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.geekcert.com/2016-frr.html

100% Passing Guarantee
100% Money Back Assurance

Following Questions and Answers are all new published by GARP Official Exam Center

- **Instant Download** After Purchase
- **100% Money Back** Guarantee
- **365 Days** Free Update
- **800,000+** Satisfied Customers

QUESTION 1

How could a bank\\'s hedging activities with futures contracts expose it to liquidity risk?

A. The futures hedge may not work due to the widening of basis which could result in a loss for the bank.

B. Prices may move such that a loss results on the hedge.

C. Since futures require margins which are settled every day, the bank could find itself scrambling for funds.

D. The bank could get exposed to liquidity risk since futures trade on an exchange.

Correct Answer: C

QUESTION 2

The retail banking business of BankGamma has an expected P and L of $50 million and a VaR of $100 million. The bank seeks to diversify its revenue, and is considering the opportunity to acquire a credit card business with an expected P and L of $50 million and a VaR of $150 million. What will be the overall RAROC if the bank acquires the new business?

A. 33.3%.

B. 50%.

C. 58%.

D. 72%.

Correct Answer: C

QUESTION 3

To protect the oranges harvest price level, a farmer needs to take a hedge position. Provided that he produces the amount he hedged, which one of the following four strategies will allow the farmer to accomplish his goal?

A. Going short on oranges futures contracts

B. Going long on oranges futures contacts

C. Entering into a customized forward contract with the bank

D. Negotiating a credit line facility

Correct Answer: A

QUESTION 4

Which of the following factors would typically increase the credit spread?

I. Increase in the probability of default of the issuer.

II. Decrease in risk premium.

III. Decrease in loss given default of the issuer.

IV.

Increase in expected loss.

A.

I

B.

II and III

C.

I and IV

D.

I, II, and IV

Correct Answer: C

QUESTION 5

In analyzing market option pricing dynamics, a risk manager evaluates option value changes throughout the entire trading day. Which of the following factors would most likely affect foreign exchange option values?

I. Change in the value of the underlying

II. Change in the perception of future volatility

III. Change in interest rates

IV.

Passage of time

A.

I, II

B.

I, II, III

C.

II, III

D.

I, II, III, IV

Correct Answer: D