

# 2016-FRR<sup>Q&As</sup>

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

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## 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

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**QUESTION 3**

What is generally true of the relationship between a bond's yield and its 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

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**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

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**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

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