2016-FRR Q&As

Financial Risk and Regulation (FRR) Series

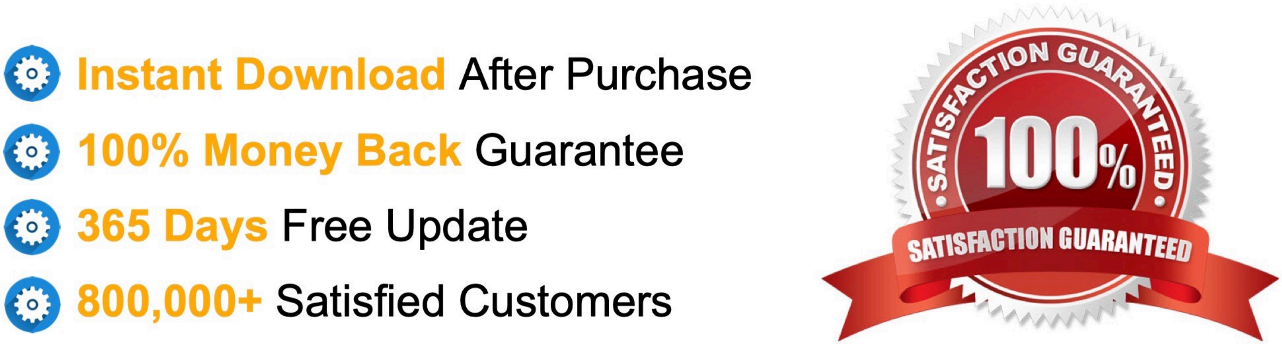
Pass GARP 2016-FRR Exam with 100% Guarantee

Free Download Real Questions & Answers **PDF** and **VCE** file from:

https://www.leads4pass.com/2016-frr.html

100% Passing Guarantee
100% Money Back Assurance

Following Questions and Answers are all new published by GARP Official Exam Center



QUESTION 1

A credit portfolio manager analyzes a large retail credit portfolio. Which of the following factors will represent typical disadvantages of market-linked credit risk drivers?

I. Need to supply a large number of input parameters to the model

II. Slow computation speed due to higher simulation complexity

III. Non-linear nature of the model applicable to a specific type of credit portfolios

IV.

Need to estimate a large number of unknown variable and use approximations

A.

I

B.

I, II

C.

II, III

D.

III, IV

Correct Answer: B

QUESTION 2

What is the explanation offered by the liquidity preference theory for the upward sloping yield curve shape?

A. The long term rates must rise enough to get some borrowers to borrow short-term and some lenders to lend long-term.

B. The long term rates must rise enough to get some borrowers to borrow long-term and some lenders to lend short-term.

C. The short term rates must rise enough to get some borrowers to borrow short-term and some lenders to lend long-term.

D. The short term rates must fall enough to get some borrowers to borrow long-term and some lenders to lend short-term.

Correct Answer: A

QUESTION 3

Which one of the following statements is an advantage of using implied volatility as an input when calculating VaR?

A. Implied volatility assumes volatilities are constant which makes it easy to implement in models.

B. Current market data is used to determine implied volatilities, which makes them forward looking measures

C. Implied volatilities are better at predicting actual volatilities

D. Loss probabilities from the standard normal distribution are used to compute implied volatilities, which makes it easy to compute the.

Correct Answer: B

QUESTION 4

Which one of the following statements describes Macauley\\'s duration?

A. The change in value of a bond when yields increase by 1 basis point.

B. The weighted average life of the bond payments.

C. The present value of the future cash flows of a bond calculated at a yield equal to 1%.

D. The percentage change in a bond price when the yields change by 1%.

Correct Answer: B

QUESTION 5

Alpha Bank determined that Delta Industrial Machinery Corporation has 2% change of default on a one-year no-payment of USD $1 million, including interest and principal repayment. The bank charges 3% interest rate spread to firms in the machinery industry, and the risk-free interest rate is 6%. Alpha Bank receives both interest and principal payments once at the end the year. Delta can only default at the end of the year. If Delta defaults, the bank expects to lose 50% of its promised payment. Six months after Alpha Bank provides USD $1 million loan to the Delta Industrial Machinery Corporation, a new competitor enters the machinery industry, causing Delta to adjust its prices and mark down the value of its inventory. Hence, the probability of default increases from 2% to 10% and the loss given default increases from 50% to 75%. If Alpha Bank can reprice the loan, what should the new rate be?

A. 10%

B. 13%

C. 16.5%

D. 20.5%

Correct Answer: D