

## CFA® SAMPLE QUESTION - LEVEL I

### Fixed Income

**Q:** A bond's indenture:

**CORRECT ANSWER:**

**d) contains its covenants**

An indenture is a legal and binding contract between a bond issuer and the bondholders.

The indenture specifies all the important features of a bond, such as its maturity date, timing of interest payments, method of interest calculation, callable/convertible features if applicable and so on.

The indenture also contains all the terms and conditions applicable to the bond issue.

Other critical information included in the indenture are the financial covenants that govern the issuer and the formulas for calculating whether the issuer is within the covenants



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