ICBRR Q&As

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QUESTION 1

Which statements correctly describe the features of using subscription databases for operational loss data analysis?

Subscription databases

A. Provide central data repositories and benchmarking services to their members.

II. Can provide insight into whether the losses in a firm reflect the usual losses in their industry.

III. Assist with mapping the events to the appropriate business lines, risk categories and causes.

IV. Reflect only events that are interesting to the press and are reported in the press.

B. I and II

C. II and III

D. I, II and III

E. II, III, and IV

Correct Answer: B

QUESTION 2

To reduce the variability of net interest income, Gamma Bank can swap positions that make its duration gap equal to

A. 0

B. 1

C. -1

D. 0.5

Correct Answer: A

QUESTION 3

A risk manager is considering how to best quantify option price dynamics using mathematical option pricing models. Which of the following variables would most likely serve as an input in these models?

A. Implicit parameter estimate based on observed market prices II. Estimates of sensitivity of option prices to parameter changes III. Theoretical option determination based on assumptions

B. I, III

C. II

D. II, III

E. I, II, III

Correct Answer: D

QUESTION 4

Which one of the following four statements about the "market-maker" trading strategy is INCORRECT?

A. A market maker that attracts buy and sell orders can make a profit from the spread quoted between the buy and sell price.

B. A market maker can benefit from the market information she gets from the trades she is asked to execute.

C. This strategy is independent of market liquidity and number of other market makers.

D. This risk in this strategy is that traders have to take positions that may quickly incur a loss.

Correct Answer: C

QUESTION 5

Which one of the four following statements about the Risk Adjusted Return on Capital (RAROC) is correct?

RAROC is the ratio of:

A. Risk to the profitability of a trading portfolio or a business unit within the bank.

B. Value-at-risk to the profitability of a trading portfolio or a business unit.

C. Profitability to the expected return of a trading portfolio or bank business unit.

D. Profitability to the risk of a trading portfolio or bank business unit.

Correct Answer: D