulatory, disciplinary, financial and reputational consequences. "Restraint sanctions" is not a substitute category to memorise. b. Record whether the dealer acts as agent or principal, follow procedures for returning borrowed products, and maintain collateral at the required level—highlighted in the source as 100% of market value for the relevant arrangement. c. The guide highlights at least five years, subject to the applicable notice, investigation, litigation or firm policy requirements. d. Authority figures are an external influence.

Answer: c. The guide highlights at least five years, subject to the applicable notice, investigation, litigation or firm policy requirements.

Rationale: The guide highlights at least five years, subject to the applicable notice, investigation, litigation or firm policy requirements.

119. [Single choice] [RES 1B Appendix G, source Q29] Which information is central to KYC for a new brokerage account?

a. Trading personally ahead of a customer order, receiving undisclosed extra compensation from a company being analysed, using a former employer's research as one's own, or engaging in outside activities that impair duties may all require conflict management. b. It is a self-interest threat. c. It misrepresents the certainty of performance and may mislead the prospective customer about risk, methodology and track record. d. Identify and verify the customer, understand the source of funds and determine the customer's business activity or purpose.

Answer: d. Identify and verify the customer, understand the source of funds and determine the customer's business activity or purpose.

Rationale: Identify and verify the customer, understand the source of funds and determine the customer's business activity or purpose. Marital status is not a general substitute for these AML/KYC requirements.

120. [Single choice] [RES 1B Appendix G, source Q30] What should a representative do after learning that a customer is on a relevant sanctions list?

a. Follow the sanctions process, including immediately preventing or freezing prohibited dealings where required and reporting or escalating to the authorities and compliance. b. Consider the ethical issues and relevant duties without allowing bias to control the decision, then execute the chosen course and track its progress. c. A second appropriately authorised person independently reviews or approves the risk profile or related decision. d. The guide's fact pattern is directed to the accredited investor category, subject to the exact statutory criteria and required verification.

Answer: a. Follow the sanctions process, including immediately preventing or freezing prohibited dealings where required and reporting or escalating to the authorities and compliance.

Rationale: Follow the sanctions process, including immediately preventing or freezing prohibited dealings where required and reporting or escalating to the authorities and compliance. Do not delete records, quietly transfer the customer or continue ordinary monitoring as if nothing happened.

121. [Single choice] [RES 1B §1.1] Which transaction most clearly belongs to the primary market?

a. A company issues new shares to raise capital from investors. b. An investor sells existing shares to another investor on SGX-ST. c. A custodian transfers already-issued bonds between client accounts. d. A fund manager rebalances a portfolio using previously issued securities.

Answer: a. A company issues new shares to raise capital from investors.

Rationale: The primary market is where an issuer raises new capital by issuing securities.

122. [Single choice] [RES 1B §1.1] Which feature is most characteristic of a secondary market?

a. Investors trade securities that have already been issued. b. The issuer receives all sale proceeds from every later trade. c. Only new shares may be traded and no investor may exit. d. The market exists only before an issuer has raised capital.

Answer: a. Investors trade securities that have already been issued.

Rationale: The secondary market allows investors to trade instruments after the initial capital-raising transaction.

123. [Single choice] [RES 1B §1.2] What is a principal reason for using a custodian?

a. To safeguard client assets and support settlement. b. To decide whether an issuer satisfies Mainboard admission tests. c. To replace MAS as the financial-sector supervisor. d. To guarantee that every customer investment makes a profit.

Answer: a. To safeguard client assets and support settlement.

Rationale: Custodians safeguard client assets and support settlement; they do not replace regulators or guarantee returns.

124. [Single choice] [RES 1B §1.3] Which body is Singapore's central bank and integrated financial supervisor?

a. The Monetary Authority of Singapore. b. The Central Depository. c. SGX Securities Trading Limited. d. An issue manager appointed by an issuer.

Answer: a. The Monetary Authority of Singapore.

Rationale: MAS is Singapore's central bank and integrated financial supervisor.

125. [Combination choice] [RES 1B §1.3] Which statements about SGX infrastructure are correct?

a. SGX-ST operates the securities trading market. b. CDP provides central depository and settlement facilities. c. SGX-DT operates a derivatives futures market. d. SGX RegCo is the issuer's corporate-finance adviser.

Choose one:

- A. (a), (b) and (c)
- B. (a) and (d)
- C. (b) and (d)
- D. (c) and (d)

Answer: A. (a), (b) and (c)

Rationale: SGX-ST, CDP and SGX-DT perform the first three functions. SGX RegCo is a frontline regulatory subsidiary, not an issuer adviser.

126. [Single choice] [RES 1B §1.4] Which statement best distinguishes a SPAC from an ordinary operating-company IPO?

a. A SPAC is initially a listed shell that raises funds to acquire an operating business later. b. A SPAC is an unlisted bond that can never acquire a business. c. A SPAC is a secondary-market trade in an already operating company. d. A SPAC eliminates dilution, redemption and de-SPAC risks.

Answer: a. A SPAC is initially a listed shell that raises funds to acquire an operating business later.

Rationale: A SPAC raises IPO capital before it has an operating business and later seeks a business combination.

127. [Single choice] [RES 1B §2.1] Who generally requires a CMS licence to conduct a regulated activity?

a. A corporation, unless an applicable exemption applies. b. Every customer who opens a cash account. c. Only a foreign issuer listed on SGX-ST. d. Only a CDP depositor acting for personal investment.

Answer: a. A corporation, unless an applicable exemption applies.

Rationale: Corporations need a CMS licence for regulated activities unless they fall within an applicable exemption.

128. [Single choice] [RES 1B §2.2] If several base-capital requirements apply to a CMS licence holder, what approach does the guide highlight?

a. Apply the highest applicable requirement. b. Apply only the lowest requirement to avoid double counting. c. Apply the requirement for an introducing broker in every case. d. Ignore exchange requirements because only MAS requirements matter.

Answer: a. Apply the highest applicable requirement.

Rationale: Where more than one BCR applies, the highest applicable amount is required; an exchange may impose a higher amount.

129. [Single choice] [RES 1B §2.2] Which staffing arrangement is highlighted for a CMS licence application?

a. At least two full-time representatives for each regulated activity, subject to applicable requirements. b. One part-time representative shared by every regulated activity without controls. c. No representatives if the firm has a website. d. Only overseas representatives with no Singapore office.

Answer: a. At least two full-time representatives for each regulated activity, subject to applicable requirements.

Rationale: The guide highlights at least two full-time representatives for each regulated activity, subject to applicable requirements.

130. [Single choice] [RES 1B §2.3] What is the main effect of registering a representative?

a. It identifies the individual as authorised to act for a principal in specified regulated activities. b. It gives the individual an unrestricted licence to act for every CMS holder. c. It removes the principal's supervision and notification duties. d. It guarantees that the representative is exempt from continuing education.

Answer: a. It identifies the individual as authorised to act for a principal in specified regulated activities.

Rationale: Registration identifies the activities and principal for which the individual may act, subject to continuing obligations.

131. [Combination choice] [RES 1B §2.5] Which statements about customer assessments are correct?

a. CAR generally concerns listed SIPs. b. CKA generally concerns unlisted SIPs. c. An assessment removes all investment risk once passed. d. The firm should retain evidence of the assessment and communications.

Choose one:

- A. (a), (b) and (d)
- B. (a) and (c)
- C. (c) and (d)
- D. (b) and (c)

Answer: A. (a), (b) and (d)

Rationale: CAR and CKA serve different SIP contexts, and the firm must retain evidence. Passing an assessment does not eliminate investment risk.

132. [Single choice] [RES 1B §2.6] Which practice best supports customer confidentiality?

a. Limit access to staff with a legitimate need and use approved disclosure exceptions. b. Share all customer information with every employee to improve efficiency. c. Publish customer holdings if the product is traded on an exchange. d. Treat verbal requests from any third party as sufficient authority.

Answer: a. Limit access to staff with a legitimate need and use approved disclosure exceptions.

Rationale: Customer information should be collected, used, disclosed and retained for proper purposes, with access limited to those who need it.

133. [Single choice] [RES 1B §2.9] Which control is most appropriate for customer money and assets?

a. Segregation, accurate records and regular reconciliations. b. Pooling customer assets with the firm's proprietary assets without records. c. Using customer money to fund unrelated firm expenses. d. Allowing withdrawals based only on an informal telephone request.

Answer: a. Segregation, accurate records and regular reconciliations.

Rationale: Customer money and assets require segregation, permitted custody arrangements, accurate ledgers and reconciliations.

134. [Single choice] [RES 1B §3.1–3.2] What determines whether conduct outside Singapore may still raise SFA market-conduct issues?

a. Its required Singapore connection or effect on Singapore markets, investors or listed products. b. Only the currency used to settle the transaction. c. Whether the foreign broker is a member of any overseas exchange. d. Whether the representative is physically outside Singapore for one day.

Answer: a. Its required Singapore connection or effect on Singapore markets, investors or listed products.

Rationale: The SFA may apply extraterritorially where the conduct has the required Singapore connection or market impact.

135. [Single choice] [RES 1B §3.3] Which activity is most likely to be false trading?

a. Entering artificial transactions that create a false appearance of active trading. b. Executing a genuine customer order at the best available price. c. Publishing an accurate audited financial statement. d. Transferring securities between two properly documented custody accounts.

Answer: a. Entering artificial transactions that create a false appearance of active trading.

Rationale: False trading involves artificial transactions or conduct that creates a false or misleading appearance of market activity.

136. [Single choice] [RES 1B §3.4] What is the central concern in securities-market manipulation?

a. Artificially affecting price or market conditions rather than allowing genuine supply and demand to operate. b. Any transaction that produces a customer profit. c. Any trade executed through an exchange. d. A lawful portfolio rebalance carried out under a mandate.

Answer: a. Artificially affecting price or market conditions rather than allowing genuine supply and demand to operate.

Rationale: Manipulation concerns conduct intended or likely to create an artificial price or otherwise distort the market.

137. [Single choice] [RES 1B §3.5] Why can false or misleading information harm a securities market?

a. Investors may trade on it and the market may be distorted. b. It automatically improves price discovery. c. It affects only a firm's internal accounting and never investors. d. It is harmless if communicated verbally rather than electronically.

Answer: a. Investors may trade on it and the market may be distorted.

Rationale: False or misleading information can cause investors to trade and can distort prices or market conditions.

138. [Single choice] [RES 1B §3.9] Which combination captures the core insider-trading concern?

a. Non-public information that would likely materially affect price or value, together with prohibited dealing or communication. b. Any public information used by a professional investor. c. A customer order executed through a foreign broker with no material information. d. A representative's use of a published annual report after its release.

Answer: a. Non-public information that would likely materially affect price or value, together with prohibited dealing or communication.

Rationale: The core elements are material, non-public information and conduct prohibited by the SFA; statutory exceptions or defences may apply.

139. [Single choice] [RES 1B §3.10] Which conduct pattern is most closely associated with securities hawking?

a. Prohibited solicitation or offering of securities in circumstances covered by the SFA hawking provisions. b. A permitted exchange auction at the opening of trading. c. A customer's request for a contract note after execution. d. A custodian's routine settlement instruction.

Answer: a. Prohibited solicitation or offering of securities in circumstances covered by the SFA hawking provisions.

Rationale: Securities hawking concerns prohibited solicitation or offering in circumstances covered by the SFA provisions.

140. [Combination choice] [RES 1B §3.11–3.12] Which statements about short-selling and penalties are correct?

a. A seller should identify and mark a short sale correctly where required. b. Applicable short-position reporting requirements should be followed. c. The examination requires memorising every penalty amount. d. Market misconduct can have criminal, civil, regulatory and reputational consequences.

Choose one:

- A. (a), (b) and (d)
- B. (b) and (c)
- C. (a) and (c)
- D. (c) and (d)

Answer: A. (a), (b) and (d)

Rationale: The guide highlights correct short-sale identification/reporting and consequence categories, while stating that penalty amounts are not tested.

141. [Single choice] [RES 1B §4.1–4.2] Which statement best describes the relationship between law and ethics?

a. Law sets enforceable minimums, while ethics also guides fair, honest and prudent conduct where rules are incomplete. b. Ethics is irrelevant whenever conduct is technically legal. c. A firm code can authorise conduct prohibited by legislation. d. Legal compliance guarantees that every customer outcome is fair.

Answer: a. Law sets enforceable minimums, while ethics also guides fair, honest and prudent conduct where rules are incomplete.

Rationale: Legal compliance is necessary but ethics also asks what is fair, honest, prudent and professionally appropriate.

142. [Single choice] [RES 1B §4.3] What makes a professional ethical dilemma difficult?

a. It involves competing duties, interests, incentives or values. b. It always has one answer that benefits the representative financially. c. It can be resolved by ignoring affected stakeholders. d. It concerns only technical product features, never conduct.

Answer: a. It involves competing duties, interests, incentives or values.

Rationale: Ethical dilemmas involve competing duties, incentives, interests or values and require analysis of stakeholders and consequences.

143. [Single choice] [RES 1B §4.4] What should a representative do when lacking the knowledge needed to advise on a product?

a. Escalate or decline to act rather than improvise. b. Proceed because the customer accepts all responsibility. c. Use an unverified internet summary without disclosure. d. Describe the product as risk-free until training is completed.

Answer: a. Escalate or decline to act rather than improvise.

Rationale: Competence and diligence require the representative to obtain reliable knowledge, escalate or decline rather than improvise.

144. [Combination choice] [RES 1B §4.4] Which practices support fair dealing?

a. Use legitimate criteria for order allocation. b. Communicate material information honestly. c. Favour a preferred customer without disclosed justification. d. Apply a fair process consistent with disclosed terms and duties.

Choose one:

- A. (a), (b) and (d)
- B. (b) and (c)
- C. (c) and (d)
- D. (a) and (c)

Answer: A. (a), (b) and (d)

Rationale: Fair dealing requires legitimate allocation criteria, honest communication and a fair process; improper favouritism is inconsistent with it.

145. [Single choice] [RES 1B §4.4] Which response is appropriate when a representative has material non-public information?

a. Restrict access, follow watch-list procedures, escalate and wait for proper authorisation or public release. b. Trade immediately before the information becomes public. c. Share it with a favoured customer who promises confidentiality. d. Delete all records of how the information was received.

Answer: a. Restrict access, follow watch-list procedures, escalate and wait for proper authorisation or public release.

Rationale: Material non-public information must be protected and handled under compliance, restricted-list and applicable-exception controls.

146. [Single choice] [RES 1B §4.5] Which action belongs in a reasoned ethical framework?

a. Test realistic options against law, policy, professional standards and consequences, then document and review. b. Choose the option that maximises commission without considering duties. c. Ask only the customer who is likely to benefit financially. d. Avoid recording the decision so it cannot be challenged.

Answer: a. Test realistic options against law, policy, professional standards and consequences, then document and review.

Rationale: The framework identifies facts and duties, tests options, seeks advice, documents the decision and reviews the outcome.

147. [Single choice] [RES 1B §5.1–5.2] Which information is most important to establish during client onboarding?

- a. Identity, authority, objectives, financial circumstances, experience, risk appetite and expected activity.
- b. Only the customer's preferred communication colour.
- c. Only the customer's desired return, without financial information.
- d. The customer's willingness to sign without explaining fees or risks.

Answer: a. Identity, authority, objectives, financial circumstances, experience, risk appetite and expected activity.

Rationale: Onboarding should establish identity, authority, objectives, financial circumstances, knowledge, experience, constraints and expected activity.

148. [Single choice] [RES 1B §5.2] Why does investor classification matter?

- a. It determines which protections, knowledge safeguards and product processes may apply.
- b. It allows the firm to ignore customer information permanently.
- c. It guarantees that the customer understands every product.
- d. It means a customer may be treated as institutional based only on self-description.

Answer: a. It determines which protections, knowledge safeguards and product processes may apply.

Rationale: Investor classification affects regulatory protections and processes; the firm must verify status and apply the correct rules.

149. [Single choice] [RES 1B §5.3] What makes an investment or trading strategy coherent?

- a. It connects objectives and constraints to product selection, size, risks, exit conditions and monitoring.
- b. It consists of unrelated trades selected only by recent price movement.
- c. It omits time horizon and exit conditions to preserve flexibility.
- d. It guarantees a positive return regardless of market conditions.

Answer: a. It connects objectives and constraints to product selection, size, risks, exit conditions and monitoring.

Rationale: A coherent strategy connects customer objectives and constraints to selection, position size, risk, time horizon, exit and monitoring.

150. [Single choice] [RES 1B §5.4] Which factor is not, by itself, sufficient to demonstrate best execution?

- a. Obtaining the lowest displayed price without considering cost, likelihood, size, liquidity or the customer's instructions.
- b. Considering price, costs, speed and likelihood of execution and settlement.
- c. Taking account of order size, nature, venue and liquidity.
- d. Maintaining an execution policy and monitoring process.

Answer: a. Obtaining the lowest displayed price without considering cost, likelihood, size, liquidity or the customer's instructions.

Rationale: Best execution is multi-factor; price alone does not capture the customer's best overall result.

151. [Single choice] [RES 1B §5.5] What is a core purpose of internal controls in securities dealing?

- a. Preventing and detecting unauthorised trading, errors, fraud, conflicts and misuse of customer assets.
- b. Removing the need for reconciliations and supervision.
- c. Allowing one person to approve, execute and settle every trade without review.
- d. Ensuring that all customer trades produce the same return.

Answer: a. Preventing and detecting unauthorised trading, errors, fraud, conflicts and misuse of customer assets.

Rationale: Internal controls address unauthorised activity, errors, fraud, conflicts, customer-asset misuse, settlement and reporting failures.

152. [Combination choice] [RES 1B §5.6–5.7] Which statements about account types and trust-building are correct?

a. Cash, margin, discretionary, joint, trust and corporate accounts can have different authority and liability implications. b. Accurate and timely communication supports trust. c. All account types can be treated as ordinary individual cash accounts. d. Prompt correction of errors supports a reliable relationship.

Choose one:

- A. (a), (b) and (d)
- B. (c) and (d)
- C. (a) and (c)
- D. (b) and (c)

Answer: A. (a), (b) and (d)

Rationale: Different account structures create different control and authority issues. Communication and correcting errors help build trust.

153. [Single choice] [RES 1B §5.8] Which event illustrates credit risk in securities dealing?

a. The risk that a customer, counterparty, issuer, broker or other obligor fails to perform a payment or delivery obligation. b. The risk that a listed security changes colour on a screen. c. The risk that every equity market closes temporarily. d. The risk that a representative receives too much product training.

Answer: a. The risk that a customer, counterparty, issuer, broker or other obligor fails to perform a payment or delivery obligation.

Rationale: Credit risk is the risk of non-performance by a customer, counterparty, issuer, broker or other obligor.

154. [Single choice] [RES 1B §6.1–6.2] Why must CPFIS-OA and CPFIS-SA be distinguished?

a. They are different CPF accounts with different permitted uses and investment conditions. b. They are two names for the same cash account with identical rules. c. Only SA can ever be used for any investment and OA is never relevant. d. The distinction matters only to banks, not CPF members.

Answer: a. They are different CPF accounts with different permitted uses and investment conditions.

Rationale: CPFIS-OA and CPFIS-SA are distinct accounts and the applicable balance, product and withdrawal rules differ.

155. [Single choice] [RES 1B §6.3] Which function is performed by a CPF investment account?

a. It facilitates CPF member investment transactions through an approved agent bank or provider. b. It converts CPF savings into an unrestricted personal credit card. c. It guarantees the performance of every CPFIS product. d. It replaces all eligibility and learning checks.

Answer: a. It facilitates CPF member investment transactions through an approved agent bank or provider.

Rationale: A CPF investment account facilitates CPFIS investment transactions; it does not guarantee performance or remove safeguards.

156. [Single choice] [RES 1B §6.4–6.5] Which step should occur before a new CPFIS investor invests?

a. Confirm eligibility and complete the required learning or self-awareness requirements. b. Permit any product immediately if the member signs a blank form. c. Ignore the member's CPF balances because CPFIS is unrestricted. d. Treat a product name as proof that it is included in CPFIS.

Answer: a. Confirm eligibility and complete the required learning or self-awareness requirements.

Rationale: Eligibility and learning requirements apply before a member invests, and product inclusion must be checked.

157. [Single choice] [RES 1B §6.6] Which sequence best reflects a CPFIS transaction process?

a. Check eligibility and product inclusion, place the order through the approved process, settle through the relevant provider and maintain records. b. Buy first and check eligibility only after selling. c. Send CPF funds to any overseas account without an agent bank. d. Treat every CPFIS holding as a personal cash withdrawal.

Answer: a. Check eligibility and product inclusion, place the order through the approved process, settle through the relevant provider and maintain records.

Rationale: The purchase and sale process depends on eligibility, included products, approved providers, settlement and record controls.

158. [Combination choice] [RES 1B §6.7–6.8] Which statements about CPFIS service providers and product inclusion are correct?

a. Approved service providers support the permitted transaction and custody process. b. Products must satisfy the relevant CPF investment criteria. c. Any product is included merely because it is listed overseas. d. The representative may skip product-inclusion checks if the customer is experienced.

Choose one:

- A. (a) and (b)
- B. (c) and (d)
- C. (b) and (c)
- D. (a), (c) and (d)

Answer: A. (a) and (b)

Rationale: Service providers and product criteria help keep CPFIS investments within the permitted framework; experience does not remove the checks.

159. [Single choice] [RES 1B §6.12–6.14] What is the appropriate general response when CPFIS holdings remain after a member's death?

a. Follow the agent bank and proper estate process, using the relevant probate or administration documents. b. Transfer the holdings immediately to any person who presents an identity card. c. Treat the holdings as abandoned firm property. d. Allow the representative to decide the beneficiary without estate documentation.

Answer: a. Follow the agent bank and proper estate process, using the relevant probate or administration documents.

Rationale: Death-related claims should follow the agent bank and estate process; documents such as probate or letters of administration may be relevant.

160. [Single choice] [RES 1B §6.9–6.11] Which statement best describes CPFIS treatment of dividends and charges?

a. Dividends or profits and permitted charges are handled through the applicable CPFIS and provider process rather than treated as unrestricted cash withdrawals. b. All dividends automatically become the representative's property. c. Charges are prohibited even where the rules and disclosures permit them. d. CPFIS profits may be withdrawn without regard to the member's CPF rules.

Answer: a. Dividends or profits and permitted charges are handled through the applicable CPFIS and provider process rather than treated as unrestricted cash withdrawals.

Rationale: Transfers, dividends or profits and charges must be handled under the applicable CPFIS rules, provider arrangements and disclosures.

161. [Single choice] [RES 1B §7.1] Which statement best distinguishes money laundering from terrorism financing?

- a. Money laundering disguises criminal proceeds, while terrorism financing may use legitimate or illegitimate funds.
- b. Money laundering always involves terrorism and terrorism financing always involves stolen funds.
- c. Neither activity can involve small transactions.
- d. Both activities are defined only by the size of the transaction.

Answer: a. Money laundering disguises criminal proceeds, while terrorism financing may use legitimate or illegitimate funds.

Rationale: Terrorism financing can use legitimate or illegitimate funds and may involve small amounts; money laundering concerns disguising criminal proceeds.

162. [Single choice] [RES 1B §7.2–7.4] What is the central purpose of AML/CFT controls?

- a. To identify, assess and mitigate financial-crime risks and prevent misuse of the financial system.
- b. To guarantee that no customer will ever commit a crime.
- c. To replace all ordinary customer-service controls.
- d. To report every customer transaction automatically as suspicious.

Answer: a. To identify, assess and mitigate financial-crime risks and prevent misuse of the financial system.

Rationale: AML/CFT controls are risk-based measures to identify, assess and mitigate misuse of the financial system.

163. [Single choice] [RES 1B §7.5] What is the practical effect of a targeted financial sanction?

- a. It may require prohibited dealings to be prevented or assets to be frozen and the matter escalated or reported.
- b. It permits staff to continue the transaction if the customer promises secrecy.
- c. It applies only to transactions below a reporting threshold.
- d. It replaces the need to identify beneficial owners.

Answer: a. It may require prohibited dealings to be prevented or assets to be frozen and the matter escalated or reported.

Rationale: Sanctions controls may require preventing or freezing prohibited dealings and following reporting and escalation procedures.

164. [Single choice] [RES 1B §7.7–7.8] What is the purpose of the three lines of defence?

- a. To allocate risk ownership, control oversight and independent assurance across the organisation.
- b. To make compliance solely responsible for every first-line business decision.
- c. To eliminate senior-management accountability.
- d. To divide customers into three investment-risk categories.

Answer: a. To allocate risk ownership, control oversight and independent assurance across the organisation.

Rationale: The three lines clarify business ownership, control functions and independent assurance for risk management.

165. [Single choice] [RES 1B §7.9] Which information is especially important during AML/CFT onboarding?

- a. Identity, beneficial ownership, purpose, expected activity, source of funds and relevant risk factors.
- b. Only the customer's preferred product colour.
- c. Only a self-certification that no risk exists.
- d. A customer's password shared with every member of staff.

Answer: a. Identity, beneficial ownership, purpose, expected activity, source of funds and relevant risk factors.

Rationale: AML/CFT onboarding should establish identity, beneficial ownership, purpose, expected activity, source of funds and risk.

166. [Combination choice] [RES 1B §7.10–7.16] Which statements support an effective AML/CFT programme?

- a. The firm performs an enterprise-wide risk assessment. b. Transaction monitoring is risk-based and investigations are documented. c. Senior management can delegate away all accountability to an automated system. d. Independent testing and remediation evidence are retained.

Choose one:

- A. (a) and (c)
- B. (a), (b) and (d)
- C. (b) and (c)
- D. (c) and (d)

Answer: B. (a), (b) and (d)

Rationale: Effective programmes use risk assessment, monitoring, documentation, independent testing and remediation; senior management remains accountable.

167. [Single choice] [RES 1B §7.13] What should a firm do when it forms a suspicion that a transaction may involve criminal property?

- a. Follow the prescribed STR escalation and filing process, keep the required records and avoid tipping off. b. Tell the customer immediately that an STR has been filed. c. Delete the customer file after reporting to reduce confidentiality risk. d. Wait until the customer completes another transaction before escalating.

Answer: a. Follow the prescribed STR escalation and filing process, keep the required records and avoid tipping off.

Rationale: The firm should follow the prescribed reporting process, retain evidence and avoid disclosing the suspicion or report in a way that constitutes tipping off.

168. [Single choice] [RES 1B Appendix H] Which source should supplement the RES 1B review questions when preparing for the examination?

- a. As an exam-scope and integration aid after studying the substantive material, not as a complete substitute for the guide or current rules. b. As the only material needed because the source guarantees they cover every tested topic. c. As permission to ignore current legislation and notices. d. As a list of guaranteed examination questions to memorise verbatim.

Answer: a. As an exam-scope and integration aid after studying the substantive material, not as a complete substitute for the guide or current rules.

Rationale: The source says review questions familiarise candidates with scope and format and do not cover all examination material; essential readings locate primary sources.

169. [Single choice] [RES 1B Appendix D] What is the purpose of the overseas-listed product risk warning?

- a. To communicate risks such as regulatory, legal, information, settlement, tax, currency, cost, custody, liquidity and political risks. b. To promise that an overseas product is subject to identical Singapore protections. c. To replace all product-specific due diligence and suitability work. d. To confirm that foreign exchange movements cannot affect returns.

Answer: a. To communicate risks such as regulatory, legal, information, settlement, tax, currency, cost, custody, liquidity and political risks.

Rationale: The warning highlights the additional legal, regulatory, information, settlement, tax, currency, custody, liquidity and political risks of overseas products.

170. [Single choice] [RES 1B Appendix F] How should suspicious-transaction examples in the guide be used?

a. As red-flag indicators for contextual investigation, not as automatic proof or an exhaustive list. b. As a rule that every listed example must be reported without investigation. c. As a substitute for knowing the customer and beneficial owner. d. As permission to ignore transactions that fall outside the examples.

Answer: a. As red-flag indicators for contextual investigation, not as automatic proof or an exhaustive list.

Rationale: Examples are indicators. The firm should consider the customer, purpose, source of funds, transaction pattern and context before documenting escalation or no suspicion.

Part II — RES 2B

171. [Single choice] [RES 2B §1.1] What are the main categories of derivatives described in the guide?

a. Derivatives include futures, options, swaps, forwards and other contracts whose value derives from an underlying such as securities, rates, currencies, commodities or indices. b. A dealer executes or makes markets and may act as agent or principal; a fund manager uses derivatives for investment or hedging; a bank may provide financing, custody, clearing or dealing; and a remote member accesses a venue from another jurisdiction subject to membership and regulatory arrangements. c. They represent trading, clearing, depository or clearing infrastructure for different products and markets. d. They come from the SFA and subsidiary legislation, MAS notices and guidelines, SGX and clearing-house rules, the relevant exchange or OTC documentation, and firm policies and procedures.

Answer: a. Derivatives include futures, options, swaps, forwards and other contracts whose value derives from an underlying such as securities, rates, currencies, commodities or indices.

Rationale: Derivatives include futures, options, swaps, forwards and other contracts whose value derives from an underlying such as securities, rates, currencies, commodities or indices. They may be exchange-traded and standardised or OTC and negotiated.

172. [Single choice] [RES 2B §1.1–1.2] Why do exchange-traded and OTC derivatives require different control emphases?

a. Derivatives include futures, options, swaps, forwards and other contracts whose value derives from an underlying such as securities, rates, currencies, commodities or indices. b. Exchange-traded contracts use standard terms, organised trading, margining and clearing, while OTC contracts allow bespoke terms and may create greater bilateral counterparty, valuation, documentation and collateral risks. c. A dealer executes or makes markets and may act as agent or principal; a fund manager uses derivatives for investment or hedging; a bank may provide financing, custody, clearing or dealing; and a remote member accesses a venue from another jurisdiction subject to membership and regulatory arrangements. d. They represent trading, clearing, depository or clearing infrastructure for different products and markets.

Answer: b. Exchange-traded contracts use standard terms, organised trading, margining and clearing, while OTC contracts allow bespoke terms and may create greater bilateral counterparty, valuation, documentation and collateral risks.

Rationale: Exchange-traded contracts use standard terms, organised trading, margining and clearing, while OTC contracts allow bespoke terms and may create greater bilateral counterparty, valuation, documentation and collateral risks. The firm must understand the product, venue, settlement and counterparty structure.

173. [Single choice] [RES 2B §1.2] What roles do a derivatives dealer, fund manager, bank and remote member play?

a. Derivatives include futures, options, swaps, forwards and other contracts whose value derives from an underlying such as securities, rates, currencies, commodities or indices. b. They come from the SFA and subsidiary legislation, MAS notices and guidelines, SGX and clearing-house rules, the relevant exchange or OTC documentation, and firm policies and procedures. c. A dealer executes or makes markets and may act as agent or

principal; a fund manager uses derivatives for investment or hedging; a bank may provide financing, custody, clearing or dealing; and a remote member accesses a venue from another jurisdiction subject to membership and regulatory arrangements. d. Exchange-traded contracts use standard terms, organised trading, margining and clearing, while OTC contracts allow bespoke terms and may create greater bilateral counterparty, valuation, documentation and collateral risks.

Answer: c. A dealer executes or makes markets and may act as agent or principal; a fund manager uses derivatives for investment or hedging; a bank may provide financing, custody, clearing or dealing; and a remote member accesses a venue from another jurisdiction subject to membership and regulatory arrangements.

Rationale: A dealer executes or makes markets and may act as agent or principal; a fund manager uses derivatives for investment or hedging; a bank may provide financing, custody, clearing or dealing; and a remote member accesses a venue from another jurisdiction subject to membership and regulatory arrangements. Each role has distinct risks and permissions.

174. [Single choice] [RES 2B §1.3] Identify the significance of SGX-DT, SGX-DC, CDP, ICE Clear Singapore and APEX Clear.

a. Derivatives include futures, options, swaps, forwards and other contracts whose value derives from an underlying such as securities, rates, currencies, commodities or indices. b. A dealer executes or makes markets and may act as agent or principal; a fund manager uses derivatives for investment or hedging; a bank may provide financing, custody, clearing or dealing; and a remote member accesses a venue from another jurisdiction subject to membership and regulatory arrangements. c. They come from the SFA and subsidiary legislation, MAS notices and guidelines, SGX and clearing-house rules, the relevant exchange or OTC documentation, and firm policies and procedures. d. They represent trading, clearing, depository or clearing infrastructure for different products and markets.

Answer: d. They represent trading, clearing, depository or clearing infrastructure for different products and markets.

Rationale: They represent trading, clearing, depository or clearing infrastructure for different products and markets. A representative must know whether a contract is traded, cleared, margined and settled through SGX or another venue, because the applicable rulebook, default-management process and customer-asset arrangements differ.

175. [Single choice] [RES 2B §1.3] Where do the rules for derivatives dealing come from?

a. They come from the SFA and subsidiary legislation, MAS notices and guidelines, SGX and clearing-house rules, the relevant exchange or OTC documentation, and firm policies and procedures. b. Exchange-traded contracts use standard terms, organised trading, margining and clearing, while OTC contracts allow bespoke terms and may create greater bilateral counterparty, valuation, documentation and collateral risks. c. A dealer executes or makes markets and may act as agent or principal; a fund manager uses derivatives for investment or hedging; a bank may provide financing, custody, clearing or dealing; and a remote member accesses a venue from another jurisdiction subject to membership and regulatory arrangements. d. They represent trading, clearing, depository or clearing infrastructure for different products and markets.

Answer: a. They come from the SFA and subsidiary legislation, MAS notices and guidelines, SGX and clearing-house rules, the relevant exchange or OTC documentation, and firm policies and procedures.

Rationale: They come from the SFA and subsidiary legislation, MAS notices and guidelines, SGX and clearing-house rules, the relevant exchange or OTC documentation, and firm policies and procedures. Contractual documents such as an ISDA Master Agreement and collateral annex may also govern the relationship.

176. [Single choice] [RES 2B §2.1–2.2] What base-capital categories does the derivatives BCR table distinguish?

a. It records prescribed interests held by relevant officers, employees or connected persons in listed specified products so conflicts and personal dealing can be monitored. b. For exchange-traded derivatives, the guide highlights S\$5 million for a clearing member, S\$1 million for a trading member or non-member, S\$500,000 for

an introducing broker and S\$50,000 for other categories. c. It provides a standard warning about the risks of trading futures, options and other derivatives, including leverage, margin, rapid losses, market volatility, liquidity and possible additional obligations. d. The guide lists S\$1 million for a specified-commodity-futures clearing member, S\$500,000 for a non-clearing or non-member category, and S\$250,000 for an introducing broker or restricted category.

Answer: b. For exchange-traded derivatives, the guide highlights S\$5 million for a clearing member, S\$1 million for a trading member or non-member, S\$500,000 for an introducing broker and S\$50,000 for other categories.

Rationale: For exchange-traded derivatives, the guide highlights S\$5 million for a clearing member, S\$1 million for a trading member or non-member, S\$500,000 for an introducing broker and S\$50,000 for other categories. For OTC derivatives, it highlights S\$5 million for a clearing business, S\$5 million for a non-clearing retail business, S\$1 million for a non-clearing non-retail business and S\$500,000 for others; specified commodity futures and leveraged FX have their own categories and amounts.

177. [Single choice] [RES 2B §2.2] What are the highlighted BCR figures for specified commodity futures and leveraged FX?

a. It must not understate leverage, margin calls, losses, complexity, liquidity, valuation or counterparty risks. b. The representative must be registered for the correct activity, meet competency and fit-and-proper standards, act for the proper principal, complete required training and CPD, and be supervised. c. The guide lists S\$1 million for a specified-commodity-futures clearing member, S\$500,000 for a non-clearing or non-member category, and S\$250,000 for an introducing broker or restricted category. d. Protect identity, positions, orders, collateral, financial information, counterparties and proprietary trading information.

Answer: c. The guide lists S\$1 million for a specified-commodity-futures clearing member, S\$500,000 for a non-clearing or non-member category, and S\$250,000 for an introducing broker or restricted category.

Rationale: The guide lists S\$1 million for a specified-commodity-futures clearing member, S\$500,000 for a non-clearing or non-member category, and S\$250,000 for an introducing broker or restricted category. For leveraged FX it lists S\$5 million for retail business and S\$1 million for AI, II or EI business. These study figures should be checked against current rules.

178. [Single choice] [RES 2B §2.3] What controls apply to registration of a derivatives representative?

a. It should reconstruct customer instructions, quotes, orders, amendments, cancellations, execution, allocation, confirmations, margin calls, collateral, valuations, communications, approvals and settlement. b. Establish identity, legal capacity, beneficial ownership, authority, objectives, knowledge, experience, financial resources, risk tolerance, margin capacity, product permissions, trading limits and liquidation terms. c. Derivatives create leveraged exposure, so a small underlying-price movement can produce a large gain or loss and a customer may have to post additional funds quickly. d. The representative must be registered for the correct activity, meet competency and fit-and-proper standards, act for the proper principal, complete required training and CPD, and be supervised.

Answer: d. The representative must be registered for the correct activity, meet competency and fit-and-proper standards, act for the proper principal, complete required training and CPD, and be supervised.

Rationale: The representative must be registered for the correct activity, meet competency and fit-and-proper standards, act for the proper principal, complete required training and CPD, and be supervised. The public register and notifications help customers and regulators verify the person's status.

179. [Single choice] [RES 2B §2.4] How should derivatives advertising differ from ordinary product marketing?

a. It must not understate leverage, margin calls, losses, complexity, liquidity, valuation or counterparty risks. b. Daily computation, including the guide's reference to completion before noon, helps determine whether the firm holds enough resources and has correctly accounted for customer obligations. c. It records prescribed interests held by relevant officers, employees or connected persons in listed specified products so conflicts and personal dealing can be monitored. d. It provides a standard warning about the risks of trading futures, options

and other derivatives, including leverage, margin, rapid losses, market volatility, liquidity and possible additional obligations.

Answer: a. It must not understate leverage, margin calls, losses, complexity, liquidity, valuation or counterparty risks.

Rationale: It must not understate leverage, margin calls, losses, complexity, liquidity, valuation or counterparty risks. Claims about returns, success rates or ease of trading must be supportable and balanced by material risks, charges, assumptions and limitations, with proper firm approval.

180. [Single choice] [RES 2B §2.5] What confidentiality rules apply to derivatives customers?

a. For exchange-traded derivatives, the guide highlights S\$5 million for a clearing member, S\$1 million for a trading member or non-member, S\$500,000 for an introducing broker and S\$50,000 for other categories. b. Protect identity, positions, orders, collateral, financial information, counterparties and proprietary trading information. c. The guide lists S\$1 million for a specified-commodity-futures clearing member, S\$500,000 for a non-clearing or non-member category, and S\$250,000 for an introducing broker or restricted category. d. The representative must be registered for the correct activity, meet competency and fit-and-proper standards, act for the proper principal, complete required training and CPD, and be supervised.

Answer: b. Protect identity, positions, orders, collateral, financial information, counterparties and proprietary trading information.

Rationale: Protect identity, positions, orders, collateral, financial information, counterparties and proprietary trading information. Disclosure requires a proper legal, regulatory, contractual or customer-authorised basis, and access should be limited and monitored.

181. [Single choice] [RES 2B §2.6] What should be established before opening and managing a derivatives account?

a. Protect identity, positions, orders, collateral, financial information, counterparties and proprietary trading information. b. It must not understate leverage, margin calls, losses, complexity, liquidity, valuation or counterparty risks. c. Establish identity, legal capacity, beneficial ownership, authority, objectives, knowledge, experience, financial resources, risk tolerance, margin capacity, product permissions, trading limits and liquidation terms. d. Derivatives create leveraged exposure, so a small underlying-price movement can produce a large gain or loss and a customer may have to post additional funds quickly.

Answer: c. Establish identity, legal capacity, beneficial ownership, authority, objectives, knowledge, experience, financial resources, risk tolerance, margin capacity, product permissions, trading limits and liquidation terms.

Rationale: Establish identity, legal capacity, beneficial ownership, authority, objectives, knowledge, experience, financial resources, risk tolerance, margin capacity, product permissions, trading limits and liquidation terms. Explain the account agreement, risk disclosure, margin calls, close-out, fees and the firm's right to act when obligations are not met.

182. [Single choice] [RES 2B §2.6] Why are margin and liquidation terms central to customer protection?

a. It records prescribed interests held by relevant officers, employees or connected persons in listed specified products so conflicts and personal dealing can be monitored. b. It should reconstruct customer instructions, quotes, orders, amendments, cancellations, execution, allocation, confirmations, margin calls, collateral, valuations, communications, approvals and settlement. c. Daily computation, including the guide's reference to completion before noon, helps determine whether the firm holds enough resources and has correctly accounted for customer obligations. d. Derivatives create leveraged exposure, so a small underlying-price movement can produce a large gain or loss and a customer may have to post additional funds quickly.

Answer: d. Derivatives create leveraged exposure, so a small underlying-price movement can produce a large gain or loss and a customer may have to post additional funds quickly.

Rationale: Derivatives create leveraged exposure, so a small underlying-price movement can produce a large gain or loss and a customer may have to post additional funds quickly. Clear margin, top-up, close-out, valuation

and deficit provisions reduce disputes and prevent a customer from trading without understanding the financial consequences.

183. [Single choice] [RES 2B §2.7] What must a derivatives audit trail allow the firm to reconstruct?

a. It should reconstruct customer instructions, quotes, orders, amendments, cancellations, execution, allocation, confirmations, margin calls, collateral, valuations, communications, approvals and settlement. b. It provides a standard warning about the risks of trading futures, options and other derivatives, including leverage, margin, rapid losses, market volatility, liquidity and possible additional obligations. c. For exchange-traded derivatives, the guide highlights S\$5 million for a clearing member, S\$1 million for a trading member or non-member, S\$500,000 for an introducing broker and S\$50,000 for other categories. d. The guide lists S\$1 million for a specified-commodity-futures clearing member, S\$500,000 for a non-clearing or non-member category, and S\$250,000 for an introducing broker or restricted category.

Answer: a. It should reconstruct customer instructions, quotes, orders, amendments, cancellations, execution, allocation, confirmations, margin calls, collateral, valuations, communications, approvals and settlement.

Rationale: It should reconstruct customer instructions, quotes, orders, amendments, cancellations, execution, allocation, confirmations, margin calls, collateral, valuations, communications, approvals and settlement. The guide highlights five-year record retention and appropriate books and auditor controls.

184. [Single choice] [RES 2B §2.8] What is the purpose of daily computation and customer-money controls?

a. The representative must be registered for the correct activity, meet competency and fit-and-proper standards, act for the proper principal, complete required training and CPD, and be supervised. b. Daily computation, including the guide's reference to completion before noon, helps determine whether the firm holds enough resources and has correctly accounted for customer obligations. c. It must not understate leverage, margin calls, losses, complexity, liquidity, valuation or counterparty risks. d. Protect identity, positions, orders, collateral, financial information, counterparties and proprietary trading information.

Answer: b. Daily computation, including the guide's reference to completion before noon, helps determine whether the firm holds enough resources and has correctly accounted for customer obligations.

Rationale: Daily computation, including the guide's reference to completion before noon, helps determine whether the firm holds enough resources and has correctly accounted for customer obligations. Customer money and assets must be segregated, reconciled, safeguarded and used only for permitted purposes.

185. [Single choice] [RES 2B §2.9] What is a register of interests in listed specified products?

a. Derivatives create leveraged exposure, so a small underlying-price movement can produce a large gain or loss and a customer may have to post additional funds quickly. b. Establish identity, legal capacity, beneficial ownership, authority, objectives, knowledge, experience, financial resources, risk tolerance, margin capacity, product permissions, trading limits and liquidation terms. c. It records prescribed interests held by relevant officers, employees or connected persons in listed specified products so conflicts and personal dealing can be monitored. d. It should reconstruct customer instructions, quotes, orders, amendments, cancellations, execution, allocation, confirmations, margin calls, collateral, valuations, communications, approvals and settlement.

Answer: c. It records prescribed interests held by relevant officers, employees or connected persons in listed specified products so conflicts and personal dealing can be monitored.

Rationale: It records prescribed interests held by relevant officers, employees or connected persons in listed specified products so conflicts and personal dealing can be monitored. The guide highlights updating the register within seven days and retaining it for five years.

186. [Single choice] [RES 2B §2.6–2.8] What is the purpose of the derivatives risk-disclosure Form 13?

a. For exchange-traded derivatives, the guide highlights S\$5 million for a clearing member, S\$1 million for a trading member or non-member, S\$500,000 for an introducing broker and S\$50,000 for other categories. b.

Daily computation, including the guide's reference to completion before noon, helps determine whether the firm holds enough resources and has correctly accounted for customer obligations. c. It records prescribed interests held by relevant officers, employees or connected persons in listed specified products so conflicts and personal dealing can be monitored. d. It provides a standard warning about the risks of trading futures, options and other derivatives, including leverage, margin, rapid losses, market volatility, liquidity and possible additional obligations.

Answer: d. It provides a standard warning about the risks of trading futures, options and other derivatives, including leverage, margin, rapid losses, market volatility, liquidity and possible additional obligations.

Rationale: It provides a standard warning about the risks of trading futures, options and other derivatives, including leverage, margin, rapid losses, market volatility, liquidity and possible additional obligations. It should be properly provided, signed and dated before the relevant activity as required.

187. [Single choice] [RES 2B §3.1–3.2] Why do derivatives market-conduct rules address both the derivative and its underlying?

a. Trading a derivative can affect the price or supply of the underlying, and manipulation of the underlying can distort the derivative. b. Learn the categories of regulatory, criminal, civil, disciplinary, financial and reputational consequences, and understand which conduct triggers them. c. Wash trades and matched orders that create artificial volume or price are examples. d. It is acquiring or controlling a dominant position in the underlying, deliverable supply or relevant contracts so as to distort prices, squeeze counterparties or force artificial settlement outcomes.

Answer: a. Trading a derivative can affect the price or supply of the underlying, and manipulation of the underlying can distort the derivative.

Rationale: Trading a derivative can affect the price or supply of the underlying, and manipulation of the underlying can distort the derivative. The rules therefore cover conduct across related instruments and venues where the activity has the prohibited purpose or effect.

188. [Single choice] [RES 2B §3.3] Give two examples of false trading or market rigging in derivatives.

a. A person can trade or place orders in the derivative, the underlying security or both to create an artificial price, volume or appearance of demand or supply. b. Wash trades and matched orders that create artificial volume or price are examples. c. A statement, forecast, signal or omission can be misleading if it gives a materially inaccurate impression to the market or is likely to affect the price of a derivative or underlying. d. Bucketing occurs when an intermediary accepts a customer's order but does not execute or transmit it as represented, instead taking the opposite position or otherwise dealing with the order in a way that deprives the customer of the promised execution.

Answer: b. Wash trades and matched orders that create artificial volume or price are examples.

Rationale: Wash trades and matched orders that create artificial volume or price are examples. Entering transactions without genuine trading intent to make the market appear active or to trigger other participants' orders can also be prohibited.

189. [Single choice] [RES 2B §3.4] What is cornering or manipulation of a derivatives contract?

a. Ask whether the information is specific, not generally available and material to the derivative or underlying; whether the person is connected or otherwise possesses it; whether a trade, recommendation or communication occurred; and whether a statutory exception or defence applies. b. Fraudulent inducement focuses on deception used to cause another person to deal or refrain from dealing. c. It is acquiring or controlling a dominant position in the underlying, deliverable supply or relevant contracts so as to distort prices, squeeze counterparties or force artificial settlement outcomes. d. Communication can facilitate the original offence, attract additional participants, support the artificial price and allow the scheme to continue.

Answer: c. It is acquiring or controlling a dominant position in the underlying, deliverable supply or relevant contracts so as to distort prices, squeeze counterparties or force artificial settlement outcomes.

Rationale: It is acquiring or controlling a dominant position in the underlying, deliverable supply or relevant contracts so as to distort prices, squeeze counterparties or force artificial settlement outcomes. The assessment includes position size, intent, market conditions, delivery mechanics and the effect on others.

190. [Single choice] [RES 2B §3.5] How can securities-based derivatives be manipulated?

a. Ensure the trade is permitted, both sides are treated fairly, the price is reasonable, conflicts are disclosed or controlled, required consent or approvals are obtained, and the allocation and execution are documented. b. Do not conceal or fail to disclose an order when disclosure is required, withdraw or withhold an order to manipulate the market, or trade against a customer's order improperly. c. Front running is trading for oneself or another account before executing a known customer order, using the expected price impact to gain an advantage. d. A person can trade or place orders in the derivative, the underlying security or both to create an artificial price, volume or appearance of demand or supply.

Answer: d. A person can trade or place orders in the derivative, the underlying security or both to create an artificial price, volume or appearance of demand or supply.

Rationale: A person can trade or place orders in the derivative, the underlying security or both to create an artificial price, volume or appearance of demand or supply. The prohibition is not avoided merely because the trade occurred in a different product from the instrument whose price was affected.

191. [Single choice] [RES 2B §3.6] What makes information false or misleading for market-conduct purposes?

a. A statement, forecast, signal or omission can be misleading if it gives a materially inaccurate impression to the market or is likely to affect the price of a derivative or underlying. b. Churning generally means excessive trading in a customer account by the representative or firm to generate commissions or other benefits without regard to the customer's interests. c. It is a trade arranged in advance between parties in a way that bypasses genuine market competition or creates an artificial price, volume or appearance of trading. d. Learn the categories of regulatory, criminal, civil, disciplinary, financial and reputational consequences, and understand which conduct triggers them.

Answer: a. A statement, forecast, signal or omission can be misleading if it gives a materially inaccurate impression to the market or is likely to affect the price of a derivative or underlying.

Rationale: A statement, forecast, signal or omission can be misleading if it gives a materially inaccurate impression to the market or is likely to affect the price of a derivative or underlying. The representative must verify sources, distinguish opinion from fact and avoid communicating information intended to move the market artificially.

192. [Single choice] [RES 2B §3.7] What is bucketing?

a. Trading a derivative can affect the price or supply of the underlying, and manipulation of the underlying can distort the derivative. b. Bucketing occurs when an intermediary accepts a customer's order but does not execute or transmit it as represented, instead taking the opposite position or otherwise dealing with the order in a way that deprives the customer of the promised execution. c. Wash trades and matched orders that create artificial volume or price are examples. d. It is acquiring or controlling a dominant position in the underlying, deliverable supply or relevant contracts so as to distort prices, squeeze counterparties or force artificial settlement outcomes.

Answer: b. Bucketing occurs when an intermediary accepts a customer's order but does not execute or transmit it as represented, instead taking the opposite position or otherwise dealing with the order in a way that deprives the customer of the promised execution.

Rationale: Bucketing occurs when an intermediary accepts a customer's order but does not execute or transmit it as represented, instead taking the opposite position or otherwise dealing with the order in a way that deprives the customer of the promised execution. It is a serious conflict and market-integrity risk.

193. [Single choice] [RES 2B §3.8–3.9] Distinguish fraudulent inducement from a manipulative or deceptive device.

a. A statement, forecast, signal or omission can be misleading if it gives a materially inaccurate impression to the market or is likely to affect the price of a derivative or underlying. b. A person can trade or place orders in the derivative, the underlying security or both to create an artificial price, volume or appearance of demand or supply. c. Fraudulent inducement focuses on deception used to cause another person to deal or refrain from dealing. d. Bucketing occurs when an intermediary accepts a customer's order but does not execute or transmit it as represented, instead taking the opposite position or otherwise dealing with the order in a way that deprives the customer of the promised execution.

Answer: c. Fraudulent inducement focuses on deception used to cause another person to deal or refrain from dealing.

Rationale: Fraudulent inducement focuses on deception used to cause another person to deal or refrain from dealing. A manipulative or deceptive device covers a broader scheme, method or course of conduct intended to defraud, deceive or distort the market. The same facts may engage both provisions.

194. [Single choice] [RES 2B §3.10] What are the key insider-trading questions for a derivatives representative?

a. Do not conceal or fail to disclose an order when disclosure is required, withdraw or withhold an order to manipulate the market, or trade against a customer's order improperly. b. Fraudulent inducement focuses on deception used to cause another person to deal or refrain from dealing. c. Communication can facilitate the original offence, attract additional participants, support the artificial price and allow the scheme to continue. d. Ask whether the information is specific, not generally available and material to the derivative or underlying; whether the person is connected or otherwise possesses it; whether a trade, recommendation or communication occurred; and whether a statutory exception or defence applies.

Answer: d. Ask whether the information is specific, not generally available and material to the derivative or underlying; whether the person is connected or otherwise possesses it; whether a trade, recommendation or communication occurred; and whether a statutory exception or defence applies.

Rationale: Ask whether the information is specific, not generally available and material to the derivative or underlying; whether the person is connected or otherwise possesses it; whether a trade, recommendation or communication occurred; and whether a statutory exception or defence applies. When uncertain, stop and escalate to compliance.

195. [Single choice] [RES 2B §3.11] In derivatives dealing, why is forwarding information about an illegal transaction prohibited?

a. Communication can facilitate the original offence, attract additional participants, support the artificial price and allow the scheme to continue. b. Front running is trading for oneself or another account before executing a known customer order, using the expected price impact to gain an advantage. c. Ensure the trade is permitted, both sides are treated fairly, the price is reasonable, conflicts are disclosed or controlled, required consent or approvals are obtained, and the allocation and execution are documented. d. Churning generally means excessive trading in a customer account by the representative or firm to generate commissions or other benefits without regard to the customer's interests.

Answer: a. Communication can facilitate the original offence, attract additional participants, support the artificial price and allow the scheme to continue.

Rationale: Communication can facilitate the original offence, attract additional participants, support the artificial price and allow the scheme to continue. A representative must not circulate tips, signals or promotional material that encourages illegal trading.

196. [Single choice] [RES 2B §3.12–3.14] What is prohibited conduct concerning customer orders?

a. It is a trade arranged in advance between parties in a way that bypasses genuine market competition or creates an artificial price, volume or appearance of trading. b. Do not conceal or fail to disclose an order when

disclosure is required, withdraw or withhold an order to manipulate the market, or trade against a customer's order improperly. c. Learn the categories of regulatory, criminal, civil, disciplinary, financial and reputational consequences, and understand which conduct triggers them. d. Trading a derivative can affect the price or supply of the underlying, and manipulation of the underlying can distort the derivative.

Answer: b. Do not conceal or fail to disclose an order when disclosure is required, withdraw or withhold an order to manipulate the market, or trade against a customer's order improperly.

Rationale: Do not conceal or fail to disclose an order when disclosure is required, withdraw or withhold an order to manipulate the market, or trade against a customer's order improperly. Order handling must follow priority, consent, best-execution, conflict and record-keeping controls.

197. [Single choice] [RES 2B §3.15] What is front running and why is it unfair?

a. It is acquiring or controlling a dominant position in the underlying, deliverable supply or relevant contracts so as to distort prices, squeeze counterparties or force artificial settlement outcomes. b. Wash trades and matched orders that create artificial volume or price are examples. c. Front running is trading for oneself or another account before executing a known customer order, using the expected price impact to gain an advantage. d. A person can trade or place orders in the derivative, the underlying security or both to create an artificial price, volume or appearance of demand or supply.

Answer: c. Front running is trading for oneself or another account before executing a known customer order, using the expected price impact to gain an advantage.

Rationale: Front running is trading for oneself or another account before executing a known customer order, using the expected price impact to gain an advantage. It misuses customer information and harms the customer's execution, so personal trading and order-priority controls are essential.

198. [Single choice] [RES 2B §3.16] What controls are required for cross trades?

a. Fraudulent inducement focuses on deception used to cause another person to deal or refrain from dealing. b. A statement, forecast, signal or omission can be misleading if it gives a materially inaccurate impression to the market or is likely to affect the price of a derivative or underlying. c. Bucketing occurs when an intermediary accepts a customer's order but does not execute or transmit it as represented, instead taking the opposite position or otherwise dealing with the order in a way that deprives the customer of the promised execution. d. Ensure the trade is permitted, both sides are treated fairly, the price is reasonable, conflicts are disclosed or controlled, required consent or approvals are obtained, and the allocation and execution are documented.

Answer: d. Ensure the trade is permitted, both sides are treated fairly, the price is reasonable, conflicts are disclosed or controlled, required consent or approvals are obtained, and the allocation and execution are documented.

Rationale: Ensure the trade is permitted, both sides are treated fairly, the price is reasonable, conflicts are disclosed or controlled, required consent or approvals are obtained, and the allocation and execution are documented. A cross must not be used to favour the firm or a preferred customer.

199. [Single choice] [RES 2B §3.17–3.18] Distinguish churning from overtrading.

a. Churning generally means excessive trading in a customer account by the representative or firm to generate commissions or other benefits without regard to the customer's interests. b. Ask whether the information is specific, not generally available and material to the derivative or underlying; whether the person is connected or otherwise possesses it; whether a trade, recommendation or communication occurred; and whether a statutory exception or defence applies. c. Communication can facilitate the original offence, attract additional participants, support the artificial price and allow the scheme to continue. d. Do not conceal or fail to disclose an order when disclosure is required, withdraw or withhold an order to manipulate the market, or trade against a customer's order improperly.

Answer: a. Churning generally means excessive trading in a customer account by the representative or firm to generate commissions or other benefits without regard to the customer's interests.

Rationale: Churning generally means excessive trading in a customer account by the representative or firm to generate commissions or other benefits without regard to the customer's interests. Overtrading is excessive or unsuitable trading more broadly, including activity encouraged by leverage or poor controls; both are assessed against objectives, resources, strategy, frequency and costs.

200. [Single choice] [RES 2B §3.19] What is a pre-arranged trade?

a. Front running is trading for oneself or another account before executing a known customer order, using the expected price impact to gain an advantage. b. It is a trade arranged in advance between parties in a way that bypasses genuine market competition or creates an artificial price, volume or appearance of trading. c. Ensure the trade is permitted, both sides are treated fairly, the price is reasonable, conflicts are disclosed or controlled, required consent or approvals are obtained, and the allocation and execution are documented. d. Churning generally means excessive trading in a customer account by the representative or firm to generate commissions or other benefits without regard to the customer's interests.

Answer: b. It is a trade arranged in advance between parties in a way that bypasses genuine market competition or creates an artificial price, volume or appearance of trading.

Rationale: It is a trade arranged in advance between parties in a way that bypasses genuine market competition or creates an artificial price, volume or appearance of trading. Legitimate block or negotiated transactions must still comply with the applicable venue rules, pricing, disclosure and approval requirements.

201. [Single choice] [RES 2B §3.20] How should a candidate study penalties for derivatives misconduct?

a. Trading a derivative can affect the price or supply of the underlying, and manipulation of the underlying can distort the derivative. b. It is a trade arranged in advance between parties in a way that bypasses genuine market competition or creates an artificial price, volume or appearance of trading. c. Learn the categories of regulatory, criminal, civil, disciplinary, financial and reputational consequences, and understand which conduct triggers them. d. Wash trades and matched orders that create artificial volume or price are examples.

Answer: c. Learn the categories of regulatory, criminal, civil, disciplinary, financial and reputational consequences, and understand which conduct triggers them.

Rationale: Learn the categories of regulatory, criminal, civil, disciplinary, financial and reputational consequences, and understand which conduct triggers them. The source says the amount of penalties is not tested, so do not spend revision time memorising figures.

202. [Single choice] [RES 2B §4.1] What is an OTC derivative and what are the principal risks?

a. An IRS exchanges interest-payment streams; an NDIRS exchanges interest amounts without physical delivery of the underlying currency or notional; a CCS exchanges cash flows in different currencies; an FRA fixes or settles an interest-rate exposure for a future period; and a commodity swap exchanges commodity-linked cash flows. b. Exchange and CCP processes generally use standard contracts, daily marking-to-market and centralised margin and settlement, while OTC contracts may settle bilaterally on dates and methods negotiated by the parties. c. Check the customer's objective, sophistication, authority, financial resources, suitability, legal capacity, documentation, collateral and liquidity capacity, valuation method, termination rights, counterparty, costs, model assumptions, scenarios, worst-case loss and regulatory status. d. It is a privately negotiated derivative whose terms are not necessarily standardised or exchange-matched.

Answer: d. It is a privately negotiated derivative whose terms are not necessarily standardised or exchange-matched.

Rationale: It is a privately negotiated derivative whose terms are not necessarily standardised or exchange-matched. Risks include counterparty default, collateral and margin disputes, valuation uncertainty, liquidity, legal enforceability, settlement, model, operational, market and documentation risk.

203. [Single choice] [RES 2B §4.1] What are IRS, NDIRS, CCS, FRA and commodity swaps?

a. An IRS exchanges interest-payment streams; an NDIRS exchanges interest amounts without physical delivery of the underlying currency or notional; a CCS exchanges cash flows in different currencies; an FRA fixes or settles an interest-rate exposure for a future period; and a commodity swap exchanges commodity-linked cash flows. b. A CCP interposes itself between counterparties, manages margin and default resources, and supports multilateral netting and risk management. c. Depending on product and counterparty, requirements may include reporting, central clearing, margin, trade documentation, record keeping, risk disclosure, business-conduct controls and eligible-counterparty or customer protections. d. The clearing platform and margin methodology determine how trades are accepted, valued, margined, netted and settled.

Answer: a. An IRS exchanges interest-payment streams; an NDIRS exchanges interest amounts without physical delivery of the underlying currency or notional; a CCS exchanges cash flows in different currencies; an FRA fixes or settles an interest-rate exposure for a future period; and a commodity swap exchanges commodity-linked cash flows.

Rationale: An IRS exchanges interest-payment streams; an NDIRS exchanges interest amounts without physical delivery of the underlying currency or notional; a CCS exchanges cash flows in different currencies; an FRA fixes or settles an interest-rate exposure for a future period; and a commodity swap exchanges commodity-linked cash flows. The contract terms determine the exact economics.

204. [Single choice] [RES 2B §4.2] What is the role of a central counterparty in OTC derivatives?

a. They provide prescribed information about risks and product features so the customer can make an informed decision. b. A CCP interposes itself between counterparties, manages margin and default resources, and supports multilateral netting and risk management. c. It standardises the legal framework for OTC transactions, including representations, events of default, termination, netting, payment terms and dispute provisions. d. Exchange and CCP processes generally use standard contracts, daily marking-to-market and centralised margin and settlement, while OTC contracts may settle bilaterally on dates and methods negotiated by the parties.

Answer: b. A CCP interposes itself between counterparties, manages margin and default resources, and supports multilateral netting and risk management.

Rationale: A CCP interposes itself between counterparties, manages margin and default resources, and supports multilateral netting and risk management. It reduces bilateral counterparty exposure but creates clearing, margin, liquidity, concentration and default-fund obligations.

205. [Single choice] [RES 2B §4.2–4.3] What regulatory requirements can apply to OTC derivatives?

a. It is a privately negotiated derivative whose terms are not necessarily standardised or exchange-matched. b. Check the customer's objective, sophistication, authority, financial resources, suitability, legal capacity, documentation, collateral and liquidity capacity, valuation method, termination rights, counterparty, costs, model assumptions, scenarios, worst-case loss and regulatory status. c. Depending on product and counterparty, requirements may include reporting, central clearing, margin, trade documentation, record keeping, risk disclosure, business-conduct controls and eligible-counterparty or customer protections. d. An IRS exchanges interest-payment streams; an NDIRS exchanges interest amounts without physical delivery of the underlying currency or notional; a CCS exchanges cash flows in different currencies; an FRA fixes or settles an interest-rate exposure for a future period; and a commodity swap exchanges commodity-linked cash flows.

Answer: c. Depending on product and counterparty, requirements may include reporting, central clearing, margin, trade documentation, record keeping, risk disclosure, business-conduct controls and eligible-counterparty or customer protections.

Rationale: Depending on product and counterparty, requirements may include reporting, central clearing, margin, trade documentation, record keeping, risk disclosure, business-conduct controls and eligible-counterparty or customer protections. SGX-DC clearing rules apply where contracts are cleared through SGX-DC.

206. [Single choice] [RES 2B §4.3] What is the significance of SGX Titan OTC and margin rules?

a. They provide prescribed information about risks and product features so the customer can make an informed decision. b. A CCP interposes itself between counterparties, manages margin and default resources, and supports multilateral netting and risk management. c. Depending on product and counterparty, requirements may include reporting, central clearing, margin, trade documentation, record keeping, risk disclosure, business-conduct controls and eligible-counterparty or customer protections. d. The clearing platform and margin methodology determine how trades are accepted, valued, margined, netted and settled.

Answer: d. The clearing platform and margin methodology determine how trades are accepted, valued, margined, netted and settled.

Rationale: The clearing platform and margin methodology determine how trades are accepted, valued, margined, netted and settled. Representatives must understand initial and variation margin, eligible collateral, calls, deadlines and default procedures rather than treating an OTC derivative as an unsecured promise with no liquidity consequence.

207. [Single choice] [RES 2B §4.4] What should Form 13 and Form 14 risk disclosures achieve?

a. They provide prescribed information about risks and product features so the customer can make an informed decision. b. It standardises the legal framework for OTC transactions, including representations, events of default, termination, netting, payment terms and dispute provisions. c. Exchange and CCP processes generally use standard contracts, daily marking-to-market and centralised margin and settlement, while OTC contracts may settle bilaterally on dates and methods negotiated by the parties. d. Check the customer's objective, sophistication, authority, financial resources, suitability, legal capacity, documentation, collateral and liquidity capacity, valuation method, termination rights, counterparty, costs, model assumptions, scenarios, worst-case loss and regulatory status.

Answer: a. They provide prescribed information about risks and product features so the customer can make an informed decision.

Rationale: They provide prescribed information about risks and product features so the customer can make an informed decision. The relevant form, delivery, signature, date and supporting records must be completed before or in connection with the transaction as required; a disclosure cannot cure misleading advice.

208. [Single choice] [RES 2B §4.5] Why is an ISDA Master Agreement important?

a. It is a privately negotiated derivative whose terms are not necessarily standardised or exchange-matched. b. It standardises the legal framework for OTC transactions, including representations, events of default, termination, netting, payment terms and dispute provisions. c. An IRS exchanges interest-payment streams; an NDIRS exchanges interest amounts without physical delivery of the underlying currency or notional; a CCS exchanges cash flows in different currencies; an FRA fixes or settles an interest-rate exposure for a future period; and a commodity swap exchanges commodity-linked cash flows. d. A CCP interposes itself between counterparties, manages margin and default resources, and supports multilateral netting and risk management.

Answer: b. It standardises the legal framework for OTC transactions, including representations, events of default, termination, netting, payment terms and dispute provisions.

Rationale: It standardises the legal framework for OTC transactions, including representations, events of default, termination, netting, payment terms and dispute provisions. A Credit Support Annex may govern collateral. Representatives should ensure the transaction is within the authorised documentation and escalate legal or documentation gaps.

209. [Single choice] [RES 2B §4.5] How does OTC settlement differ from exchange settlement?

a. The clearing platform and margin methodology determine how trades are accepted, valued, margined, netted and settled. b. Depending on product and counterparty, requirements may include reporting, central clearing, margin, trade documentation, record keeping, risk disclosure, business-conduct controls and eligible-counterparty or customer protections. c. Exchange and CCP processes generally use standard contracts, daily

marking-to-market and centralised margin and settlement, while OTC contracts may settle bilaterally on dates and methods negotiated by the parties. d. They provide prescribed information about risks and product features so the customer can make an informed decision.

Answer: c. Exchange and CCP processes generally use standard contracts, daily marking-to-market and centralised margin and settlement, while OTC contracts may settle bilaterally on dates and methods negotiated by the parties.

Rationale: Exchange and CCP processes generally use standard contracts, daily marking-to-market and centralised margin and settlement, while OTC contracts may settle bilaterally on dates and methods negotiated by the parties. Bilateral valuation, payment, confirmation, collateral and dispute controls are therefore critical.

210. [Single choice] [RES 2B §4.5] What should a representative check before recommending a bespoke OTC derivative?

a. It is a privately negotiated derivative whose terms are not necessarily standardised or exchange-matched. b. It standardises the legal framework for OTC transactions, including representations, events of default, termination, netting, payment terms and dispute provisions. c. Exchange and CCP processes generally use standard contracts, daily marking-to-market and centralised margin and settlement, while OTC contracts may settle bilaterally on dates and methods negotiated by the parties. d. Check the customer's objective, sophistication, authority, financial resources, suitability, legal capacity, documentation, collateral and liquidity capacity, valuation method, termination rights, counterparty, costs, model assumptions, scenarios, worst-case loss and regulatory status.

Answer: d. Check the customer's objective, sophistication, authority, financial resources, suitability, legal capacity, documentation, collateral and liquidity capacity, valuation method, termination rights, counterparty, costs, model assumptions, scenarios, worst-case loss and regulatory status.

Rationale: Check the customer's objective, sophistication, authority, financial resources, suitability, legal capacity, documentation, collateral and liquidity capacity, valuation method, termination rights, counterparty, costs, model assumptions, scenarios, worst-case loss and regulatory status. If the product cannot be explained clearly, it should not be presented as routine.

211. [Single choice] [RES 2B §5.1–5.3] Why do leverage and complexity make ethics especially important in derivatives?

a. Leverage can magnify losses, products may be difficult to value, and customers can be exposed to margin calls or obligations exceeding the initial amount. b. Identify the facts and affected customer, recognise duties of honesty, suitability and fair dealing, reject the concealment, explain the margin risk, document the issue and escalate to compliance or management. c. Disclose and manage the conflict, apply the firm's execution policy, compare the customer outcome across venues or counterparties, obtain required approval and preserve evidence. d. Records make the representative accountable for advice, pricing, conflicts, consent, execution and escalation.

Answer: a. Leverage can magnify losses, products may be difficult to value, and customers can be exposed to margin calls or obligations exceeding the initial amount.

Rationale: Leverage can magnify losses, products may be difficult to value, and customers can be exposed to margin calls or obligations exceeding the initial amount. Ethical conduct requires clear explanations, reasonable-basis analysis, fair dealing and resistance to sales incentives that encourage unsuitable risk.

212. [Single choice] [RES 2B §5.4] What professional standards apply to market information and market manipulation?

a. Leverage can magnify losses, products may be difficult to value, and customers can be exposed to margin calls or obligations exceeding the initial amount. b. Use reliable sources, distinguish fact from opinion, disclose material assumptions and do not create false signals, spread rumours or use customer information for personal benefit. c. Acknowledge and escalate complaints promptly through the firm's independent process, preserve records and avoid retaliation or defensive concealment. d. Revealing that a particular customer is behind a trade can expose confidential strategy, create information advantages for others or affect price and negotiation.

Answer: b. Use reliable sources, distinguish fact from opinion, disclose material assumptions and do not create false signals, spread rumours or use customer information for personal benefit.

Rationale: Use reliable sources, distinguish fact from opinion, disclose material assumptions and do not create false signals, spread rumours or use customer information for personal benefit. The same professional duty applies whether the information concerns an exchange-traded contract, OTC instrument or underlying market.

213. [Single choice] [RES 2B §5.4] How should complaints and performance claims be handled?

a. It is a global set of principles for the wholesale FX market. b. Investigate the product, counterparty, market, assumptions and customer circumstances sufficiently to support the recommendation; communicate material risks and uncertainties in a comprehensible way; and retain records that show the basis, approvals, instructions and outcome. c. Acknowledge and escalate complaints promptly through the firm's independent process, preserve records and avoid retaliation or defensive concealment. d. Consider price or rate, spread, commission, financing and collateral cost, size, speed, likelihood of execution and settlement, liquidity, counterparty, market impact, product terms and the customer's instructions.

Answer: c. Acknowledge and escalate complaints promptly through the firm's independent process, preserve records and avoid retaliation or defensive concealment.

Rationale: Acknowledge and escalate complaints promptly through the firm's independent process, preserve records and avoid retaliation or defensive concealment. Performance claims must be fair, consistent, supported by methodology and balanced for leverage, fees, losses, survivorship, time period and liquidity.

214. [Single choice] [RES 2B §5.4] Why can disclosing a customer's principal identity be a conflict?

a. Records make the representative accountable for advice, pricing, conflicts, consent, execution and escalation. b. Identify the facts and affected customer, recognise duties of honesty, suitability and fair dealing, reject the concealment, explain the margin risk, document the issue and escalate to compliance or management. c. Disclose and manage the conflict, apply the firm's execution policy, compare the customer outcome across venues or counterparties, obtain required approval and preserve evidence. d. Revealing that a particular customer is behind a trade can expose confidential strategy, create information advantages for others or affect price and negotiation.

Answer: d. Revealing that a particular customer is behind a trade can expose confidential strategy, create information advantages for others or affect price and negotiation.

Rationale: Revealing that a particular customer is behind a trade can expose confidential strategy, create information advantages for others or affect price and negotiation. Protect customer identity and order information unless disclosure is authorised or required.

215. [Single choice] [RES 2B §5.4] What do diligence, reasonable basis and communication standards require?

a. Investigate the product, counterparty, market, assumptions and customer circumstances sufficiently to support the recommendation; communicate material risks and uncertainties in a comprehensible way; and retain records that show the basis, approvals, instructions and outcome. b. Leverage can magnify losses, products may be difficult to value, and customers can be exposed to margin calls or obligations exceeding the initial amount. c. Use reliable sources, distinguish fact from opinion, disclose material assumptions and do not create false signals, spread rumours or use customer information for personal benefit. d. Acknowledge and escalate complaints promptly through the firm's independent process, preserve records and avoid retaliation or defensive concealment.

Answer: a. Investigate the product, counterparty, market, assumptions and customer circumstances sufficiently to support the recommendation; communicate material risks and uncertainties in a comprehensible way; and retain records that show the basis, approvals, instructions and outcome.

Rationale: Investigate the product, counterparty, market, assumptions and customer circumstances sufficiently to support the recommendation; communicate material risks and uncertainties in a comprehensible way; and retain records that show the basis, approvals, instructions and outcome.

216. [Single choice] [RES 2B §5.4] What is the BIS FX Global Code and what themes does the guide associate with it?

a. Revealing that a particular customer is behind a trade can expose confidential strategy, create information advantages for others or affect price and negotiation. b. It is a global set of principles for the wholesale FX market. c. Investigate the product, counterparty, market, assumptions and customer circumstances sufficiently to support the recommendation; communicate material risks and uncertainties in a comprehensible way; and retain records that show the basis, approvals, instructions and outcome. d. Consider price or rate, spread, commission, financing and collateral cost, size, speed, likelihood of execution and settlement, liquidity, counterparty, market impact, product terms and the customer's instructions.

Answer: b. It is a global set of principles for the wholesale FX market.

Rationale: It is a global set of principles for the wholesale FX market. The guide associates it with ethics, governance, execution, information sharing, risk management and confirmation and settlement, and highlights six broad principles requiring transparent, fair, robust and well-controlled conduct.

217. [Single choice] [RES 2B §5.5] How is best execution applied to a derivatives transaction?

a. Disclose and manage the conflict, apply the firm's execution policy, compare the customer outcome across venues or counterparties, obtain required approval and preserve evidence. b. Identify the facts and affected customer, recognise duties of honesty, suitability and fair dealing, reject the concealment, explain the margin risk, document the issue and escalate to compliance or management. c. Consider price or rate, spread, commission, financing and collateral cost, size, speed, likelihood of execution and settlement, liquidity, counterparty, market impact, product terms and the customer's instructions. d. Records make the representative accountable for advice, pricing, conflicts, consent, execution and escalation.

Answer: c. Consider price or rate, spread, commission, financing and collateral cost, size, speed, likelihood of execution and settlement, liquidity, counterparty, market impact, product terms and the customer's instructions.

Rationale: Consider price or rate, spread, commission, financing and collateral cost, size, speed, likelihood of execution and settlement, liquidity, counterparty, market impact, product terms and the customer's instructions. For OTC trades, the firm should have a reasonable process for comparing quotes or otherwise demonstrating a fair outcome.

218. [Single choice] [RES 2B §5.6] Apply the ethical framework to a salesperson told to hide a large possible margin call.

a. Acknowledge and escalate complaints promptly through the firm's independent process, preserve records and avoid retaliation or defensive concealment. b. Leverage can magnify losses, products may be difficult to value, and customers can be exposed to margin calls or obligations exceeding the initial amount. c. Use reliable sources, distinguish fact from opinion, disclose material assumptions and do not create false signals, spread rumours or use customer information for personal benefit. d. Identify the facts and affected customer, recognise duties of honesty, suitability and fair dealing, reject the concealment, explain the margin risk, document the issue and escalate to compliance or management.

Answer: d. Identify the facts and affected customer, recognise duties of honesty, suitability and fair dealing, reject the concealment, explain the margin risk, document the issue and escalate to compliance or management.

Rationale: Identify the facts and affected customer, recognise duties of honesty, suitability and fair dealing, reject the concealment, explain the margin risk, document the issue and escalate to compliance or management. If the firm will not correct the communication, do not proceed and use the applicable whistleblowing or escalation channel.

219. [Single choice] [RES 2B §5.4–5.6] What should a representative do when compensation conflicts with best execution?

a. Disclose and manage the conflict, apply the firm's execution policy, compare the customer outcome across venues or counterparties, obtain required approval and preserve evidence. b. Revealing that a particular cus-

customer is behind a trade can expose confidential strategy, create information advantages for others or affect price and negotiation. c. Investigate the product, counterparty, market, assumptions and customer circumstances sufficiently to support the recommendation; communicate material risks and uncertainties in a comprehensible way; and retain records that show the basis, approvals, instructions and outcome. d. It is a global set of principles for the wholesale FX market.

Answer: a. Disclose and manage the conflict, apply the firm's execution policy, compare the customer outcome across venues or counterparties, obtain required approval and preserve evidence.

Rationale: Disclose and manage the conflict, apply the firm's execution policy, compare the customer outcome across venues or counterparties, obtain required approval and preserve evidence. Compensation cannot justify a venue, counterparty or product choice that produces an inferior customer result.

220. [Single choice] [RES 2B §5.4–5.6] Why are records an ethical control rather than mere administration?

a. Consider price or rate, spread, commission, financing and collateral cost, size, speed, likelihood of execution and settlement, liquidity, counterparty, market impact, product terms and the customer's instructions. b. Records make the representative accountable for advice, pricing, conflicts, consent, execution and escalation. c. Identify the facts and affected customer, recognise duties of honesty, suitability and fair dealing, reject the concealment, explain the margin risk, document the issue and escalate to compliance or management. d. Disclose and manage the conflict, apply the firm's execution policy, compare the customer outcome across venues or counterparties, obtain required approval and preserve evidence.

Answer: b. Records make the representative accountable for advice, pricing, conflicts, consent, execution and escalation.

Rationale: Records make the representative accountable for advice, pricing, conflicts, consent, execution and escalation. They allow the firm and regulator to test whether conduct matched the customer's interest and the stated process, and discourage post hoc rationalisation.

221. [Single choice] [RES 2B §6.1–6.2] Compare fundamental, technical and global-macro analysis.

a. Confirm authority and limits, use approved venues and counterparties, check orders and margin, apply best execution and allocation controls, record rationale and customer communications, monitor execution, collateral, P&L and exposure, and escalate exceptions, breaches or market disruptions. b. Define the objective, expected return, acceptable risk, time horizon, products, underlying exposure, entry and exit rules, leverage, margin and collateral, liquidity, stop-loss or hedge rules, concentration limits, monitoring and contingency actions. c. Fundamental analysis evaluates economic, financial and issuer or commodity drivers; technical analysis studies price, volume, trends and patterns; global-macro analysis considers rates, currencies, inflation, policy, growth, geopolitical events and cross-market relationships. d. Gaps, illiquidity, limit moves, system outages and counterparty failure may prevent execution at the chosen stop.

Answer: c. Fundamental analysis evaluates economic, financial and issuer or commodity drivers; technical analysis studies price, volume, trends and patterns; global-macro analysis considers rates, currencies, inflation, policy, growth, geopolitical events and cross-market relationships.

Rationale: Fundamental analysis evaluates economic, financial and issuer or commodity drivers; technical analysis studies price, volume, trends and patterns; global-macro analysis considers rates, currencies, inflation, policy, growth, geopolitical events and cross-market relationships. A sound process states assumptions and limitations rather than treating any method as certain.

222. [Single choice] [RES 2B §6.3] What should a derivatives trading strategy specify?

a. Market risk arises from price, rate, FX or volatility changes; credit risk from counterparty default; liquidity risk from inability to exit or fund margin; gap risk from discontinuous price moves; and operational or technology risk from failed processes or systems. b. In addition to identity and objectives, assess experience with leverage and the specific derivative, financial resources, margin capacity, liquidity, loss capacity, authority, hedging purpose, knowledge of close-out and collateral, and whether the customer can understand the product's payoff

and worst-case scenarios. c. Apply the relevant CAR or CKA, obtain the required account approval, assess the product and customer, provide disclosures and warnings, document the outcome and monitor the account. d. Define the objective, expected return, acceptable risk, time horizon, products, underlying exposure, entry and exit rules, leverage, margin and collateral, liquidity, stop-loss or hedge rules, concentration limits, monitoring and contingency actions.

Answer: d. Define the objective, expected return, acceptable risk, time horizon, products, underlying exposure, entry and exit rules, leverage, margin and collateral, liquidity, stop-loss or hedge rules, concentration limits, monitoring and contingency actions.

Rationale: Define the objective, expected return, acceptable risk, time horizon, products, underlying exposure, entry and exit rules, leverage, margin and collateral, liquidity, stop-loss or hedge rules, concentration limits, monitoring and contingency actions. Constraints should be consistent with the customer's resources and mandate.

223. [Single choice] [RES 2B §6.4] What controls are important during strategy implementation?

a. Confirm authority and limits, use approved venues and counterparties, check orders and margin, apply best execution and allocation controls, record rationale and customer communications, monitor execution, collateral, P&L and exposure, and escalate exceptions, breaches or market disruptions. b. Positions that appear diversified may move together during stress, increasing rather than reducing exposure. c. The market moves sharply from one price to another without executable prices between them, so a stop-loss may fill far away from the stop level or not at all. d. The framework represents supervisory attention to the firm's risk profile, governance, controls, resilience and remediation.

Answer: a. Confirm authority and limits, use approved venues and counterparties, check orders and margin, apply best execution and allocation controls, record rationale and customer communications, monitor execution, collateral, P&L and exposure, and escalate exceptions, breaches or market disruptions.

Rationale: Confirm authority and limits, use approved venues and counterparties, check orders and margin, apply best execution and allocation controls, record rationale and customer communications, monitor execution, collateral, P&L and exposure, and escalate exceptions, breaches or market disruptions.

224. [Single choice] [RES 2B §6.4] Why are stop-losses and daily loss limits not complete risk controls?

a. Fundamental analysis evaluates economic, financial and issuer or commodity drivers; technical analysis studies price, volume, trends and patterns; global-macro analysis considers rates, currencies, inflation, policy, growth, geopolitical events and cross-market relationships. b. Gaps, illiquidity, limit moves, system outages and counterparty failure may prevent execution at the chosen stop. c. Define the objective, expected return, acceptable risk, time horizon, products, underlying exposure, entry and exit rules, leverage, margin and collateral, liquidity, stop-loss or hedge rules, concentration limits, monitoring and contingency actions. d. Confirm authority and limits, use approved venues and counterparties, check orders and margin, apply best execution and allocation controls, record rationale and customer communications, monitor execution, collateral, P&L and exposure, and escalate exceptions, breaches or market disruptions.

Answer: b. Gaps, illiquidity, limit moves, system outages and counterparty failure may prevent execution at the chosen stop.

Rationale: Gaps, illiquidity, limit moves, system outages and counterparty failure may prevent execution at the chosen stop. Limits reduce intended exposure but do not guarantee a maximum loss; they must be supported by stress testing, liquidity planning, margin monitoring and escalation.

225. [Single choice] [RES 2B §6.5] What KYC information is especially important for derivatives customers?

a. Apply the relevant CAR or CKA, obtain the required account approval, assess the product and customer, provide disclosures and warnings, document the outcome and monitor the account. b. Gaps, illiquidity, limit moves, system outages and counterparty failure may prevent execution at the chosen stop. c. In addition to identity and objectives, assess experience with leverage and the specific derivative, financial resources, margin capacity, liquidity, loss capacity, authority, hedging purpose, knowledge of close-out and collateral, and whether

the customer can understand the product's payoff and worst-case scenarios. d. Market risk arises from price, rate, FX or volatility changes; credit risk from counterparty default; liquidity risk from inability to exit or fund margin; gap risk from discontinuous price moves; and operational or technology risk from failed processes or systems.

Answer: c. In addition to identity and objectives, assess experience with leverage and the specific derivative, financial resources, margin capacity, liquidity, loss capacity, authority, hedging purpose, knowledge of close-out and collateral, and whether the customer can understand the product's payoff and worst-case scenarios.

Rationale: In addition to identity and objectives, assess experience with leverage and the specific derivative, financial resources, margin capacity, liquidity, loss capacity, authority, hedging purpose, knowledge of close-out and collateral, and whether the customer can understand the product's payoff and worst-case scenarios.

226. [Single choice] [RES 2B §6.6] What safeguards apply to a retail customer's SIP trading account?

a. The framework represents supervisory attention to the firm's risk profile, governance, controls, resilience and remediation. b. Positions that appear diversified may move together during stress, increasing rather than reducing exposure. c. The market moves sharply from one price to another without executable prices between them, so a stop-loss may fill far away from the stop level or not at all. d. Apply the relevant CAR or CKA, obtain the required account approval, assess the product and customer, provide disclosures and warnings, document the outcome and monitor the account.

Answer: d. Apply the relevant CAR or CKA, obtain the required account approval, assess the product and customer, provide disclosures and warnings, document the outcome and monitor the account.

Rationale: Apply the relevant CAR or CKA, obtain the required account approval, assess the product and customer, provide disclosures and warnings, document the outcome and monitor the account. Knowledge assessment does not remove suitability, best-execution, conduct or risk-disclosure duties.

227. [Single choice] [RES 2B §6.7] Name and explain five risks in derivatives dealing.

a. Market risk arises from price, rate, FX or volatility changes; credit risk from counterparty default; liquidity risk from inability to exit or fund margin; gap risk from discontinuous price moves; and operational or technology risk from failed processes or systems. b. Fundamental analysis evaluates economic, financial and issuer or commodity drivers; technical analysis studies price, volume, trends and patterns; global-macro analysis considers rates, currencies, inflation, policy, growth, geopolitical events and cross-market relationships. c. Define the objective, expected return, acceptable risk, time horizon, products, underlying exposure, entry and exit rules, leverage, margin and collateral, liquidity, stop-loss or hedge rules, concentration limits, monitoring and contingency actions. d. Confirm authority and limits, use approved venues and counterparties, check orders and margin, apply best execution and allocation controls, record rationale and customer communications, monitor execution, collateral, P&L and exposure, and escalate exceptions, breaches or market disruptions.

Answer: a. Market risk arises from price, rate, FX or volatility changes; credit risk from counterparty default; liquidity risk from inability to exit or fund margin; gap risk from discontinuous price moves; and operational or technology risk from failed processes or systems.

Rationale: Market risk arises from price, rate, FX or volatility changes; credit risk from counterparty default; liquidity risk from inability to exit or fund margin; gap risk from discontinuous price moves; and operational or technology risk from failed processes or systems. Other guide categories include correlation, political/legal, capital, regulatory and interconnected risks.

228. [Single choice] [RES 2B §6.7] What is correlation risk?

a. Gaps, illiquidity, limit moves, system outages and counterparty failure may prevent execution at the chosen stop. b. Positions that appear diversified may move together during stress, increasing rather than reducing exposure. c. In addition to identity and objectives, assess experience with leverage and the specific derivative, financial resources, margin capacity, liquidity, loss capacity, authority, hedging purpose, knowledge of close-out and collateral, and whether the customer can understand the product's payoff and worst-case scenarios. d.

Apply the relevant CAR or CKA, obtain the required account approval, assess the product and customer, provide disclosures and warnings, document the outcome and monitor the account.

Answer: b. Positions that appear diversified may move together during stress, increasing rather than reducing exposure.

Rationale: Positions that appear diversified may move together during stress, increasing rather than reducing exposure. Correlation can change abruptly, so risk management should test concentrations, common factors, basis relationships and stressed correlations.

229. [Single choice] [RES 2B §6.7] What is gap risk?

a. Positions that appear diversified may move together during stress, increasing rather than reducing exposure. b. Market risk arises from price, rate, FX or volatility changes; credit risk from counterparty default; liquidity risk from inability to exit or fund margin; gap risk from discontinuous price moves; and operational or technology risk from failed processes or systems. c. The market moves sharply from one price to another without executable prices between them, so a stop-loss may fill far away from the stop level or not at all. d. The framework represents supervisory attention to the firm's risk profile, governance, controls, resilience and remediation.

Answer: c. The market moves sharply from one price to another without executable prices between them, so a stop-loss may fill far away from the stop level or not at all.

Rationale: The market moves sharply from one price to another without executable prices between them, so a stop-loss may fill far away from the stop level or not at all. It is particularly important for leveraged, event-sensitive or illiquid positions.

230. [Single choice] [RES 2B §6.7] What does the guide mean by MAS CRAFT and impact-and-risk supervision?

a. Confirm authority and limits, use approved venues and counterparties, check orders and margin, apply best execution and allocation controls, record rationale and customer communications, monitor execution, collateral, P&L and exposure, and escalate exceptions, breaches or market disruptions. b. Fundamental analysis evaluates economic, financial and issuer or commodity drivers; technical analysis studies price, volume, trends and patterns; global-macro analysis considers rates, currencies, inflation, policy, growth, geopolitical events and cross-market relationships. c. Define the objective, expected return, acceptable risk, time horizon, products, underlying exposure, entry and exit rules, leverage, margin and collateral, liquidity, stop-loss or hedge rules, concentration limits, monitoring and contingency actions. d. The framework represents supervisory attention to the firm's risk profile, governance, controls, resilience and remediation.

Answer: d. The framework represents supervisory attention to the firm's risk profile, governance, controls, resilience and remediation.

Rationale: The framework represents supervisory attention to the firm's risk profile, governance, controls, resilience and remediation. The practical lesson is to use diagnostic information and impact assessment to identify material weaknesses, correct them and demonstrate that controls operate effectively.

231. [Single choice] [RES 2B §7.1–7.4] Why must AML/CFT controls cover derivatives customers and counterparties?

a. Derivatives can move value quickly, create complex payment and collateral flows, obscure beneficial ownership and involve cross-border counterparties. b. Set scenarios and thresholds according to customer, product, geography, transaction and delivery-channel risk; investigate alerts in context; document decisions; tune false positives; and escalate patterns involving rapid transfers, unusual collateral, third parties, complex layering or activity inconsistent with the customer profile. c. Evidence includes accurate risk assessments, timely CDD refreshes, effective screening, meaningful alerts, well-reasoned investigations, prompt STR decisions, reliable records, tested systems, trained staff, independent audit findings, remediation closure and management information showing outcomes rather than only activity volumes. d. Screen customers, beneficial owners, counterparties, payment parties and relevant transactions before and during the relationship.

Answer: a. Derivatives can move value quickly, create complex payment and collateral flows, obscure beneficial ownership and involve cross-border counterparties.

Rationale: Derivatives can move value quickly, create complex payment and collateral flows, obscure beneficial ownership and involve cross-border counterparties. The firm must understand the customer, purpose, expected activity, counterparties, jurisdictions and transaction flows and apply the same risk-based AML/CFT framework.

232. [Single choice] [RES 2B §7.5] How should sanctions screening interact with derivatives execution and settlement?

a. A customer may seek complex cross-border structures or rapid transfers that have no commercial rationale and appear designed to conceal beneficial ownership, taxable income or the source of wealth. b. Screen customers, beneficial owners, counterparties, payment parties and relevant transactions before and during the relationship. c. Senior management and the board set risk appetite, approve the framework, provide resources, appoint accountable officers, receive meaningful reporting, challenge weaknesses and ensure remediation. d. Determine the natural person who ultimately owns or controls the entity, including ownership or control through chains, voting rights, agreements or other means.

Answer: b. Screen customers, beneficial owners, counterparties, payment parties and relevant transactions before and during the relationship.

Rationale: Screen customers, beneficial owners, counterparties, payment parties and relevant transactions before and during the relationship. A potential match or prohibited connection should be held, escalated and handled under the applicable asset-freezing, reporting and non-dealing requirements; staff must not help the parties evade screening.

233. [Single choice] [RES 2B §7.6] Give an example of a tax-crime red flag in a derivatives relationship.

a. Set scenarios and thresholds according to customer, product, geography, transaction and delivery-channel risk; investigate alerts in context; document decisions; tune false positives; and escalate patterns involving rapid transfers, unusual collateral, third parties, complex layering or activity inconsistent with the customer profile. b. Before launch, assess product features, settlement and collateral flows, counterparties, jurisdictions, anonymity, speed, technology, delivery channels, expected customer base and monitoring capability. c. A customer may seek complex cross-border structures or rapid transfers that have no commercial rationale and appear designed to conceal beneficial ownership, taxable income or the source of wealth. d. Evidence includes accurate risk assessments, timely CDD refreshes, effective screening, meaningful alerts, well-reasoned investigations, prompt STR decisions, reliable records, tested systems, trained staff, independent audit findings, remediation closure and management information showing outcomes rather than only activity volumes.

Answer: c. A customer may seek complex cross-border structures or rapid transfers that have no commercial rationale and appear designed to conceal beneficial ownership, taxable income or the source of wealth.

Rationale: A customer may seek complex cross-border structures or rapid transfers that have no commercial rationale and appear designed to conceal beneficial ownership, taxable income or the source of wealth. The firm should investigate purpose and source of funds and escalate if suspicion is formed.

234. [Single choice] [RES 2B §7.7–7.8] What is senior management's responsibility for AML/CFT?

a. A customer may seek complex cross-border structures or rapid transfers that have no commercial rationale and appear designed to conceal beneficial ownership, taxable income or the source of wealth. b. Derivatives can move value quickly, create complex payment and collateral flows, obscure beneficial ownership and involve cross-border counterparties. c. Screen customers, beneficial owners, counterparties, payment parties and relevant transactions before and during the relationship. d. Senior management and the board set risk appetite, approve the framework, provide resources, appoint accountable officers, receive meaningful reporting, challenge weaknesses and ensure remediation.

Answer: d. Senior management and the board set risk appetite, approve the framework, provide resources, appoint accountable officers, receive meaningful reporting, challenge weaknesses and ensure remediation.

Rationale: Senior management and the board set risk appetite, approve the framework, provide resources, appoint accountable officers, receive meaningful reporting, challenge weaknesses and ensure remediation. They cannot delegate away accountability by relying only on compliance or an automated system.

235. [Single choice] [RES 2B §7.9] What is the beneficial-owner question for a corporate derivatives customer?

a. Determine the natural person who ultimately owns or controls the entity, including ownership or control through chains, voting rights, agreements or other means. b. Senior management and the board set risk appetite, approve the framework, provide resources, appoint accountable officers, receive meaningful reporting, challenge weaknesses and ensure remediation. c. Before launch, assess product features, settlement and collateral flows, counterparties, jurisdictions, anonymity, speed, technology, delivery channels, expected customer base and monitoring capability. d. Set scenarios and thresholds according to customer, product, geography, transaction and delivery-channel risk; investigate alerts in context; document decisions; tune false positives; and escalate patterns involving rapid transfers, unusual collateral, third parties, complex layering or activity inconsistent with the customer profile.

Answer: a. Determine the natural person who ultimately owns or controls the entity, including ownership or control through chains, voting rights, agreements or other means.

Rationale: Determine the natural person who ultimately owns or controls the entity, including ownership or control through chains, voting rights, agreements or other means. The guide highlights the relevant 25% threshold where applicable, but control can exist even without a simple 25% holding.

236. [Single choice] [RES 2B §7.10–7.11] How should a derivatives firm assess new-product AML/CFT risk?

a. Evidence includes accurate risk assessments, timely CDD refreshes, effective screening, meaningful alerts, well-reasoned investigations, prompt STR decisions, reliable records, tested systems, trained staff, independent audit findings, remediation closure and management information showing outcomes rather than only activity volumes. b. Before launch, assess product features, settlement and collateral flows, counterparties, jurisdictions, anonymity, speed, technology, delivery channels, expected customer base and monitoring capability. c. Derivatives can move value quickly, create complex payment and collateral flows, obscure beneficial ownership and involve cross-border counterparties. d. Screen customers, beneficial owners, counterparties, payment parties and relevant transactions before and during the relationship.

Answer: b. Before launch, assess product features, settlement and collateral flows, counterparties, jurisdictions, anonymity, speed, technology, delivery channels, expected customer base and monitoring capability.

Rationale: Before launch, assess product features, settlement and collateral flows, counterparties, jurisdictions, anonymity, speed, technology, delivery channels, expected customer base and monitoring capability. Do not launch until controls, screening, alerts, approval, training and escalation are adequate for the identified risk.

237. [Single choice] [RES 2B §7.12] What is a risk-based transaction-monitoring approach?

a. Senior management and the board set risk appetite, approve the framework, provide resources, appoint accountable officers, receive meaningful reporting, challenge weaknesses and ensure remediation. b. A customer may seek complex cross-border structures or rapid transfers that have no commercial rationale and appear designed to conceal beneficial ownership, taxable income or the source of wealth. c. Set scenarios and thresholds according to customer, product, geography, transaction and delivery-channel risk; investigate alerts in context; document decisions; tune false positives; and escalate patterns involving rapid transfers, unusual collateral, third parties, complex layering or activity inconsistent with the customer profile. d. Determine the natural person who ultimately owns or controls the entity, including ownership or control through chains, voting rights, agreements or other means.

Answer: c. Set scenarios and thresholds according to customer, product, geography, transaction and delivery-channel risk; investigate alerts in context; document decisions; tune false positives; and escalate patterns involving rapid transfers, unusual collateral, third parties, complex layering or activity inconsistent with the customer profile.

Rationale: Set scenarios and thresholds according to customer, product, geography, transaction and delivery-channel risk; investigate alerts in context; document decisions; tune false positives; and escalate patterns involving rapid transfers, unusual collateral, third parties, complex layering or activity inconsistent with the customer profile.

238. [Single choice] [RES 2B §7.13–7.16] What evidence shows that an AML/CFT framework is effective?

a. Derivatives can move value quickly, create complex payment and collateral flows, obscure beneficial ownership and involve cross-border counterparties. b. Before launch, assess product features, settlement and collateral flows, counterparties, jurisdictions, anonymity, speed, technology, delivery channels, expected customer base and monitoring capability. c. Set scenarios and thresholds according to customer, product, geography, transaction and delivery-channel risk; investigate alerts in context; document decisions; tune false positives; and escalate patterns involving rapid transfers, unusual collateral, third parties, complex layering or activity inconsistent with the customer profile. d. Evidence includes accurate risk assessments, timely CDD refreshes, effective screening, meaningful alerts, well-reasoned investigations, prompt STR decisions, reliable records, tested systems, trained staff, independent audit findings, remediation closure and management information showing outcomes rather than only activity volumes.

Answer: d. Evidence includes accurate risk assessments, timely CDD refreshes, effective screening, meaningful alerts, well-reasoned investigations, prompt STR decisions, reliable records, tested systems, trained staff, independent audit findings, remediation closure and management information showing outcomes rather than only activity volumes.

Rationale: Evidence includes accurate risk assessments, timely CDD refreshes, effective screening, meaningful alerts, well-reasoned investigations, prompt STR decisions, reliable records, tested systems, trained staff, independent audit findings, remediation closure and management information showing outcomes rather than only activity volumes.

239. [Single choice] [RES 2B Appendix A] State the main CAR routes in the derivatives guide.

a. The appendix highlights an appropriate education or professional qualification, six transactions in listed SIPs in the preceding three years, or three consecutive years of relevant experience in the preceding ten years, with the prescribed evidence and independent-learning possibilities. b. An IRS exchanges interest-payment streams; an NDIRS exchanges interest amounts without physical delivery of the underlying currency or notional; a CCS exchanges cash flows in different currencies; an FRA fixes or settles an interest-rate exposure for a future period; and a commodity swap exchanges commodity-linked cash flows. c. A CCP interposes itself between counterparties, manages margin and default resources, and supports multilateral netting and risk management. d. Depending on product and counterparty, requirements may include reporting, central clearing, margin, trade documentation, record keeping, risk disclosure, business-conduct controls and eligible-counterparty or customer protections.

Answer: a. The appendix highlights an appropriate education or professional qualification, six transactions in listed SIPs in the preceding three years, or three consecutive years of relevant experience in the preceding ten years, with the prescribed evidence and independent-learning possibilities.

Rationale: The appendix highlights an appropriate education or professional qualification, six transactions in listed SIPs in the preceding three years, or three consecutive years of relevant experience in the preceding ten years, with the prescribed evidence and independent-learning possibilities.

240. [Single choice] [RES 2B Appendix B] What is distinctive about the CKA appendix?

a. The clearing platform and margin methodology determine how trades are accepted, valued, margined, netted and settled. b. It focuses on knowledge and experience relevant to unlisted SIPs, including separate treatment for CIS and ILP-related experience and approved learning. c. They provide prescribed information about risks and product features so the customer can make an informed decision. d. It standardises the legal framework for OTC transactions, including representations, events of default, termination, netting, payment terms and dispute provisions.

Answer: b. It focuses on knowledge and experience relevant to unlisted SIPs, including separate treatment for CIS and ILP-related experience and approved learning.

Rationale: It focuses on knowledge and experience relevant to unlisted SIPs, including separate treatment for CIS and ILP-related experience and approved learning. The assessment must be product-relevant and documented; a generic claim of having traded before is not enough.

241. [Single choice] [RES 2B Appendix C] What risks must the overseas-listed product warning communicate?

a. Check the customer's objective, sophistication, authority, financial resources, suitability, legal capacity, documentation, collateral and liquidity capacity, valuation method, termination rights, counterparty, costs, model assumptions, scenarios, worst-case loss and regulatory status. b. Exchange and CCP processes generally use standard contracts, daily marking-to-market and centralised margin and settlement, while OTC contracts may settle bilaterally on dates and methods negotiated by the parties. c. It covers regulatory and legal differences, disclosure and information limitations, repatriation and settlement, taxes, currency, costs, counterparty and custody risk, liquidity and political, economic and social conditions. d. Leverage can magnify losses, products may be difficult to value, and customers can be exposed to margin calls or obligations exceeding the initial amount.

Answer: c. It covers regulatory and legal differences, disclosure and information limitations, repatriation and settlement, taxes, currency, costs, counterparty and custody risk, liquidity and political, economic and social conditions.

Rationale: It covers regulatory and legal differences, disclosure and information limitations, repatriation and settlement, taxes, currency, costs, counterparty and custody risk, liquidity and political, economic and social conditions. The warning should be delivered and acknowledged in the required manner.

242. [Single choice] [RES 2B Appendix D] Where should a representative look for the EIP classification?

a. Revealing that a particular customer is behind a trade can expose confidential strategy, create information advantages for others or affect price and negotiation. b. Use reliable sources, distinguish fact from opinion, disclose material assumptions and do not create false signals, spread rumours or use customer information for personal benefit. c. Acknowledge and escalate complaints promptly through the firm's independent process, preserve records and avoid retaliation or defensive concealment. d. The appendix points to the class of products listed in the Schedule to the Securities and Futures (Capital Markets Products) Regulations 2018.

Answer: d. The appendix points to the class of products listed in the Schedule to the Securities and Futures (Capital Markets Products) Regulations 2018.

Rationale: The appendix points to the class of products listed in the Schedule to the Securities and Futures (Capital Markets Products) Regulations 2018. Apply the current statutory classification and firm process; do not classify a derivative from its marketing name alone.

243. [Single choice] [RES 2B Appendix E] How should suspicious-transaction examples be used?

a. Use them as indicators for contextual investigation, not as automatic proof or an exhaustive list. b. Investigate the product, counterparty, market, assumptions and customer circumstances sufficiently to support the recommendation; communicate material risks and uncertainties in a comprehensible way; and retain records that show the basis, approvals, instructions and outcome. c. It is a global set of principles for the wholesale FX market. d. Consider price or rate, spread, commission, financing and collateral cost, size, speed, likelihood of execution and settlement, liquidity, counterparty, market impact, product terms and the customer's instructions.

Answer: a. Use them as indicators for contextual investigation, not as automatic proof or an exhaustive list.

Rationale: Use them as indicators for contextual investigation, not as automatic proof or an exhaustive list. Consider the customer profile, economic purpose, source of funds, counterparties, jurisdictions, product and transaction pattern, then document escalation or the reason no suspicion was formed.

244. [Single choice] [RES 2B Appendix F] What topics are covered by the RES 2B review questions?

a. The Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act is the highlighted statute, while other laws may apply to terrorism financing, market conduct and related offences. b. They cover licensing and records, hunting stops, market misconduct, front-running, OTC products, ethics, performance presentation, best execution, CKA, regulatory risk, AML, sanctions and terrorism financing. c. Freeze or prevent prohibited dealings immediately where required and report or escalate to the authorities and compliance. d. No.

Answer: b. They cover licensing and records, hunting stops, market misconduct, front-running, OTC products, ethics, performance presentation, best execution, CKA, regulatory risk, AML, sanctions and terrorism financing.

Rationale: They cover licensing and records, hunting stops, market misconduct, front-running, OTC products, ethics, performance presentation, best execution, CKA, regulatory risk, AML, sanctions and terrorism financing. They should be used as a final integration check after studying Chapters 2–7.

245. [Single choice] [RES 2B Appendix G] What is the purpose of the essential-readings list?

a. Define the objective, expected return, acceptable risk, time horizon, products, underlying exposure, entry and exit rules, leverage, margin and collateral, liquidity, stop-loss or hedge rules, concentration limits, monitoring and contingency actions. b. Fundamental analysis evaluates economic, financial and issuer or commodity drivers; technical analysis studies price, volume, trends and patterns; global-macro analysis considers rates, currencies, inflation, policy, growth, geopolitical events and cross-market relationships. c. It directs the learner to the SFA, regulations, PDPA, CDSA, MACMA, TSOFA, tax laws, MAS notices and guidelines, SGX, ICE and APEX rules that support the summary. d. Confirm authority and limits, use approved venues and counterparties, check orders and margin, apply best execution and allocation controls, record rationale and customer communications, monitor execution, collateral, P&L and exposure, and escalate exceptions, breaches or market disruptions.

Answer: c. It directs the learner to the SFA, regulations, PDPA, CDSA, MACMA, TSOFA, tax laws, MAS notices and guidelines, SGX, ICE and APEX rules that support the summary.

Rationale: It directs the learner to the SFA, regulations, PDPA, CDSA, MACMA, TSOFA, tax laws, MAS notices and guidelines, SGX, ICE and APEX rules that support the summary. It helps locate primary sources and should be refreshed against current versions.

246. [Single choice] [RES 2B Appendix F, source Q1] Which changes must a derivatives CMS licence holder report to MAS?

a. It means deliberately pushing prices up or down with the intention of triggering known stop orders. b. The source highlights changes such as the licence holder's name and the principal place of business for the licensed activity. c. All three are market-misconduct categories under the relevant SFA framework. "Under trading" is not the source's substitute category. d. It is front running: the trader misuses advance knowledge of the customer's order to obtain a personal advantage before execution.

Answer: b. The source highlights changes such as the licence holder's name and the principal place of business for the licensed activity.

Rationale: The source highlights changes such as the licence holder's name and the principal place of business for the licensed activity. The firm should use the prescribed notification channel and time period.

247. [Single choice] [RES 2B Appendix F, source Q2] When must a derivatives CMS licence holder notify MAS that it has ceased the regulated activity?

a. To serve the best interests of clients while maintaining integrity, fairness, competence and compliance. b. Commodity swaps, forward-rate agreements and cross-currency swaps are OTC derivatives. c. The source highlights notification within 14 days after cessation of the activity, subject to the applicable current rule and prescribed form. d. The presentation failed to uphold performance-presentation standards because it could make simulated historical results appear to be actual performance.

Answer: c. The source highlights notification within 14 days after cessation of the activity, subject to the applicable current rule and prescribed form.

Rationale: The source highlights notification within 14 days after cessation of the activity, subject to the applicable current rule and prescribed form.

248. [Single choice] [RES 2B Appendix F, source Q3] How long must customer transaction and trading records be kept?

a. It is the risk that changes in laws, regulations, regulatory interpretation or supervisory requirements affect products, markets, costs, permissions or the customer's ability to trade. b. Speed, opportunities for price improvement and client-specific instructions are relevant. c. The source highlights the relevant experience route of at least six transactions in unlisted SIPs during the preceding three years, subject to the applicable rules and evidence. d. The source highlights five years.

Answer: d. The source highlights five years.

Rationale: The source highlights five years. A firm may need to retain records longer where another law, investigation, dispute, notice or policy requires it.

249. [Single choice] [RES 2B Appendix F, source Q4] What does "hunting for stops" mean?

a. It means deliberately pushing prices up or down with the intention of triggering known stop orders. b. The Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act is the highlighted statute, while other laws may apply to terrorism financing, market conduct and related offences. c. Freeze or prevent prohibited dealings immediately where required and report or escalate to the authorities and compliance. d. No.

Answer: a. It means deliberately pushing prices up or down with the intention of triggering known stop orders.

Rationale: It means deliberately pushing prices up or down with the intention of triggering known stop orders. It is not merely accepting simultaneous orders, entering a wash trade or withholding an order.

250. [Single choice] [RES 2B Appendix F, source Q5] Which of insider trading, false trading and pre-arranged trading are market-misconduct categories?

a. They cover licensing and records, hunting stops, market misconduct, front-running, OTC products, ethics, performance presentation, best execution, CKA, regulatory risk, AML, sanctions and terrorism financing. b. All three are market-misconduct categories under the relevant SFA framework. "Under trading" is not the source's substitute category. c. The source highlights changes such as the licence holder's name and the principal place of business for the licensed activity. d. The source highlights notification within 14 days after cessation of the activity, subject to the applicable current rule and prescribed form.

Answer: b. All three are market-misconduct categories under the relevant SFA framework. "Under trading" is not the source's substitute category.

Rationale: All three are market-misconduct categories under the relevant SFA framework. "Under trading" is not the source's substitute category.

251. [Single choice] [RES 2B Appendix F, source Q6] A trader buys personal Brent Crude futures before executing a customer's large order expected to move price. What is the conduct?

a. It means deliberately pushing prices up or down with the intention of triggering known stop orders. b. The source highlights five years. c. It is front running: the trader misuses advance knowledge of the customer's order to obtain a personal advantage before execution. d. All three are market-misconduct categories under the relevant SFA framework. "Under trading" is not the source's substitute category.

Answer: c. It is front running: the trader misuses advance knowledge of the customer's order to obtain a personal advantage before execution.

Rationale: It is front running: the trader misuses advance knowledge of the customer's order to obtain a personal advantage before execution.

252. [Single choice] [RES 2B Appendix F, source Q7] Which products are OTC derivatives in the source's example?

a. The presentation failed to uphold performance-presentation standards because it could make simulated historical results appear to be actual performance. b. It is front running: the trader misuses advance knowledge of the customer's order to obtain a personal advantage before execution. c. To serve the best interests of clients while maintaining integrity, fairness, competence and compliance. d. Commodity swaps, forward-rate agreements and cross-currency swaps are OTC derivatives.

Answer: d. Commodity swaps, forward-rate agreements and cross-currency swaps are OTC derivatives.

Rationale: Commodity swaps, forward-rate agreements and cross-currency swaps are OTC derivatives. Fixed-income securities are not themselves derivatives merely because they may be used as an underlying or hedging instrument.

253. [Single choice] [RES 2B Appendix F, source Q8] What is the central objective of the ethical framework?

a. To serve the best interests of clients while maintaining integrity, fairness, competence and compliance. b. Speed, opportunities for price improvement and client-specific instructions are relevant. c. The source highlights the relevant experience route of at least six transactions in unlisted SIPs during the preceding three years, subject to the applicable rules and evidence. d. It is the risk that changes in laws, regulations, regulatory interpretation or supervisory requirements affect products, markets, costs, permissions or the customer's ability to trade.

Answer: a. To serve the best interests of clients while maintaining integrity, fairness, competence and compliance.

Rationale: To serve the best interests of clients while maintaining integrity, fairness, competence and compliance. Speed, product expertise and protecting the employer's finances are not substitutes for the client-interest objective.

254. [Single choice] [RES 2B Appendix F, source Q9] What was unethical about marketing five years of back-tested performance without saying it was back-tested?

a. The Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act is the highlighted statute, while other laws may apply to terrorism financing, market conduct and related offences. b. The presentation failed to uphold performance-presentation standards because it could make simulated historical results appear to be actual performance. c. Freeze or prevent prohibited dealings immediately where required and report or escalate to the authorities and compliance. d. No.

Answer: b. The presentation failed to uphold performance-presentation standards because it could make simulated historical results appear to be actual performance.

Rationale: The presentation failed to uphold performance-presentation standards because it could make simulated historical results appear to be actual performance. The methodology, assumptions and limitations had to be disclosed clearly.

255. [Single choice] [RES 2B Appendix F, source Q10] Which factors belong in derivatives best execution?

a. The source highlights changes such as the licence holder's name and the principal place of business for the licensed activity. b. They cover licensing and records, hunting stops, market misconduct, front-running, OTC products, ethics, performance presentation, best execution, CKA, regulatory risk, AML, sanctions and terrorism financing. c. Speed, opportunities for price improvement and client-specific instructions are relevant. d. The source highlights notification within 14 days after cessation of the activity, subject to the applicable current rule and prescribed form.

Answer: c. Speed, opportunities for price improvement and client-specific instructions are relevant.

Rationale: Speed, opportunities for price improvement and client-specific instructions are relevant. Confidential handling of price information is an important conduct control, but it is not itself the customer-outcome factor being tested in that combination.

256. [Single choice] [RES 2B Appendix F, source Q11] When might a CKA not be required for a retail customer trading an unlisted SIP?

a. All three are market-misconduct categories under the relevant SFA framework. "Under trading" is not the source's substitute category. b. The source highlights five years. c. It means deliberately pushing prices up or down with the intention of triggering known stop orders. d. The source highlights the relevant experience route of at least six transactions in unlisted SIPs during the preceding three years, subject to the applicable rules and evidence.

Answer: d. The source highlights the relevant experience route of at least six transactions in unlisted SIPs during the preceding three years, subject to the applicable rules and evidence.

Rationale: The source highlights the relevant experience route of at least six transactions in unlisted SIPs during the preceding three years, subject to the applicable rules and evidence. Experience in blue-chip listed shares does not automatically satisfy an unlisted-SIP CKA requirement.

257. [Single choice] [RES 2B Appendix F, source Q12] What is regulatory risk in derivatives trading?

a. It is the risk that changes in laws, regulations, regulatory interpretation or supervisory requirements affect products, markets, costs, permissions or the customer's ability to trade. b. It is front running: the trader misuses advance knowledge of the customer's order to obtain a personal advantage before execution. c. Commodity swaps, forward-rate agreements and cross-currency swaps are OTC derivatives. d. To serve the best interests of clients while maintaining integrity, fairness, competence and compliance.

Answer: a. It is the risk that changes in laws, regulations, regulatory interpretation or supervisory requirements affect products, markets, costs, permissions or the customer's ability to trade.

Rationale: It is the risk that changes in laws, regulations, regulatory interpretation or supervisory requirements affect products, markets, costs, permissions or the customer's ability to trade. It is different from ordinary commodity-price, liquidity or employee-financial-crime risk.

258. [Single choice] [RES 2B Appendix F, source Q13] Which statute is highlighted as governing money laundering?

a. The presentation failed to uphold performance-presentation standards because it could make simulated historical results appear to be actual performance. b. The Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act is the highlighted statute, while other laws may apply to terrorism financing, market conduct and related offences. c. Speed, opportunities for price improvement and client-specific instructions are relevant. d. The source highlights the relevant experience route of at least six transactions in unlisted SIPs during the preceding three years, subject to the applicable rules and evidence.

Answer: b. The Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act is the highlighted statute, while other laws may apply to terrorism financing, market conduct and related offences.

Rationale: The Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act is the highlighted statute, while other laws may apply to terrorism financing, market conduct and related offences.

259. [Single choice] [RES 2B Appendix F, source Q14] What should happen when a customer appears on a money-laundering sanctions list?

a. The Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act is the highlighted statute, while other laws may apply to terrorism financing, market conduct and related offences. b. It is the risk that changes in laws, regulations, regulatory interpretation or supervisory requirements affect products, markets,

costs, permissions or the customer's ability to trade. c. Freeze or prevent prohibited dealings immediately where required and report or escalate to the authorities and compliance. d. No.

Answer: c. Freeze or prevent prohibited dealings immediately where required and report or escalate to the authorities and compliance.

Rationale: Freeze or prevent prohibited dealings immediately where required and report or escalate to the authorities and compliance. Never delete records or port the customer to another representative or firm to avoid the controls.

260. [Single choice] [RES 2B Appendix F, source Q15] Are terrorism-financing funds always illegitimate or always large?

a. The source highlights notification within 14 days after cessation of the activity, subject to the applicable current rule and prescribed form. b. They cover licensing and records, hunting stops, market misconduct, front-running, OTC products, ethics, performance presentation, best execution, CKA, regulatory risk, AML, sanctions and terrorism financing. c. The source highlights changes such as the licence holder's name and the principal place of business for the licensed activity. d. No.

Answer: d. No.

Rationale: No. Terrorism financing may use funds from legitimate or illegitimate sources, and the amount may be small or large. Controls therefore focus on purpose, persons, networks, transactions and risk indicators rather than amount alone.

261. [Single choice] [RES 2B §1.1] Which is an example of an exchange-traded derivative?

a. A futures contract traded on an organised derivatives exchange. b. A bespoke bilateral interest-rate swap documented only between two parties. c. A physical share certificate held in custody. d. A customer's ordinary bank deposit.

Answer: a. A futures contract traded on an organised derivatives exchange.

Rationale: Futures traded on an organised derivatives exchange are exchange-traded derivatives; bespoke bilateral swaps are OTC.

262. [Single choice] [RES 2B §1.1–1.2] Why do OTC derivatives require particular counterparty and documentation controls?

a. Terms are negotiated bilaterally and may create valuation, collateral, liquidity and counterparty risks. b. OTC products are always standardised and centrally matched. c. OTC products cannot create payment obligations. d. All OTC trades are guaranteed by CDP without documentation.

Answer: a. Terms are negotiated bilaterally and may create valuation, collateral, liquidity and counterparty risks.

Rationale: OTC terms are negotiated bilaterally, increasing the importance of documentation, valuation, collateral and counterparty controls.

263. [Single choice] [RES 2B §1.2] What is a derivatives dealer's central conduct responsibility?

a. Execute or arrange derivatives transactions within the firm's authority while protecting customers and complying with applicable rules. b. Guarantee a profit on every leveraged position. c. Choose the customer's strategy without authority or disclosure. d. Ignore underlying-market conduct because only the derivative matters.

Answer: a. Execute or arrange derivatives transactions within the firm's authority while protecting customers and complying with applicable rules.

Rationale: A derivatives dealer must act within authority, protect customers and comply with derivatives, market-conduct and firm controls.

264. [Combination choice] [RES 2B §1.3] Which statements about derivatives infrastructure are correct?

a. SGX-DT operates a derivatives trading market. b. SGX-DC provides clearing for relevant derivatives. c. CDP is the only possible clearing house for every OTC derivative. d. ICE Clear Singapore and APEX Clear may be relevant clearing infrastructures for products within their scope.

Choose one:

- A. (a) and (c)
- B. (a), (b) and (d)
- C. (c) and (d)
- D. (b) and (c)

Answer: B. (a), (b) and (d)

Rationale: SGX-DT, SGX-DC and relevant recognised clearing houses perform infrastructure roles; CDP is not the only clearing house for every OTC product.

265. [Single choice] [RES 2B §1.3] Where should a representative look for the rules governing derivatives dealing?

a. Applicable legislation, MAS regulations and notices, exchange and clearing rules, and firm procedures. b. Only the customer's preferred trading application. c. Only an overseas exchange's marketing brochure. d. Only the representative's memory of a prior trade.

Answer: a. Applicable legislation, MAS regulations and notices, exchange and clearing rules, and firm procedures.

Rationale: Derivatives conduct is governed by legislation, MAS requirements, exchange and clearing rules and firm procedures.

266. [Single choice] [RES 2B §1.1–1.3] Why must a derivatives representative understand the underlying as well as the derivative?

a. Derivative value, conduct risks and customer exposure can depend on the underlying asset, rate, index or event. b. The underlying is irrelevant after a derivative is purchased. c. Only the clearing member can be affected by underlying movements. d. Understanding the underlying guarantees that margin will never be called.

Answer: a. Derivative value, conduct risks and customer exposure can depend on the underlying asset, rate, index or event.

Rationale: Derivatives may reference securities, rates, commodities, currencies or indices, so value and conduct risks can involve both instruments.

267. [Single choice] [RES 2B §2.1–2.2] What is the correct approach when different derivatives BCR categories apply?

a. Apply the highest applicable base-capital requirement, subject to current rules and exchange requirements. b. Apply the smallest category because derivatives are always collateralised. c. Use the securities dealer amount for every derivatives activity. d. Ignore exchange requirements if the firm is an OTC dealer.

Answer: a. Apply the highest applicable base-capital requirement, subject to current rules and exchange requirements.

Rationale: The applicable derivatives BCR depends on the firm's activities and the highest applicable requirement must be met, subject to current rules.

268. [Single choice] [RES 2B §2.2] Why should a firm distinguish specified commodity futures from leveraged FX when considering BCR?

a. The guide highlights different activity categories and figures, so the correct requirement depends on the regulated activity. b. All derivatives activities have exactly the same BCR. c. Only the customer's account balance determines BCR. d. BCR applies only to exchange operators and never dealers.

Answer: a. The guide highlights different activity categories and figures, so the correct requirement depends on the regulated activity.

Rationale: The derivatives BCR table distinguishes activity categories, including specified commodity futures and leveraged FX.

269. [Single choice] [RES 2B §2.3] What is a key control for registering a derivatives representative?

a. Verify competence, fit-and-proper status, relevant examinations or exemptions and permitted activities. b. Register every person who has opened a derivatives account. c. Allow a representative to act for unlimited principals automatically. d. Treat a product salesperson's title as proof of registration.

Answer: a. Verify competence, fit-and-proper status, relevant examinations or exemptions and permitted activities.

Rationale: Registration depends on competence, fit-and-proper requirements and the representative's permitted activities and principal.

270. [Single choice] [RES 2B §2.4] What should derivatives advertising avoid?

a. Unbalanced or misleading statements about leverage, returns, risk, fees, liquidity or potential loss. b. Clear explanations of margin and worst-case loss. c. Approved descriptions of product mechanics and costs. d. A warning that past performance is not a guarantee of future results.

Answer: a. Unbalanced or misleading statements about leverage, returns, risk, fees, liquidity or potential loss.

Rationale: Derivatives marketing must be clear, fair and balanced and must not understate leverage, losses, costs or liquidity risks.

271. [Single choice] [RES 2B §2.6] Which customer-protection issue makes margin and liquidation terms central?

a. They determine when additional funds may be required and when positions may be closed, potentially at a loss. b. They guarantee that the customer cannot lose more than the initial margin. c. They apply only to profitable accounts. d. They remove the need for risk disclosure.

Answer: a. They determine when additional funds may be required and when positions may be closed, potentially at a loss.

Rationale: Margin calls and liquidation can occur quickly and may crystallise losses; customers need clear terms and monitoring.

272. [Combination choice] [RES 2B §2.7–2.8] Which controls support a reliable derivatives account record?

a. The audit trail should reconstruct orders, approvals, executions and communications. b. Daily customer-money computations and reconciliations should be performed where required. c. The firm may rely on an employee's memory for disputed trades. d. Exception reporting and margin information should be retained and escalated.

Choose one:

- A. (a) and (c)
- B. (b) and (c)
- C. (a), (b) and (d)
- D. (c) and (d)

Answer: C. (a), (b) and (d)

Rationale: Derivatives controls require reconstructable records, customer-money controls, reconciliations, margin information and escalation.

273. [Single choice] [RES 2B §2.9] What is the purpose of a register of interests in listed specified products?

- a. To record relevant interests so conflicts, personal dealing and regulatory obligations can be monitored.
- b. To guarantee that every customer receives the same derivative price.
- c. To replace all customer account records.
- d. To allow representatives to conceal personal holdings from the firm.

Answer: a. To record relevant interests so conflicts, personal dealing and regulatory obligations can be monitored.

Rationale: A register supports monitoring of interests, conflicts and relevant personal-dealing or conduct obligations.

274. [Single choice] [RES 2B §3.1–3.2] A representative assessing a derivatives order should examine the underlying primarily because:

- a. Conduct in one market can manipulate or distort price discovery and exposure in the other.
- b. The underlying has no relationship to derivative value.
- c. Only physical delivery can affect a derivative.
- d. Market-conduct rules apply only after a derivative expires.

Answer: a. Conduct in one market can manipulate or distort price discovery and exposure in the other.

Rationale: A derivative may reference an underlying, so manipulation or information abuse can affect both markets.

275. [Single choice] [RES 2B §3.3] Which activity is an example of false trading in derivatives?

- a. Entering artificial trades that create a false appearance of active trading or affect price without genuine economic purpose.
- b. Hedging a documented customer exposure under an approved mandate.
- c. Closing a position after a genuine change in market risk.
- d. Reporting an accurate exchange position to the clearing house.

Answer: a. Entering artificial trades that create a false appearance of active trading or affect price without genuine economic purpose.

Rationale: False trading involves artificial transactions or activity that creates a false market appearance.

276. [Single choice] [RES 2B §3.4] What is the concern when a trader corners or manipulates a derivatives contract?

- a. The trader may create artificial scarcity, control supply or distort the contract price and settlement.
- b. The trader has reduced every market participant's risk.
- c. The conduct is always acceptable if the trader has enough margin.
- d. The conduct matters only if the underlying is a physical commodity.

Answer: a. The trader may create artificial scarcity, control supply or distort the contract price and settlement.

Rationale: Cornering or manipulation can distort supply, price formation and settlement of a derivatives contract.

277. [Single choice] [RES 2B §3.7] Which description best identifies bucketing in derivatives dealing?

- a. Filling a customer order internally or against the dealer's own book without executing it as represented, creating a conflict or misrepresentation.
- b. A lawful exchange clearing process that guarantees delivery.
- c. A method of segregating customer money in a trust account.
- d. A customer's decision to diversify across asset classes.

Answer: a. Filling a customer order internally or against the dealer's own book without executing it as represented, creating a conflict or misrepresentation.

Rationale: Bucketing involves handling a customer order in a way that is inconsistent with the representation of execution and may expose the customer to dealer conflict.

278. [Single choice] [RES 2B §3.10] What should a derivatives representative ask when receiving potentially inside information?

- a. Whether it is non-public and material, how it was obtained, and whether dealing or communication is prohibited.
- b. Only whether the source promises the information is accurate.
- c. Whether the customer can settle in a foreign currency.
- d. Whether the derivative is exchange-traded, because OTC information is never material.

Answer: a. Whether it is non-public and material, how it was obtained, and whether dealing or communication is prohibited.

Rationale: The representative must assess public availability, materiality, source and whether SFA insider-dealing restrictions apply.

279. [Combination choice] [RES 2B §3.12–3.19] Which practices are prohibited or require strict control in derivatives dealing?

- a. Trading against a customer order for personal advantage.
- b. Front running a large customer order.
- c. Churning or overtrading to generate commissions.
- d. A properly documented, genuine cross trade that follows applicable controls.

Choose one:

- A. (a), (b) and (d)
- B. (a) and (d)
- C. (b), (c) and (d)
- D. (a), (b) and (c)

Answer: D. (a), (b) and (c)

Rationale: Trading against orders, front running and churning/overtrading are misconduct risks. A properly controlled genuine cross trade is not automatically prohibited.

280. [Single choice] [RES 2B §3.15] Why is front running a customer's derivatives order unfair?

- a. The representative uses advance knowledge of the customer's likely market impact to obtain a personal advantage.
- b. The representative executes the customer's order exactly as instructed.
- c. The representative discloses the order to the whole market through the exchange.
- d. The representative reduces the customer's execution risk by trading first for personal benefit.

Answer: a. The representative uses advance knowledge of the customer's likely market impact to obtain a personal advantage.

Rationale: Front running misuses advance knowledge of a customer order to obtain a personal advantage before the customer's order is executed.

281. [Single choice] [RES 2B §4.1] What is an OTC derivative?

- a. A derivative negotiated bilaterally or through dealers rather than traded through a centralised exchange order book.
- b. Any physical share listed on Mainboard.
- c. A guaranteed bank deposit with no reference asset.
- d. A derivative that can never create collateral or payment obligations.

Answer: a. A derivative negotiated bilaterally or through dealers rather than traded through a centralised exchange order book.

Rationale: OTC derivatives are negotiated bilaterally or through dealer networks and may be customised.

282. [Single choice] [RES 2B §4.1] Which product is an interest-rate swap?

- a. An agreement to exchange interest-payment streams, commonly fixed for floating, on a notional amount. b. A purchase of a company's ordinary shares for cash. c. A contract that transfers ownership of a warehouse. d. A deposit that pays only a fixed principal amount.

Answer: a. An agreement to exchange interest-payment streams, commonly fixed for floating, on a notional amount.

Rationale: An interest-rate swap exchanges interest-payment streams on a notional amount; principal is usually not exchanged.

283. [Single choice] [RES 2B §4.2] What is the central role of a central counterparty?

- a. It interposes itself between counterparties, manages clearing and margin, and helps manage counterparty risk under its rules. b. It guarantees that markets cannot fall. c. It replaces the need for customer suitability and disclosures. d. It negotiates every bespoke OTC term for the customer.

Answer: a. It interposes itself between counterparties, manages clearing and margin, and helps manage counterparty risk under its rules.

Rationale: A CCP becomes the buyer to every seller and seller to every buyer within its clearing framework and manages margin and default risk.

284. [Single choice] [RES 2B §4.2–4.3] Why are margin rules important for OTC derivatives?

- a. They support performance and risk management by requiring collateral or other protections against exposure. b. They ensure no counterparty can ever default. c. They apply only after a trade has been fully settled. d. They allow a firm to ignore valuation and close-out provisions.

Answer: a. They support performance and risk management by requiring collateral or other protections against exposure.

Rationale: Margin and collateral help manage current and potential future exposure but do not eliminate default, liquidity or valuation risk.

285. [Combination choice] [RES 2B §4.3–4.4] Which statements about OTC risk disclosures are correct?

- a. Form 13 and Form 14 disclosures should explain material derivatives risks where applicable. b. Disclosures should address leverage, margin, valuation, liquidity and close-out consequences where relevant. c. A signed form guarantees that the customer understands every risk. d. Risk disclosure does not replace suitability, best execution or conduct duties.

Choose one:

- A. (a) and (c)
- B. (c) and (d)
- C. (a), (b) and (d)
- D. (b) and (c)

Answer: C. (a), (b) and (d)

Rationale: Risk forms communicate material risks but do not guarantee understanding or replace other conduct and suitability obligations.

286. [Single choice] [RES 2B §4.5] Which function does an ISDA Master Agreement serve?

- a. It establishes a legal and documentation framework for OTC derivatives transactions, including payment, netting and default terms. b. It is a listing application for Mainboard shares. c. It removes the need to agree transaction confirmations. d. It guarantees that every OTC derivative is exchange-traded.

Answer: a. It establishes a legal and documentation framework for OTC derivatives transactions, including payment, netting and default terms.

Rationale: The ISDA framework supports consistent documentation, confirmations, payment, close-out and netting arrangements.

287. [Single choice] [RES 2B §4.5] Before recommending a bespoke OTC derivative, which set of issues should be checked?

a. Customer objective and capacity, product mechanics, valuation, collateral, liquidity, counterparty, documentation and exit risks. b. Only whether the product has a short marketing name. c. Only whether the customer has signed a generic application form. d. Whether the product promises a return without considering downside scenarios.

Answer: a. Customer objective and capacity, product mechanics, valuation, collateral, liquidity, counterparty, documentation and exit risks.

Rationale: Bespoke OTC recommendations require analysis of the customer, product, counterparty, documentation, valuation, collateral, liquidity and exit.

288. [Single choice] [RES 2B §5.1–5.3] Why do leverage and complexity increase the importance of ethics in derivatives dealing?

a. They can magnify losses, information asymmetry, conflicts and the consequences of misleading communication. b. They eliminate the need for customer disclosures. c. They make every product suitable for every customer. d. They guarantee that a customer can exit at the original price.

Answer: a. They can magnify losses, information asymmetry, conflicts and the consequences of misleading communication.

Rationale: Leverage and complexity can magnify losses and conflicts, so honest, competent and balanced conduct is especially important.

289. [Single choice] [RES 2B §5.4] How should a representative present back-tested or simulated performance?

a. Clearly identify it as simulated or back-tested and explain methodology, assumptions, limitations, costs and risks. b. Present it as actual historical performance because the model used real prices. c. Omit the period and assumptions to make the result easier to understand. d. Describe the result as guaranteed if the model has not yet lost money.

Answer: a. Clearly identify it as simulated or back-tested and explain methodology, assumptions, limitations, costs and risks.

Rationale: Simulated performance must not be presented as actual performance and needs meaningful methodology, assumptions and limitations.

290. [Single choice] [RES 2B §5.4] Why should a representative protect a customer's principal identity?

a. Disclosure may reveal confidential strategy, create information advantages or affect price and negotiation. b. A customer's identity is never confidential once an order is placed. c. It allows the representative to trade ahead of the customer. d. It removes the need to record the customer's instructions.

Answer: a. Disclosure may reveal confidential strategy, create information advantages or affect price and negotiation.

Rationale: Customer identity and order information may be confidential and should not be disclosed unless authorised or required.

291. [Single choice] [RES 2B §5.4] What does the reasonable-basis standard require?

a. Sufficient investigation of the product, counterparty, market, assumptions and customer circumstances to support the recommendation. b. A recommendation based only on the highest commission. c. A guarantee that no market event can affect the product. d. A customer signature without product knowledge or analysis.

Answer: a. Sufficient investigation of the product, counterparty, market, assumptions and customer circumstances to support the recommendation.

Rationale: Diligence and reasonable basis require investigation of the product, market, assumptions, counterparty and customer circumstances.

292. [Single choice] [RES 2B §5.4] What is the BIS FX Global Code?

a. A global set of principles for wholesale FX-market conduct, including governance, execution, information sharing and settlement. b. A Singapore listing rule for small-cap equities. c. A tax statute governing customer income. d. A clearing guarantee for every OTC derivative.

Answer: a. A global set of principles for wholesale FX-market conduct, including governance, execution, information sharing and settlement.

Rationale: The BIS FX Global Code sets global wholesale FX principles covering ethical, governed and well-controlled market conduct.

293. [Single choice] [RES 2B §5.5] How should best execution be adapted for an OTC derivatives transaction?

a. Compare relevant quotes or pricing processes while considering rate, costs, liquidity, counterparty, size, speed, settlement and instructions. b. Always select the first counterparty contacted. c. Use only the lowest headline rate without assessing collateral or settlement. d. Treat best execution as impossible because OTC products are bespoke.

Answer: a. Compare relevant quotes or pricing processes while considering rate, costs, liquidity, counterparty, size, speed, settlement and instructions.

Rationale: OTC best execution requires a reasonable comparison or pricing process and assessment of customer-specific execution factors.

294. [Combination choice] [RES 2B §5.4–5.6] Which actions are appropriate when compensation conflicts with customer outcome?

a. Disclose and manage the conflict. b. Apply the firm's execution and approval policy. c. Choose the venue that pays more even if the customer outcome is worse. d. Preserve evidence of quotes, decisions, instructions and escalation.

Choose one:

- A. (a) and (c)
- B. (c) and (d)
- C. (b) and (c)
- D. (a), (b) and (d)

Answer: D. (a), (b) and (d)

Rationale: Compensation cannot justify an inferior customer outcome. Conflicts must be managed, policies applied and evidence retained.

295. [Single choice] [RES 2B §6.1–6.2] Which analysis studies price, volume, trends and chart patterns?

a. Technical analysis. b. Fundamental analysis only. c. Estate analysis. d. Custody reconciliation analysis.

Answer: a. Technical analysis.

Rationale: Technical analysis studies price, volume, trends and patterns; fundamental analysis studies economic and issuer drivers.

296. [Single choice] [RES 2B §6.3] Which elements belong in a derivatives trading strategy?

a. Objective, risk, products, leverage, margin, entry and exit rules, monitoring, limits and contingency actions. b. Only a desired return with no loss limit or time horizon. c. Only the product name and a verbal promise. d. A rule that all positions remain open indefinitely.

Answer: a. Objective, risk, products, leverage, margin, entry and exit rules, monitoring, limits and contingency actions.

Rationale: A strategy should define objectives, risk, products, leverage, margin, entry, exit, monitoring, limits and contingency actions.

297. [Single choice] [RES 2B §6.4] Which control is important during derivatives strategy implementation?

a. Check authority, limits, margin, execution, collateral, exposure and exceptions, and escalate breaches. b. Ignore margin until the position is closed. c. Allow unapproved venues if the trade is profitable. d. Replace records with an end-of-month summary only.

Answer: a. Check authority, limits, margin, execution, collateral, exposure and exceptions, and escalate breaches.

Rationale: Implementation requires approved authority, execution and allocation controls, margin and exposure monitoring, records and escalation.

298. [Single choice] [RES 2B §6.4] Why are stop-losses not complete risk controls?

a. Gaps, illiquidity, limit moves, outages or counterparty failure may prevent execution at the chosen stop. b. A stop-loss always executes at exactly the selected price. c. Stop-losses eliminate correlation and regulatory risk. d. Stop-losses remove the need for margin monitoring.

Answer: a. Gaps, illiquidity, limit moves, outages or counterparty failure may prevent execution at the chosen stop.

Rationale: Stops can fail or fill far from the chosen level in gaps, illiquid markets, outages or counterparty stress.

299. [Single choice] [RES 2B §6.5] Which additional information is especially important for a leveraged derivatives customer?

a. Experience with leverage and the derivative, financial resources, margin capacity, liquidity and loss capacity. b. Only the customer's preferred screen layout. c. Only the customer's age, without objectives or experience. d. A guarantee that the customer will never use borrowed funds.

Answer: a. Experience with leverage and the derivative, financial resources, margin capacity, liquidity and loss capacity.

Rationale: Derivatives KYC should address leverage experience, financial resources, margin capacity, liquidity, loss capacity and product knowledge.

300. [Combination choice] [RES 2B §6.6–6.7] Which statements about SIP safeguards and derivatives risk are correct?

a. CAR or CKA may be relevant to a retail customer's SIP account. b. Derivative risks include market, credit, liquidity, gap and operational risks. c. Passing a knowledge assessment eliminates suitability and disclosure duties. d. Correlation risk can increase during market stress.

Choose one:

- A. (b) and (c)
- B. (a), (b) and (d)
- C. (a) and (c)
- D. (c) and (d)

Answer: B. (a), (b) and (d)

Rationale: SIP safeguards and multiple risk categories remain relevant; assessment does not replace suitability or disclosure, and correlations can change under stress.

301. [Single choice] [RES 2B §6.7] Which scenario demonstrates gap risk?

a. The risk that price moves discontinuously so a stop may fill far from its chosen level or not at all. b. The risk that two currencies have the same exchange rate. c. The risk that a customer receives too many statements. d. The risk that a product has a written term sheet.

Answer: a. The risk that price moves discontinuously so a stop may fill far from its chosen level or not at all.

Rationale: Gap risk arises when the market moves between executable prices, making stop execution and loss estimates uncertain.

302. [Single choice] [RES 2B §7.1–7.4] Why must AML/CFT controls cover derivatives counterparties as well as customers?

a. Derivatives can involve complex cross-border payment, collateral, settlement and beneficial-ownership flows. b. Counterparties can never be involved in financial crime. c. Derivatives have no cash-flow or settlement obligations. d. Only retail customers can create AML/CFT risk.

Answer: a. Derivatives can involve complex cross-border payment, collateral, settlement and beneficial-ownership flows.

Rationale: Derivatives may involve complex customers, counterparties, jurisdictions, collateral and payment flows, requiring risk-based controls.

303. [Single choice] [RES 2B §7.5] What should happen when sanctions screening identifies a potential prohibited connection?

a. Hold or prevent the transaction as required, escalate and follow freezing, reporting and non-dealing procedures. b. Complete the transaction quietly if the customer offers extra collateral. c. Delete the alert so the customer is not inconvenienced. d. Ask the customer to change the spelling of its name and continue.

Answer: a. Hold or prevent the transaction as required, escalate and follow freezing, reporting and non-dealing procedures.

Rationale: Potential sanctions matches require the applicable hold, escalation, freezing, reporting and non-dealing process.

304. [Single choice] [RES 2B §7.6] Which is a possible tax-crime red flag?

a. Complex rapid cross-border transfers with no commercial rationale that appear designed to conceal taxable income or beneficial ownership. b. A straightforward transaction with a documented commercial purpose. c. A customer asking for a copy of its own statement. d. A routine reconciliation performed by the firm.

Answer: a. Complex rapid cross-border transfers with no commercial rationale that appear designed to conceal taxable income or beneficial ownership.

Rationale: Complex, rapid and unexplained structures may indicate attempts to conceal taxable income, source of wealth or ownership.

305. [Single choice] [RES 2B §7.7–7.8] What is senior management’s AML/CFT responsibility?

a. Set risk appetite, approve the framework, provide resources, receive reporting, challenge weaknesses and ensure remediation. b. Delegate all accountability to an automated screening tool. c. Approve customers personally but ignore enterprise-level risk. d. Review AML/CFT only after a regulator discovers a breach.

Answer: a. Set risk appetite, approve the framework, provide resources, receive reporting, challenge weaknesses and ensure remediation.

Rationale: Senior management and the board remain accountable for the framework, resources, reporting, challenge and remediation.

306. [Single choice] [RES 2B §7.9] When onboarding a corporate derivatives customer, what beneficial-owner question must be answered?

a. Which natural person ultimately owns or controls the entity, including through ownership chains or other control means. b. Which employee entered the latest trade regardless of ownership. c. Which bank provides the cheapest margin facility. d. Which director has the longest job title.

Answer: a. Which natural person ultimately owns or controls the entity, including through ownership chains or other control means.

Rationale: Beneficial ownership focuses on the natural person who ultimately owns or controls the entity, including indirect control.

307. [Single choice] [RES 2B §7.10–7.11] What should occur before launching a new derivatives product?

a. Assess product, settlement, collateral, counterparties, jurisdictions, anonymity, monitoring and control capability. b. Launch first and design screening after the first suspicious transaction. c. Rely only on the product’s marketing name. d. Assume existing controls are adequate regardless of product features.

Answer: a. Assess product, settlement, collateral, counterparties, jurisdictions, anonymity, monitoring and control capability.

Rationale: New-product risk assessment should cover product features, flows, counterparties, jurisdictions, customers and monitoring capability before launch.

308. [Combination choice] [RES 2B §7.12–7.16] Which evidence can support the effectiveness of an AML/CFT framework?

a. Timely CDD refreshes and effective sanctions screening. b. Meaningful alerts, investigations, STR decisions and reliable records. c. A high number of alerts without any investigation or outcome review. d. Independent testing, training and remediation evidence.

Choose one:

- A. (b) and (c)
- B. (a), (b) and (d)
- C. (c) and (d)
- D. (a) and (c)

Answer: B. (a), (b) and (d)

Rationale: Effectiveness requires evidence of controls operating and producing outcomes, not merely activity volumes.

309. [Single choice] [RES 2B Appendices A–G] What is the purpose of the RES 2B essential-readings appendix?

a. It directs the learner to primary legislation, regulations, notices, guidelines and exchange or clearing rules supporting the summary. b. It guarantees that no source requires updating. c. It replaces all product-specific documentation. d. It lists only questions that will appear in the next examination.

Answer: a. It directs the learner to primary legislation, regulations, notices, guidelines and exchange or clearing rules supporting the summary.

Rationale: The essential-readings list helps learners locate primary sources and should be checked against current versions.

310. [Single choice] [RES 2B Appendix F] Which topic is included in the source RES 2B review questions?

a. Front running, OTC products, ethics, best execution, CKA, regulatory risk and AML/CFT. b. Only equity valuation and dividend forecasting. c. Only personal tax returns for listed companies. d. Only physical warehouse inspection procedures.

Answer: a. Front running, OTC products, ethics, best execution, CKA, regulatory risk and AML/CFT.

Rationale: The source review questions integrate licensing, market conduct, OTC products, ethics, best execution, CKA, regulatory risk and financial crime controls.

Coverage audit

This expanded bank contains 310 questions: 210 converted questions and 100 additional original questions. It is deliberately larger than the 60-question examination format in RES12B.md. The source review questions familiarise candidates with scope and format but do not cover all tested material.

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