

PRMIA

CCRM

PRMIA Credit and Counterparty Risk Management (CCRM)

v6.0

DEMO QUESTIONS

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Question 1. (Single Select)

When assessing "Credit Analysis" for a small business, why might a lender require a "Personal Guarantee"?

- A: To increase the total amount of interest income for the bank.
- B: To link the owner's personal assets to the business's debt.
- C: To satisfy a requirement from the local municipal government.
- D: To avoid having to perform any analysis on the business itself.

Answer: B

Question 2. (Single Select)

Why did Basel III introduce stricter capital requirements for "Liquidity Facilities" provided to securitization programs?

- A: To encourage banks to lend more money to the retail sector.
- B: To address the risk that these facilities often act as credit support.
- C: To eliminate the need for banks to hold any Tier 1 capital.
- D: To reduce the operational costs of maintaining an SPV structure.

Answer: B

Question 3. (Single Select)

How does the use of "Wrong-Way Risk" (WWR) adjustments impact a bank's CVA?

- A: It decreases the CVA, making the derivative appear more valuable.
- B: It has no impact on the valuation because WWR is only qualitative.
- C: It increases the CVA, reflecting the higher risk of the correlation.
- D: It forces the bank to stop trading all types of credit derivatives.

Answer: C

Question 4. (Single Select)

"Specific Wrong-Way Risk" (SWWR) is most likely to occur in which of the following trades?

- A: A bank buying protection on an oil company using an oil price swap.
- B: A bank buying protection on Company X using Company X's own bonds.
- C: A bank selling protection on a gold mine using an interest rate swap.
- D: A bank trading a currency forward with a sovereign central bank.

Answer: B

Question 5. (Single Select)

What is "Excess Spread" in the context of a securitization transaction?

- A: The difference between the interest collected and interest paid.
- B: The commission paid to the lead underwriter of the deal.
- C: The amount of principal that is prepaid by the borrowers.
- D: The premium paid to purchase a monoline insurance policy.

Answer: A

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