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.pass4itsure.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

To quantify the aggregate average loss for the credit portfolio and its possible constituent subportfolios, a credit portfolio manager should use the following metric:

A. Credit VaR

B. Expected loss

C. Unexpected loss

D. Factor sensitivity

Correct Answer: B

QUESTION 2

Which one of the following statements correctly identifies risks in foreign exchange forwards?

A. Short-term forward price fluctuations are driven by changes in the spot exchange rate, since most inter-country interest rates differentials are significant, and the effect of compounding is large for short periods of time.

B. Short-term forward price fluctuations are driven by changes in the spot exchange rate, since most inter-country interest rates differentials are small, and the effect of compounding is small for short periods of time.

C. Long-term forward price fluctuations are driven by changes in the spot exchange rate, since most inter-country interest rates differentials are small, and the effect of compounding is large for short periods of time.

D. Long-term forward price fluctuations are driven by changes in the spot exchange rate, since most inter-country interest rates differentials are significant, and the effect of compounding is small for short periods of time.

Correct Answer: B

QUESTION 3

A bank owns a portfolio of bonds whose composition is shown below.

Bond	Value	Modified Duration
3-year floater	$200	0.25
5-year floater	$120	0.25
10-year fixed	$50	8

What is the modified duration of the portfolio?

A. 1.30

B. 8.5

C. 2.30

D. 0.5

Correct Answer: A

QUESTION 4

Which of the following factors can cause obligors to default at the same time?

I. Obligors may be harmed by exposures to similar risk factors simultaneously.

II. Obligors may exhibit herd behavior.

III. Obligors may be subject to the sampling bias.

IV.

Obligors may exhibit speculative bias.

A.

I

B.

II, III

C.

I, II

D.

III, IV

Correct Answer: C

QUESTION 5

A bank customer expecting to pay its Brazilian supplier BRL 100 million asks Alpha Bank to buy Australian dollars and sell Brazilian reals. Alpha bank does not hold Brazilian reals so it asks for a quote to buy Brazilian reals in the market. The market rate is 100. The bank quotes a selling rate of 101 to its customer, sells the reals, and receives AUD 1,010,000. To perform foreign exchange matched position trading, the banks should

A. Immediately buy the real at the market rate of 100 and pay AUD 1,000,000.

B. Immediately buy the real above the market rate of 105 and pay AUD 1,050,050.

C. Immediately sell the real at the market rate of 100 and receive AUD 1,000,000.

D. Immediately sell the real above the market rate of 105 and receive AUD 1,050,050.

Correct Answer: A