

Time Allowed: 3 Hours

Maximum Marks: 100

Date: December 7, 2024

**Advance Risk Management
AIBP (Core)**

Instructions:

- i. Attempt ALL questions;
- ii. Answers must be neat, relevant and brief;
- iii. In marking the answers, the examiner takes into account clarity of exposition, logic of arguments, presentation and language;
- iv. Read the instructions printed inside the top cover of answer script CAREFULLY before attempting the paper;
- v. DO NOT write your Name, Access No or Roll No. etc. anywhere inside the answer script(s);
- vi. Candidates are advised NOT to mark any of the objective answer on the Question Paper, otherwise their paper will be cancelled;
- vii. Question Paper must be returned to invigilator before leaving the examination hall.
- viii. Ensure that you shade your choice on the Optical Mark Reader sheet correctly. Only ONE circle must be shaded as shown below:

Correct Way:     **(Choice B is selected)**

Incorrect Ways:    

SECTION B: SUBJECTIVE

Attempt ALL Questions.

(40 Marks)

Q36

- A. ABC bank has recently employs new Statistical Models in rating process. Explain how the bank should document their methodologies in accordance with the SBP Guidelines on Internal Credit Risk Rating Systems? **(3 Marks)**
- B. An independent reviewer ensures that the bank's risk measurement system is sufficient to capture all material elements of interest rate risk, whether arising from on- or off-balance-sheet activities. The reviewer must consider quantity of interest rate risk as well as quality of interest rate risk management and measurement system

As an Independent Reviewer, outline the **THREE** quantitative and **FOUR** qualitative factors you must consider in assessing the bank's interest rate risk according to the SBP Guidelines on Interest Rate Risk Management **(7 Marks)**

Q37

As the Head of IT Audit at a financial institution, you need to design an effective IT Audit program to address technology risks associated with the institution's expanding IT infrastructure. The Board of Directors (BoD) requires a comprehensive IT Audit program.

Describe the key components to include in the IT audit program to ensure its effectiveness in managing technology risks mentioned in the Enterprise Technology Governance & Risk Management Framework for FIs by SBP? **(5 Marks)**

Q38 According to the Stress Testing Guidelines by SBP, define the following: **(10 Marks)**

- A. Scenario Analysis
- B. Sensitivity Analysis
- C. Risk Based Supervision
- D. Domestic Systemically Important Banks (D-SIBs)

Q39 Credit administration function is basically a back office activity that support and control extension and maintenance of credit. According to the Risk Management Guidelines for Commercial Banks and DFIs by SBP, briefly explain functions that performs a typical credit administration unit of a bank. **(10 Marks)**

Q40 According to the Risk Management Guidelines for Commercial Banks & DFIs by SBP, what is Risk Measurement? **(5 Marks)**

X ——— END OF PAPER ——— X