

THE INSTITUTE OF BANKERS PAKISTAN
ISQ Examination (Winter-2010)
ADVANCE RISK MANAGEMENT
Associateship

- Q.1** In the following questions, please tick the right option or options. (Each correct tick carries 1 mark)
- Q.2** In the following statements, indicate by writing 'T' or 'F' in the boxes before them indicating whether they are true or false, and provide a *brief explanation* underneath for the option you exercise. (Each correct tick carries 01 mark and each correct explanation carries 01 mark)
- Q.3** In the coming months, banks will be under pressure to lend more to the agriculture sector because reviving this sector, which employs 60% of Pakistan's workforce, is extremely important for everyone. In this context:
- A)** What are the *two* big challenges that banks face in collateralizing their credit to agriculturists?
 - B)** List the strategies banks should devise to face up to this challenge.
 - C)** What additional monitoring and control systems may be required to secure agricultural credit?
- Q.4** In economies running huge trade deficits there are serious implications for the economy, especially the financial services sector. Please list these implications.
- Q.5** Your bank plans to build a portfolio in *SME finance*. List your preferences for developing a sound risk asset base in *SME manufacturing* sector. List *four* main qualifications that such borrowers must possess.
- Q.6** Banks traditionally avail services such as asset valuation, goods clearing, forwarding, custody and transportation services from service providers in the private sector. What are the *four* important regulatory steps that you would recommend to make these service providers more responsible and accountable for their conduct?

- Q.7**
- A)** Liquidity crisis in the global financial services sector highlighted serious weaknesses in liquidity management by the banking sector. What were the *four* main risks that banks must avoid in management of liquidity?
 - B)** According to Basle Accord-II, loans to borrowers not rated by external agencies or internally by banks will carry 100% risk weight. With only two credit rating agencies, the bulk of Pakistani borrowers will remain un-rated. What are the implications for banks capital adequacy?
 - C)** The global financial crisis highlighted both vulnerabilities and strengths of the Asian economies. Identify *two* of the major strengths of these economies.

Q.8 While opening Sight LCs favouring manufacturers for import of highly *specialized* equipment that the importer will sell under legal contracts that state that the buyers will pay after *buyers' experts* certify that the goods meet the specifications laid down in the supply contract executed with your importer customer.

- A)** What is the main risk involved in opening those LCs?
- B)** What are the options you have to cover the risk identified in question (A) above?

Q.9 What are the three main pillars of the Basle Accord-II? Please list these pillars.

Q.10 Limiting systemic risk is as much a function of responsible banking practices as of bank regulation. Briefly indicate two main strategies that banks must adopt to manifest that responsibility.
