

## Answer Key for Quiz #1

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- 1) US Government, 1,3 or 6 months
- 2) Banks, secondary market, greater than \$100,000
- 3) Banks, cannot
- 4) Large banks or corporations
- 5) Semi-annually, amount equal to face value
- 6) Local and State Governments, exempt
- 7) 'Repurchase Agreements' or 'repos' are short term debt contracts (usually with maturity less than two weeks) issued by banks, with T-bills as collateral. A large corporation buys the T-bills – thus providing a loan to the bank – under the agreement that the bank will buy back the Treasury Bills at a slightly higher price from the corporation at maturity of the agreement.
- 8) Federal Funds are typically overnight loans provided by banks to each other, out of their deposits with the Federal Reserve.
- 9) 'Corporate Convertibles' are Corporate Bonds with the additional feature that the holder can convert them into a fixed number of shares/stocks at any time up to the maturity date of the bond.
- 10) '5/1 ARM' refers to an Adjustable-Rate Mortgage for which the initial interest rate is fixed for the first five years and is then revised annually.