

2016-FRR^{Q&As}

Financial Risk and Regulation (FRR) Series

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QUESTION 1

Which of the following measure describes the symmetry of a statistical distribution?

- A. Mean
- B. Standard deviation
- C. Skewness
- D. Kurtosis

Correct Answer: C

QUESTION 2

Which of the following correctly identifies reasons for collecting internal operational risk event and loss information?

- I. Assessing the risk of specific areas of concern.
- II. Evaluating risk events and outcomes.
- III. Collecting data for capital modeling.
- IV.

Getting insight into risk events in other firms in the industry.

- A.
- I and II
- B.
- II and III
- C.
- I, II and III
- D.
- II, III, and IV

Correct Answer: C

QUESTION 3

According to Basel II what constitutes Tier 2 capital?

- A. Debt that is not subordinated to equity and innovative capital products that would count as Tier 1 capital and

excluding perpetual non-cumulative preference shares.

B. Debt that is subordinate to equity.

C. Equity capital and debt together.

D. Core capital excluding undisclosed reserves and general reserves that the bank may make against its expected loan losses.

Correct Answer: A

QUESTION 4

Which of the following attributes of duration gap model typically cause criticism?

I. Basis risk

II. Errors in the linear model

III. Costs of immunization

IV.

Constant nature of calculation

A.

I, II

B.

II, III, IV

C.

I, II, III

D.

I, III, IV

Correct Answer: C

QUESTION 5

After entering the securitization business, Delta Bank increases its cash efficiency by selling off the lower risk portions of the portfolio credit risk. This process ___ return on equity for the bank, because the cash generated by the risk-transfer and the overall ___ of the bank's exposure to the risk.

A. Increases; increase;

B. Increases; reduction;

C. Decreases; increase;

D. Decreases; reduction;

Correct Answer: B

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