



CANDIDATE DETAILS			
Access Number	Roll Number	For Official Use Only	Serial Number
Subject <b>ADVANCED RISK MANAGEMENT</b>			
Candidate's Name			
Father's Name			
CNIC Number			
Cell Number		E-mail	
I verify that my particulars given above are correct and I declare that I have read the INSTRUCTIONS printed in the examination booklet, and/or given in the ISQ Examination Guidelines, violation of which would mean cancellation of my paper and debarment from appearing in future examinations.			
Candidate's Signature		Invigilator's Signature	



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# The Institute of Bankers Pakistan

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ISQ Examination  
Winter - 2018  
AIBP  
Advanced Risk  
Management

SEAL  
BOOK  
HERE

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Section 2  
Constructed and Extended  
Response Questions

Number of Questions: 6  
Marks: 40

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Allotted time : 120 minutes

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## INSTRUCTIONS FOR THE CANDIDATE

1. The candidate must abide by the ISQ Examination Guidelines sent along with the admit card.
2. The candidate must sign the booklet after verifying the particulars and should **NOT** write his/her name or roll number on any other page of the examination booklet.
3. Use of non-programmable scientific calculator is allowed;
4. The candidate is advised **NOT** to approach the invigilators for seeking any explanation related to the questions in the examination paper.
5. Laptops, mobile phones or any other gadgets are **NOT** permitted in the examination hall. **ONLY** simple calculators are allowed except where indicated in the ISQ Examination Guidelines. If any candidate is found in possession of any restricted gadgets or items, his/her examination paper will be cancelled immediately.
6. The candidate must ensure that the examination booklet has all the pages duly numbered. If any page is missing, damaged or not numbered, then return the booklet to the superintendent / invigilator and obtain another booklet.
7. Write your answer **ONLY** in the given space for each question. Anything written outside the given space will not be considered for marking.
8. **ONLY** blue or black ball points are to be used.
9. The candidate must attempt **ALL** questions in the paper.

### For Official Use Only

Marks Obtained	Q.1	Q.2	Q.3	Q.4	Q.5	Q.6	Total Marks	Total in words
Marker - I								
Q.C								
Scrutiny								
Re-Scrutiny								
Marker- II								

Signatures:

1. Marker - I

2. QC

3. Scrutinizer

4. Re-Scrutinizer

5. Marker – II



**Q1.** Briefly discuss the FIVE fundamental principles of Operational Risk Management, as per SBP's guidelines? (5 Marks)

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**Q3.** Explain, how Enterprise Risk Management System may add value in the presence of traditional Risk Management System? List down at least **THREE** critical factors for a successful ERM Initiative? (5 Marks)

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Q4.

- A. Describe the importance of stress testing program in commercial banks. Explain the governance process of stress testing framework for banks in light of guidance by SBP. (5 Marks)

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B. Assume that the outstanding exposure of performing borrowers of a GEF bank on January 01, 2018 at the start of the quarter was Rs. 115 billion. By the end of the quarter i.e., March 31st, out of these Rs. 110 billion, Rs. 7 billion of loans were repaid, Rs. 3 billion loans defaulted.

On April 01, 2018 outstanding exposure of the performing loans is increased to Rs. 110 billion due to new loans booked during the last quarter. During the June quarter, out of this Rs. 110 billion, Rs. 8 billion were repaid and Rs. 5 billion stand defaulted by June 30th.

**Required:**

Calculate the default rate for first two quarters of the year 2018. (5 Marks)

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**Q5.**

**A.** Describe the differences between the risk of expected and unexpected losses that a commercial bank has to deal with. (2 Marks)

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**B.** Discuss the significance of managing the above risks with example. (3 Marks)

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**Q6.** Briefly discuss the following tools for identification/assessment of operational risk?  
(5 Marks)

- i. Risk and Control Self-Assessment (RCSA)
- ii. Key Risk Indicators (KRIs)
- iii. Loss Data Management

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