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PRMIA Operational Risk Management (ORM)

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Question: 1

A financial institution's operational risk team identifies that employees frequently fail to report minor operational incidents because they fear disciplinary consequences. Which risk management issue does this situation most clearly indicate?

- A. Strong operational resilience capabilities supporting service continuity during disruptions
- B. Effective compliance monitoring across regulatory reporting requirements
- C. Weak risk culture discouraging transparent reporting of operational risk incidents
- D. Excessive operational risk capital allocation across operational business units

Answer: C

Question: 2

During a risk and control self-assessment exercise, managers identify a high likelihood of operational errors in a manual reconciliation process. However, they determine that strong automated validation controls significantly reduce potential losses. Which type of risk remains after considering these controls?

- A. Residual risk remaining after the effectiveness of operational controls is considered
- B. Liquidity risk representing potential funding shortages during market stress
- C. Market risk representing potential financial losses from asset price changes
- D. Inherent risk representing exposure before any control measures are applied

Answer: A

Question: 3

Which factor most commonly introduces bias into operational risk assessments conducted by business units?

- A. Internal audit performing periodic reviews of operational risk management procedures
- B. Managers understating risks to avoid increased monitoring or additional control requirements
- C. Risk management teams providing standardized scoring methodologies for assessments
- D. Regulators requiring institutions to report operational loss events to supervisory agencies

Answer: B

Question: 4

Which operational resilience principle ensures that organizations can continue delivering critical services despite failures in individual operational components?

- A. Designing operational processes with redundancy and alternative service delivery capabilities
- B. Eliminating operational risk monitoring responsibilities across business units
- C. Delegating operational resilience oversight exclusively to external regulatory authorities
- D. Replacing internal control frameworks with insurance coverage arrangements

Answer: A

Question: 5

Why is tone at the top considered an essential component of operational risk governance?

- A. It allows senior management to bypass governance reporting requirements during crises
- B. It determines compensation levels for employees responsible for risk management activities
- C. It replaces internal control systems with executive decision-making authority
- D. It establishes leadership commitment to ethical conduct and effective risk management practices

Answer: D

Question: 6

A bank conducts workshops with business managers to identify risks and evaluate existing controls. Which operational risk tool is most likely being applied?

- A. Stress testing methodology applied to credit portfolios under adverse scenarios
- B. Risk and Control Self-Assessment used to evaluate operational risks and control effectiveness
- C. Value-at-Risk model designed to estimate potential market losses under normal conditions
- D. Funds transfer pricing system used to allocate liquidity costs among business units

Answer: B

Question: 7

Which practice helps reduce the likelihood of compliance violations within operational processes?

- A. Replacing internal compliance frameworks with insurance coverage policies

- B. Delegating compliance responsibilities exclusively to external regulators
- C. Implementing internal controls designed to prevent and detect regulatory breaches
- D. Eliminating formal compliance monitoring procedures across business units

Answer: C

Question: 8

An operational risk manager analyzes historical loss data and identifies several large losses caused by employee fraud in trading operations. Which control measure would most effectively reduce this risk?

- A. Reducing regulatory reporting requirements across trading operations
- B. Increasing operational risk capital reserves held by the institution
- C. Replacing internal control procedures with insurance coverage arrangements
- D. Implementing segregation of duties and enhanced monitoring of trading activities

Answer: D

Question: 9

Which factor most directly strengthens organizational accountability for regulatory compliance?

- A. Replacement of internal compliance frameworks with automated reporting systems
- B. Clearly defined compliance responsibilities assigned to management and operational staff
- C. Delegation of compliance monitoring exclusively to external legal advisors
- D. Elimination of compliance oversight responsibilities across business units

Answer: B

Question: 10

In an effective operational risk governance structure, which body holds ultimate accountability for approving the institution's operational risk framework and risk appetite?

- A. Internal audit department responsible for evaluating the effectiveness of internal control systems
- B. Business line managers responsible for executing daily operational risk management activities
- C. Compliance function responsible for interpreting regulatory requirements and reporting breaches
- D. Board of Directors responsible for approving enterprise risk strategy and governance oversight

Answer: D

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