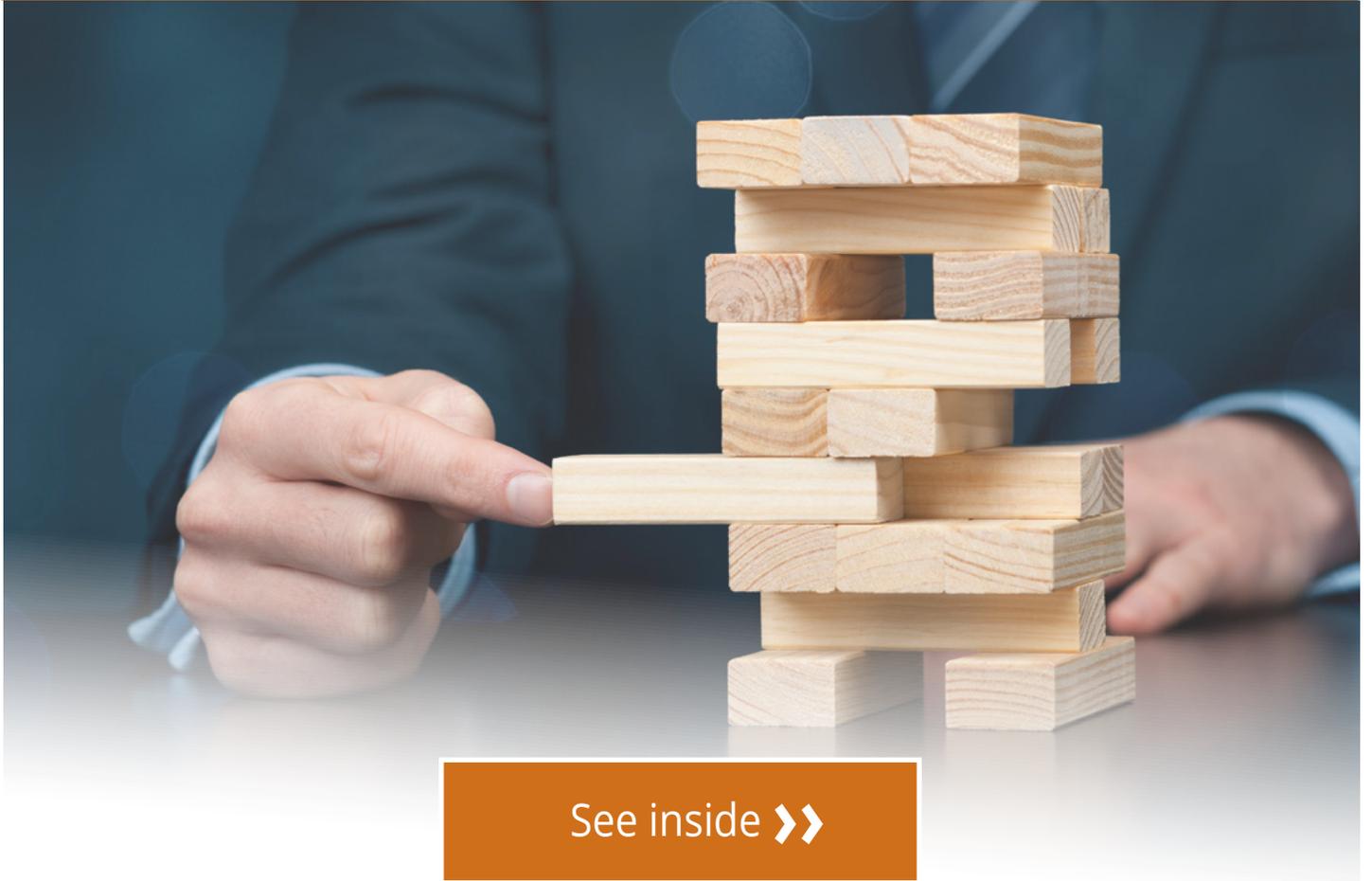


BEFORE

You Sit for the

FRM[®] EXAM

Advice from Past Exam Takers



See inside >>

KAPLAN SCHWESER



WELCOME

So, you're considering
the FRM[®] Program...

now what?

As the financial industry becomes increasingly competitive and concerned about managing risk, it is important to distinguish yourself. The FRM certification can set you apart in the global marketplace and help you advance your career. You probably have a lot of questions about the FRM exams, the process of achieving the certification, and your career options in general. We have enlisted the help of many FRM designation holders who have successfully gone through the process and asked them for advice on what it takes to become a certified Financial Risk Manager. We brought all of their advice together in this eBook to help you decide if the FRM designation is right for you.

This eBook is broken up into three sections: 1) advice on passing the FRM exams; 2) important skills needed for future FRM professionals; 3) what FRM professionals wish they'd known before they sat for the FRM exam.

We hope you find this resource helpful, and we wish you the best of luck as you begin your FRM journey.

Best,
The Kaplan Schweser Team



ABOUT THE FRM[®] EXAM



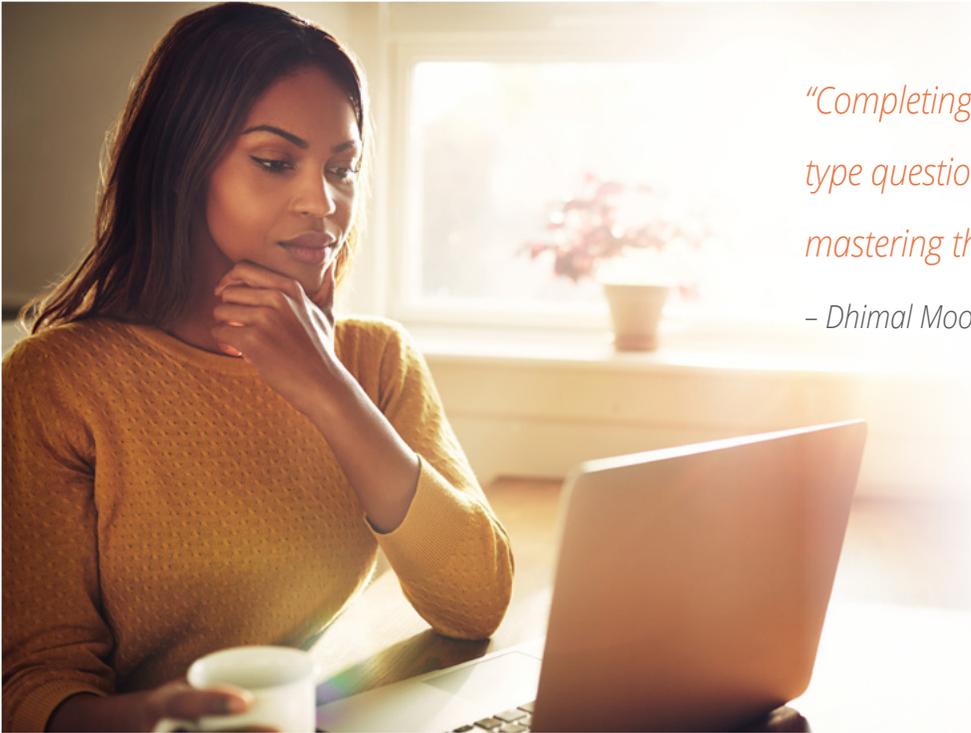
The FRM exam is split into two parts and offered twice a year in May and November. Parts I and II of the FRM exam differ in structure, so it is important to prepare for different testing approaches. Part I is 100 multiple choice questions focused on tools used to assess financial risk like fundamental risk management concepts, quantitative analysis, financial markets and products, and valuation and risk models. Part II contains 80 multiple choice questions measuring your ability to apply the tools

in Part I: market, credit, operational and integrated risk management, investment management, and current financial market issues.

Part I is always offered in the morning and Part II in the afternoon. You can take Part I and Part II on the same day, but the Part II exam will not even be scored by GARP unless you first pass Part I.



Practice, practice, practice!



“Completing practice exams and exam-type questions is just as important as mastering the content of the exam.”

– Dhimal Moodley, FRM, MIFM

Practice makes perfect. Ensure you work practice exam questions and mock exams into your study regimen. This will help you get used to the types of questions that get asked on the exam and help you identify your mistake patterns. There are many study questions available from GARP, as well as from exam prep providers like Schweser. A large amount of the exam is quantitative, so it is important to prepare well with formulas and calculations.

Simulating real testing conditions utilizing a mock exam is also an effective way to prepare for the exam. Putting some pressure on yourself with the clock will help you get a feel for whether you are answering questions at an optimal pace for test day.



Studying for the CFA® exams will help with FRM® too

“I am a CFA charterholder, and I wish I had known it would actually have been easier to prepare for FRM and CFA jointly.”

– Burhan Kawosa, CFA, FRM



Many financial professionals spend time pondering whether they should do the FRM Program or the CFA Program. Why choose? More than one of the FRM professionals we talked to recommended doing the FRM Program in tandem with the CFA Program because there is so much overlap. This certainly will not work for everyone—it will add quite a bit of additional studying to your load compared to doing only one program. However, you can gain efficiencies if you can spare the additional study time.

If you do go this route, it is recommended you take CFA Level I and Level II before you take FRM Part I. The CFA

exams are offered in June each year, so the time gap between Level II and Level III can be utilized to take FRM Part I in November. Approximately 45% of the FRM Part I exam is covered on the CFA Level I and II exams, so you would already be nearly halfway prepared for that exam. After taking FRM Part I, it is recommended you then study for CFA Level III. Approximately 10% of the CFA Level III syllabus is covered by FRM Part I, so you would then already have a slight head start. FRM Part II has about 15% overlap with the CFA Levels I, II, and III programs. It's a lot of studying, but it could be done if you wanted to complete it as efficiently as possible while the information is fresh in your mind.



SECTION II: IMPORTANT SKILLS FOR FUTURE FRM[®] PROFESSIONALS

We asked CFA[®] charterholders what skills are important to **the next generation of risk management professionals**. In the following section, we've detailed some of the skill sets that were mentioned most often.

Communication



Not only is it important for risk management professionals to be able to understand complex models and quantitative data, but they must also be able to break down the concepts and explain them to others. In fact, [GARP's Job Task Analysis](#), which surveys over 1,400 risk managers about their day-to-day tasks, revealed that communication of risk to stakeholders is the single most important task for risk practitioners. Quantitative skills are not enough in the risk profession—risk managers must be able to translate risk findings to non-technical managers who can then incorporate the information into strategic discussions.

Regulation

As the financial industry becomes increasingly scrutinized by regulators, risk management professionals will be in greater demand than ever to provide models for how regulations can impact business. Regulations like the Basel Accords and the Dodd-Frank Act encourage risk management professionals to constantly adapt their practices; and these kinds of regulations will continue to broaden and deepen as public and government

sentiment continues to be less tolerant of inappropriate business practices or the appearance of preventable errors after the global financial crisis. It will be more important than ever for the next generation of risk management professionals to not only stay abreast on regulation changes, but also be able to anticipate and prepare for future changes before they happen.



Modeling and Strategic Thinking

The best risk management teams are able to keep up with the constantly changing financial markets and be able to assess how different market segments can impact one another. One FRM professional said, "Risk management professionals must be able to use all the knowledge they have and focus not only on those risk

factors that were relevant in the latest crisis, but be able to set up scenarios on each and every risk factor based on current portfolios, even if those scenarios seem unlikely." This kind of modeling and strategic thinking will only get more complicated with increased regulation and changing global markets.



IT and Financial Technology

Coding and IT skills will become increasingly important in the future risk management industry. High frequency trading utilizes algorithms for investment and trading activities for buy-side firms, short-term traders and sell-side participants, and systematic traders. To be able to calculate risk, it is important that FRM professionals understand how the algorithms work and know how changes in conditions, operations, and the environment will impact outcomes.

Cyberattacks are a huge concern in the banking industry because they could not only harm the banks' operations, but also leak customer information. Cybersecurity is expected to increase in importance in the future, which means more resources will be dedicated to it. There will be a need for new capabilities and processes to manage and track these kinds of emerging risks.



SECTION III: WHAT FRM® PROFESSIONALS WISH THEY'D KNOWN BEFORE THEY SAT FOR THE FRM EXAM



The prestige that comes with the FRM® designation

“The FRM is the highest professional standard for risk managers.”

– Fabio Polpettini, FRM

Depending on your career aspirations, the FRM designation can help you get where you want to go. Since the FRM Program began in 1997, it has grown in popularity with enrollments increasing every year, particularly following the global financial crisis of 2007–2009. Financial manager positions, including financial risk manager positions, are expected to grow at a rate of 7% over the next decade.

The need for financial risk management professionals continues to grow, and the FRM designation is considered the “gold standard” of the industry. Many of the top financial firms employ risk management professionals, including ICBC, Bank of China, HSBC, Citigroup, and Deutsche Bank. The FRM designation will help you differentiate yourself in financial services and expand your career opportunities.



It will change how you approach problems

Risk management is a different way of approaching financial decision-making. Doing the FRM Program will help you better identify and allocate potential risks, mitigate risks, provide recommendations for better decisions in regard to all risks, and make a risk management plan. It will also help you better prioritize risks and ensure they are aggressively and cost-effectively managed, as well as provide directions and recommendations on issues that are critical for success. This new mindset and process of assessing risks, developing a response to risks, and a contingency plan for future risk prevention will make you an asset to a financial services firm.

"The most valuable takeaway is how it altered the way I think about situations, problems, and risks on a regular basis."

- Britton T. Foy, FRM



I wish I had done the FRM Program sooner!



"I wish someone had told me about the existence of the FRM Program and its importance in shaping the risk management industry 10 years earlier."

– Subramaniam Umasudhan FRM, CFA, FCCA, ACMA

Many of our former FRM students said they wished they had known about the FRM Program sooner because it has helped their careers so much. The FRM Program is newer than and not as well-known as the CFA Program, but that is quickly changing. One former student who completed the FRM Program just a few years ago said, "Being a banker holding a senior management position in a bank, I believe earning the FRM designation and acquiring the relevant knowledge earlier is important to becoming a full-fledged banking professional."

Other former students said that doing the FRM Program, immediately following an MBA program or in tandem with the CFA Program, would also be beneficial because your brain is in better shape for it. While this will not work for everyone, if you are someone who can jump into the next program right away, it could be advantageous.



WHAT DO YOU THINK?

After reading this eBook, we hope you feel more informed on what to expect from the FRM Program and the risk management profession. If you would like additional information, we encourage you to check out our expansive library of free resources, designed to guide you through the decision-making process.

Since 1990, Kaplan Schweser has been student-focused, results-driven, and fully committed to

helping individuals earn advanced designations and succeed in their careers. We strive for greatness, so our customers can do the same. After all, it's your success that determines ours.

Visit [our website](#) to browse or enroll in one of our FRM study programs. Best of luck on your pursuit of the FRM designation!

www.schweser.com/frm | 877.641.3903 (U.S.) | +1 608.779.8397 (Int'l.)

