



## **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:**

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.

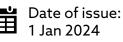
A floor is a minimum on the coupon rate and thus is advantageous to the bondholder.



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