

CFA® SAMPLE QUESTION - LEVEL I

Fixed Income

Q: Which of the below statement correctly describe a floating-rate issues that have caps and floors?

CORRECT ANSWER:

- (b) A floor is an advantage to the bondholder, while a cap is an advantage to the issuer.**

A cap is a maximum on the coupon rate and thus is advantageous to the issuer.

A floor is a minimum on the coupon rate and thus is advantageous to the bondholder.



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