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NEW QUESTION: 1

How much of Washington Mutual's assets were funded by customer deposits for the decade ending in 2006?

- A. 50%
- B. 40%
- C. 30%
- D. 60%

Answer: D (LEAVE A REPLY)

NEW QUESTION: 2

Zheng Zhu wants to open a new PRMIA Chapter in Wuhan, China. He can do this if:

- A. A local business sponsors the chapter
- B. At least 100 members live within 50 miles
- C. All of the above
- D. Approved by the Board of Directors

Answer: D (LEAVE A REPLY)

NEW QUESTION: 3

Which of the following was NOT a factor in the National Australia Bank case?

- A. Money laundering using foreign exchange trades for political leaders
- B. Improper or insufficient Board-level communication regarding the importance of risk management and oversight
- C. Inadequate back office procedures
- D. Rogue traders

Answer: (SHOW ANSWER)

NEW QUESTION: 4

Which of the following best characterize the problems that developed at Bankers Trust?

- A. A failure to try to protect their clients' interests
- B. Excessive reliance on volatile and sophisticated derivatives
- C. Volume growth at the expense of margin
- D. Over exposure to the property market

Answer: A (LEAVE A REPLY)

NEW QUESTION: 5

Which of the following was not considered to be a positive outcome of the Northern Rock Case Study?

- A. It emphasised the importance of effective governance arrangements within financial firms
- B. The reform of the Deposit Protection Scheme because of its internal inconsistencies
- C. The role of the UK government and the possible underwriting of risks by tax-payers, and the general question of Moral Hazard
- D. The original successful business model had not stress tested sufficiently for the incidence of Low Probability, High Impact incidents

Answer: D (LEAVE A REPLY)

NEW QUESTION: 6

Barings Bank and Orange County have many similarities. Which of the following is NOT a similarity?

- A. Both traded in illiquid and obscure markets that were easy to manipulate.
- B. Both relied on a star manager, supposedly in a low risk business.
- C. Both losses grew over time, but were not discovered by management until too late.
- D. Both losses were eventually exposed by massive margin calls.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 7

Barings failed to recognize that Nick Leeson's losses were increasing because:

- A. Leeson hid his trades in a suspense account
- B. Leeson ran the front office
- C. The margin report sent to London did not show the true margin needs
- D. The London office did not ask for any reports

Answer: A (LEAVE A REPLY)

NEW QUESTION: 8

Taisei Fire and Marine Insurance Co

- A. had a full understanding from other members of the pool of the pool's liabilities
- B. had a full understanding from Fortress Re of the risks in the pool
- C. relied on the information it received from other members of the reinsurance pool to manage its risks
- D. relied almost entirely on Fortress Re's management team for information on the risks in its portfolio

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 9

According to the Group of 30 Report, option contracts:

- A. Create credit risk only for the buyer (due to default by the seller) provided the premium is due, and paid, at contract initiation
- B. Always generate credit risk to both counterparties
- C. Create no credit risk, since the buyer need not exercise the option
- D. Usually create credit risk only for the seller (to default by the buyer)

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 10

The Chair, Vice Chair, Secretary and Treasurer of the PRMIA Board of Directors are elected by:

- A. The Blue Ribbon Advisory Panel
- B. The Regional Directors
- C. A two-thirds affirmative vote of all members
- D. All PRMIA Fellow Members

Answer: B ([LEAVE A REPLY](#))

NEW QUESTION: 11

Which of the following would have contributed to noticing and preventing Leeson's violations at Barings?

- A. More senior level involvement at Barings regarding use of derivatives
- B. Separation of front and back offices
- C. All of the above
- D. Recognition that large profits can be an indicator of higher risk

Answer: ([SHOW ANSWER](#))

NEW QUESTION: 12

When considering the performance of Northern Rock within its peer group of banks, which of the following is not correct?

- A. Its' loan loss record was poor by industry standards.
- B. For many years it was regarded as a star-performer in the financial markets.
- C. Only a few months previously it had reported record profits.

D. The quality of its' assets was never in question.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 13

A PRMIA member is offered a highly paid work assignment on the condition that some aspects of assignment are not to be done according to PRMIA standards.

What should they do?

A. Accept the assignment, produce and deliver two reports according to both standards

B. Perform the assignment, noting in the final report the standards to which the assignment was done

C. The PRMIA member should place the integrity of the risk management profession and users of risk management above their own personal interests, and refuse the work

D. Accept the assignment, and prior to doing any work, report the conflict of interest to the organization's compliance department

Answer: C (LEAVE A REPLY)

NEW QUESTION: 14

Which of the following are PRMIA Governance Principles?

I. Independence of Key Parties

II. Disclosure and Transparency

III. Internal Validation

IV. Solvency

A. I and II only

B. I, II and III only

C. All are PRMIA Governance Principles

D. I, II and IV only

Answer: A (LEAVE A REPLY)

NEW QUESTION: 15

The problems at Bankers Trust can best be characterized as failures related to:

A. Market Risk

B. Credit Risk

C. All of the Above

D. Operational and Regulatory Compliance Risk

Answer: D (LEAVE A REPLY)

NEW QUESTION: 16

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 (LEAVE A REPLY)

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NEW QUESTION: 17

A VaR model for managing market risk at Barings Bank in London would most likely have:

- A. Alerted senior management to the problems before the major losses occurred
- B. Been used if senior management had ever seen it
- C. Helped very little as Nick Leeson hid many trades
- D. Not correctly assessed the risk in Nick Leeson's option trades as they have non-linear price characteristics

Answer: C (LEAVE A REPLY)

NEW QUESTION: 18

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, II and IV only
- B. All of these are responsibilities of Board and Audit Committees
- C. I, II and III only
- D. I and II only

Answer: B (LEAVE A REPLY)

NEW QUESTION: 19

Which of the following CANNOT be counted as a reason why LTCM was given a rescue package and not left to default?

- A. Untimely unwinding of some LTCM positions would lead to large market fluctuations and possible turmoil
- B. Many of the banks in the rescue consortium were among LTCM's counterparties

- C. Some of the banks in the rescue consortium were LTCM investors
- D. The consortium wanted to keep this out of the regulators' eyes

Answer: D (LEAVE A REPLY)

NEW QUESTION: 20

Several clients, including Procter and Gamble took legal action against Bankers Trust, claiming Bankers Trust

- A. sold them derivative products without properly advising them of the relevant risks
- B. was involved in accounting fraud
- C. hid profits
- D. did not honour its contractual obligations to pay

Answer: A (LEAVE A REPLY)

NEW QUESTION: 21

The steps which the US Treasury Department and the Federal Reserve took in July 2008 to boost confidence in both Fannie Mae and Freddie Mac did not include which one of the following:

- A. Removing the prohibition on the Treasury Department to buy both companies stock
- B. Access to the Federal Reserve discount window
- C. Restricting the sale of new Fannie Mae and Freddie Mac securities only to US citizens
- D. Reiterating their belief that both companies played a central role in the US housing finance system

Answer: D (LEAVE A REPLY)

NEW QUESTION: 22

The early 2003 trading strategy of China Aviation oil was

- A. to buy puts and sell calls
- B. to buy calls and sell puts
- C. to sell puts and buy calls
- D. to sell calls and buy puts

Answer: B (LEAVE A REPLY)

NEW QUESTION: 23

What was the main risk scenario on the Metallgesellschaft trading strategy?

- A. Realized losses on short-term contracts against unrealized gains on the long-run contract
- B. The short-term price of the underlying being higher than the long-run contract
- C. The final price of the underlying being higher than the initial price
- D. The initial price of the underlying being higher than the final price

Answer: (SHOW ANSWER)

NEW QUESTION: 24

Corporate Governance ...

- A. Eliminates risk to the greatest extent possible
- B. Is defined as business decision making predicated on a belief in potential rewards, balanced with the knowledge, understanding and appreciation of the risk taken to pursue those potential rewards
- C. Is defined as the assembled knowledge and wisdom of the collective stakeholders in the organization, set to maximize shareholder value
- D. Is defined as that which is best practiced within an enterprise risk management framework, guided by the PRMIA Standards of Best Practice, Conduct and Ethics above all else

Answer: B (LEAVE A REPLY)

NEW QUESTION: 25

With respect to the Purpose of Professional Standards, in the event of any difference in standards between local laws/rules and those of PRMIA, members must

- A. abide by the applicable laws, rules, and regulations of PRMIA and any government and/or regulatory bodies
- B. comply with the higher standard under all circumstances
- C. refer the matter to their supervisor
- D. use their best judgment

Answer: B (LEAVE A REPLY)

NEW QUESTION: 26

What is (are) the lesson(s) of the Barings' failure?

- A. Incentive plans have risk management implications
- B. All of the above
- C. Large profits can be an indicator of risk
- D. Front and back offices need to be independent

Answer: B (LEAVE A REPLY)

NEW QUESTION: 27

As LTCM started to have major losses, it compounded its problems by doing what?

- A. Unwinding its' more liquid trades thereby creating more liquidity risk overall
- B. Issuing Subordinated Debt
- C. Trying to borrow more money from major money centre banks
- D. Returning capital to the general partners before others

Answer: A (LEAVE A REPLY)

NEW QUESTION: 28

PRMIA is incorporated as:

- A. A non-profit corporation
- B. A for-profit corporation
- C. A charitable trust
- D. A non profit corporation with for profit subsidiaries

Answer: A (LEAVE A REPLY)

NEW QUESTION: 29

As a PRMIA member, you have certain responsibilities. Among these are the requirement(s) to:

- A. Vote in Board elections
- B. All of the above
- C. Attend at least one PRMIA chapter meeting per year
- D. Adhere to the PRMIA Standards of Best Practice, Conduct and Ethics

Answer: D (LEAVE A REPLY)

NEW QUESTION: 30

What was the main type of risk that Metallgesellschaft was exposed to?

- A. Currency Settlement
- B. Inflation
- C. Basis Risk
- D. Interest Rate

Answer: C (LEAVE A REPLY)

NEW QUESTION: 31

Boards of Directors, including Audit and Risk Committees must review thoroughly compensation plans of potentially "highly compensated positions" for:

- I. competitive market conditions
- II. ensuring compliance with their corporate risk appetite and fiduciary responsibility to shareholders
- III. ensuring any discretionary bonus plans are geared towards keeping high income / revenue generators
- IV. reporting all such personnel to the local regulator

- A. I and II only
- B. I, II and IV only
- C. All of the above
- D. II, III and IV only

Answer: A (LEAVE A REPLY)

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NEW QUESTION: 32

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

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

Answer: (SHOW ANSWER)

NEW QUESTION: 33

Which of the following best characterizes the problems that developed at Bankgesellschaft Berlin?

- A. Excessive reliance on volatile trading income.
- B. Volume growth at the expense of margin.
- C. A company culture where profits may justify "excesses."
- D. Banking is a "for-profit" business, not a means of fulfilling political goals.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 34

The key people involved in the application of good governance and risk management must:

- I. be trustworthy
- II. be honest
- III. be approved by the local regulator
- IV. treat others fairly at all times

- A. I, II, III and IV above
- B. III only
- C. I, II, and III only
- D. I, II, and IV only

Answer: (SHOW ANSWER)

NEW QUESTION: 35

Which is NOT part of the guidance on Professional Conduct in the PRMIA Standards of Best Practice, Conduct and Ethics (Code of Conduct)?

- A. Clearly inform all affected parties of any apparent or actual conflicts of interest

B. Report to the Regulator any departures from generally accepted methodology or practices

C. Provide advice that is clear and accurate

D. Know and abide by applicable rules and regulations

Answer: B (LEAVE A REPLY)

NEW QUESTION: 36

Which of the following was not cited within the chain of miscalculations and deferred decisions for the downfall of Fannie Mae and Freddie Mac

A. Extreme exposure to foreign currency exposures and losses from non-US\$ mortgages

B. Lawmakers postponed strengthening regulatory oversight due to partisan infighting

C. Under-management and under-measurement of market and liquidity risk

D. They did not raise enough capital to weather the storm as the housing slump expanded

Answer: A (LEAVE A REPLY)

NEW QUESTION: 37

When Fannie Mae and Freddie Mac were taken under US government conservatorship, which of the following was not included within their operating mandate?

A. Fannie Mae and Freddie Mac will continue to buy home loans from banks to repackage them as mortgage-backed securities

B. The US government will buy mortgage-backed securities in the open market as needed

C. There was a 2 year limit to the conservatorship

D. The US government will provide capital as needed in return for preferred shares in the companies

Answer: (SHOW ANSWER)

NEW QUESTION: 38

The Fortress Re accounting risk transfer procedures

A. made it straightforward for TFMI to determine when the risk had been transferred and to take out additional catastrophe insurance cover

B. made it straightforward for TFMI to determine whether risk had actually been transferred and they decided not to take out more catastrophe insurance cover

C. made it difficult for TFMI to determine whether risk had actually been transferred so they had 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 (LEAVE A REPLY)

NEW QUESTION: 39

As a result of the US government's intervention, which of the following is true?

- A.** The cost of borrowing for Fannie Mae and Freddie Mac should decline because the government will be standing behind their debts and the buying and selling of mortgage debt will continue
- B.** Foreign Central Banks will continue to sell their holdings of Fannie Mae and Freddie Mac securities
- C.** The cost of borrowing for house buyers will rise because of the risk premium now built into the cost of such a government guarantee
- D.** The systemic risks still remain in the housing market because it increases the US government's debt

Answer: A (LEAVE A REPLY)

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