

# ICBRR<sup>Q&As</sup>

International Certificate in Banking Risk and Regulation (ICBRR)

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**QUESTION 1**

Which one of the following four statements about economic capital of a bank is correct?

- A. Economic capital measures how the economy is doing compared to the bank.
- B. Economic capital reflects the possible losses that could occur based on the bank's own estimates of the risks it is taking.
- C. Economic capital is determined by rules imposed by an external authority.
- D. Economic capital is the present value of the earnings generated by the bank in the future.

Correct Answer: B

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**QUESTION 2**

All of the following factors generally explain the equity bid-offer spread in a market EXCEPT:

- A. Market volatility
- B. Interest rates
- C. Competition among market makers
- D. Market depth

Correct Answer: B

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**QUESTION 3**

Mega Bank has \$100 million in deposits on which it pays 3% interest, and \$20 million in equity on which it pays no interest. The loan portfolio of \$120 million earns an average rate of 10%. If the rates remain the same and Mega Bank is able to earn the same net interest income in perpetuity at a 5% discount rate, what will the present value of this holding be?

- A. \$100 million
- B. \$150 million
- C. \$180 million
- D. \$200 million

Correct Answer: C

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**QUESTION 4**

Except for the credit quality of the Credit Default Swap protection seller, the following relationship correctly

approximates the yield on a risk-free instrument:

- A. Bond + CDS
- B. Bond + CDS + Market Spread
- C. Bond - CDS
- D. Bond - CDS - Market spread

Correct Answer: A

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#### QUESTION 5

Which one of the four following statements describes a specific characteristic of risk and control self-assessments (RCSA) which distinguishes it from both control assessments and risk and control assessments?

- A. RCSA is conducted by a third party, perhaps audit, compliance or the Sarbanes-Oxley team.
- B. RCSA tests a control's effectiveness against set criteria and issues a pass/fail or level of effectiveness score.
- C. RCSA is subjective by nature.
- D. RCSA includes a risk assessment in addition to a control assessment.

Correct Answer: C

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