# ICBRR Q&As

International Certificate in Banking Risk and Regulation (ICBRR)

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**QUESTION 1**

The value of which one of the following four option types is typically dependent on both the final price of its underlying asset and its own price history?

A. Stout options

B. Power options

C. Chooser options

D. Basket options

Correct Answer: A

**QUESTION 2**

To hedge a foreign exchange exposure on behalf of a client, a small regional bank seeks to enter into an offsetting foreign exchange transaction. It cannot access the large and liquid interbank market open primarily to larger banks. At which one of the following exchanges can the smaller bank trade the currency futures contracts?

A. The Tokyo Futures Exchange

II. The Euronext-Liffe Exchange

III. The Chicago Mercantile Exchange

B. I

C. III

D. II, III

E. I, II, III

Correct Answer: D

**QUESTION 3**

Which one of the following statements accurately describes market risk tolerance?

A. Market risk tolerance is the maximum likely gain in the market value of portfolios over a given period of time.

B. Market risk tolerance is the maximum loss in the market value of financial instruments caused by the failure of the counterparty to meet its obligations.

C. Market risk tolerance is the maximum loss the bank is willing to bear due to fluctuations in market prices and rates.

D. Market risk tolerance is the minimum loss the bank is willing to bear due to fluctuations in market prices and rates.

Correct Answer: C

**QUESTION 4**

Gamma Bank is active in loan underwriting and securitization business, and given its collective credit exposure, it will be typically most interested in the following types of portfolio credit risk:

A. Expected loss

II. Duration

III. Unexpected loss

IV. Factor sensitivities

B. I

C. II

D. I, III

E. I, III, IV

Correct Answer: D

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**QUESTION 5**

Company A needs to provide a risk probability/frequency score for its RCSA program. If the event is likely to happen once in 2 years, then the frequency score will be equal to:

A. 0.2

B. 0.5

C. 1

D. 2

Correct Answer: B