



## ASSOCIATESHIP EXAMINATION

### LEVEL IV

### RISK MANAGEMENT

### [OLD SYLLABUS]

APRIL 2025

**N.B.**

1. Read carefully the instructions on the cover of the answer booklet.
2. There are **EIGHT** questions in this paper. Candidates are to answer **ANY FIVE QUESTIONS** of their choice. EACH QUESTIONS CARRIES 20 MARKS.
3. Marks are granted based on clarity of presentation, depth of understanding of the issues involved, and firm demonstration of how candidates view Risk Management as pertinent to modern Banking Operations. Marks are to be awarded as indicated against the respective questions or their sub-divisions.
4. Bonus marks would be awarded for practical examples in day to day Local and International Banking Operations as opposed to merely citing Theoretical or Abstract Concepts.
5. Time allowed: **THREE HOURS**
6. Candidates must ensure that they answer questions in the appropriate answer booklets and not on loose sheets which are used only as supplementary sheets. Such answers will not be marked.
7. **DO NOT WRITE YOUR NAME ON THE ANSWER BOOKLET.**
8. **DO NOT OPEN THIS QUESTION PAPER UNTIL INSTRUCTED TO DO SO.**

## ANSWER ANY FIVE QUESTIONS

### QUESTION 1

“Increased adoption of Electronic Banking products has exposed banks to various vulnerabilities.” Discuss **ten (10)** of these inherent risks. [20 marks]

### QUESTION 2

“Basel II was introduced in response to major Operational Risk issues that impaired banks’ capital and profit generation.”  
Discuss **eight (8)** of these critical factors that reinforced the introduction of Operational Risk in Optimum Capital computations. [20 marks]

### QUESTION 3

“Contemporary Bank Management places a high premium on the role of a Chief Risk Officer in the Enterprise-Wide Risk Management framework of a bank.”  
Explain in detail **eight (8)** functions involved in this role. [20 marks]

### QUESTION 4

List and discuss **ten (10) Risk Indicators in your bank**, explaining why you consider them relevant in the bank’s Risk Management Framework. [20 marks]

### QUESTION 5

You are being considered for the position of Treasury Front Office Head and have been asked to explain what constitutes **Market Risk** and how the bank may manage this risk.  
Explain in detail and with examples:

- a. What this risk entails, mentioning operational areas where this risk manifests. [5 marks]
- b. Mention five (5) Market Risk Management Principles applied in dealing with this specific risk. [10 marks]

c. Explain the concept of a “Liquidity Contingency Plan” and how it helps a bank in the management of liquidity to prevent it from reneging on its contractual obligations to all counterparties. **[5 marks]**

**[Total: 20 marks]**

### **QUESTION 6**

a. Discuss how a bank’s information resources may be resuscitated following critical business disruption. **[10 marks]**

b. Discuss how Capital Adequacy Ratios may be improved. **[10 marks]**

**[Total: 20 marks]**

### **QUESTION 7**

You have been appointed as your bank’s Chief Risk Officer, automatically making you an Executive Committee (Exco) Member.

Set out the key risk indicators you would require from Business Unit Heads and why you would emphasise the items you have selected. **[20 marks]**

### **QUESTION 8**

Write brief notes on the following:

a. Business Recovery Site (**State 10 points**). **[10 marks]**

b. Futures Contract (**State 5 points**). **[10 marks]**

**[Total: 20 marks]**