

# PRMIA MLARM

**PRMIA MARKET, LIQUIDITY AND ASSET LIABILITY RISK  
MANAGEMENT CERTIFICATION QUESTIONS & ANSWERS**

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Exam Summary – Syllabus – Questions

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## **MLARM**

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

**60 Questions Exam – 60% Cut Score – Duration of 120 minutes**

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## Know Your MLARM Certification Well:

The MLARM is best suitable for candidates who want to gain knowledge in the PRMIA Risk Management. Before you start your MLARM preparation you may struggle to get all the crucial Market, Liquidity and Asset Liability Risk Management materials like MLARM syllabus, sample questions, study guide.

But don't worry the MLARM PDF is here to help you prepare in a stress free manner.

The PDF is a combination of all your queries like-

- What is in the MLARM syllabus?
- How many questions are there in the MLARM exam?
- Which Practice test would help me to pass the MLARM exam at the first attempt?

Passing the MLARM exam makes you PRMIA Market, Liquidity and Asset Liability Risk Management (MLARM). Having the Market, Liquidity and Asset Liability Risk Management certification opens multiple opportunities for you. You can grab a new job, get a higher salary or simply get recognition within your current organization.

## PRMIA MLARM Market, Liquidity and Asset Liability Risk Management Certification Details:

Exam Name	PRMIA Market, Liquidity and Asset Liability Risk Management
Exam Code	MLARM
Exam Fee	Sustaining Member Price - \$549 Contributing Member Price - \$572 Non-member Price - \$599
Exam Duration	120 Minutes
Number of Questions	60
Passing Score	60
Format	Multiple Choice Questions
Schedule Exam	<a href="#">Pearson VUE</a>
Sample Questions	<a href="#">PRMIA Market, Liquidity and Asset Liability Risk Management Exam Sample Questions and Answers</a>
Practice Exam	<a href="#">PRMIA Market, Liquidity and Asset Liability Risk Management (MLARM) Practice Test</a>

## MLARM Syllabus:

Topic	Details
Market Risk Introduction	<ul style="list-style-type: none"> <li>- Introduction to Market Risk</li> <li>- Recent Market Risk Events including Silicon Valley Bank</li> <li>- Typology of Market Risk Exposures</li> <li>- Introduction to Asset-liability Management</li> <li>- Introduction to Funds Transfer Pricing</li> <li>- ESG and Market Risk</li> </ul>
Market Risk Governance and Management	<ul style="list-style-type: none"> <li>- Introduction</li> <li>- The Post-Crisis, Risk-Regulatory Framework</li> <li>- Setting the Stage for Market Risk Governance</li> <li>- True Market Risk Governance</li> <li>- Committees: Market Risk Appetite and Market Risk Limits</li> <li>- Roles and Responsibilities in Practice</li> <li>- Market Risk Limits and Limit Policies</li> <li>- Risk Management Systems</li> <li>- Risk Management Data</li> <li>- Monitoring Market Risk</li> <li>- What is the Role of the Audit Function?</li> <li>- Model Risk Governance</li> <li>- Valuation in a Marked-to-Market World during Low Liquidity</li> <li>- Conclusion: Steps to Success</li> <li>- Appendix</li> </ul>
Market Risk in the Trading Books: Business-Specific Context	<ul style="list-style-type: none"> <li>- Contextual Introduction to Bank Trading Activities &amp; Historical Development of Financial Product Markets</li> <li>- Fixed Income</li> <li>- FX and Rates Trading</li> <li>- Equity Market Trading</li> </ul>
Market Risk Measurement	<ul style="list-style-type: none"> <li>- Value at Risk — Overview</li> <li>- Advanced VAR Models — Univariate</li> <li>- Advanced VaR Models — Multivariate</li> <li>- Responses to the Crisis such as the Fundamental Review of the Trading Book (FRTB)</li> </ul>
Market Risk Stress Testing Beyond the VaR Threshold	<ul style="list-style-type: none"> <li>- Introduction</li> <li>- Dangerous Unknowns</li> <li>- Stress Testing: Static and Otherwise</li> <li>- Beyond Comparative Static Analysis</li> <li>- Systemic Risk Lessons from Beyond Finance</li> <li>- Moving Beyond Value at Risk</li> </ul>

Topic	Details
	<ul style="list-style-type: none"> <li>- Practical and Organizational Considerations</li> <li>- Challenges of Stress Testing</li> <li>- Conclusion</li> <li>- Appendix A — Examples of Stress Testing</li> <li>- Scenario Formulation — The Fundamental Challenge of Stress Testing</li> <li>- The Market’s Greatest Hits — Calibrating Stress Scenarios Based on History</li> <li>- The Achilles Heel Approach</li> </ul>
Commodities Market Risk Management	<ul style="list-style-type: none"> <li>- Introduction</li> <li>- Market Participants</li> <li>- Key Products and Instruments</li> <li>- Risk Implications of Physical Nature of Commodities</li> <li>- Price Risk Management</li> <li>- Stress Testing</li> </ul>
Asset Liability Management and Recent Crises	<ul style="list-style-type: none"> <li>- Asset Liability Management and Strategic Risk Management</li> <li>- Overall Causes of the Great Financial Crisis</li> <li>- Causes of the Crisis Related to Balance Sheets</li> <li>- The Effects of Various Crises</li> <li>- In Focus: Lehman Brothers</li> <li>- A New Focus: Silicon Valley Bank</li> </ul>
An Introduction to Asset Liability Management	<ul style="list-style-type: none"> <li>- ALM Overview</li> <li>- An Introduction to Gaps</li> <li>- In Focus: Contagion between Risk Types</li> <li>- Banking Book versus Trading Book</li> <li>- ALM Objectives</li> <li>- Roles within ALM</li> </ul>
Interest Rate Risk	<ul style="list-style-type: none"> <li>- Overview</li> <li>- Components of Interest Rate Risk</li> <li>- Measurement</li> <li>- Management</li> </ul>
Liquidity Risk	<ul style="list-style-type: none"> <li>- Overview</li> <li>- Fundamentals of Liquidity</li> <li>- Measurement and Management</li> <li>- Recent Developments</li> </ul>
Balance Sheet Management	<ul style="list-style-type: none"> <li>- Introduction</li> <li>- The ALCO</li> <li>- Capital Management</li> <li>- Strategy and Products</li> <li>- Crisis Management and the Contingency Funding Plan</li> </ul>

Topic	Details
Bank Funds Transfer Pricing (FTP)	<ul style="list-style-type: none"> <li>- Introduction</li> <li>- FTP Governance and Management</li> <li>- FTP Methods and Historical Development</li> <li>- Other FTP Challenges</li> <li>- Conclusion</li> </ul>
MLARM Case Studies	<ul style="list-style-type: none"> <li>- Silicon Valley Bank</li> <li>- Fannie Mae &amp; Freddie Mac</li> <li>- Long Term Capital Management (LTCM)</li> <li>- Northern Rock</li> <li>- American Insurance Group (AIG)</li> <li>- Lehman Brothers</li> <li>- Washington Mutual</li> </ul>

## PRMIA MLARM Sample Questions:

### Question: 1

What does the "Fat Tail" (leptokurtosis) phenomenon in market returns imply for a risk manager using a Normal distribution-based VaR model?

- a) The model will systematically overstate the risk of losses.
- b) The model will accurately capture all tail events in a crisis.
- c) The model will systematically understate the risk of losses.
- d) The model will show that the mean return is always zero.

**Answer: c**

### Question: 2

Under the Fundamental Review of the Trading Book (FRTB), what is the specified confidence level for the internal model-based Expected Shortfall (ES) calculation?

- a) A confidence level of 95.0% for all liquid trading assets.
- b) A confidence level of 97.5% for all liquid trading assets.
- c) A confidence level of 99.0% for all liquid trading assets.
- d) A confidence level of 99.9% for all liquid trading assets.

**Answer: b**

### Question: 3

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**

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**

**Question: 5**

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: 6**

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: 7**

During periods of "Low Liquidity," why does "Mark-to-Market" valuation become a significant governance challenge?

- a) Because market prices become more transparent and easier to verify.
- b) Because the lack of active trades makes it difficult to find reliable price inputs.
- c) Because regulators waive the requirement for valuations during market stress.
- d) Because low liquidity typically leads to a decrease in the bid-ask spread.

**Answer: b**

**Question: 8**

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: 9**

"The Market's Greatest Hits" approach to scenario calibration relies primarily on which of the following data sources?

- a) The projected economic growth rates of emerging markets over the next decade.
- b) The internal performance reviews of the bank's most senior investment traders.
- c) The actual historical data from previous market crises like the 2008 crash.
- d) The hypothetical price movements generated by a random walk simulation model.

**Answer: c**

**Question: 10**

How does "Funds Transfer Pricing" (FTP) assist in the management of market risk within a commercial bank?

- a) By allowing the sales team to set their own interest rates without oversight.
- b) By centralizing market risks into a single unit, such as the Treasury department.
- c) By eliminating the need for the bank to hold any regulatory capital for market risk.
- d) By guaranteeing that the bank's net interest margin remains constant every year.

**Answer: b**

## Study Guide to Crack PRMIA Market, Liquidity and Asset Liability Risk Management MLARM Exam:

- Getting details of the MLARM syllabus, is the first step of a study plan. This pdf is going to be of ultimate help. Completion of the syllabus is must to pass the MLARM exam.
- Making a schedule is vital. A structured method of preparation leads to success. A candidate must plan his schedule and follow it rigorously to attain success.

- Joining the PRMIA provided training for MLARM exam could be of much help. If there is specific training for the exam, you can discover it from the link above.
- Read from the MLARM sample questions to gain your idea about the actual exam questions. In this PDF useful sample questions are provided to make your exam preparation easy.
- Practicing on MLARM practice tests is must. Continuous practice will make you an expert in all syllabus areas.

### **Reliable Online Practice Test for MLARM Certification**

Make ProcessExam.com your best friend during your PRMIA Market, Liquidity and Asset Liability Risk Management exam preparation. We provide authentic practice tests for the MLARM exam. Experts design these online practice tests, so we can offer you an exclusive experience of taking the actual MLARM exam. We guarantee you 100% success in your first exam attempt if you continue practicing regularly. Don't bother if you don't get 100% marks in initial practice exam attempts. Just utilize the result section to know your strengths and weaknesses and prepare according to that until you get 100% with our practice tests. Our evaluation makes you confident, and you can score high in the MLARM exam.

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