FRM 2018 Part I Exam Review Course

Date (M/D/Y)	Lesson > Content	Update or Errata
02/20/2018	FMP-8 (Hull, Options, Chapter 5) > Question ID: pq.fmp.det.forw.fut.00140	*Corrected FX rate in question text:* ~~EUR/USD~~ USD/EUR
02/20/2018	FRM-5 (Stulz, FRBNY Economic Policy Review) > Question ID: pq.frm.gov.risk.riskmng.10003	*Question structure was confusing; question was rewritten (see below):*

Risk management can create or destroy value for a bank. In theory, if a bank only took projects that created value for shareholders there would be no reason to manage risks. In the real world, this view of risk taking and optimal risk is not sufficient because the cost and timing of hedging is neither zero nor instant. Which of the following ~~is a~~ are reasons a bank cannot control risks simply by measuring risk and hedging anything above a risk threshold?

~~A. Real-time risk measures are not available for all risks a bank may face.~~
~~B. Risk has to be monitored throughout the organization as a whole.~~
~~C. Hedges may not work out as planned or may be imprecise.~~
~~D. Risk takers take risks that maximize their own incentives, not necessarily the bank's.~~

I. Real-time risk measures are not available for all risks a bank may face.
II. Risk has to be monitored throughout the organization as a whole.
III. Hedges may not work out as planned or may be imprecise.
IV. Risk takers take risks that maximize their own incentives, not necessarily the bank's.

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

02/23/2018	FMP-1 (Hull, Risk, Chapter 2) > Study Text	Economic capital is based on internal modeling and is what the bank thinks it needs to survive the worst-case scenarios based on its individual business model and is often ~~less~~more than regulatory capital.
03/06/2018	FRM-7 (Brunnermeier, 2009) > Question ID: pq.frm.cred.crunch.10001_2017	*Revision to question options:* ~~Shortening securitized products' maturity to fit money market demand.~~ Short-term funding used by the "shadow" banking system to fit money market demand. A general ~~risk~~ rise in popularity of securitized and structured products.
03/06/2018	FRM-10 (Elton, Chapter 13) > Question ID: pq.frm.mod.portf.theor.0020	*Missing Independent variable in line "D" of question.* D | Market risk | Expected return

03/14/2018	QA-1 (Miller, Chapter 2) > Question ID: pq.qa.math.stat.fin.10001	The probabilities that ~~exactly one~~ both of the bonds defaults and that neither bond defaults are:
03/21/2018	FMP-7 (Hull, Options, Chapter 4)> Question ID: pq.fmp.interset.rates.00510	*Correct answer is C (6.01%), not D (5.01%).*
03/21/2018	FMP-7 (Hull, Options, Chapter 4)> Question ID: pq.fmp.interset.rates.00500	*Answer choice value corrected:* B. ~~7.04~~ 7.03
04/09/2018	FMP-9 (Hull, Options, Chapter 6)> Question ID: pq.fmp.rate.fut.00700	*Subscripted numbers in answer should appear as superscript.*
04/24/2018	FMP-8 (Hull, Options, Chapter 5) > Question ID: pq.fmp.det.forw.fut.00160	*Value of first option revised:* ~~.6571~~ 1.5067
07/16/2018	Hull, Chapter 13; Question ID: pq.vrm.binom.tree.00430	Answer "0.98" corrected to "1.10", and calculation in explanation corrected to reflect this.
09/19/2018	Hull, Options, Chapter 10; Question ID: pq.fmp.mech.opt.mark.00380	Answer "35.19%" corrected to "35.16%"
11/20/2018	Mock Exam; QID frm.p1.me.10003	Stock price in question corrected to "$45"
11/20/2018	Hull, Options, Chapter 6; Question ID: pq.fmp.int.rate.fut.001100	Correct option should be "1%"
11/20/2018	Hull, Risk, Chapter 3; Question ID: pq.fmp.insur.comp.10001_2017	Question text corrected from "Which of the following is not a property..." to "Which of the following correctly describes a property or feature of the insurance type listed"
11/20/2018	Bodie, Chapter 10	Equation under "1. The Capital Asset Pricing Model" corrected to "Required return on i = Risk-free rate + Beta x Equity risk premium"
11/26/2018	Hull, Risk, Chapter 2; Question ID: pq.fmp.banks.10007_2017	Correct option should be "The distinction is primarily a banking distinction..."
11/26/2018	Elton, Chapter 13; Question ID: pq.frm.mod.portf.theor.00370	Correct option should be the one that ends with "... A point on the efficient frontier will dominate a point directly below it."
11/26/2018	Hull, Chapter 15; Question ID: pq.vrm.black.schol.mert.00500	Question text corrected: "A European put option with a $25 strike price that expires in six months is available. N(-d1) = 0.0298 and N(-d2)=0.04261."
11/26/2018	Hull, Options, Chapter 4; Question ID: pq.fmp.interset.rates.001090	Question text corrected "...maturity in three years..."
11/26/2018	Miller, Chapter 3	"2"s in equation have been corrected to exponents

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02/23/2018	3	Economic capital is based on internal modeling and is what the bank thinks it needs to survive the worst-case scenarios based on its individual business model and is often ~~less~~more than regulatory capital.
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Wiley FRM Exam Review Practice Questions 2018: Part I

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FRM 2018 Part II Exam Review Course

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03/12/2018	MR-7 (Meissner, Chapter 2) > Question ID: pq.mr.emp.prop.correl.004_1712_EP	*Correct answer revised:* ~~0.75~~ 0.8 This answer is correct because the mean reversion rate ~~calculation is St - St-1 = a(μS- St- iL which in this example means~~ ~~0.35 - 0.25 = a(.50 - 0.25) =a= 0.40~~ (a) is calculated from the following formula (ignoring stochasticity): $S_t - S_{t-1} = a(\mu_S - S_{t-1})$ $0.45 - 0.25 = a(0.50 - 0.25)$ $a = \frac{0.20}{0.25} = 0.8$
05/07/2018	CR-6 (Malz, Chapter 7) > Question ID: pq.cr.spread.risk.10042	*In answer text:* The ~~lower~~ higher the lambda value, the worse the credit rating…
05/01/2018	OR-5 (Cruz, Chapter 2) > Question ID: pq.or.fund.aspect.oper.10037	*In all rationales:* 1 in ~~10,000~~ 1,000
05/02/2018	MR-7 (Meissner, Chapter 2) > Question ID: pq.mr.emp.prop.correl.004_1712_EP	*Third option corrected from 0.4 to 0.8, and new rationale revised:* This answer is correct because the mean reversion rate (a) is calculated from the following formula (ignoring stochasticity): S_t-S_(t-1)=a(μ_S-S_(t-1)) 0.45-0.25=a(0.50-0.25) a=0.20/0.25=0.8
11/19/2018	Jorion, Chapter 6; Question ID: pq.mr.fix.income.10062	Option "-.7904" corrected to "-.7940"
11/26/2018	Ang, Chapter 13; Question ID: pq.im.syst.appr.fact.10030	Incorrect option was marked as correct; the correct answer is "The risk-return profile..."

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