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## Question 1

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**Question Type:** MultipleChoice

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According to the Group of 30 Report, important risks associated with dynamic hedging are:

### Options:

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- A- Greater volatility than expected over the life of an option
- B- Sudden gaps in market prices
- C- Both A and B
- D- Neither A nor B

### Answer:

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C

## Question 2

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**Question Type:** MultipleChoice

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According to the Group of 30 Report, dealers and end-users are encouraged to:

**Options:**

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- A-** Use separate trading agreements for interest rate derivatives, equity derivatives and foreign exchange transactions.
- B-** Use a common trading agreement for interest rate and equity derivatives but a separate agreement for foreign exchange transactions.
- C-** Use one trading agreement for foreign exchange forwards and another for foreign exchange options.
- D-** Use a single master trading agreement as widely as possible with each counter party.

**Answer:**

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D

## Question 3

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**Question Type: MultipleChoice**

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Which of the following is part of the Group of 30 Report's market risk and stress testing recommendations?

**Options:**

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- A- To be consistent with regulatory capital measures, 10-day holding periods should be standardized for VaR reporting
- B- Historic simulations are not effective methods of stress testing
- C- Stress tests should incorporate changes in liquidity
- D- Market risk VaR measures should be multiplied by 3 to get to a stress test figure, as long as the VaR model has been back-tested

**Answer:**

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C

## Question 4

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**Question Type: MultipleChoice**

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Bankgesellschaft Berlin's failures can be best characterised as

**Options:**

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- A- credit risk caused by overexposure to the property market

- B-** credit risk caused by a diversified portfolio of poor-quality loans
- C-** both A and B
- D-** none of the above

**Answer:**

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A

## Question 5

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**Question Type:** MultipleChoice

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Which items below were at the core of the problems at Bankgesellschaft Berlin?

**Options:**

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- A-** Political corruption and poor management
- B-** Over exposure to the property market
- C-** Rash guarantees given to investors in property linked funds
- D-** All of the above

**Answer:**

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D

## Question 6

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**Question Type:** MultipleChoice

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The problems at Bankgesellschaft Berlin can best be characterized as failures related to:

**Options:**

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**A-** Market Risk

**B-** Credit Risk

**C-** Operational Risk

**D-** Both B and C

**Answer:**

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D

## Question 7

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**Question Type:** MultipleChoice

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National Australia Bank and Barings cases are similar in that:

**Options:**

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- A- Losses kept increasing while rogue trader(s) hid their positions
- B- The back offices had inadequate procedures
- C- Both A and B
- D- None of the above

**Answer:**

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C

## Question 8

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**Question Type:** MultipleChoice

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Unlike the case at Barings Bank, National Australia Bank:

**Options:**

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- A- Had a risk management infrastructure that was credited with doing its' job well, despite the losses
- B- Was not dealing in derivatives
- C- Had a Board of Directors that was unaware of the true nature of trading activities
- D- Had a separation of duties between trading and back office

**Answer:**

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D



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