Securities Operations Foundation Qualification (SOFQ)

ICMA SOFQ

Version Demo

Total Demo Questions: 7

Total Premium Questions: 75

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Topic Break Down

Topic	No. of Questions
Topic 1, Financial markets and instruments	40
Topic 2, Trade lifecycle	22
Topic 3, Asset servicing	9
Topic 4, Operational risk	4
Total	75

QUESTION NO: 1

The ISO currency code 'CHF represents:

A. Ivory Coast Franc

B. Chinese Renminbi

C. Swiss franc

D. Norwegian Krone

ANSWER: C

Explanation:

The correct answer is **Swiss franc**. CHF is the three-letter currency code assigned to Switzerland and Liechtenstein under the ISO 4217 currency-code standard. The code is constructed from *CH*, Switzerland's ISO country identifier, and *F* for franc. It is used consistently in securities operations, trading, settlement, custody records, payments and market-data systems to identify amounts denominated in Swiss francs without ambiguity across jurisdictions and languages.

Using the standard ISO code is particularly important in post-trade processing because currency identification drives settlement instructions, cash-account movements, foreign-exchange conversions, corporate-action payments and reconciliations. For example, a settlement amount recorded as CHF is understood by counterparties and financial-market infrastructures to be payable in Swiss francs, rather than merely indicating a country or a generic currency name. ISO 4217 is maintained by ISO, with SIX acting as the maintenance agency; its published currency list identifies CHF as the code for the Swiss franc. See the ISO 4217 currency-code information and the SIX currency-code standards information.

QUESTION NO: 2

In a securities settlement system, the netting of multiple obligations so that participants settle one net securities position and one net cash position is known as:

A. Bilateral confirmation

B. Multilateral netting

C. Gross settlement

D. Trade allocation

ANSWER: B

Explanation:

Multilateral netting is correct. Multilateral netting offsets the settlement obligations of more than two participants. Rather than settling every gross delivery and payment separately, each participant's obligations are calculated against those of all other relevant participants, producing net securities and cash positions.

Netting can reduce the number and value of settlement movements, thereby lowering liquidity requirements and operational processing volumes. The legal and operational design of the relevant clearing or settlement arrangement remains important, because participants must understand when obligations are netted and what risks remain. See the Bank for International Settlements' Principles for financial market infrastructures.

QUESTION NO: 3

IPO' stands for:

A. International Private Offering

B. Inclusive Pre Offering

C. Initial Public Offering

D. Integrated Post Offering

ANSWER: C

Explanation:

Initial Public Offering is correct. An IPO is the process through which a company first offers its shares to the public for purchase, typically with the shares becoming admitted to trading on a regulated market or other exchange. Before an IPO, the company's ownership is generally held by founders, private investors, employees, or other non-public shareholders. The offering enables the issuer to raise equity capital from public investors and can provide an established market and liquidity for its shares. The transaction normally involves detailed preparation by the issuer and its advisers, including due diligence, valuation, preparation of disclosure documentation such as a prospectus where required, marketing to prospective investors, allocation, pricing, and settlement. In securities operations, an IPO can generate important post-trade activity, including the accurate capture of allocations, settlement of subscribed shares and funds, custody set-up, and processing of the newly issued security once trading begins. ICMA's primary-market materials describe the issuance process and related market practices for international capital-market transactions. For background on public offerings and the role of prospectuses, see the European Securities and Markets Authority's IPO overview and the ICMA Primary Markets resources.

QUESTION NO: 4

The two choices for the settlement method utilised within a securities market are:

A. 'Account Settlement1 and Tumbling Settlement'

B. Tumbling Settlement' and 'Continuing Settlement'

C. 'Continuing Settlement'and'Account Settlement'

D. 'Rolling Settlement' and 'Account Settlement'

ANSWER: D

Explanation:

'Rolling Settlement' and 'Account Settlement' is correct because these describe the two established ways of organising the contractual settlement of securities-market transactions. Under rolling settlement, each trade settles on its own defined settlement date calculated from the trade date, such as trade date plus a specified number of business days. This approach is the prevailing convention in modern securities markets because it gives each transaction a clear and standardised settlement timetable. Account settlement, sometimes called periodic or fixed-date settlement, groups transactions executed during an agreed account period for settlement on a common account day. It was historically important in markets where transactions were accumulated and settled periodically rather than individually by trade date. The distinction concerns the settlement timetable and the way trades are assigned to settlement dates; it is not a distinction between the operational mechanisms used to transfer securities or cash. ICMA's market-practice materials address the conventions and documentation supporting international bond-market trading and settlement, including the standardisation needed for orderly post-trade processing. See the ICMA Primary Market Handbook and ICMA's secondary-market practice resources.

QUESTION NO: 5

Internal trading systems typically do not:

A. Reflect the firm's settled positions at CSDs/custodians

B. Have the capability to capture new trades

C. Hold the firm's current trading positions

D. Have the capability to amend and cancel trades

ANSWER: A

Explanation:

Internal trading systems typically do not *reflect the firm's settled positions at CSDs/custodians*. A trading system is principally an internal front-office record of trading activity and trading positions. It records transactions when they are executed or booked and supports the management of the resulting contractual positions throughout the trade lifecycle. Its position view may therefore include trades that are still awaiting confirmation, matching, clearing, settlement, or resolution of a settlement exception.

By contrast, a settled-position record is established by the relevant central securities depository (CSD) or custodian after settlement has been completed in that institution's books. That external record is the authoritative record for securities held in the relevant account and must be reconciled with the firm's internal books and records. Timing differences, failed or pending settlements, corporate actions, transfers, and account-structure differences mean that a trading-system position cannot automatically be treated as the settled balance held at a CSD or custodian.

This distinction is consistent with ICMA's focus on the post-trade lifecycle and settlement discipline, where accurate reconciliation and settlement processing are essential operational controls. See ICMA's secondary-market practice resources and its post-trade resources.

QUESTION NO: 6

A S.W.I.FT. 'Bank Identifier Code' comprises::

A. A region code, a country code and a city code

B. A bank code, a country code and a location code

C. A continent code, a country code and a municipality code

D. A bank code, a continent code and a currency code

ANSWER: B

Explanation:

A BIC is structured to identify a financial institution and its location in the SWIFT network. Its mandatory eight-character format consists of a four-character institution (or bank) code, followed by a two-character ISO country code and a two-character location code. For example, in the BIC **DEUTDEFF**, **DEUT** identifies the institution, **DE** identifies Germany, and **FF** is the location code. A BIC can also be extended to eleven characters by adding an optional three-character branch code, allowing identification of a particular office or branch. Thus, the core components are accurately described as a bank code, country code, and location code; the optional branch component does not change the basic structure stated in the answer. BICs support the unambiguous routing and identification of institutions in international financial messaging and are governed by the ISO 9362 standard. SWIFT's overview of the BIC confirms that it is an eight- or eleven-character identifier, with the optional final characters used to identify a branch. See SWIFT's BIC information page and the ISO 9362 standard record.

QUESTION NO: 7

A firm executing a securities trade in the capacity of agency broker intends:

A. To take a securities position, and to remain market risk neutral

B. Not to take a securities position, and not to remain market risk neutra

C. Not to take a securities position, and to remain market risk neutral

D. To take a securities position, and not to remain market risk neutral

ANSWER: C

Explanation:

“Not to take a securities position, and to remain market risk neutral” is correct because an agency broker acts as an intermediary for its client rather than as the trade’s principal. Its role is to arrange or execute the client’s purchase or sale, typically by finding and dealing with a counterparty, without committing the firm’s own balance sheet to own the security. Consequently, the economic exposure to movements in the security’s price remains with the client that is buying or selling. The agency broker’s intended execution model is therefore market-risk neutral: it earns an agreed commission or fee for the service instead of seeking a trading return from holding an inventory position. This distinction is fundamental to securities-market terminology and to understanding the different responsibilities, risk profiles, and disclosures associated with agency and principal capacity. ICMA’s secondary-market materials describe the market conventions and conduct framework applicable to such dealing activity: ICMA Secondary Markets. The UK Financial Conduct Authority also explains the distinction between acting as agent and acting as principal in its Handbook glossary: FCA Handbook Glossary.