2016-FRR Q&As

Financial Risk and Regulation (FRR) Series

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QUESTION 1

A hedge fund trader buys options to establish an exposure in the currency market, thereby effectively removing the risk of being able to participate in a gapping market. In this case the options premium represents the price paid for eliminating the execution risk of

A. The delta-hedging strategy.

B. The gamma-hedging strategy.

C. The vega-hedging strategy.

D. The theta-hedging strategy.

Correct Answer: A

QUESTION 2

All of the four following exotic options are path-independent options, EXCEPT:

A. Chooser options

B. Power options

C. Asian options

D. Basket options

Correct Answer: C

QUESTION 3

Operational risk team for a large international bank is implementing business continuity planning (BCP). Which of the following BCP activities fall within the definition of operational risk and represent Basel II Accord\\'s operational risk categories:

I. Damage to Physical Assets

II. Business Disruption and System Failures

III. Social Distancing Requirements

IV.

Potential for Extreme Losses

A.

I and II

B.

III

C.

I and IV

D. III and IV

Correct Answer: A

QUESTION 4

If a bank is long £500 million pounds, short £300 million in delta-equivalent pound options, and long £100 million in pound-denominated stocks, what is the amount of pound exposure that would be shown in the aggregated risk reports?

A. £300 million pounds

B. £500 million pounds

C. £800 million pounds

D. £900 million pounds

Correct Answer: A

QUESTION 5

Which of the activities represent examples of market manipulation?

A. Market gap

B. Crowded trades

C. Short squeeze

D. Stop-loss order

Correct Answer: C