Course No:
Course Title: Risk Mangement
Date: 04/01/2014
No. of Questions: (7)
Time: 2hours
Using Calculator (No)

University of Palestine

Final Exam
2013/2014
Total Grade: 60

Instructor Name: Abedelazez Safi
Student No.: ________________
Student Name: _______________
College Name: _______________
Dep. / Specialist: ______________
Using Dictionary (No)

1st Question: Put (R) in Front of The Right Answer and (W) in front of Wrong Answer.

1. (   ) Currency risk is the risk that changes in financial market prices and rates will reduce the dollar value of a security or a portfolio.
2. (   ) Equity Price Risk is the risk that associated with volatility in stock prices.
3. (   ) Basel II established international Maximum capital guidelines that linked banks' capital requirements to their credit exposures.
4. (   ) At BASEL I the assets-to-capital multiple focuses it specific on- and off-balance-sheet asset categories.
5. (   ) OECD Banks and Public-Sector entities have 50% Risk Capital Weights for Off-Balance- Sheet Credit Equivalents by Type of Counterparty (WCE).
6. (   ) BASEL I It focused on credit risk because credit risk was perceived at the time as the predominant risk factor in banking.
7. (   ) Off-balance-sheet items have risk weightings ranging from 0 percent for cash to 100 percent for corporate bonds and certain other items.
8. (   ) Capital, as defined by the Cooke ratio, is broader than equity capital and consisted of two components: Tier 1, or core capital Tier 2, or supplementary capital.
9. (   ) Group of 30 (g-30) policy recommendations request the amendment was for Basel II Accord.
10. (   ) When the current replacement value is negative, the institution is not exposed to default risk, as the replacement cost of the contract is zero.

2nd Question: Choose The Correct Answer from the Multiple Choices

1. In June 1999 the Basel Committee declared its intention to build a new capital adequacy framework, known as _________
   A. Basel II
   B. Basel III
   C. Basel I
   D. OECD
2. ___________have 50% Risk Capital Weights for Off-Balance- Sheet Credit Equivalents by Type of Counterparty (WCE)
   A. OECD Governments
   B. OECD Banks and Public Sectors Entities
   C. Cash
   D. None is correct

3. The risk-weighted amount is ___________ *the risk-weighted assets for on- balance-sheet instruments and the risk-weighted credit equivalent for off-balance-sheet items.*
   A. Equivalent of
   B. The Minus of
   C. The sum of
   D. Divided of
4. ____________ risk arises from open or imperfectly hedged positions in a particular currency.
   A. Market Risk
   B. Financial Risk
   C. Liquidity Risk
   D. None is Correct
5. ______________ refers to potential losses resulting from inadequate systems, management failure, faulty controls, fraud, and human error.
   A. Currency Risk
   B. Liquidity Risk
   C. Operational Risk
   D. Strategy Risk
6. New Basel Capital Accord, commonly known as________
   A. Basel II
   B. Basel I
   C. Basel III
   D. None is correct
7. The implementation of _________ is a long-term process that is underway some years before the formal compliance dates.
   A. Basel II
   B. Basel I
   C. Basel III
   D. None is correct
8. Bank deposits are often insured by specialized institutions such as Federal Deposit Insurance Corporation, or FDIC, ___________

   A. In Canada
   B. In United States
   C. From The World Bank
   D. From International Monetary Funds.
9. They wish to limit the cost of the government “safety net” in the event of a bank failure.
   A. National Government
   B. Regulators
   C. Banks owners
   D. OECD
10. The current replacement value of a derivative is its marked-to-market or liquidation value.
   A. Credit Equivalent amount
   B. Current replacement cost
   C. The add-on amount
   D. Liquidation Value

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3rd Question: Defined the Following Concept

1. **Credit Risk**
2. **Domino Effect**
3. **OECD**
4. CAPM
5. **Currency Option**

4th Question: Mention the Right Answer of the Following Question

1. CAPM professors showed that the risk of an individual asset can be decomposed into two portions? What these portions?

2. Discuess the MODIGLIANI AND MILLER (M&M) Theory?

3. How does best-practice risk management relate to best-practice corporate governance?

4. What are the four basic choices in risk management?

5th Question: Explain and mention the Answer of the following Questions

1. **The Basel Committee developed its comprehensive framework for capital regulation around what the regulators called their "three pillars"! Mention these Pillars and explain two of them?**

2. **"The Survey's findings show that risk governance is still a "work in progress" for many boards" Mention the main important objectives of "MCKINSEY'S CORPORATE GOVERNANCE SURVEY"?**

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6th Question: Draw the required Diagrams and explain the following Questions and

1. Draw the delegation process for market risk authorities and the roles and responsibilities in practice within steps?

2. What is the name of your risk management report? And mention the risk exposure attached to the company and the main hedging strategy to expose the risks?

7th Question: For Student who didn't attend the Midterm Exam

1. **Why *not we can't* manage risk in theory, mention the given theories with their assumption?**

2. **Draw Risk Management Process diagram?**

End of Questions
Good Luck