

## **PRMIA 8004 Exam**

**Volume: 110 Questions**

Question No : 1

A risk assessment report generated by a PRMIA member creates an apparent conflict of interest between the PRMIA standards and those of the client organization. Of the following, which is the correct hierarchy to follow to resolve the conflict?

- I. The decision of a superior within the organization
- II. PRMIA Standards
- III. Guidelines from the regulators in which the organization operates
- IV. The laws of the country

A. I, II, III, and IV

B. IV, III, II, and I

C. II, I, IV, and III

D. III, II, IV, and I

Answer: B

Question No : 2

John Smith wants to run for election to the Board of Directors of PRMIA. To be nominated, he needs:

A. The backing of three other members

B. To go through a screening process conducted by the Nominations Committee

C. The backing of 6% of local members

D. The backing of five other members and to be serving on at least one PRMIA Committee

Answer: A

Question No : 3

The Chief Risk Officer is responsible for the management of the Risk Management Infrastructure, and as such helps the Board define, and then implements throughout the organization, the risk appetite of the organization.

Which of the following is also the responsibility of the Chief Risk Officer?

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- A. Maintaining appropriate assurance measures to ensure that the Governance and Risk framework of the organization is effective, and, if any shortcomings are discovered, to escalate these to the Board so that remedial action can be taken in an appropriate and timely manner
- B. ensuring that all employees understand the rules and regulations (both internal and external) with which they must comply and the implications, for them and for the organization, of non-compliance
- C. Ensures that reporting of risk and governance-related matters are produced in a timely and accurate manner
- D. Acts as sponsor for risk throughout the organization and ensures that a risk culture is implemented, and maintained

Answer: C

Question No : 4

Mary Jones wants the Bylaws of PRMIA to be changed so that people can't join PRMIA unless they meet a set of criteria she has devised with her colleagues. She can do this by getting which of the following approvals:

- A. The Board of Directors, but only if the Blue Ribbon Panel affirms the change
- B. The Board of Directors and a majority of the Members
- C. The Board of Directors alone
- D. 34 of all Members

Answer: B

Question No : 5

Boards, including Audit and Risk Committees must:

- I. Clearly articulate the corporate risk appetite to senior management
- II. Thoroughly review compensation plans of potentially "highly compensated positions" for consistency with corporate risk appetite, competitive market conditions and fiduciary responsibility to shareholders
- III. Have a single member formally given responsibility for understanding and reporting the effectiveness of the corporation's risk management infrastructure
- IV. Be fully accountable to shareholders and work to the benefit of public good and financial stability

A. I and II only

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B. I, II and IV only

C. I, II and III only

D. All of these are responsibilities of Board and Audit Committees

Answer: D

Question No : 6

The problems at WorldCom can best be characterized as related to:

A. Market Risk

B. Credit Risk

C. Operational and Regulatory Compliance Risk

D. All of the Above

Answer: C

Question No : 7

The hedging strategy employed by MG Refining & Marketing has been called:

A. Dynamic hedging

B. A stacked hedge

C. A differential hedge

D. Nothing because MG Refining & Marketing did not hedge its position

Answer: B

Question No : 8

Which of the following are PRMIA Governance Principles?

I. Sufficiency of Key Resources and Process

II. State of the Art Risk Management Technology

III. Ongoing Education and Discernment

IV. Sufficiency of Key Competencies

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- A. I, II and IV only
- B. I and II only
- C. I, III and IV only
- D. All of these are PRMIA Governance Principles

Answer: C

Question No : 9

The Fortress Re accounting risk transfer procedures

- A. made it straightforward for TFMI to determine whether risk had actually been transferred and they decided not to take out more catastrophe insurance cover
- B. made it difficult for TFMI to determine whether risk had actually been transferred so they had to take out additional catastrophe insurance cover
- C. made it straightforward for TFMI to determine when the risk had been transferred and to take out additional catastrophe insurance cover
- D. made it difficult for TFMI to determine whether risk had actually been transferred and whether it had sufficient catastrophe insurance cover

Answer: D

Question No : 10

Bankgesellschaft Berlin's failures can be best characterised as

- A. credit risk caused by overexposure to the property market
- B. credit risk caused by a diversified portfolio of poor-quality loans
- C. both A and B
- D. none of the above

Answer: A

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Question No : 11

The Basic Knowledge a PPRMIA member should comply with, as stipulated within the PRMIA Standards of Best Practice, Conduct & Ethics, is to

- A. only improve their PERSONAL professional competence
- B. maintains and improve their professional competence and strive to maintain and improve the competence of other risk professionals
- C. only possess the required skills and/or certification to complete the risk assessment / management work at hand
- D. learn from a qualified risk management practitioner

Answer: B

Question No : 12

What was the most important loss for Bankers Trust?

- A. Money due to unfavourable market moves
- B. Loss of its' reputation due to actions seen as detrimental to their clients
- C. Loss of market share due to their licenses being revoked
- D. Time spent on legal proceedings in courts

Answer: B

Question No : 13

Up until 2006, which of the following was not a primary driver for Washington Mutual's earning?

- A. Lending to consumers and small businesses.
- B. Deposit taking activities which generated net interest income.
- C. The provision of fee based services to its customers.
- D. Complex derivative trades based on volatility indices.

Answer: D