



# 2016-FRR<sup>Q&As</sup>

Financial Risk and Regulation (FRR) Series

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### QUESTION 1

Which one of the four following statements about a minimal loss threshold in operational loss data collection is incorrect?

- A. A company can have differing operational loss data collection and reporting thresholds for different departments.
- B. The operational loss data collection program has to capture all losses regardless of their size.
- C. Setting an operational loss data collection threshold depends on the risk appetite of the firm and regulatory requirements it needs to meet.
- D. The operational loss data collection program must include all material losses that are above minimal gross loss threshold.

Correct Answer: B

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### QUESTION 2

The exercise for an American type option prior to expiration day is virtually certain in the following case:

- A. In the event of a high dividend for an in-the-money call option
- B. In the event of a high dividend for an in-the-money put option
- C. In the event of a low dividend for an in-the-money call option
- D. In the event of a low dividend for an in-the-money put option

Correct Answer: A

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### QUESTION 3

A risk associate evaluating his current portfolio of assets and liabilities wants to determine how sensitive this portfolio is to changes in interest rates. Which one of the following four metrics is typically used for this purpose?

- A. Modified duration
- B. Duration of default
- C. Effective duration
- D. Macaulay duration

Correct Answer: A

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### QUESTION 4

To improve the culture and awareness of the operational risk, Gamma Bank's CRO decides to promote three activities



within her organization. Which one of the following four activities is NOT typically used to develop an operational risk framework?

- A. Marketing
- B. Planning
- C. Training
- D. Auditing

Correct Answer: D

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#### QUESTION 5

Which one of the following four alternatives lists the three most widely traded currencies on the global foreign exchange market, as of April 2007, in the decreasing order of market share? EUR is the abbreviation of the European euro, JPY is for the Japanese yen, and USD is for the United States dollar, respectively.

- A. JPY, EUR, USD
- B. USD, EUR, JPY
- C. USD, JPY, EUR
- D. EUR, USD, JPY

Correct Answer: B

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