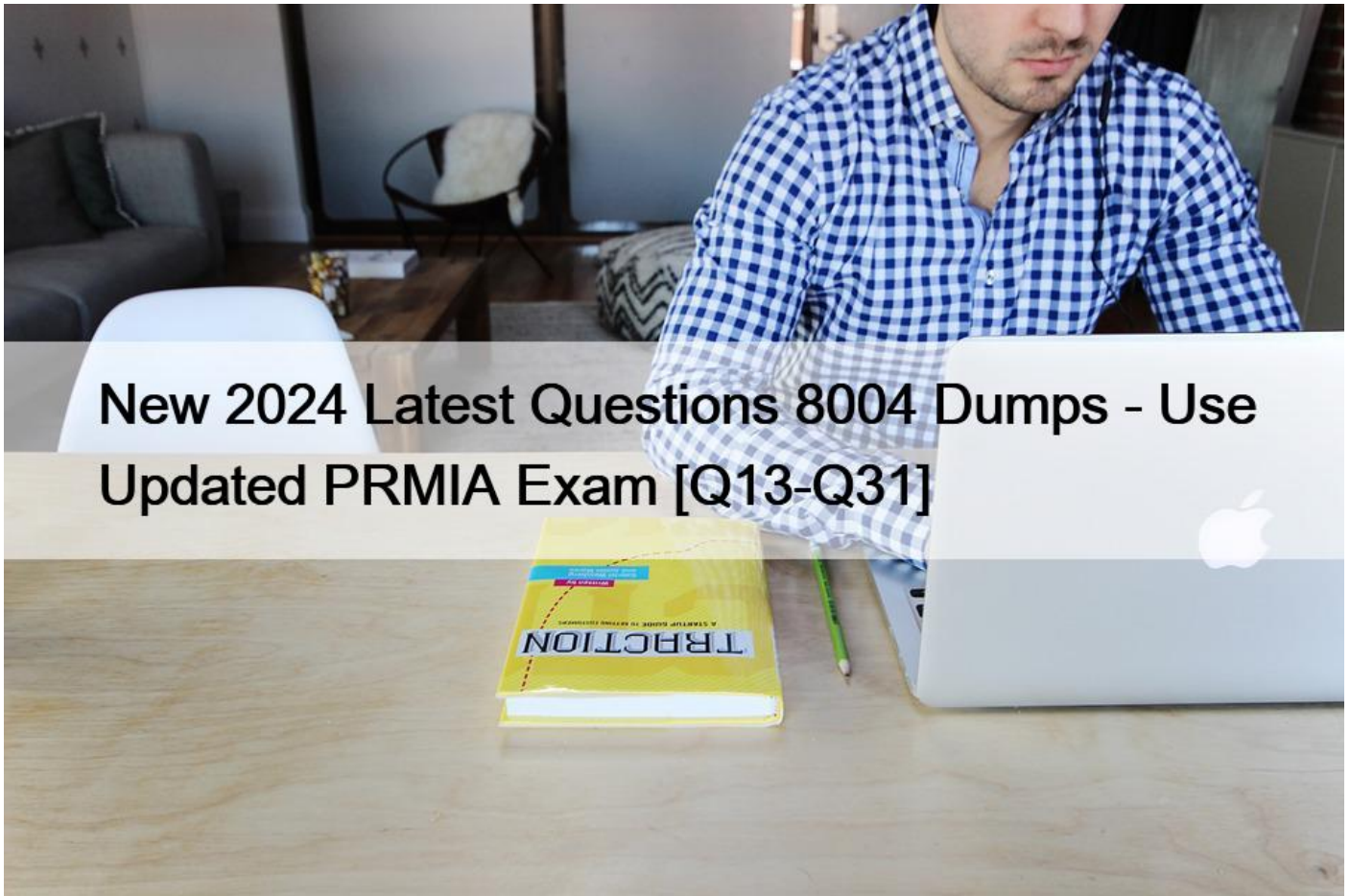


New 2024 Latest Questions 8004 Dumps - Use Updated PRMIA Exam [Q13-Q31]



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QUESTION 13

What was the most important loss for Bankers Trust?

- * Money due to unfavourable market moves
- * Loss of its reputation; reputation due to actions seen as detrimental to their clients
- * Loss of market share due to their licenses being revoked
- * Time spent on legal proceedings in courts

QUESTION 14

Metallgesellschaft's retail contracts were

- * unhedged
- * hedged using exchange-traded futures with longer maturities than the retail contracts
- * hedged using exchange-traded futures with shorter maturities than the retail contracts
- * fully hedged using exchange-traded futures of the same maturities as the retail contracts

QUESTION 15

When local rules and regulations conflict with the PRMIA Standards of Best Practice, Conduct and Ethics the PRMIA member should …

- * Seek advice from a qualified party, being mindful of legal and confidentiality requirements
- * Modify the interpretation of local rules and regulations to meet the situation
- * Ignore local rules and regulations
- * Respect local rules and regulations

QUESTION 16

The Fortress Re accounting risk transfer procedures

- * made it straightforward for TFMI to determine whether risk had actually been transferred and they decided not to take out more catastrophe insurance cover
- * made it difficult for TFMI to determine whether risk had actually been transferred so they had to take out additional catastrophe insurance cover
- * made it straightforward for TFMI to determine when the risk had been transferred and to take out additional catastrophe insurance cover
- * made it difficult for TFMI to determine whether risk had actually been transferred and whether it had sufficient catastrophe insurance cover

QUESTION 17

A risk manager finds that a client is engaged in a practice that looks like money laundering.

According to the PRMIA Standards of Best Practice, Conduct and Ethics (Code of Conduct), the risk manager should:

- * Approach the client about the concern, regardless of what their reaction might be
- * Respect the client's confidentiality as that takes precedence
- * Report this conduct to their immediate supervisor
- * Report the findings immediately to authorities

QUESTION 18

According to the Group of 30 Report, important risks associated with dynamic hedging are:

- * Greater volatility than expected over the life of an option
- * Sudden gaps in market prices
- * Both A and B
- * Neither A nor B

QUESTION 19

The problems at Bankers Trust can best be characterized as failures related to:

- * Market Risk
- * Credit Risk
- * Operational and Regulatory Compliance Risk
- * All of the Above

QUESTION 20

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

- * Inadequate separation of front and back offices
- * Model risk
- * Changes/breakdowns in historical correlations
- * Unwinding of liquid positions at the beginning of major losses

QUESTION 21

The problems at Bankgesellschaft Berlin can best be characterized as failures related to:

- * Market Risk
- * Credit Risk
- * Operational Risk
- * Both B and C

QUESTION 22

What was the main type of risk that Metallgesellschaft was exposed to?

- * Basis Risk
- * Currency Settlement
- * Interest Rate
- * Inflation

QUESTION 23

A VaR model for managing market risk at Barings Bank in London would most likely have:

- * Alerted senior management to the problems before the major losses occurred
- * Helped very little as Nick Leeson hid many trades
- * Not correctly assessed the risk in Nick Leeson's option trades as they have non-linear price characteristics
- * Been used if senior management had ever seen it

QUESTION 24

Taisei Fire and Marine Insurance Co

- * relied almost entirely on Fortress Re's management team for information on the risks in its portfolio
- * relied on the information it received from other members of the reinsurance pool to manage its risks
- * had a full understanding from Fortress Re of the risks in the pool
- * had a full understanding from other members of the pool of the pool's liabilities

QUESTION 25

The steps which the US Treasury Department and the Federal Reserve took in July 2008 to boost confidence in both Fannie Mae and Freddie Mac did not include which one of the following:

- * Access to the Federal Reserve discount window
- * Removing the prohibition on the Treasury Department to buy both companies stock
- * Restricting the sale of new Fannie Mae and Freddie Mac securities only to US citizens
- * Reiterating their belief that both companies played a central role in the US housing finance system

QUESTION 26

Washington Mutual's acquisition of Long Beach Financial changed its business model and increased its credit loss profile

because

- * The resulting loss rate for Washington Mutual was more than 3 times higher than other mortgage lenders tracked by the FDIC
- * the two banks were focussed in different markets
- * Long Beach Financial had losses which it hadn't realized at the time of the takeover
- * Of a general deterioration of credit quality generally

QUESTION 27

The hedging strategy employed by MG Refining & Marketing has been called:

- * Dynamic hedging
- * A stacked hedge
- * A differential hedge
- * Nothing because MG Refining & Marketing did not hedge its position

QUESTION 28

The Q4 2003 trading strategy of China Aviation Oil was

- * to buy puts and sell calls
- * to buy calls and sell puts
- * to sell puts and buy calls
- * to sell calls and buy puts

QUESTION 29

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

- * Rogue traders
- * Improper or insufficient Board-level communication regarding the importance of risk management and oversight
- * Inadequate back office procedures
- * Money laundering using foreign exchange trades for political leaders

QUESTION 30

Which of the following would have contributed to noticing and preventing Leeson's violations at Barings?

- * Separation of front and back offices
- * More senior level involvement at Barings regarding use of derivatives
- * Recognition that large profits can be an indicator of higher risk
- * All of the above

QUESTION 31

The Chair of the PRMIA Board of Directors may hold the following offices:

- * Parliamentarian
- * Secretary
- * Vice Chair
- * Chair only

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