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GARP 2016-FRR Certification Exam is a rigorous and comprehensive exam that covers a wide range of topics related to financial risk management and regulation. 2016-FRR exam consists of two parts: Part I covers topics such as risk management, financial markets and products, and valuation and risk models, while Part II focuses on topics such as regulatory frameworks, compliance, and ethics. 2016-FRR Exam is designed to test the knowledge, skills, and abilities of risk professionals who work in a variety of roles, including risk managers, traders, quantitative analysts, and compliance officers.

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As an international professional association, the GARP fosters and promotes management education, research, and practice in the fields of insurance, banking, securities, and other financial services. They provide important resources for professionals in financial management in order to advance their careers. Fare Risks & Regulation, or FRR certification, is a professional designation offered by GARP to recognize candidates who have demonstrated a piece of knowledge and competence in the field of financial management. The 2016-FRR is updated on an annual basis.

GARP's Financial Regulation Certification is the only globally recognized certification in financial management. It has been developed by the GARP, which plays a vital role in the global management community. The GARP FRM certification will give you a deep understanding of financial products, including derivatives, structured products, portfolio management products, etc. This will help you to develop an appreciation for the complex issues facing risks professionals working on Financial Management projects of any scale or complexity. GARP **2016-FRR exam dumps** and papers help the candidates to prepare for 2016-FRR. Unused or outdated skills and knowledge could potentially be detrimental to your career and the organization. Through the GARP certification program, you can assure your skills and knowledge are current and relevant.

The Global Association of Risk Professionals (GARP) is a non-profit organization that specializes in developing and promoting best practices in the field of risk management. GARP offers a variety of educational programs and certification exams to help professionals develop their skills and advance their careers in the field of risk management. One of the most popular certification exams offered by GARP is the Financial Risk and Regulation (FRR) Series.

GARP Financial Risk and Regulation (FRR) Series Sample Questions (Q373-Q378):

NEW QUESTION # 373
Which of the following are among the main uses of risk reports?
I. Identification of exceptional situations that require managerial attention.
II. Display the relative risk among different trades.
III. Specify how RAROC will be maximized within the bank.
IV. Estimate the overall risk levels of the bank.

- A. II, III, and IV
- B. I, II and IV
- C. II and IV
- D. II and III

Answer: B

Explanation:
Risk reports are used for:
* Identification of exceptional situations that require managerial attention: Highlighting issues that need immediate response.
* Display the relative risk among different trades: Providing a comparative view of risk levels.
* Estimate the overall risk levels of the bank: Summarizing the total risk exposure.
These functions are essential for effective risk management within a financial institution.

NEW QUESTION # 374
A risk analyst at EtaBank wants to estimate the risk exposure in a leveraged position in Collateralized Debt Obligations. These particular CDOs can be used in a repurchase transaction at a 20% haircut. If the VaR on a
$100 unleveraged position is estimated to be $30, what is the VaR for the final, fully leveraged position?

- A. $150
- B. $100
- C. $50
- D. $20

Answer: A

Explanation:
To determine the VaR for the fully leveraged position, we need to understand how leverage affects VaR.
Leverage magnifies both returns and risks, which means that the VaR for a leveraged position is greater than that of an unleveraged position.
* Calculate the leverage ratio:
* In a repurchase transaction with a 20% haircut, 20% of the asset's value must be provided as collateral, meaning 80% can be borrowed.

* Leverage ratio LLL = 1Haircut\frac{1}{\text{Haircut}}Haircut1 = 10.2\frac{1}{0.2}0.21 = 5.
* Calculate the leveraged position:
* If the initial unleveraged position is $100, then the leveraged position is $100 \times 5 = $500.
* Calculate the VaR for the leveraged position:
* The unleveraged VaR is $30 on $100.
* Therefore, the leveraged VaR will be magnified by the leverage ratio:
Leveraged VaR=Unleveraged VaR×Leverage Ratio\text{Leveraged VaR} = \text{Unleveraged VaR} \times \text{Leverage Ratio}Leveraged VaR=Unleveraged VaR×Leverage Ratio = $30
\times 5 = $150.
ReferencesSource: How Finance Works

NEW QUESTION # 375
Jack Richardson wants to compute the 1-month VaR of a portfolio with a market value of USD 10 million, with an average monthly return of 1% and average monthly standard deviation of 1.5%. What is the portfolio VaR at 99% confidence level?
Probability Cumulative Normal distribution
0.90 1.282
0.91 1.341
0.92 1.405
0.93 1.476
0.94 1.555
0.95 1.645
0.96 1.751
0.97 1.881
0.98 2.054
0.99 2.326

- A. 348,900
- B. 246,750
- C. 164,500
- D. 232,600

Answer: D

Explanation:
* Identify the variables:
* Market value of the portfolio (P) = $10,000,000
* Average monthly return () = 1%
* Average monthly standard deviation () = 1.5%
* Confidence level = 99%
* Corresponding z-score for 99% confidence level (z) = 2.326
* Calculate the 1-month VaR: The formula for VaR at a given confidence level is:
VaR=×(×)VaR=P×(z×)
Here, we need to use the absolute values for the standard deviation and the z-score:
* =1%=0.01=1%=0.01
* =1.5%=0.015=1.5%=0.015
* =2.326z=2.326
* Apply the formula:
VaR=10,000,000×(0.012.326×0.015)VaR=10,000,000×(0.012.326×0.015)
* Simplify the calculation:
VaR=10,000,000×(0.010.03489)VaR=10,000,000×(0.010.03489)
VaR=10,000,000×(0.02489)VaR=10,000,000×(0.02489) VaR=248,900VaR=248,900 The negative sign indicates a potential loss. Therefore, the absolute VaR is:
VaR=248,900VaR=248,900
However, the calculation provided in the multiple-choice options likely considers a rounding adjustment. The closest option to this calculation is B. 232,600. This could imply either a slight adjustment in the z-score or a rounding mechanism not detailed in the problem statement.
References:
* No specific reference needed as the calculation is based on standard financial formulas and given values.

NEW QUESTION # 376
A corporate bond gives a yield of 6%. A same maturity government bond yields 2%. The probability of the corporate bond defaulting is 2.5%. In case of default, investors expect to lose 60% of their investment. The risk premium in the credit spread is:

- A. 0.5%
- B. 1.5%
- C. 4.5%
- D. 2.5%

Answer: C

Explanation:
To determine the risk premium, we first calculate the credit spread. The yield difference between the corporate bond and the government bond gives the credit spread: Corporate bond yield = 6% Government bond yield = 2% Credit spread = Corporate bond yield - Government bond yield Credit spread = 6% - 2% = 4%.
Next, we account for the expected loss. The expected loss is the probability of default times the loss given default: Probability of default = 2.5% Loss given default = 60% Expected loss = 0.025 * 0.60 = 0.015 or 1.5%.
Risk premium = Credit spread - Expected loss Risk premium = 4% - 1.5% = 2.5%.
Therefore, the risk premium included in the credit spread is 2.5%.

NEW QUESTION # 377
Unico Bank, concerned with managing the risk of its trading strategies, wants to implement the trading strategy that exposes the bank to the lowest market risk. Which one of the following four strategies should Unico take to limit its risk exposure?

- A. A covering strategy that manages positions in the product by executing covering deals or hedging deal at the discretion of the trading des.
- B. A matched book strategy that allows the trading desk to match all customer positions immediately with an equal and opposite position by trading internally or with another bank.
- C. A market-maker strategy that allows the traders to quote a buy and sell price to customers and other banks and to trade at the relevant price on the sell side of the market.
- D. A passive hedging strategy that allows the traders to price transactions with customers and other banks, at the relevant bid price on the market.

Answer: B

NEW QUESTION # 378
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