

EXAM 6 – CANADA, SPRING 2016

4. (2.0 points)

a. (0.25 point)

Briefly describe the main responsibility of a Relationship Manager designated by OSFI for a federally regulated financial institution.

b. (0.75 point)

Briefly describe three key principles followed by OSFI in its risk assessment of federally regulated financial institutions.

c. (1.0 point)

Identify the two levels of control at which OSFI assesses the quality of risk management of a federally regulated financial institution and briefly describe the primary responsibilities of each level of control.

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SAMPLE ANSWERS AND EXAMINER'S REPORT

QUESTION 4	
TOTAL POINT VALUE: 2	LEARNING OBJECTIVE: A2
SAMPLE ANSWERS	
Part a: 0.25 point	
<p>Sample answer:</p> <p style="padding-left: 40px;">Main point of contact between OFSI and FRFI who is <u>responsible for overall risk assessment</u></p> <p>Other sample answer:</p> <p style="padding-left: 40px;">It is the main point of contact between OSFI and the FRFI.</p> <p style="padding-left: 40px;"><u>It must always have an up to date evaluation of the risk in the company.</u></p>	
Part b: 0.75 point	
<p>Sample answer:</p> <ul style="list-style-type: none"> • Identification of risk: must be able to identify all material risks • Should be forward looking: must be able to estimate the future condition of the company • Assess the whole institution and not certain part of the company <p>Other answers:</p> <ul style="list-style-type: none"> • Differentiate between inherent risk and risk mitigation • Dynamic adjustments • Sound predictive judgement • Understanding drivers of risks: should understand what the key causes of risks are. 	
Part c: 1 point	
<p>Sample answers:</p> <ul style="list-style-type: none"> • Operational management: manage activities on a daily basis, ensure qualified staff understand risk and how to manage them, ensure efficient and sufficient and staff to manage risk • Oversight functions: Include compliance financial actuarial internal audit risk management senior management and board. They operate independently from operational and oversee the entire insurer to identify, monitor and manage risk. <p>Other answers:</p> <ul style="list-style-type: none"> • Operation management – basically the management of day to day operation to insure risk are managed • Oversight functions – should look at the risk at an enterprise wide level and assess risk that are at that level • 	
EXAMINER'S REPORT	
Candidate had an average knowledge of the topic discussed in this question.	
Part a	
<p>Candidates are expected to understand the role of the relationship manager.</p> <p>Most candidates pointed out that the relationship manager was the point of contact between</p>	

SAMPLE ANSWERS AND EXAMINER'S REPORT

OSFI and the FRFI but failed to mention the main responsibility, which is to maintain an up to date risk assessment profile.

Part b

Candidates are expected to know the principles in the risk assessment. They were able on average to come up with partial credit answer. Some candidates were not able to link the question back to the source material making it difficult for them to answer the question. This topic should be familiar to candidate.

Part c

Candidates are expected to understand the controls that OSFI used to assess the quality of risk management. They had trouble linking the question back to the source material. Some candidates thought the two levels were Board of directors and Management, partial credits were given for that as both of these are part of the oversight functions. This topic should be familiar to candidate.