2016-FRR Q&As

Financial Risk and Regulation (FRR) Series

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QUESTION 1

Which of the following statements describes a bank\\'s reasons to set risk limits?

I. To control and minimize a bank\\'s current risk exposure.

II. To predict future risks.

III. To allocate risks to business units.

IV.

To keep risk within tolerance levels.

A.

I and II

B.

III and IV

C.

I, II, and III

D.

I, III, and IV

Correct Answer: D

QUESTION 2

To manage its credit portfolio, Beta Bank can directly sell the following portfolio elements:

I. Bonds

II. Marketable loans

III.

Credit card loans

A.

I

B.

II

C.

I, II

D.

II, III

Correct Answer: C

QUESTION 3

What is generally true of the relationship between a bond\\'s yield and it\\'s time to maturity when the yield curve is upward sloping?

A. The longer the time to maturity of the bond, the lower its yield.

B. The longer the time to maturity of the bond, the higher its yield.

C. The shorter the time to maturity of the bond, the higher its yield.

D. There is no relationship between the two

Correct Answer: B

QUESTION 4

Which of the following statements is a key difference between customer loans and interbank loans?

A. Customers are less credit-worthy than banks on average and hence yields are higher on average for customer loans as compared to interbank loans

B. Customer loans are of shorter duration than interbank loans

C. Customer loans are easier to sell than interbank loans

D. Interbank loans are more customized than commercial loans

Correct Answer: A

QUESTION 5

To estimate the responsiveness of a particular equity portfolio to the overall market, a trader should use the portfolio\\'s

A. Alpha

B. Beta

C. CVaR

D. VaR

Correct Answer: B