Question: 1

To be effective, compliance risk management professionals must design a framework to ensure that bank management understands the risks and the steps that must be taken to mitigate them. The many roles compliance professionals fill incorporate risk management aspects including:

A. Coordinating regulatory exams to explain risks to examiners
B. Overseeing compliance training targeting higher risk areas
C. Tracking regulatory proposals and final rules to understand new risks
D. All of these

Answer: D

Question: 2

They also embrace the concept of risk-based compliance management. They expect compliance management to be tailored to the bank, be it large or small, offering standard or specialty financial services, simple or complex products lines, and adjusted as appropriate for the customer base as that issued for the Bank Secrecy Act, also establishes their expectations that a bank's program be risk based. Who are they?

A. Outsourcing firms
B. Foreign financial service providers
C. Bank regulatory agencies
D. Risk management organizations

Answer: C

Question: 3

A compliance professional's responsibilities include all of the following EXCEPT:

A. Understanding the business units operating environment and risk tolerance
B. Performing risk assessments with the assistance of business units to determine current risk levels and risks associated with the bank's products, lines of business, customers, and locations, among other factors
C. Working with business units to ensure prompt corrective action for any detected errors
D. Assisting business lines with compliance training for employees, as needed

Answer: D

Question: 4

_______________ should include basic elements designed to understand and mitigate risk. It usually includes:
Written program
Compliance-related policies and procedures

A. Tactical Compliance procedure
B. Rank solution

C. Compliance program
D. None of these

Answer: C

Question: 5

In a compliance program, tactical compliance procedures should be integrated into business line procedures, such as how to deliver an Adverse Action Notice when an application is declined. In this case:

A. Regulations should be applied consistently to procedures throughout the bank
B. Revisions to procedures should be based on compliance expertise and not mere editing
C. Providing solutions to mitigate any identified risk
D. Assisting business units in developing or revising policies and procedures to reflect current regulatory requirements

Answer: A, B

Question: 6

Which of the following should be done during research and interpreting regulations Compliance professionals in mitigating compliance risk?

A. Track regulatory proposals
B. Implementing final regulatory rules
C. Understanding the business units' operating environment and risk tolerance
D. Ranking solutions as high, moderate and low risk

Answer: A, B, D

Question: 7

The compliance program should address plans to verify adherence to applicable regulations through:

A. Ongoing monitoring to evaluate the program, self monitoring and corrective action
B. Self monitoring
C. Periodic reviews
D. Ongoing monitoring to evaluate the program, self monitoring and periodic reviews

Answer: A

Question: 8

There is no established template for documenting compliance risk. Each institution should develop a risk assessment that fits its risk profile. The components that are commonly used throughout the industry are as follows EXCEPT:

A. Risk assessment
B. Measuring key risk indicators

C. Identifying key performance indicators
D. Training the leadership of compliance regulation program

Answer: D

Question: 9

In Compliance regulation and risk assessment key performance indicators usually include:

A. Fines or penalties
B. Customer complaints
C. Regulatory criticism from a regulator or internal or external auditors
D. None of these

Answer: A, B, C

Question: 10

For example on a 0-5 scale:

A simple risk map based on this example might look like the following

Likelihood High	Mod – 2	High – 4	High – 5
Likelihood Moderate	Low – 1	Mod – 3	High – 4
Likelihood Low	Low – 0	Mod – 2	Mod – 3
	Exposure Low	Exposure Moderate	Exposure High

The risk trend shows the direction of risk and probable change to risk over the next 12 months. A trend toward increasing risk means that

A. Management may want to take additional action through more controls or increased reviews
B. Risk may prompt a decrease in controls and improved efficiencies
C. Controls currently in place are appropriate to succeed in keeping risks within management's established risk-tolerance level
D. Risk measurements exceed management's tolerance for risk

Answer: A

Question: 11

Compliance professionals have a duty to keep senior management and the board apprised of the state of compliance within the bank through which of the following:

A. Self-monitoring and audit results
B. Proactive compliance controls
C. Timely and accurate regulatory reporting
D. All of the options mentioned above

Answer: D

Question: 12

After a compliance officer develops a base of knowledge of regulations, he or she must begin the art of applying regulations in a risk management environment. Which of the following is NOT out of a few things to be kept in mind when determining what to do FIRST?

A. Think practically about your role as an advisor. Involve the business units in the decision process rather than making decisions for them
B. Calculate the institution's consolidated risk profile
C. Make sure you understand the level of risk the bank will tolerate, so decisions do not exceed this limit
D. Add value by analyzing regulatory requirements for the business units before you present proposed or final rules or solutions

Answer: B

Question: 13

In the mid-1980s a movement began among the federal supervisory agencies to produce a uniform ARM regulation. In 1988, the Federal Reserve Board added the uniform ARM disclosure requirements to a regulation. Therefore, most of the original OCC ARM consumer protection requirements are now found in this new regulation. Adjustable rate mortgage loans made by national banks may be subject to the OCC's ARM regulation or the requirements of this new regulation, or both. This new regulation is:

A. Regulation Z
B. Truth in Lending
C. CFR 34.21, 34.22 and 34.23
D. FIRREA penalty

Answer: A, B

Question: 14

Which one of the following is out of the FIRREA penalties included in the enforcement section of Adjusted Mortgage Regulation (12 CFR 34)?

A. Penalties up to $7,500 per day for violations of laws and regulations
B. Penalties up to $47,500 per day if violations or unsafe or unsound practices are engaged in recklessly or are part of a pattern of misconduct that causes more than a minimal loss to the bank or any pecuniary gain to the parties involved
C. Penalties up to $1,375,000 per day against persons who knowingly commit a violation and knowingly or recklessly cause a substantial loss to the bank or a substantial benefit to the party
D. Penalties up to $6,500 per day for violations of laws and regulations

Answer: A, C

Question: 15

In Requirements section of Adjusted Mortgage Regulation (12 CFR 34), for loans subject to both the OCC ARM regulation and to Regulation Z, 12 CFR 226.19(b)—that is, loans made to an individual, for personal purposes, secured by the borrower's principal dwelling, and having a term longer than one year— the index to which the interest rate is tied must be:

A. Specified in loan documents
B. Readily available to and verifiable by the browser
C. Multiple values of a chosen measure or a moving average of the chosen measure calculated over a specified period
D. A and B only

Answer: D

Question: 16

Subprime borrowers are those with weakened credit histories or reduced repayment capacity. Loans to these borrowers historically have had a higher delinquency rate. Many lenders have expanded their lending programs and added subprime products as a method of meeting their ________________by providing greater credit access to lower-income consumers.

A. Community Reinvestment Act (CRA) responsibilities
B. Fraudulent marketing tactics
C. FTC Act
D. Predatory Lending

Answer: A

Question: 17

The banking agencies issued two guidances to caution depository institutions about risks involved in funding non-depository lenders that engage in predatory lending. Predatory and abusive practices include:

A. High-pressure sales
B. Excessive fees and interest rate including fees for unnecessary products
C. Balloon payments that may never cause foreclosures
D. Excessive refinancing with fees included in the new loan

Answer: A, B

Question: 18

Under Interagency Guidance on Subprime Lending (1999) lending policy must:

A. Be appropriate to the size and complexity of the operation

B. Address the types of products offers and those not authorized
C. Require credit file documentation
D. All of these

Answer: D

Question: 19

The purpose of guidelines for National Banks to Guard against Predatory and Abusive Lending Practices- AL-2003-2 includes all of the following EXCEPT:

A. Provide examples to national banks of practices that may be abusive
B. Advise banks on how they should avoid abusive practices
C. Banks should consider appropriate discount rates, credit loss rates, and prepayment rates when valuing these assets
D. Show how some abusive lending can involve unfair or deceptive practices and therefore violate the Federal Trade Commission Act

Answer: C

Question: 20

Which of the following usually comes under the heading of abusive lending?

A. Abusive lending usually is defined by a variety of lending practices
B. It is the excessive and hidden fees in the amount financed
C. A fundamental characteristic is aggressive marketing of credit to prospective borrowers who cannot repay it on the terms offered
D. Typically, such loans are underwritten on the liquidation value of the collateral rather than the creditworthiness of the borrower

Answer: A, C, D