## **CFA® SAMPLE QUESTION - LEVEL I**

## Fixed Income

Q: A floating-rate security will have the greatest duration when:

## **CORRECT ANSWER:**

The day after the reset date

For floating rate instrument, by definition, the duration is higher the greater the time lag until the next coupon payment/ reset date.

Thus the greatest duration/ interest rate risk is, therefore, immediately after the coupon has been reset.



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