Question #1 of 7

Question ID: 1267880

The risk of sustaining significant losses due to the inability to take or exit a position at a fair price is most likely:

A) operational risk.

B) liquidity risk.

C) credit event risk.

D) market risk.

Question #2 of 7

Question ID: 1267878

The risk that a counterparty will fail to deliver its obligation is:

A) delivery risk.

B) model risk.

C) people risk.

D) settlement risk.

Question #3 of 7

Question ID: 1267876

Value at risk (VaR) is the:

A) average loss exceeding a specified threshold.

B) minimum expected loss for a given confidence level.

C) maximum expected loss for a given confidence level.

D) the worst possible loss for an asset.

Question #4 of 7

Question ID: 1267879

Funding liquidity risk refers to the risk:

A) resulting from a large position size in an asset relative to the asset's typical trading lot size.

B) that a counterparty to a financial transaction will default.

C) that the government will decide to terminate a government-funded program.

D) that an institution will not be able to raise cash necessary to make debt payments.

Question #5 of 7

Question ID: 1267877

Unexpected volatility in an asset is often called:

A) biased expectations.

B) asset price instability.

C) an upward earnings surprise.

D) risk.

Question #6 of 7

Question ID: 1267882

Which of the following liquidity definitions is most likely associated with funding liquidity?

A) The loss that would be sustained by a trader who sells an asset and then immediately buys it back.

B) The risk that investors may not be able to roll over short-term debt to finance the purchase of an asset.

C) The number of units of an asset a trader can buy or sell at the current market quote (bid and ask prices).

D) The length of time it will take an asset to regain its price after the price has fallen temporarily.

Question #7 of 7

Question ID: 1367166

Which of the following liquidity definitions is most likely associated with market liquidity?

A) The loss that would be sustained by a trader who sells an asset and then immediately buys it back.

B) The risk that investors may not be able to roll over short-term debt to finance the purchase of an asset.

C) The risk that depositors will withdraw funds from banks, or that investors will redeem their shares.

D) The risk that arises when a decline in the collateral value of an asset results in an increase in margin requirement, requiring additional equity capital.