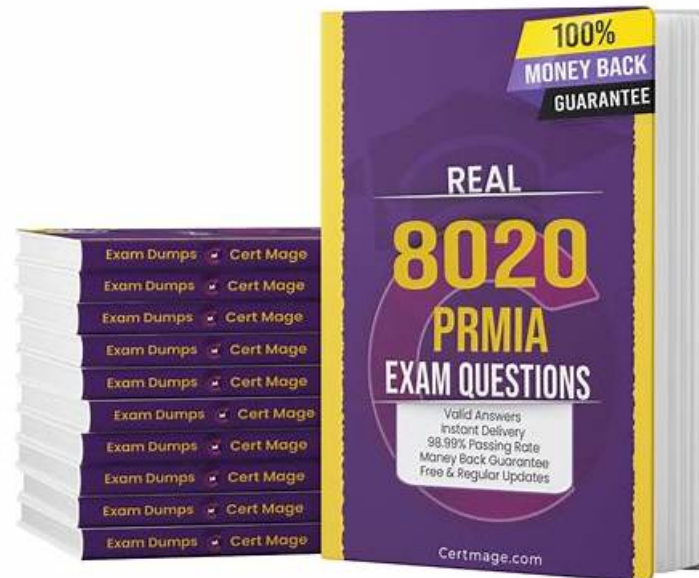# What is the importance of preparation-evaluation before the final certification PRMIA 8020 exam?

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PRMIA 8020 Exam Syllabus Topics:

Topic	Details

Topic 1	• Case Studies: This section of the exam measures the skills of Business Risk Consultants and covers real-world applications of risk management concepts. It examines case studies on risk governance, assessment, and mitigation strategies across different industries. A key skill measured is analyzing historical risk events for strategic insights.
Topic 2	• Risk Information: This section of the exam measures the skills of Risk Managers and covers the collection, analysis, and communication of risk-related data. It highlights the role of data-driven decision-making in mitigating uncertainties and ensuring compliance. A key skill measured is interpreting risk data for informed decision-making.
Topic 3	• Risk Governance: This section of the exam measures the skills of Compliance Officers and covers the policies, structures, and processes that define how organizations oversee risk. It explores regulatory compliance, ethical considerations, and corporate governance frameworks to ensure accountability. A key skill measured is applying governance frameworks to organizational risk policies.
Topic 4	• Risk Management Framework: This section of the exam measures the skills of Risk Managers and covers the development and implementation of structured approaches for risk identification, evaluation, and mitigation. It includes industry-standard frameworks that guide risk strategy and decision-making. A key skill measured is establishing a risk management framework for organizations.

PRMIA ORM Certificate - 2023 Update Sample Questions (Q61-Q66):

NEW QUESTION # 61

In relation to financial crime. OFAC is a definition for which organization?

- A. Office for Asset Control.
- B. Office of Foreigner and other Control.
- C. Office of Financial Asset Control.
- D. Office of Foreign Asset Control.

Answer: D

Explanation:
Step 1: Understanding OFAC
OFAC (Office of Foreign Assets Control) is a U.S. Treasury Department agency responsible for enforcing economic and trade sanctions based on U.S. foreign policy and national security goals.
It prevents financial crime by restricting transactions with sanctioned individuals, entities, and countries.
Step 2: Role of OFAC in Financial Crime Prevention
OFAC administers sanctions to prevent money laundering, terrorism financing, and other illicit activities.
Financial institutions must comply with OFAC regulations to avoid heavy fines and reputational damage.
PRMIA's Financial Crime Risk Guidelines emphasize the importance of OFAC compliance in risk management.
Step 3: Why the Other Options Are Incorrect
Option A ("Office of Financial Asset Control") - Incorrect wording; OFAC deals with foreign assets, not just financial assets.
Option B ("Office of Foreigner and Other Control") - OFAC does not regulate foreigners broadly; it targets specific foreign assets and transactions.
Option C ("Office for Asset Control") - Missing "Foreign", which is critical to OFAC's function.
PRMIA Risk Reference Used:
PRMIA Financial Crime Risk Management Guidelines - Emphasizes regulatory compliance with OFAC.
PRMIA Compliance and Sanctions Risk Standards - Stresses the role of OFAC in preventing illicit financial activities.
Final Conclusion:
OFAC stands for the Office of Foreign Assets Control, making Option D the correct answer.

NEW QUESTION # 62

In relation to the template for writing policy documents, which one of the following pairings of requirements is correct? A well designed policy will include:

- A. To whom the policy applies to and how an additional management report should be allocated to.
- B. To whom and in what form exceptions should be sought and the general exemptions e.g. areas to which the policy does not apply
- C. A list of exceptions for the family of board members.
- D. A list of acceptable fonts and margin types.

Answer: B

Explanation:
Step 1: Key Elements of a Well-Designed Policy Document
A well-designed policy should include:
Scope - Who the policy applies to.
Exception Handling - How and where exceptions should be requested.
Accountability - Who is responsible for enforcement.
Step 2: Why Option C is Correct
A policy must clearly define exceptions and the process for requesting them.
It should also define areas where the policy does not apply to avoid confusion.
Step 3: Why the Other Options Are Incorrect
Option A ("List of exceptions for board members' families") → Incorrect because policies should apply consistently to all stakeholders.
Option B ("List of acceptable fonts and margin types") → Incorrect because formatting is secondary to content clarity.
Option D ("To whom the policy applies and an additional management report") → Incorrect because policy scope should not include unnecessary reports.
PRMIA Risk Reference Used:
PRMIA Policy Writing Guidelines - Defines policy structure and exception handling.
ISO 19600 Compliance Management Standard - Supports clear, well-documented policies.
Final Conclusion:
A well-designed policy clearly defines exceptions and their handling process, making Option C the correct answer.

NEW QUESTION # 63
In the Basel III standardized approach for operational risk, what is the Business Indicator?

- A. It is a scaling factor that is based on a bank's average historical losses.
- B. It is a proxy for operational risks that relate to near-miss events.
- C. It is a financial-statement-based proxy for operational risk.
- D. It is a non-financial-statement-based proxy for operational risk.

Answer: C

Explanation:
Step 1: Definition of the Business Indicator (BI) in Basel III
The Business Indicator (BI) is a financial-statement-based metric used in Basel III's Standardized Approach for Operational Risk.
It replaces previous approaches by using financial figures (e.g., revenue, fees, interest income) to estimate operational risk exposure.
Step 2: Why Option D Is Correct
The BI uses financial-statement data to calculate operational risk capital requirements.
It acts as a proxy for a bank's operational risk exposure by linking operational risk to its financial size and complexity.
Step 3: Why the Other Options Are Incorrect
Option A ("Proxy for near-miss events") → Incorrect because BI is based on financial data, not near-miss risk events.
Option B ("Non-financial-statement-based proxy") → Incorrect because BI is explicitly derived from financial statements.
Option C ("Scaling factor based on historical losses") → Incorrect because BI does not use historical losses directly-it relies on financial-statement inputs.
PRMIA Risk Reference Used:
Basel III Operational Risk Framework - Defines the Business Indicator as a financial-statement-based metric.
PRMIA Operational Risk Guidelines - Explains the BI's role in capital calculations.

NEW QUESTION # 64
For the National Australia Bank - FX Options case study, which was the major cause of the loss event?

- A. Currency traders smoothed profits and concealed losses.

- B. Currency traders were allowed access to the risk system by the CEO.
- C. Currency traders were able to complete a Management Buy Out (MBO).
- D. Currency traders concealed losses using back office knowledge.

Answer: A

Explanation:
Overview of the National Australia Bank (NAB) FX Options Case Study
Traders at National Australia Bank (NAB) engaged in unauthorized foreign exchange (FX) options trading.
They smoothed profits and concealed losses using fictitious transactions and manipulated reporting.
This led to a major financial scandal and loss of investor confidence.
Key Findings of the Investigation
Traders artificially smoothed profits to avoid drawing attention to large fluctuations.
Losses were concealed from internal risk controls by manipulating trade records.
The bank's risk management and governance controls failed to detect and prevent these activities.
Why Other Answers Are Incorrect
Option
Explanation:
A . Currency traders were allowed access to the risk system by the CEO.
Incorrect - No evidence suggests CEO involvement in granting system access.
B . Currency traders concealed losses using back-office knowledge.
Incorrect - While they concealed losses, they also smoothed profits to manipulate earnings trends.
D . Currency traders were able to complete a Management Buy Out (MBO).
Incorrect - This event was not related to a Management Buyout (MBO); it was a trading scandal.
PRMIA Reference for Verification
PRMIA Fraud and Risk Management Case Studies
Basel Principles on Market Risk and Internal Control Failures

NEW QUESTION # 65
For credit risk losses containing operational risk elements that have been historically included in an organizations' credit risk database how should the loss amount be treated?

- A. The entire loss amount is treated as credit risk
- B. The loss amount is split into credit and operational risk components.
- C. The entire loss amount is treated as operational risk.
- D. The entire loss amount is treated as credit risk, but the loss is entered as a memorandum within the operational loss database and not used for capital modeling purposes.

Answer: B

Explanation:
Understanding Credit Risk and Operational Risk Overlap
In some cases, credit risk losses contain elements of operational risk, such as fraud, documentation errors, or IT failures affecting credit transactions.
Basel II and III frameworks require institutions to distinguish between pure credit risk losses and operational risk components within those losses.
Treatment of Losses
The credit-related portion is accounted for under credit risk capital calculations.
The operational risk portion (e.g., fraud-related losses) should be classified separately and included in operational risk databases for risk measurement.
Why Answer C is Correct
Basel III and PRMIA recommend a clear split between credit risk and operational risk components to ensure accurate risk modeling.
If operational risk elements are ignored, an organization may underestimate its true operational risk exposure.
Why Other Answers Are Incorrect
Option
Explanation:
A . The entire loss amount is treated as credit risk.
Incorrect - This ignores operational risk components that should be accounted for separately.
B . The entire loss amount is treated as operational risk.

Incorrect - Credit risk losses are typically dominant in lending-related losses and should not be fully classified as operational risk.
D . The entire loss amount is treated as credit risk, but the loss is entered as a memorandum within the operational loss database and not used for capital modeling purposes.
Incorrect - The operational risk portion must be considered for capital modeling, not just recorded as a memo.
PRMIA Reference for Verification
Basel II & III Guidelines on Credit and Operational Risk Integration
PRMIA Operational Risk Framework

NEW QUESTION # 66

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