



2016-FRR^{Q&As}

Financial Risk and Regulation (FRR) Series

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QUESTION 1

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 2

Which one of the following four statements correctly defines chooser options?

A. The owner of these options decides if the option is a call or put option only when a predetermined date is reached.

B. These options represent a variation of the plain vanilla option where the underlying asset is a basket of currencies.

C. These options pay an amount equal to the power of the value of the underlying asset above the strike price.

D. These options give the holder the right to exchange one asset for another.

Correct Answer: A

QUESTION 3

James manages a loans portfolio. He has to evaluate a large number of loans to choose which of them he will keep in the bank's books. Which one of the following four loans would he be most likely to sell to another bank?



- A. Loan to a major customer who is also a director and a large owner.
- B. Loan made to a highly risky borrower that is fully collateralized by the customer's deposits.
- C. Loan to a commercial customer with a good payment history and collateral.
- D. Loan to a borrower who has been delinquent previously, but now is performing as agreed.

Correct Answer: C

QUESTION 4

Which of the following bank events could stress the bank's liquidity position?

- I. Obligations to fund assets like mortgages
- II. Unusually large depositor withdrawals
- III. Counterparty collateral calls
- IV. Nonperforming assets

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

Correct Answer: D

QUESTION 5

Which of the following risk measures are based on the underlying assumption that interest rates across all maturities change by exactly the same amount?

- I. Present value of a basis point.
- II. Yield volatility.
- III. Macaulay's duration.



IV.

Modified duration.

A.

I and II

B.

I, II, and III

C.

I, III, and IV

D.

I, II, III, and IV

Correct Answer: C

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