Question #1 of 11

When using the fair value hierarchy as defined by IFRS and US GAAP, a financial asset valuation performed by discounting future cash-flows at a discount rate would *most likely* be classified as a:

A) level 2 valuation

B) level 1 valuation

C) level 3 valuation

Question #2 of 11

When assessing capital adequacy using risk-weighted assets, cash will *most likely*:

A) be weighted at 100%.

B) be weighted over 100%.

C) not be included in risk-weighted assets.

Question #3 of 11

The following extract shows data prepared by OWB, a financial institution conducting a review of its BASEL III compliance from 2016 to 2018. All data has been prepared in accordance with BASEL III requirements.

	2016 $m	2017 $m	2018 $m
Net Outflows (30 days of stress level cash flows)	70,363	79,454	111,547
Available Stable Funding	337,964	347,945	298,045
Required Stable Funding	327,043	287,953	247,876
High Quality Liquid Assets	82,334	87,677	109,654

Using the data extracted from OWB, which of the following statements is *most likely* correct?

A) The number of days of stress level cash flows that OWB can withstand has steadily increased over the period

B) The net stable funding ratio was highest in 2017

C) The liquidity coverage ratio meets the standard BASEL III requirements in each of the three years

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Question #4 of 11

Which of the following statements comparing Property and Casualty insurers to Life and Health insurers is *least likely* correct?

A) Property and Casualty insurers typically require a higher equity cushion and hence can have higher capital requirements

B) Life and Health insurers typically face more predictable claims than Property and Casualty insurers

C) The calculation of Property and Casualty insurers minimum capital requirements is more likely to factor in exposure to interest rate risk

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Question #5 of 11

Which of the following statements is *least likely* correct? Financial institutions differ from other companies:

A) due to their assets being predominantly tangible.

B) due to their activities giving rise to systemic risk.

C) due to their balance sheet containing assets that are often measured at fair value.

Question #6 of 11

Basel III regulation that aims to prevent banks from assuming so much leverage that they are unable to withstand loan losses is *most correctly* described as the:

A) minimum capital requirement.

B) minimum liquidity requirement.

C) stable funding requirement.

Question #7 of 11

Which of the following is *least likely* a reason for the establishment of global and regional regulatory bodies?

A) To increase harmonization or regulatory rules.

B) To increase global opportunities for regulatory arbitrage.

C) To minimize systemic risk.

Question #8 of 11

Gert Fonn, CFA, extracted the following information on the regulatory capital and total assets for JJK inc, a U.S. commercial bank he is considering as an investment. Fonn weights cash at 0%, performing loans at 100% and non-performing loans at 150% when calculating risk-weighted assets, and only considers investing in institutions with a tier 1 capital ratio over 15%. However, he is concerned that JJK has classified $85m of non-performing loans as performing loans.

	2018		**2018**
Regulatory Capital	**$m**		**$m**
Common Equity Tier 1 Capital	80,438	**Cash**	165,754
Additional Tier 1 Capital	14,294	**Performing loans**	235,631
Tier 2 Capital	22,395	**Non-performing loans**	158,654

Using the information in the table, which of the following conclusions is Fonn *most likely* to make?

A) JJK's current tier 1 capital ratio meets Fonn's criteria, but would not if the $85m of non-performing loans were reclassified

B) JJK's current tier 1 capital ratio meets Fonn's criteria even if the $85m of non-performing loans were reclassified

C) JJK's current tier 1 capital ratio does not meet Fonn's criteria

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Question #9 of 11

Which of the following statements regarding Property and Casualty insurance institutions is *most likely* correct?

A) The suitability of assets held can be analyzed by observing the status of the assets in the fair value hierarchy. A majority of level 3 reported values indicates an appropriate

B) The priority in the selection of assets should be liquidity

C) Due to the uncertainty of payout timings and levels, the institution will usually invest in high-risk, longer term assets

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Question #10 of 11

Which of the following factors is *least likely* to be considered during a CAMELS analysis of a financial institution?

A) Estimation methods used for the fair value of assets

B) Levels of government support

C) Accuracy of accounting estimates

Question #11 of 11

John Gittens is reviewing his firm's guidance for the application of the CAMELS framework and notices the following two statements:

Statement 1:	"The mission of a banking entity will affect the way its assets and liabilities are managed, and hence this qualitative impact is usually addressed within the management capabilities section of the CAMELS approach."
Statement 2:	"The corporate culture may lead to excessive risk taking, or even a high level of risk aversion, and this aspect is not covered in a typical CAMELS analysis."

Regarding the two statements made by Gittens, statement 1 is *most likely*:

A) incorrect, and statement 2 is most likely correct

B) incorrect and statement 2 is most likely incorrect

C) correct and statement 2 is most likely correct