



**CHARTERED INSTITUTE OF BANKERS (GHANA)**

**ASSOCIATESHIP EXAMINATION**

**LEVEL IV**

**RISK MANAGEMENT**

**JULY 2020**

**N B:**

1. Read carefully the instructions on the cover of the answer book.
2. There are **EIGHT** questions in this paper. Students 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 students view risk management as pertinent to modern banking operations.
4. Bonus marks would be awarded for practical examples in day to day local and international banking operations as opposed to merely citing theoretical concepts.
5. Time allowed: **THREE HOURS.**
6. Candidates must ensure that they answer questions in the appropriate answer book 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 BOOK.**
8. **DO NOT OPEN THIS QUESTION PAPER UNTIL INSTRUCTED TO DO SO.**

### QUESTION ONE

Capital inadequacy (low or negative Capital Adequacy Ratio, below 10%) featured prominently in the financials culminating into the recent collapse of some banks in Ghana.

What measures may a bank take to bolster its declining ratio to avoid insolvency or regulatory sanctions? **(20 marks)**

### QUESTION TWO

In an age of increasing cyber security concerns and the obligation to comply with the Data Protection Act 2018, the Board and management of Banks must focus on information risk.

(a) Discuss **at least (5) five** objectives of an information risk policy of a bank. **(10 marks)**

(b) Discuss any **five (5)** risks prevalent in the information technology space of a bank.

**(10 marks)**

**(Total marks: 20)**

### QUESTION THREE

The Board has the responsibility to enact and periodically review broad strategic policies to govern the treasury function and its relationship with other departments in the bank.

Discuss broadly **five (5) key areas** to be addressed by a Treasury policy, indicating why these are critical for the effective functioning of the Treasury department in its capital maintenance, liquidity and income generation functions.

**(20 marks)**

### QUESTION FOUR

In the context of Assets and Liability Management, explain;

(a) What depositor concentration risk (liability) is, and how this poses a risk to your bank?

**(5 marks)**

(b) How would you address this particular risk?

**(10 marks)**

(c) Why should a bank's management be concerned about sectoral concentration risk (disproportionate exposure to a particular sector of the economy) in its loan portfolio?

(5 marks)

(Total marks: 20)

### QUESTION FIVE

In the context of Environmental and Social Risk Management, discuss **at least five (5) key risks** that a bank which fails to adopt this policy may face in the credit space.

(20 marks)

### QUESTION SIX

Write short notes on each of the following;

(a) Risk Capacity, including its dependencies.

(5 marks)

(b) Risk Appetite.

(5 marks)

(c) Country Risk analysis.

(5 marks)

(d) Business Priority Heat Map.

(5 marks)

(Total marks: 20)

### QUESTION SEVEN

(a) Explain in detail the concept of securitization.

(5 marks)

(b) What risk concerns should a buyer of a securitized instrument be aware of?

(15 marks)

(Total marks: 20)

### QUESTION EIGHT

Discuss in detail **five (5) factors** which bank management must consider in adopting a particular risk transfer/treatment measure in the management of its residual risks

(20 marks)