Question 1 of 6

P2.T8.25.3.1

You are the Treasurer of Midwest Global Bank, a systemically important financial institution (SIFI) with significant cross-border payment operations. Your bank processes billions of dollars in payments daily across multiple payment, clearing, and settlement (PCS) systems.

One morning, an unexpected liquidity crunch arises:

- A major counterparty bank defaults, causing a delay in expected inflows.
- The central bank's real-time gross settlement (RTGS) system experiences a temporary outage, preventing transactions from clearing.
- Several corporate clients initiate large outgoing wire transfers early in the day, consuming a significant portion of your available liquidity.
- Your bank has pledged most of its high-quality liquid assets (HQLA) as collateral, leaving limited immediate funding options.

Which of the following actions would be the **least effective** in mitigating intraday liquidity stress?

- **A.** Prioritize critical payments and temporarily delay non-essential outgoing transactions while monitoring the liquidity impact in real time.
- **B.** Request emergency intraday credit from the central bank or correspondent banks to bridge the liquidity shortfall.
- **C.** Sell long-term illiquid assets immediately at market prices to raise liquidity for same-day transactions.
- **D.** Tap uncommitted intraday credit lines with counterparties while monitoring overall exposure and funding gaps.

Question 2 of 6

P2.T8.25.3.2

A large international bank is experiencing a surge in outgoing payments due to heightened market volatility. The bank’s three lines of defense are structured as follows:

Line of Defense	Department	Responsibility
1st	Treasury	Manages intraday funding and ensures liquidity is available for payments.
2nd	Corporate Risk Management	Establishes policies and monitors intraday credit exposure.
3rd	Internal Audit	Independently assesses the effectiveness of the bank’s risk management framework.

Scenario:

During a sudden liquidity squeeze, the bank’s net debit cap at the central bank is nearly exceeded, and daylight overdrafts are rising. The treasury team considers delaying some payments to conserve liquidity, but corporate risk management warns that delayed settlements could create reputational and counterparty risks. Internal audit has raised concerns that prior stress test scenarios did not account for such an extreme event.

In this scenario, which department should ensure that any deviations from standard liquidity procedures are within risk limits and approved by senior management?

- **A.** Treasury Department
- **B.** Corporate Risk Management
- **C.** Internal Audit
- **D.** Treasury Department & Internal Audit

Question 3 of 6

P2.T8.25.3.3

A multinational bank relies on real-time liquidity tracking systems to manage daily cash flows and comply with regulatory requirements. During a market-wide liquidity crunch, the bank faces:

- Spikes in intraday overdrafts due to delayed incoming payments.
- Increased time-sensitive obligations (e.g., margin calls, repo settlements).
- Rising reliance on intraday credit lines, raising liquidity risk concerns.
- Payment throughput slowdowns, delaying settlements across key systems.

Which approach best stabilizes liquidity immediately while improving long-term intraday liquidity risk management?

- **A.** Enhance real-time tracking of settlement positions and payment throughput while monitoring peak overdrafts and reliance on unsecured credit.
- **B.** Expand short-term borrowing and rely on overnight funding, postponing risk assessment.
- **C.** Delay all non-essential payments, regardless of counterparty risks.
- **D.** Focus only on credit line usage and counterparty risks, assuming liquidity issues will resolve when markets stabilize.

Question 4 of 6

P2.T8.20.8.1

Which of the following is a USE of intraday liquidity?

- **A.** Income funds flow
- **B.** Term repo (as the repo seller)
- **C.** Funding of nostro accounts (at correspondent bank outside home market)
- **D.** Intraday credit (Federal Reserve unsecured committed line of credit, LOC)

Question 5 of 6

P2.T8.20.8.2

Venkat explains that "all risk management frameworks start with a governance structure that defines the roles and responsibilities of various bank employees and committees in overseeing risk-related activities,"[1] and effective governance includes the oversight of intraday liquidity risk. In regard to the governance structure of intraday liquidity risk management which of the following statements is **TRUE**?

- **A.** Intraday liquidity risk should be accepted as a cost of doing business
- **B.** Roles and responsibilities should be defined within the eight lines (i.e., two times four) of defense model
- **C.** PCS Systems should only be a source of funds; if PCS becomes a use of funds, then a yellow flag should be triggered
- **D.** Intraday liquidity risk should be incorporated in the risk taxonomy and is a component of risk self-assessment including settlement risks

Question 6 of 6

P2.T8.20.8.3

Each of the following is a measure for quantifying and/or monitoring risk levels **EXCEPT** which is a measure for understanding intraday flows?

- **A.** Total payments
- **B.** Client intraday credit usage
- **C.** Intraday credit relative to tier 1 capital
- **D.** Daily maximum intraday liquidity usage