Question #1 of 14

Features of a risk management framework *least likely* include:

A) monitoring the organization's risk exposures.

B) taking corrective actions against employees who exceed their risk budgets.

C) establishing risk governance policies and processes.

Question #2 of 14

Which of the following statements about an organization's risk tolerance is *most accurate*?

A) The financial strength of an organization is one of the factors it should consider when determining its risk tolerance.

B) Risk tolerance is the degree to which an organization is able to bear the various risks that may arise from outside the organization.

C) An organization with low risk tolerance should take steps to reduce each of the risks it identifies.

Question #3 of 14

Which of the following is *least likely* to contribute to effective risk governance?

A) Decision-makers throughout an organization should consider risk governance a responsibility.

B) An organization should identify its overall risk tolerance and establish a framework for oversight of risk management.

C) The risks an organization chooses to pursue, limit, or avoid should reflect the overall goals of the organization.

Question #4 of 14

An objective of the risk management process is to:

A) eliminate the risks faced by an organization.

B) minimize the risks faced by an organization.

C) identify the risks faced by an organization.

Question #5 of 14

Measures of interest rate sensitivity *least likely* include:

A) rho.

B) duration.

C) beta.

Question #6 of 14

A portfolio manager uses a computer model to estimate the effect on a portfolio's value from both a 3% increase in interest rates and a 5% depreciation in the euro relative to the yen. The manager is *most accurately* described as engaging in:

A) risk shifting.

B) stress testing.

C) scenario analysis.

Question #7 of 14

Risk management within an organization should *most appropriately* consider:

A) interactions among different risks.

B) internal risks independently of external risks.

C) financial risks independently of non-financial risks.

Question #8 of 14

The risk of losses caused by human error or faulty processes within an organization is *most accurately* described as:

A) operational risk.

B) solvency risk.

C) model risk.

Question #9 of 14

Which of the following risks is *most accurately* classified as a non-financial risk?

A) Liquidity risk.

B) Credit risk.

C) Model risk.

Question #10 of 14

An organization's risk budgeting process is *least likely* to:

A) limit the organization’s exposures to the equity, fixed income, and commodity markets.

B) use specific metrics to ensure the organization’s allocation of risks remains within its overall risk tolerance.

C) determine whether the organization needs to purchase additional insurance.

Question #11 of 14

Value-at-Risk (VaR) and Conditional VaR are best described as measures of:

A) model risk.

B) tail risk.

C) liquidity risk.

Question #12 of 14

Examples of financial risks include:

A) credit risk, market risk, and liquidity risk.

B) market risk, liquidity risk, and tax risk.

C) solvency risk, credit risk, and market risk.

Question #13 of 14

The first step in managing an organization's risks should be to determine:

A) the organization’s risk exposures.

B) the organization’s risk tolerance.

C) a risk budget for the organization.

Question #14 of 14

Buying insurance is *best* described as a method for an organization to:

A) shift a risk.

B) transfer a risk.

C) prevent a risk.