



2016-FRR^{Q&As}

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QUESTION 1

Which one of the following four exotic option types has another option as its underlying asset, and as a result of its construction is generally believed to be very difficult to model?

- A. Spread options
- B. Chooser options
- C. Binary options
- D. Compound options

Correct Answer: D

QUESTION 2

The pricing of credit default swaps is a function of all of the following EXCEPT:

- A. Probability of default
- B. Duration
- C. Loss given default
- D. Market spreads

Correct Answer: B

QUESTION 3

A risk analyst is considering how to reduce the bank's exposure to rising interest rates. Which of the following strategies will help her achieve this objective?

- I. Reducing the average repricing time of its loans
- II. Increasing the average repricing time of its deposits
- III. Entering into interest rate swaps
- IV.

Improving earnings capacity and increasing intermediated funds

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



IV

D.

I, II, IV

Correct Answer: D

QUESTION 4

In the United States, stock investors must comply with the Regulation T of the Federal Reserve Bank and may borrow up to ____ of the value of the securities from their brokers.

A. 30%

B. 40%

C. 50%

D. 60%

Correct Answer: C

QUESTION 5

For two variables, which of the following is equal to the average product of the deviations from their respective means?

A. Standard deviation

B. Kurtosis

C. Correlation

D. Covariance

Correct Answer: D

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