

Citi Bank Technical Practice Test (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

- 1. What distinguishes the primary market from the secondary market?**
 - A. Primary market deals with publicly traded companies**
 - B. Primary market is where new securities are issued**
 - C. Primary market focuses on bond trading**
 - D. Primary market sells previously issued stocks**
- 2. What does the term "spreading comps" refer to in financial analysis?**
 - A. Calculating relevant multiples from comparable companies**
 - B. Assessing market trends**
 - C. Projecting future earnings**
 - D. Evaluating asset depreciation**
- 3. What does the term 'creditworthiness' represent?**
 - A. A measure of liquidity in bank assets**
 - B. A numerical assessment based on credit history**
 - C. A type of financial investment strategy**
 - D. A concept related to banking transparency**
- 4. What are savings accounts typically characterized by?**
 - A. High interest rates and low liquidity**
 - B. Low interest rates and high liquidity**
 - C. High fees and restrictions on transactions**
 - D. Variable interest rates and limited access**
- 5. What is liquidity risk in banking?**
 - A. The risk of loss due to a borrower defaulting**
 - B. The risk that a bank will not be able to meet its short-term financial obligations**
 - C. The risk of interest rates fluctuating**
 - D. The risk associated with changes in currency values**

- 6. Which type of bond is generally considered riskier?**
- A. A 30-year coupon bond**
 - B. A 30-year zero-coupon bond**
 - C. A 10-year coupon bond**
 - D. A corporate bond**
- 7. What defines a derivative in financial terms?**
- A. A contract that guarantees a fixed rate of return**
 - B. A financial contract whose value depends on an underlying asset**
 - C. A loan that is guaranteed by collateral**
 - D. An investment that provides regular dividends**
- 8. What advantage does a decentralized ledger technology provide in banking?**
- A. Faster transaction processing**
 - B. Increased security through distributed data recording**
 - C. Lower operational costs**
 - D. Improved stock trading efficiency**
- 9. Why is customer due diligence crucial for banks?**
- A. It enhances customer service quality**
 - B. It increases loan approval rates**
 - C. It helps prevent fraud and financial crime**
 - D. It boosts the bank's profitability**
- 10. What is the main objective of anti-money laundering (AML) regulations?**
- A. To promote financial literacy**
 - B. To prevent and detect money laundering and financing of terrorism**
 - C. To encourage investments in emerging markets**
 - D. To facilitate international trade**

Answers

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1. B
2. A
3. B
4. B
5. B
6. B
7. B
8. B
9. C
10. B

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Explanations

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1. What distinguishes the primary market from the secondary market?

- A. Primary market deals with publicly traded companies**
- B. Primary market is where new securities are issued**
- C. Primary market focuses on bond trading**
- D. Primary market sells previously issued stocks**

The primary market is characterized by the issuance of new securities. This is where companies, governments, or other entities offer new stocks or bonds to investors for the first time, typically through an Initial Public Offering (IPO) for stocks or a new bond offering for bonds. The significance of the primary market lies in the fact that it facilitates capital formation, allowing issuers to raise funds to invest in operations, expand businesses, or finance projects. In contrast, the secondary market is where previously issued securities are traded among investors without direct involvement from the issuing companies. Transactions in this market do not provide new capital to the issuer, as they are merely the resale of existing securities. Understanding this distinction is critical in financial markets, as it captures the different roles and processes involved in capital raising and trading.

2. What does the term "spreading comps" refer to in financial analysis?

- A. Calculating relevant multiples from comparable companies**
- B. Assessing market trends**
- C. Projecting future earnings**
- D. Evaluating asset depreciation**

The term "spreading comps" specifically refers to the process of calculating relevant multiples from comparable companies, which helps in valuing a business. This practice involves collecting data such as price-to-earnings (P/E) ratios, enterprise value to EBITDA (EV/EBITDA), and other financial metrics from companies that are similar in size, industry, and market conditions. By analyzing these multiples, analysts can benchmark a subject company against its peers to determine its relative market value. This comparative analysis is crucial in mergers and acquisitions, investment banking, and equity research, as it provides insight into how the company is valued in relation to others in the market. The other options, while related to financial analysis, do not accurately capture the essence of what "spreading comps" entails. For example, assessing market trends involves broader macroeconomic factors and market behaviors rather than specific company comparisons. Projecting future earnings focuses on an individual company's performance forecast, and evaluating asset depreciation concerns accounting practices regarding asset value over time, neither of which directly aligns with the practice of spreading comparable company data.

3. What does the term 'creditworthiness' represent?

- A. A measure of liquidity in bank assets
- B. A numerical assessment based on credit history**
- C. A type of financial investment strategy
- D. A concept related to banking transparency

The term 'creditworthiness' refers specifically to a numerical assessment based on an individual's or entity's credit history. This assessment typically evaluates various factors, including payment history, outstanding debt, length of credit history, and types of credit used. Financial institutions, such as banks, use this assessment to determine the likelihood that a borrower will repay their debts, which in turn informs lending decisions and the terms of any credit extended. Understanding creditworthiness is crucial in the context of loans and credit cards, as it provides a standardized method for evaluating the risk associated with lending to a particular borrower. A strong credit score generally indicates high creditworthiness, while a lower score suggests higher risk, influencing both approval and interest rates. This assessment is foundational in credit-related decisions in the banking sector.

4. What are savings accounts typically characterized by?

- A. High interest rates and low liquidity
- B. Low interest rates and high liquidity**
- C. High fees and restrictions on transactions
- D. Variable interest rates and limited access

Savings accounts are typically characterized by low interest rates and high liquidity. This means that while the interest earned on the balance in a savings account tends to be lower compared to investments like certificates of deposit (CDs) or stocks, the account allows for easy access to funds. Customers can withdraw or transfer money relatively quickly without significant penalties, making savings accounts a popular choice for individuals who want to maintain flexibility with their savings while still earning some interest. Having high liquidity is crucial for individuals who may need to access their savings on short notice, such as for emergencies or unexpected expenses. The nature of savings accounts is designed to balance the need for accessibility with the opportunity to earn a modest return on funds.

5. What is liquidity risk in banking?

- A. The risk of loss due to a borrower defaulting
- B. The risk that a bank will not be able to meet its short-term financial obligations**
- C. The risk of interest rates fluctuating
- D. The risk associated with changes in currency values

Liquidity risk in banking refers to the danger that a financial institution will be unable to meet its short-term financial obligations when they come due. This situation can occur if a bank does not have sufficient liquid assets or cash flow to cover its liabilities, which can lead to financial distress or even insolvency. In the context of banking, liquidity is crucial as it assures that the bank can promptly respond to withdrawal demands, fund new loans, or meet other obligations without having to sell assets at unfavorable prices or raise funds under distress conditions. Maintaining an adequate level of liquidity is essential for a bank's stability and operational soundness. This is why the statement accurately captures the essence of liquidity risk in the banking sector. The other options pertain to different types of risks; for example, the risk of loss due to borrower default aligns more with credit risk, fluctuations in interest rates represent interest rate risk, and changes in currency values relate to foreign exchange risk. Each of these highlights different areas of concern for financial institutions, further emphasizing how liquidity risk is a distinct and critical category related specifically to the management of short-term financial commitments.

6. Which type of bond is generally considered riskier?

- A. A 30-year coupon bond
- B. A 30-year zero-coupon bond**
- C. A 10-year coupon bond
- D. A corporate bond

A 30-year zero-coupon bond is generally considered riskier due to several factors associated with its structure and the nature of its cash flows. Unlike coupon bonds, which provide periodic interest payments to investors, a zero-coupon bond does not pay interest until maturity. This means that the investor does not receive any cash flow throughout the life of the bond, increasing the duration and interest rate risk. The investor is exposed to market fluctuations over a longer period, making the bond's value more sensitive to changes in interest rates. If interest rates rise, the present value of the future cash payment becomes less attractive, leading to a decline in the bond's market value. Additionally, with a longer maturity, some uncertainties regarding issuer creditworthiness and economic conditions may also lead to an increased risk perception. In contrast, other bond types, such as coupon bonds or corporate bonds, usually provide some income through regular coupon payments, which helps mitigate risk and provides more stable returns. This makes zero-coupon bonds, particularly those with longer maturities, inherently riskier as they offer no interim cash flow and have a longer exposure to interest rate movements.

7. What defines a derivative in financial terms?

- A. A contract that guarantees a fixed rate of return
- B. A financial contract whose value depends on an underlying asset**
- C. A loan that is guaranteed by collateral
- D. An investment that provides regular dividends

A derivative, in financial terms, is defined as a financial contract whose value is derived from the performance of an underlying asset, index, or rate. This underlying component can be a variety of things, such as stocks, bonds, commodities, currencies, or interest rates. Because derivatives are linked to these assets, they tend to reflect the price movements and fluctuations of whatever they are based on. This characteristic allows derivatives to be utilized for various purposes, such as hedging risks, speculating on future price movements, or attempting to leverage investment positions. In contrast, the other options describe financial instruments or contracts that do not capture the essence of what a derivative truly is. For example, a contract that guarantees a fixed rate of return implies a predetermined payout and does not depend on an underlying asset's performance. Similarly, a loan guaranteed by collateral and an investment that provides regular dividends refer to different financial concepts and instruments that do not align with the definition of derivatives.

8. What advantage does a decentralized ledger technology provide in banking?

- A. Faster transaction processing
- B. Increased security through distributed data recording**
- C. Lower operational costs
- D. Improved stock trading efficiency

Decentralized ledger technology offers significant advantages in banking, particularly through increased security via distributed data recording. In a decentralized system, information is recorded across multiple nodes rather than being stored in a single central database. This distribution of data helps to enhance security in several ways. Firstly, it reduces the risk of data tampering or unauthorized access. Since there is no single point of failure, an attacker would need to compromise numerous nodes to alter the data, which is significantly more challenging than targeting a centralized database. This inherent robustness against fraud and cyber-attacks makes decentralized systems particularly appealing for financial institutions. Secondly, the integrity of the data is preserved, as each transaction must be verified by multiple parties before being recorded on the ledger. This consensus mechanism ensures transparency and trust among participants, making it difficult to manipulate transaction records without detection. Overall, the decentralized recording of data creates a more secure environment for transactions, which is essential in banking where the integrity of information is paramount. This foundational aspect of decentralized ledger technology is what makes option B the most accurate choice when considering its advantages in a banking context.

9. Why is customer due diligence crucial for banks?

- A. It enhances customer service quality
- B. It increases loan approval rates
- C. It helps prevent fraud and financial crime**
- D. It boosts the bank's profitability

Customer due diligence is a fundamental practice for banks because it plays a vital role in preventing fraud and financial crime. By thoroughly assessing and verifying customers' identities, financial behavior, and risk profiles, banks can identify suspicious activities and potential threats. This process allows banks to comply with regulatory requirements designed to combat money laundering and other illegal activities. When banks implement effective customer due diligence measures, they protect themselves and their clients from the risks associated with fraudulent transactions, identity theft, and other financial crimes. Additionally, this diligence builds trust with customers and helps maintain the integrity of the banking system as a whole. Strong due diligence practices can identify high-risk customers before they can engage in illicit activities, thereby reducing the likelihood of financial losses and reputational damage to the institution.

10. What is the main objective of anti-money laundering (AML) regulations?

- A. To promote financial literacy
- B. To prevent and detect money laundering and financing of terrorism**
- C. To encourage investments in emerging markets
- D. To facilitate international trade

The main objective of anti-money laundering (AML) regulations is to prevent and detect money laundering and financing of terrorism. These regulations are designed to safeguard the integrity and stability of financial systems by imposing strict compliance requirements on financial institutions and related entities. By establishing comprehensive frameworks and guidelines, AML regulations help to identify suspicious activities that could involve the illicit transfer of funds, enabling authorities to take appropriate action to stop these activities before they can cause harm. This involves ongoing monitoring of transactions, customer due diligence, and reporting suspicious behaviors to relevant authorities. In essence, the focus is on preventing criminal organizations from using the legitimate financial system to obscure the origins of illegally obtained money or to fund terrorist activities, thereby enhancing public trust in financial systems and contributing to national and global security.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://citibanktechnical.examzify.com>

We wish you the very best on your exam journey. You've got this!