PRMIA

MLARM

ExamName: PRMIA Market, Liquidity and Asset Liability Risk Management (MLARM)

Exam Version: 6.0

Questions & Answers Sample PDF

(Preview content before you buy)

Question 1. (Single Select)

Following the collapse of Silicon Valley Bank (SVB), which specific market risk factor was highlighted as a primary driver of their balance sheet instability?

A: Sharp increases in interest rates causing a decline in the value of fixed-income securities.
B: Extreme volatility in the price of crypto-assets held in the trading book.
C: A sudden devaluation of the US Dollar against major G7 sovereign currencies.
D: Massive defaults in the subprime mortgage-backed securities held by the bank.

Answer: A

Question 2. (Single Select)

When a bank manages its "Net Stable Funding Ratio" (NSFR), what strategic shift is it most likely to make on the liability side?

A: Reducing the reliance on short-term wholesale funding in favor of deposits.
B: Moving all its long-term corporate debt into short-term overnight loans.
C: Closing all retail branches to focus exclusively on high-frequency trading.
D: Increasing the dividend payout to shareholders to 100% of annual profit.

Answer: A

Question 3. (Single Select)

A bank has a "Negative Duration Gap." If interest rates increase, what is the expected impact on the Economic Value of Equity (EVE)?

A: The Economic Value of Equity will decrease significantly.
B: The Economic Value of Equity will become negative.
C: The Economic Value of Equity will not change at all.

D: The Economic Value of Equity will increase.

Answer: D

Question 4. (Single Select)

Which "Risk Implication" is most specific to the physical nature of commodities compared to financial assets like equities?

A: The risk that the issuer of the commodity will file for bankruptcy.
B: The risk that the market volatility will drop to zero for one year.
C: The risk of loss due to physical spoilage or inadequate storage.
D: The risk that the central bank will raise the overnight lending rate.

Answer: C

Question 5. (Single Select)

If a bank's FTP system fails to include a "Cost of Stability" for demand deposits, what is a likely strategic consequence?

A: The bank may overstate the profitability of short-term, volatile funding.
B: The bank will stop accepting all deposits from retail and corporate customers.
C: The bank's risk management staff will be required to work only on weekends.
D: The bank will be legally forced to merge with a larger international competitor.

Answer: A