

**RISK
MANAGEMENT
QUESTIONS
BY
LEARNING SESSIONS**



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Q.1 Which of the following type of Risk does RTGS eliminate?

- A.) Credit and default
- B.) Market
- C.) Liquidity & interest rate
- D.) Settlement & systemic



Q.2 Choose the best characteristic of ,ÄúCredit default swap (CDS),Äù:

- A.) Is a form of swap contract
- B.) Protects a lender against default of a borrower for a fee
- C.) Sellers requires to be authorized by an exchange
- D.) A + B



Q.3 Failure of the counterparty during the course of the settlement (due to timezone differences between the two currencies to be exchanged) is the ___ risk.

- A.) Operational
- B.) Market
- C.) Settlement
- D.) Legal



Q.4 A fall in interest rates reduces the demand for bonds in the secondary market

- A.) False
- B.) True
- C.) Difficult to say
- D.) None of the above



Q.5 What is BASEL?

- A.) Basel is the name of a place in Switzerland
- B.) It is the place where HQ of Bank for International Settlements (BIS) is located
- C.) It is a place in New York where the HQ of BIS is located
- D.) A & B



Q. 6 How is Financial Risk defined as?

- A.) Uncertainties resulting in adverse variation of profitability or outright losses
- B.) Uncertainties that result in outright losses
- C.) Uncertainties in cash flow
- D.) Variations in net cash flows



Q. 7 The term ,Äúadverse selection,Äù means:

- A.) Comparing prices quoted by competitors for borrowers
- B.) Financing a defaulter of another bank
- C.) Price-cutting only for the sake of garnering market share
- D.) Facilitating the credit guarantee authorities



Q. 8 Daily volatility of a stock is 1%. What is its 10 days volatility approximately

- A.) 0.03
- B.) 0.1
- C.) 0.01
- D.) 0.04



Q. 9 A sharp decline in short term interest rates will cause yield curve to be steeper

A.) False

B.) True

C.) Difficult to say

D.) None of the above



Q. 10 Which of the following is not a form of crime insurance coverage?

- A.) Commercial crime coverage form (discovery version and loss-sustained version)
- B.) Commercial crime policy (discovery version and loss-sustained version)
- C.) General crime coverage form (discovery version and loss-sustained version)
- D.) Government crime policy (discovery version and loss-sustained version)



Q.11 Risk is managed by the following except ____

- A.) Limits and Triggers
- B.) Risk Monitoring
- C.) Models of Analyses
- D.) None of these



Q. 12 Risk mitigation measures result in

1) Reducing downside variability

2) Reducing upside potential which of the following is true

A.) Both the statements are correct

B.) Both the statements are not correct

C.) Statement 1 is correct

D.) Statement 2 is correct



Q. 13 Risk, as against uncertainty, considers:

- A.) A maximin approach
- B.) A qualitative approach
- C.) A quantitative approach
- D.) A maximax approach



Q. 14 Which of the following exposures include margin and collateral agreements with periodic margin calls, liquidity back-up lines, commitments and some letters of credit, and some unwind provisions of securitizations?

- A.) Liquidity sensitive
- B.) Profitability sensitive
- C.) Market sensitive
- D.) Debt sensitive



Q. 15 Increase in the cash reserve ratio can cause the yield curve going temporarily inverted.

- A.) False
- B.) True
- C.) Difficult to say
- D.) None of the above



Q. 16 Objective of liquidity management is to:

- A.) Ensure profitability
- B.) Ensure liquidity
- C.) Either of two
- D.) Both



Q. 17 Identify the one that is not a part of ,ÄúCredit Risk,Äù:

- A.) Default Risk
- B.) Forex Risk
- C.) Concentration Risk
- D.) Correlation Risk



Q. 18 Credit Risk can't be mitigated by ____

- A.) Default Risk
- B.) Forex Risk
- C.) Concentration Risk
- D.) Correlation Risk



Q. 19 Risk arising out of the gap between value predicted through model and the value actually observed is called:

- A.) Actual risk
- B.) Model risk
- C.) Prediction risk
- D.) Value risk



Q. 20 As per Basel II norms which of the following approach is adopted in India. Select wrong match

- A.) Credit risk - standard approach
- B.) Operational - basic indicator approach
- C.) Market risk - standard duration approach
- D.) None of these



ANSWER

1). D

2).D

3).C

4).B

5).D

6).D

7).C

8).A

9).A

10).C

11).D

12).A

13).C

14).A

15).B

16).D

17).B

18).B

19).B

20).D



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