Free Questions for 8004 by go4braindumps

Shared by Lowe on 24-05-2024

For More Free Questions and Preparation Resources

Check the Links on Last Page

Question 1

Question Type: MultipleChoice

Which of the following was NOT a factor in the National Australia Bank case?

Options:

A- Rogue traders

B- Improper or insufficient Board-level communication regarding the importance of risk management and oversight

C- Inadequate back office procedures

D- Money laundering using foreign exchange trades for political leaders

Answer:

D

Question 2

Question Type: MultipleChoice

In the case of National Australia Bank, which of the following was present?

Options:

A- A window of time between close of day for reporting purposes and back office checking that allowed traders to hide losses using fictitious trades

B- The Board received risk management information that was incorrect, incomplete or insufficiently detailed

C- Both A and B

D- Neither A nor B

Answer:

C

Question 3

Question Type: **MultipleChoice**

Which of the following CANNOT be counted as a reason why LTCM was given a rescue package and not left to default?

Options:

A- Many of the banks in the rescue consortium were among LTCM's counterparties

B- Some of the banks in the rescue consortium were LTCM investors

C- Untimely unwinding of some LTCM positions would lead to large market fluctuations and possible turmoil

D- The consortium wanted to keep this out of the regulators' eyes

Answer:

D

Question 4

Question Type: **MultipleChoice**

Which of the following was NOT a factor in the Long Term Capital Management case?

Options:

A- Inadequate separation of front and back offices

B- Model risk

C- Changes/breakdowns in historical correlations

D- Unwinding of liquid positions at the beginning of major losses

Answer:

A

Question 5

Question Type: **MultipleChoice**

According to LTCM managers:

Options:

A- Stress Testing looked at the 12 biggest deals with each of their top 20 counterparties

B- Stress Testing was not conducted

C- Stress Testing was not necessary because their trades were hedged

D- Stress Testing was elaborate, complex and conducted on their entire portfolio. It included the assumptions of a major breakdown in historical correlations

Answer:

A

Question 6

Question Type: **MultipleChoice**

Which of the following was the key contributory risk factor to the problems at LTCM in the summer of 1998?

I Model Risk

II Lack of Transparency

III Breakdown of Historical Correlations

IV Over Regulation by Federal Regulators

Options:

A- I and III only

B- III only

C- III and IV only

D- All of these were key elements of the problems at LTCM

Answer:

B

Question 7

Question Type: MultipleChoice

The retrocession insurance cover was provided by

Options:

A- Fortress Re and other insurers

B- The Fortress Re reinsurers only

C- The fronting insurance companies

D- Fortress Re and their reinsurers

Answer:

B

Question 8

Question Type: MultipleChoice

The Fortress Re accounting risk transfer procedures

Options:

A- made it straightforward for TFMI to determine whether risk had actually been transferred and they decided not to take out more catastrophe insurance cover

B- made it difficult for TFMI to determine whether risk had actually been transferred so they had to take out additional catastrophe insurance cover

C- made it straightforward for TFMI to determine when the risk had been transferred and to take out additional catastrophe insurance cover

D- made it difficult for TFMI to determine whether risk had actually been transferred and whether it had sufficient catastrophe insurance cover

Answer:

D

Question 9

Question Type: **MultipleChoice**

The Fortress Re finite reinsurance model

Options:

A- allowed Fortress to claim re-insurance claims payments from the finite reinsurers and paid premiums to cover these deals over a 5 year period, and as the risks were spread out over time the annual premiums were accounted for as current liabilities on the books of the pool members, giving a true impression of profitability

B- allowed Fortress to claim re-insurance claims payments from the finite reinsurers and paid annual premiums to cover these policies, and as the risks were spread out over the year the annual premiums were accounted for as current liabilities on the books of the pool members, giving a true impression of profitability

C- allowed Fortress to claim re-insurance claims payments from the finite reinsurers and paid premiums to cover these deals over a 5 year period, and as the risks were spread out over time the future premiums were accounted for as current liabilities on the books of the pool members, giving a true impression of profitability

D- allowed Fortress to claim re-insurance claims payments from the finite reinsurers and paid premiums to cover these deals over a 5 year period, but as the risks were spread out over time the future premiums were not accounted for as current liabilities on the books of the pool members, thus giving a false impression of profitability

Answer:

D

Question 10

Question Type: **MultipleChoice**

TMFI's internal procedures and management were

Options:

A- fully aware of the uninsured risks Fortress Re were taking

B- absolutely unaware of their uninsured liabilities

C- aware that they had some uninsured liabilities but thought they had enough capital to withstand any uninsured losses

D- None of the above

Answer:

B

Question 11

Question Type: MultipleChoice

Taisei Fire and Marine Insurance Co

Options:

A- relied almost entirely on Fortress Re's management team for information on the risks in its portfolio

B- relied on the information it received from other members of the reinsurance pool to manage its risks

C- had a full understanding from Fortress Re of the risks in the pool

D- had a full understanding from other members of the pool of the pool's liabilities

Answer:

A

Question 12

Question Type: **MultipleChoice**

Finite insurance is reinsurance which

Options:

A- transfers only a limited amount of risk at the usual reinsurance price

B- transfers the total risk at less cost than traditional reinsurance

C- transfers the total risk at the usual reinsurance price

D- transfers only a limited amount of risk at less cost than traditional reinsurance

Answer:

D