ICBRR Q&As

International Certificate in Banking Risk and Regulation (ICBRR)

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QUESTION 1

The market risk manager of SigmaBank is concerned with the value of the assets in the bank\\'s trading book. Which one of the four following positions would most likely be not included in that book?

A. 10,000 shares of IBM worth $10,000,000.

B. $10,000,000 loan to IBM worth $9,800,000.

C. $10,000,000 bond issued by IBM worth $11,000,000.

D. 300,000 options on IBM shares worth $10,000,000.

Correct Answer: B

QUESTION 2

SigmaBank has many branches that offer the same products and services. Which one of the four following statement presents an advantage of using RCSA questionnaire approach in the SigmaBank\\'s operational risk framework?

A. The questionnaires are usually sent to specific nominated parties for completion.

B. This approach ensures that there has been full participation in the scoring, rather than a single view.

C. It provides a forum for an in-depth discussion of the operational risks in the firm.

D. The results can be collected electronically and the responses compared to identify themes, trends and areas of potential control weakness or elevated risk.

Correct Answer: D

QUESTION 3

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. 164,500

B. 232,600

C. 246,750

D. 348,900

Correct Answer: D

QUESTION 4

A bank customer can use either a plain vanilla option or an option contract with volumetric flexibility to reduce the following risks:

A. Market Risk

II. Basis Risk

III. Operational Risk

B. I

C. II

D. I, II

E. II, III

Correct Answer: C

QUESTION 5

Banks duration match their assets and liabilities to manage their interest risk in their banking book. Currently, the bank\\'s assets and liabilities both have a duration of 10. To hedge against the risk of decreasing interest rates, the bank should

A. Increase the duration of the liabilities

II. Increase the duration of the assets

III. Decrease the duration of the liabilities

IV. Decrease the duration of the assets

B. I only.

C. I and II.

D. II and III.

E. I and IV

Correct Answer: D

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