

FRM information sheet

What is GARP and the FRM certification?

The FRM® Program is administered by the Global Association of Risk Professionals - GARP. GARP is a nonpartisan, not-for-profit membership organization focused on elevating the practice of risk management. GARP sets the global standard in professional certification with the Financial Risk Manager (FRM®) designation.

Recognized in every major market, the FRM is the leading designation for risk managers. It is consistently in demand by nearly every major bank and firm in the world.

GARP confers the FRM designation which is a risk designation and is considered the highest distinction in the risk profession.

| Who should consider doing an FRM? | Who are the biggest hirers of FRM charterholders? |
|---|---|
| <p>FINANCE PROFESSIONALS: The FRM helps professionals in risk management, investment management, or other critical areas of the financial services industry to broaden their knowledge of financial risk and enhance their skill set.</p> <p>CAREER CHANGERS: Whether you work in financial risk or are interested in transitioning to a risk-related role, becoming an FRM can help accelerate your career.</p> <p>STUDENTS: Students with an interest in finance may elect to sit for the FRM Exam during or immediately after completing their studies.</p> | <ul style="list-style-type: none"> • ICBC • Bank of China • HSBC • KPMG • Credit Suisse • Deloitte • Agricultural Bank of China • EY • PwC • Citi |

What level is the FRM designation deemed to be on?

In the following countries, the FRM designation is deemed to be on a Masters level.

- United States
- Canada
- United Kingdom
- European Union
- South Africa (NQF level 9)

What is covered in each level of the FRM® Program?

| FRM PI | | FRM PII | |
|--------------------------------------|-------------|--|-------------|
| Topic | Exam weight | Topic | Exam weight |
| Foundations of Risk Management (FRM) | 20% | Market Risk Measurement and Management | 20% |
| Quantitative Analysis (QA) | 20% | Credit Risk Measurement and Management | 20% |
| Financial Markets and Products (FMP) | 30% | Operational Risk and Resiliency | 20% |
| Valuation and Risk Models (VRM) | 30% | Liquidity and Treasury Risk Measurement and Management | 15% |
| | | Risk Management and Investment Management | 15% |
| | | Current Issues in Financial Markets | 10% |
| | | | |
| TOTAL | 100% | TOTAL | 100% |

How do you become an FRM® charterholder from START to FINISH?

It is important to remember that exams are only held in English.











You will also need an international passport or drivers license with a photo in order to write.

The first step is to register with the GARP via their website www.garp.org.










The following paths illustrate the various routes one can take to becoming an FRM® charterholder. We have illustrated two paths (the next two immediate exam dates) and assumed that the candidate passes each level first time.

It is important to remember that you are permitted to write both FRM PI and FRM PII exams on the same day! You write Part I from 8 am till 12 and Part II from 2pm till 6pm.

OPTION 1: TAKE FIRST EXAM IN NOVEMBER 2020

|  |  |  |  |  |  |  |  |
|--|---|---|---|---|---|--|---|
|  | | | | | | | |
| Register for FRM PI exam | Write FRM PI exam in Nov 2020 | PASS | Register for FRM PII exam | Write FRM PII exam in May 2021 | PASS | Final steps to earn the FRM charter:  | |
| Last date to register: 15 Oct 2020 | Exam date: 21 Nov 2020 | | Last date to register: ? | Exam date: 15 May 2021 | | 1. Pass both FRM exams. 2. Work experience – Demonstrate a minimum of two years of full-time work experience in finance or related field. 3. Participate in GARP's Continuing Professional Development (CPD) Program (40 hrs every 2 years). | |

OPTION 2: TAKE FIRST AND SECOND EXAM IN NOVEMBER 2020

| | | | | | | | |
|--|---|---|---|---|---|--|---|
|  |  |  |  |  |  |  |  |
|  | | | | | | | |
| Register for FRM PI exam | Write FRM PI exam in Nov 2020 | PASS | Register for FRM PII exam | Write FRM PII exam in May 2021 | PASS | Final steps to earn the FRM charter: ↓ | |
| Last date to register: 15 Oct 2020 | Exam date: 21 Nov 2020 8am to 12pm | | Last date to register: 15 Oct 2020 | Exam date: 21 Nov 2020 2pm to 6pm | | <ol style="list-style-type: none"> 1. Pass both FRM exams. 2. Work experience – Demonstrate a minimum of two years of full-time work experience in finance or related field. 3. Participate in GARP's Continuing Professional Development (CPD) Program (40 hrs every 2 years). | |

It is important to remember that if you do decide to write both papers (Part I and Part II) on the same day, there is a risk:

- If you pass Part I and fail Part II, then your Part I is counted towards your designation and you only need to pass Part II in order to be certified.
- If you fail Part I, then your Part II is not even marked, and you need to repeat both Part I and Part II.

What do I need to be eligible to register?

There does not appear to be any prerequisites from GARP that are required prior to being accepted into the program.

When do I need to register by?

It is important to remember that the later that you register, the more expensive it is. The following dates and fees are currently applicable:

| | | | FRM PI | FRM PII | |
|-----------------|------------------------------|-----------------------|--------------------|--------------------|--------------|
| GARP | Exam | | 21 Nov 2020 | 21 Nov 2020 | |
| | Reg opens | Already open | | | |
| | Early registration | Closing date | | 31 July 2020 | 31 July 2020 |
| | | Enrolment fee | | \$400 | \$0 |
| | | Registration fee | | \$425 | \$425 |
| | Standard registration | Total fee | | \$825 | \$425 |
| | | Closing date | | 31 Aug 2020 | 31 Aug 2020 |
| | | Enrolment fee | | \$400 | \$0 |
| | Final registration | Registration fee | | \$550 | \$550 |
| | | Total fee | | \$950 | \$550 |
| Closing date | | | 15 Oct 2020 | 15 Oct 2020 | |
| RAD | Last date for RAD | | 31 Aug 2020 | 31 Aug 2020 | |
| Deferral | Last date for deferral | | 15 October 2020 | 15 October 2020 | |
| Edge FIT | Face-to-face | 18 June – 15 Nov 2020 | R18,000 | Not avail | |
| | Online | 18 June – 15 Nov 2020 | R13,000 | Not avail | |
| | RC and EC | 16 Oct – 15 Nov 2020 | R5,000 | Not avail | |

How much does it cost?

This fee is payable in USD to GARP upon registration. See the above table for fees. Again, keep in mind the later that you register, the more expensive it becomes.

When is the exam held?

FRM exams are written twice a year, in May and November. They are usually written on the third Saturday of the month.

| | FRM PI | FRM PII | FRM PI | FRM PII |
|-----------|--------------------|--------------------|---------------|---------------|
| Exam | November 2020 exam | November 2020 exam | May 2021 exam | May 2021 exam |
| Exam date | 17 Nov 2020 | 17 Nov 2020 | 15 May 2021 | 15 May 2021 |

How much time must be invested to study each FRM® level?

The most common answer to this question is 275 hours. However, we at Edge are more inclined towards 300 hours per level.

Do I get study materials from GARP upon registration?

Candidates have access to the FRM syllabus that is issued by GARP. For Part I, there are four books provided and for Part II there are five books. The syllabus is available in both e-format and printed format. The printed material cost is \$300, and e-books cost \$250.

Once accepted by GARP, you need to decide your next step:

Option 1: Study only using the GARP material

If you decide to study only using the GARP material, you will be working with the original GARP material provided to you upon registration. The only fee payable by you will be the fee payable to the GARP upon registration.

Option 2: Make use of a Prep provider like Edge FIT

If you decide to make use of a prep provider (approved by GARP) like Edge FIT, you will incur additional costs, those charged by the prep provider.

Depending on the package that you select (detailed below) the following additional study options are provided to you by the prep provider:

- Face-to-face classes
- Online classes
- Detailed notes
- Summaries
- Practice questions + question banks
- Revision classes
- Practice exams

If you decide to join us at Edge for classes, there will be two fees.

Fee 1: This is the fee paid directly to GARP. This is paid to enable the candidate to be a part of the FRM® Program and to write the FRM® exams. First time candidates have to pay an additional enrolment fee.

Fee 2: This is the fee paid to Edge. This fee is for face-to-face classes, online classes, revision classes, exam classes and ALL your study notes and summaries.

What are the details of the exam?

| | FRM PART I | FRM PART II |
|---------------------------|--|---|
| Exam type | PBT | PBT |
| Exam format | MCQ | MCQ |
| Exam structure and length | <ul style="list-style-type: none"> 4hrs 100 MCQs | <ul style="list-style-type: none"> 4hrs 80 MCQs |
| When do I get results? | Within 6 weeks after writing the exam | Within 6 weeks after writing the exam |

PBT = Paper-based testing

What is the pass rate per FRM part?

| | FRM PART I | | FRM PART II | |
|-----------|------------|----------|-------------|----------|
| Date | May 2019 | Nov 2019 | May 2019 | Nov 2019 |
| Pass rate | 42% | 46% | 60% | 59% |

How quantitative is the FRM exam?

The FRM Exam does have a quantitative component, but the concepts are presented in real-world situations that risk managers face. The level of mathematical difficulty is on par with an advanced undergraduate or introductory graduate level finance course at most universities.

Is there a time limit on the course?

Yes, you will need to complete the course within four years after passing the Part I exam.

The FRM syllabus in greater detail

| FRM PI | FRM PII |
|---|--|
| <p>Foundations of Risk Management (FRM) – 20%</p> <ul style="list-style-type: none"> • Basic risk types, measurement and management tools • Creating value with risk management Risk governance and corporate governance • Credit risk transfer mechanisms • The Capital Asset Pricing Model (CAPM) Risk-adjusted performance measurement • Multifactor models • Data aggregation and risk reporting Financial disasters and risk management failures • Ethics and the GARP Code of Conduct | <p>Market Risk Measurement and Management - 20%</p> <ul style="list-style-type: none"> • VaR and other risk measures • Parametric and non-parametric methods of estimation • VaR mapping • Backtesting VaR • Expected shortfall and other coherent risk measures • Extreme Value Theory (EVT) • Modeling dependence: correlations and copulas Term structure models of interest rates • Volatility: smiles and term structures • Fundamental Review of the Trading Book (FRTB) |
| <p>Quantitative Analysis (QA) – 20%</p> <ul style="list-style-type: none"> • Discrete and continuous probability distributions • Estimating the parameters of distributions • Population and sample statistics Bayesian analysis • Statistical inference and hypothesis testing • Measures of correlation • Linear regression with single and multiple regressors • Time series analysis and forecasting Simulation methods | <p>Credit Risk Measurement and Management - 20%</p> <ul style="list-style-type: none"> • Credit analysis • Default risk: Quantitative methodologies • Expected and unexpected loss • Credit VaR • Counterparty risk • Credit derivatives • Structured finance and securitization |
| <p>Financial Markets and Products (FMP) – 30%</p> <ul style="list-style-type: none"> • Structures and functions of financial institutions • Structure and mechanics of OTC and exchange markets • Structure, mechanics, and valuation of forwards, futures, swaps and options Hedging with derivatives • Interest rates and measures of interest rate sensitivity • Foreign exchange risk • Corporate bonds • Mortgage-backed securities | <p>Operational Risk and Resiliency - 20%</p> <ul style="list-style-type: none"> • Principles for sound operational risk management Risk appetite frameworks and enterprise risk management (ERM) • Risk culture and conduct • Analyzing and reporting operational loss data Model risk and model validation • Risk-adjusted return on capital (RAROC) • Economic capital frameworks and capital planning Stress testing banks • Third-party outsourcing risk • Risks related to money laundering and financing of terrorism • Regulation and the Basel Accords • Cyber risk and cyber resilience • Operational resilience |
| <p>Valuation and Risk Models (VRM) -30%</p> <ul style="list-style-type: none"> • Value-at-Risk (VaR) • Expected shortfall (ES) • Estimating volatility and correlation Economic and regulatory capital • Stress testing and scenario analysis Option valuation • Fixed income valuation • Hedging • Country and sovereign risk models and management • External and internal credit ratings • Expected and unexpected losses • Operational risk | <p>Liquidity and Treasury Risk Measurement and Management - 15%</p> <ul style="list-style-type: none"> • Liquidity risk principles and metrics • Liquidity portfolio management • Cash-flow modeling, liquidity stress testing, and reporting • Contingency funding plan • Funding models • Funds transfer pricing • Cross-currency funding • Balance sheet management • Asset liquidity |
| | <p>Risk Management and Investment Management - 15%</p> <ul style="list-style-type: none"> • Factor theory • Portfolio construction • Portfolio risk measures • Risk budgeting • Risk monitoring and performance measurement Portfolio-based performance analysis • Hedge funds |
| | <p>Current Issues in Financial Markets -10%</p> |