**Please, follow the following indications:**

**1) PLEASE, RESPOND CONCISELY TO THE QUESTION POSTED. AVOID DILUTING YOUR RESPONSES WITH IRRELEVANT OR VAGUE PASSAGES.**

**2) SEND YOUR ANSWERS IN A MICROSOFT WORD ATTACHMENT.**

**3) VERY IMPORTANT: YOU MUST WRITE NOT ONLY THE NUMBER BUT THE TITLE OF EACH QUESTION ANSWERED. KEEP IN MIND THAT ANSWERS SUBMITTED WITHOUT ITS TITLE WILL BE RETURNED.**

**1**. **Concisely** **explain** the economic role of brokers, dealers, investment bankers and the role of the New York Stock Exchange specialist (please, make sure that your answer cover the entire question).

2. **Calculate** the amount of excess reserve of a bank with 15,000,000 of reserve and 100.000,000 of deposits if the reserve requirement is 10%

3. Suppose the yield on a 30-year corporate bond rated Aaa is 9.50 percent and the yield on a 30-year Treasury bond is 9.00 percent. **What is the default risk premium**? **Would you expect a higher or lower default risk premium on an A-rated bond?**

4. **Calculate** the gross profit that an underwriter would make if it sold $20 million worth of bonds at par (face value) and paid the firm that sold the bonds 98.75% of par

5. If a bond dealer bought a $100,000 municipal bond at 92% of par and sold it at 96% of par, **how much money did the dealer make on the bid-ask spread?**

6. List and **concisely** **discuss** the risks faced by bond investors.

7. If your bank held 3% of the units issued by a unit trust and the mortgages in the trust repaid $15,000,000 in interest and $2,300,000 in principal in its first year, **how much principal and interest would your bank receive that year**?

8. **Concisely** **explain** the difference between a market order and a limit order.

9. The one-year real rate of interest is currently estimated to be 3 percent.  The current annual rate of inflation is 2 percent, and market forecasts expect the annual rate of inflation to be 5 percent.  **Approximately, what is the current one-year nominal rate of interest**?

**10**. Given the economic role of the money market, **concisely** **explain** the importance of the typical characteristics of money market securities

**END OF THE REGULAR EXAMINATION**

**QUESTIONS FOR EXTRA CREDITS**

**1**. A depository institution holds vault cash of $1 million, reserve deposits at the Fed of $49 million. If that institution holds $500 million in transactions deposits and is subject to a 3 percent reserve requirement on the first $50 million of those deposits and to a reserve requirement of 10 percent on all transactions deposits over $50 million, **what are its required reserves**? **What are its excess reserves**? **(5 EXTRA POINTS)**

2. You purchased a one-year Treasury security with a promised yield of 7 percent.  You expected the annual rate of inflation to be 2.5 percent; however, the actual rate turned out to be 6 percent.  **What were your expected and your realized real rate of interest**? **(4 EXTRA POINTS)**

3. **Define** marketability and **concisely** **explain** why marketability of a security is important to both investor and issuer. **(3 EXTRA POINTS)**

4. **Concisely** **explain** why asset-backed securities are very important in the capital markets and what is their relation with the sub-prime mortgage crisis? (**3 EXTRA POINTS**)

5. **Concisely** **explain** why the FOMC is the key policy group within the Fed. (**3 EXTRA POINTS**)