



CHARTERED INSTITUTE OF BANKERS, GHANA
ASSOCIATESHIP EXAMINATION
LEVEL IV
RISK MANAGEMENT
OCTOBER 2022

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.**

ANSWER ANY FIVE QUESTIONS

QUESTION ONE

The new Managing Director of Excellence Bank PLC believes that profitability must be the focal concern in bank strategic management, not people or global issues regarding the environment.

As the Chief Risk Officer of the bank, explain concisely to the Board the critical risks that the MD appears to have ignored by his fixation only on profitability. **(20 marks)**

QUESTION TWO

In view of the importance of liquidity to banks, the treasury space must be effectively controlled to avoid any challenges to the bank's profitability and solvency.

(a) Discuss at least, **four (4)** of the critical/strategic areas that must attract the attention of the Board and Management of the bank. **(10 marks)**

(b) Briefly but concisely discuss at least **five (5)** common risks associated with routine Treasury Operations which a Standard Operations Procedure must cover as part of Treasury Risk Management. **(10 marks)**

(Total: 20 marks)

QUESTION THREE

Electronic banking fraud featured prominently in the 2021 Banking Sector Fraud report. Mention and explain at least **five (5)** of the key risks associated with this product offering in its various facets which may have contributed to the losses. **(20 marks)**

QUESTION FOUR

Capital and liquidity are the life-blood of any bank as captured in Basel III. Your new Managing Director, recruited from Wall Street in the United States is adamant about conservative approaches to capital and returns.

Explain to him the critical risks associated with his perceived aggressive risk appetite stance.

(20 marks)

QUESTION FIVE

In view of credit being a major source of interest income and its huge impact on liquidity, the availability of optimal liquidity and consistent adherence to a Credit Policy are crucial to a bank's solvency and profitability.

You have been tasked to design a Credit Risk Policy for Excellence Bank Ghana PLC.

Discuss in detail which key areas this Credit Policy should cover. **(20 marks)**

QUESTION SIX

As an ALCO member, explain in detail, the circumstances that would trigger a bank's need for emergency liquidity from the Central Bank or other Counterparties. **(20 marks)**

QUESTION SEVEN

a) Distinguish between Regulatory Capital and Economic Capital. **(10 marks)**

b) Explain why a bank's Board would be more concerned about Regulatory Capital. **(10 marks)**

QUESTION EIGHT

Corporate governance has become a critical component of contemporary bank management.

Discuss **any five (5)** critical success factors that may be adopted (conditions that must prevail) to promote a good corporate governance architecture. **(20 marks)**