GARP 2016-FRR Practice Questions

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Question 1

Question Type: MultipleChoice

A large multinational bank is concerned that their duration measures may not be accurate since the yield curve shifts are not parallel. Which of the following statements would be typically observed regarding variability of interest rates?

Options:

A- Short-term rates are more variable than long-term rates.
B- Short-term rates are less variable than long-term rates.
C- Short-term rates are equally variable as long-term rates.
D- Short-term rates and long-term rates always move in opposite directions.

Answer:

A

Question 2

Question Type: MultipleChoice

Which one of the following four features is NOT a typical characteristic of futures contracts?

Options:

A- Fixed notional amount per contract
B- Fixed dates for delivery
C- Traded Over-the-counter only
D- Daily margin calls

Answer:

C

Question 3

Question Type: MultipleChoice

A customer of EtaBank, Alfred Fall, fell on the marble floors of the bank and sustained substantial injuries. Subsequently, he won a personal injury claim of $50,000 against EtaBank. How should EtaBank's operational loss data event information database categorize this event?

Options:

A- This event would qualify as 'Business Disruption and System Failures'.
B- This event would qualify as 'Employment Practices and Workplace Safety'.
C- This event would not qualify as an operational risk event.
D- This event would qualify as 'Legal Risk'.

Answer:

B

Question 4

Question Type: MultipleChoice

Why do regulatory standards impose formulaic capital calculations for all of the banks activities?

I . If the banks use different models it is difficult for a regulator to compare results across banks.

II . By imposing standardized calculations regulators can make sure that banks are not missing key risks in their calculations.

III . By imposing standardized calculations regulators can make sure that banks do not use capital calculations to game the banking regulation system.

Options:

A- I
B- I,II
C- II, III
D- I,II, III

Answer:

D

Question 5

Question Type: MultipleChoice

What is a difference between currency swaps and interest rate swaps?

Options:

A- Currency swaps do not require the exchange of notional principal on maturity.
B- Currency swaps allow banks and customers to obtain the risk/reward profile of long-term interest rates without having to use long-term funding.
C- Currency swaps are OTC derivative contracts.
D- Currency swaps generate foreign exchange rate risk in addition to interest rate risk.

Answer:

D

Question 6

Question Type: MultipleChoice

Which one of the following four statements about market risk is correct? Market risk is

Options:

A- The exposure to an adverse change in the credit quality in portfolios or of financial instruments.
B- The maximum likely loss in the market value of portfolios and financial instruments over a given period of time.
C- The maximum likely loss in the market value of portfolios and financial instruments caused by the failure of the counterparty to meet its obligations.
D- The exposure to an adverse change in the market value of portfolios and financial instruments caused by a change in market prices or rates.

Answer:

D

Question 7

Question Type: MultipleChoice

Interest rate swaps are:

Options:

A- Exchange traded derivative contracts that allow banks to take positions in future interest rates.
B- OTC derivative contracts that allow banks and customers to obtain the risk/reward profile of long-term interest rates without relying on long-term funding.
C- Exchange traded derivative contracts that allow banks and customers to obtain the risk/reward profile of long-term interest rates without having to use long-term funding.
D- OTC derivative contracts that allow banks to take positions in series of future exchange rates.

Answer:

B

Question 8

Question Type: MultipleChoice

A risk associate responsible for the operational risk function wants to evaluate the upward reporting governance structure and to assess its critical features. Which one of the four attributes does not represent a critical feature of the upward reporting governance structure?

Options:

A- Independence
B- Importance
C- Relevance
D- Security

Answer:

D

Question 9

Question Type: MultipleChoice

Which one of the four following statements regarding minimum loss data standards is not correct?

Options:

A- The loss data entry must include the actual loss amount.
B- The loss data program must comprehensively capture all material activities.
C- The loss data entry should only include the date when the event was reported.
D- The loss data entry may include descriptive information about the drivers or causes of the loss event.

Answer:

C

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