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QUESTION 1

James Johnson has a $1 million long position in ThetaGroup with a VaR of 0.3 million, and $1 million long position in VolgaCorp with a VaR of 0.4 million. The returns of the two companies have zero correlation. What is the portfolio VaR?

A. $1 million

B. $0.7 million

C. $0.5 million

D. $0.4 million

Correct Answer: C

QUESTION 2

Mega Bank holds a $250 million mortgage loan portfolio, which reprices every 5 years at LIBOR + 10%. The bank also has $150 million in deposits that reprices every month at LIBOR + 3%. What is the amount of Mega Bank\\'s rate sensitive liabilities?

A. $100 million

B. $150 million

C. $200 million

D. $250 million

Correct Answer: B

QUESTION 3

AlphaBank\\'s management is evaluating how changes in its business environment could materially impact risk categories. As a result, bank\\'s management decides to implement the structure, which facilitates the discussion in an integrative context, spanning market, credit, and operational risk factors, and encourages transparency and communication between risk disciplines. Which one of the following four approaches should the management choose to achieve this strategic goal?

A. Regulatory risk management approach

B. Enterprise risk management approach

C. Scenario-based risk management approach

D. Taxonomy-based risk management approach

Correct Answer: B

QUESTION 4

In analyzing the historical performance of a financial product, you are concerned about "fat tails", the probability of extreme returns compared to realized returns. Which of the following measures should you use to determine if the product return distribution of the product has "fat tails"?

A. Mean

B. Standard deviation

C. Skewness

D. Kurtosis

Correct Answer: D

QUESTION 5

Foreign exchange rates are determined by various factors. Considering the drivers of exchange rates, which one of the following changes would most likely strengthen the value of the USD against other foreign currencies?

A. The expected US inflation rate increases

B. The global demand for US products decreases

C. The economic performance in the US weakens

D. The US current account surplus increases

Correct Answer: D