

THE INSTITUTE OF BANKERS PAKISTAN
ISQ Examination (Summer-2011)
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** A) What do you understand by default risk?
- B) What factors appear to have the most influence upon the degree of default risk displayed by a financial asset?
- C) In what ways are security ratings designed to reflect default risk.
- Q.4** List at least 5 Operational Risk Management Guidelines and briefly narrate one case which can be managed successfully in the light of these guidelines.
- Q.5** Liquidity Risk is considered a major risk for banks in view of depressing market conditions. Briefly discuss Liquidity Risk and identify the various strategies a bank must undertake to manage this risk.
- Q.6** At the request of one of the clients the Bank ‘Y’ established a Usance Letter of Credit for USD 1,000,000 payable at 30 days after sight. On receipt of documents and after due scrutiny, the same were released to the opener. At maturity the importer was asked to settle the amount, but his whereabouts are unknown. What risks are entailed under a Usance Letter of Credit and what measures would you suggest for handling such type of business?
- Q.7** Your Bank has received a Swift message from one of your correspondents to pay USD 1,000,000 to M/s ‘Y’ one of your clients, and claim reimbursements from their nostro account specified therein. What type of risk is being faced by your bank and how would you secure your bank’s interest under such situation?
- Q.8** The statistics show that external sector is showing a buoyant growth, raising hopes that it may stimulate economic recovery. What opportunities do they offer to the banking sector. Briefly discuss with appropriate suggestions.
- Q.9** Briefly discuss the status of circular debt in Pakistan and how it is affecting both the individual consumers and industry?

-.-.-.-.-.-