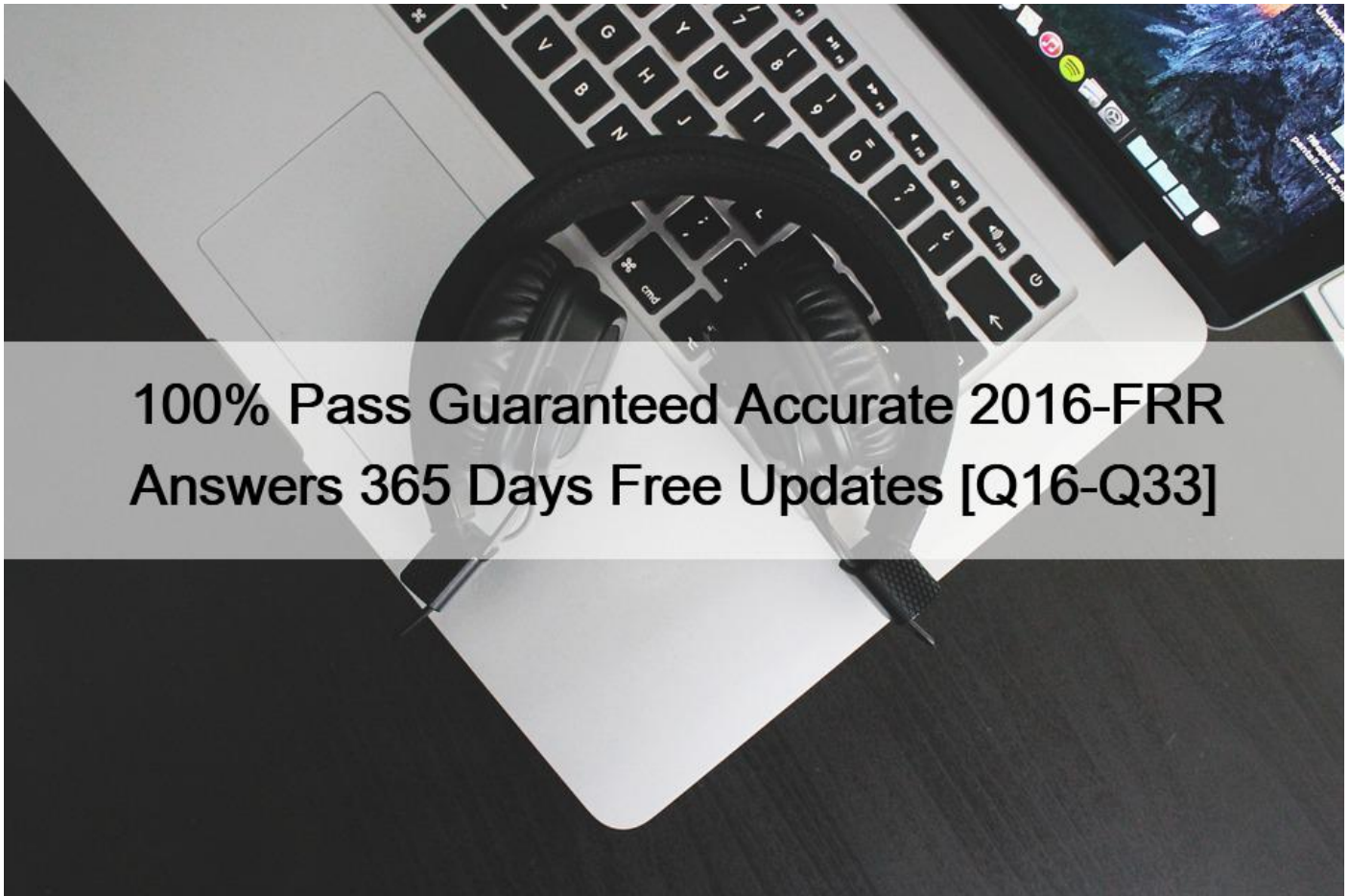


100% Pass Guaranteed Accurate 2016-FRR Answers 365 Days Free Updates [Q16-Q33]



100% Pass Guaranteed Accurate 2016-FRR Answers 365 Days Free Updates 2016-FRR DUMPS Q&As with Explanations Verified & Correct Answers

Topics covered by the GARP 2016-FRR

Here is a list of the main subjects that will be covered in the 2016-FRR:

- Emerging Markets: 15% - Financial Services: 15% - Regulation, Supervision, Reporting, and Management: 20% - Risk Management: 50% **NO.16** A corporate bond was trading with 2% probability of default and 60% loss given default. Due to the credit

crisis the probability of default increased to 10% and the loss given default increased to 100%. Assuming that

the risk premium remained the same how did the credit spread change?

- * Increased by 1120 basis points
- * Increased by 880 basis points
- * Increased by 1000 basis points
- * Decreased by 880 basis points

NO.17 Except for the credit quality of the Credit Default Swap protection seller, the following relationship correctly

approximates the yield on a risk-free instrument:

- * Bond + CDS
- * Bond + CDS + Market Spread
- * Bond + CDS
- * Bond + CDS + Market spread

NO.18 To estimate the responsiveness of a particular equity portfolio to the overall market, a trader should use the

portfolio's

- * Alpha
- * Beta
- * CVaR
- * VaR

NO.19 Which of the following are conclusions that could be drawn from the shape of the statistical distribution of

losses that a bank might incur over a future time period?

- I. In most years a bank would look more profitable than it will be on average.
 - II. Most of the time a sufficiently well capitalized bank will appear over-capitalized.
 - III. Bad years do not come along very often, but when they do they lead to enormous losses.
- * I, II
 - * I, III
 - * II, III
 - * I, II, III

NO.20 On January 1, 2010 the TED (treasury-euro dollar) spread was 0.9%, and on January 31, 2010 the TED spread

is 0.4%. As a risk manager, how would you interpret this change?

- * The decrease in the TED spread indicates a decrease in credit risk on interbank loans.
- * The decrease in the TED spread indicates an increase in credit risk on interbank loans.
- * Increase in interest rates on both interbank loans and T-bills.
- * Increase in credit risk on T-bills.

NO.21 Which one of the four following aspects of legal risk is NOT included in the Basel II Accord?

- * Exposure to fines
- * Private settlements
- * Punitive damages resulting from supervisory actions
- * Negative publicity resulting from reputational damages

NO.22 To safeguard its capital and obtain insurance if the borrowers cannot repay their loans, Gamma Bank accepts

financial collateral to manage its credit risk and mitigate the effect of the borrowers' defaults. Gamma Bank

will typically accept all of the following instruments as financial collateral EXCEPT?

- * Unrated bonds issued and traded on a recognized exchange

- * Equities and convertible bonds included in a main market index
- * Commercial debts owed to a company in a form of receivables
- * Mutual fund shares and similar unit investment vehicles subject to daily quotes

NO.23 Which one of the following four examples would not be considered a typical source of market risk?

- * Unexpected changes in the term structure of interest rates.
- * The JPY depreciating against the USD.
- * Increased default rate on commercial mortgages due to higher interest rates.
- * Changes in the oil price due to the discovery of new oil fields.

NO.24 Which of the following statements regarding collateralized debt obligations (CDOs) is correct?

I. CDOs typically have loans or bonds as underlying collateral.

II. CDOs generally less risky than CMOs.

III. There is a correlation among defaults in the CDO collateral which should be considered in valuation of

these complex instruments.

- * I only
- * I and III
- * II and III
- * I, II, and III

NO.25 Which one of the following four statements describes the advantage of using delta-gamma method of mapping options positions over delta-normal method?

Delta-gamma method

- * Converts options into underlying factor risks according to their deltas and the gammas to those factors.
- * Fully captures option price risk, particularly for extreme price movements.
- * Overstates the risk of long option positions, but understate the risk of short option positions.
- * Approximates more accurately the non-linear relationship of option values and risk.

NO.26 Changes to which one of the following four factors would typically not increase the cost of credit?

- * Increasing inflation rates in a country.
- * Increase in consumption of goods and services.
- * Higher risk premium on a fixed income instrument.
- * Higher return earned on alternative investments.

NO.27 Bank Muri has \$4 million in cash and \$5 million in loans coming due tomorrow with an expected default rate

of 1%. The proceeds will be deposited overnight. The bank owes \$ 9 million on a securities purchase that

settles in two days and pays off \$8 million in commercial paper in three days that is not expected to renew. On

day 2, \$1 million in loans is coming in with an expected default rate of 1% and on day 3, \$2 million in loans is

coming in with expected default rate of 2%. How much should the bank plan to raise in order to avoid liquidity

problems?

- * \$500 million
- * \$510 million
- * \$508 million
- * \$550 million

NO.28 For a bank a 1-year VaR of USD 10 million at 95% confidence level means that:

- * There is a 5% chance that the bank would lose less than USD 10 million in a year.
- * There is a 5% chance that the bank would lose more than USD 10 million in a year.
- * There is a 5% chance that the worst loss would be USD 10 million in a year.
- * There is a 5% chance that the least loss would be USD 10 million in a year.

NO.29 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.
- * I and II
 - * II and III
 - * I, II and III
 - * II, III, and IV

NO.30 To quantify the aggregate average loss for the credit portfolio and its possible constituent subportfolios, a credit portfolio manager should use the following metric:

- * Credit VaR
- * Expected loss
- * Unexpected loss
- * Factor sensitivity

NO.31 Which one of the following four exotic option types has another option as its underlying asset, and as a result of its construction is generally believed to be very difficult to model?

- * Spread options
- * Chooser options
- * Binary options
- * Compound options

NO.32 Which of the following statements regarding CDO-squared is correct?

- I. CDO-squared use other CDOs and CMOs as collateral.
- II. Risk assessment of CDO-squared is almost impossible due to their complexity.

III. CDO-squared have lower credit risk than CMOs but higher than CDOs.

- * I only
- * I and II
- * II and III
- * I, II, and III

NO.33 Which one of the following four statements presents a challenge of using external loss databases in the

operational risk framework?

- * Use of benchmarked data reflects similar data collection standards.
- * External events are usually not of interest to senior management.
- * If the external data is gathered from news sources, it may only reflect events that are interesting to the

press.

- * They provide a source of data on what operational loss events will occur.

What is the Passing Score, Duration & No. of queries for the GARP 2016-FRR: - Format of 2016-FRR: All multiple choice- Language: English- Number of Questions: 80- Passing score: 54/80 (67.5%)- Duration: 175 minutes **2016-FRR dumps Exam Material with 345 Questions:** <https://www.actualtests4sure.com/2016-FRR-test-questions.html>]