

Operational Risk Management (ORM) Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. Why is an ORM policy significant for an organization?**
 - A. It defines the company's profit margin**
 - B. It enhances product development processes**
 - C. It establishes commitment to managing operational risks**
 - D. It focuses solely on financial risk management**

- 2. What is referred to as the first link in the chain of events leading to mission degradation?**
 - A. Root Cause**
 - B. Failure Point**
 - C. Trigger Event**
 - D. Primary Issue**

- 3. What relevance do the Basel Accords have to ORM?**
 - A. They provide guidelines for managing operational risk in the airline industry**
 - B. They set rules for managing operational risks in the banking sector**
 - C. They dictate global trade regulations**
 - D. They define standards for corporate governance**

- 4. What role do internal controls play in operational risk management?**
 - A. They mitigate the financial impact of risks**
 - B. They ensure the integrity of processes**
 - C. They promote transparency in operations**
 - D. They define the organization's risk tolerance**

- 5. What is the primary purpose of an internal audit in ORM?**
 - A. To track employee performance and productivity**
 - B. To independently evaluate risk management processes**
 - C. To develop new business strategies**
 - D. To ensure customer satisfaction**

6. How do operational losses impact an organization?

- A. They can lead to increased employee satisfaction**
- B. They can result in financial losses and reputational damage**
- C. They have no measurable impact**
- D. They often lead to positive changes in management**

7. What serves as the foundation of the entire risk management process?

- A. Hazard control**
- B. Risk assessment**
- C. Hazard identification**
- D. Decision making**

8. What software assists users through each of the five steps of ORM?

- A. TRACKS**
- B. TRACS**
- C. PROTECT**
- D. GUIDE**

9. What does "risk transfer" involve in ORM?

- A. Eliminating risks entirely from the organization**
- B. Ignoring potential risks**
- C. Shifting the financial burden of a risk to another party**
- D. Documenting risks for future reference**

10. What is one of the key steps in developing an ORM framework?

- A. Creating a risk diversification strategy**
- B. Conducting assessments of current risks**
- C. Increasing insurance policies**
- D. Limiting stakeholder communications**

Answers

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1. C
2. A
3. B
4. B
5. B
6. B
7. C
8. B
9. C
10. B

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Explanations

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- 1. Why is an ORM policy significant for an organization?**
 - A. It defines the company's profit margin**
 - B. It enhances product development processes**
 - C. It establishes commitment to managing operational risks**
 - D. It focuses solely on financial risk management**

An ORM policy is significant for an organization because it establishes a clear commitment to managing operational risks, which can encompass a wide range of factors, including processes, people, systems, and external events that could disrupt business operations. By implementing such a policy, an organization acknowledges the importance of proactively identifying, assessing, mitigating, and monitoring these risks in order to protect its resources and ensure business continuity. Operational risk management is integral to creating a risk-aware culture within the organization, which helps in minimizing losses and enhances resilience and decision-making. This commitment is vital for improving efficiency and maintaining stakeholder confidence, as it demonstrates that the organization is taking necessary steps to safeguard its operations against potential risks. The other options do not accurately reflect the core purpose of an ORM policy; for instance, while product development processes and financial risk management are important, they do not encompass the broader responsibilities and objectives that an ORM policy aims to address regarding operational risks.

- 2. What is referred to as the first link in the chain of events leading to mission degradation?**
 - A. Root Cause**
 - B. Failure Point**
 - C. Trigger Event**
 - D. Primary Issue**

The term that is referred to as the first link in the chain of events leading to mission degradation is the root cause. The root cause is the underlying factor or issue that initiates a series of events the escalation of which can potentially lead to failure or significant operational risk. Identifying the root cause is critical in operational risk management because it allows organizations to address the fundamental problem rather than just the symptoms. By focusing on the root cause, organizations can implement more effective corrective actions, create preventive measures, and enhance overall resilience against future incidents. In contrast to the root cause, a failure point typically refers to specific moments or junctures within a process where failure can occur. While identifying failure points is important for understanding potential vulnerabilities, they do not necessarily represent the initial cause of an issue. Likewise, a trigger event refers to an incident that sets off a chain reaction, but it may not be the fundamental reason behind the emergence of that incident. Finally, a primary issue may encompass various problems but does not exclusively denote the foundational cause of a mission degradation event. Thus, identifying and addressing the root cause is essential for effectively managing operational risks.

3. What relevance do the Basel Accords have to ORM?

- A. They provide guidelines for managing operational risk in the airline industry
- B. They set rules for managing operational risks in the banking sector**
- C. They dictate global trade regulations
- D. They define standards for corporate governance

The Basel Accords are significant to operational risk management primarily because they set forth a framework specifically aimed at the banking sector. These accords, established by the Basel Committee on Banking Supervision, outline the approaches that banks must take to manage various types of risks, including operational risk. The Basel II and Basel III frameworks include specific requirements for capital adequacy, risk management practices, and the governance of operational risks that banks should adhere to. Focusing on operational risk, the Basel Accords encourage financial institutions to identify, assess, monitor, and mitigate those risks effectively, which can arise from inadequate or failed internal processes, people, systems, or from external events. This structured approach assists in enhancing the overall stability of the banking system, ensuring that banks can withstand financial stress and protect depositors and the global economy. In contrast to the other provided choices, the Basel Accords do not focus on the airline industry, do not dictate global trade regulations, and are not directly centered on corporate governance standards outside of their implications for banking operations. Therefore, the relevance of the Basel Accords is strongly tied to the management of operational risks within the banking sector.

4. What role do internal controls play in operational risk management?

- A. They mitigate the financial impact of risks
- B. They ensure the integrity of processes**
- C. They promote transparency in operations
- D. They define the organization's risk tolerance

Internal controls are mechanisms, policies, and procedures that organizations implement to ensure the integrity and effectiveness of their operations. In the context of operational risk management, the primary role of internal controls is to safeguard an organization's assets and ensure the accuracy and reliability of its financial reporting and compliance with applicable regulations. By maintaining robust internal controls, organizations can effectively monitor their processes, identify areas of weakness, and prevent errors or irregularities, ultimately supporting effective operational performance. Internal controls also help in establishing accountability and ensuring that processes are followed consistently, which is essential for minimizing operational risks. While other options do reflect aspects related to operational risk management, they do not encapsulate the core function of internal controls as accurately as the selected answer. For instance, although internal controls can mitigate the financial impact of risks, their main function is not to directly impact financial results but to enhance the reliability and integrity of operations that ultimately support financial stability. Similarly, promoting transparency and defining risk tolerance are important elements of risk management, but they fall outside the primary goal of internal controls, which centers more directly on process integrity.

5. What is the primary purpose of an internal audit in ORM?

- A. To track employee performance and productivity
- B. To independently evaluate risk management processes**
- C. To develop new business strategies
- D. To ensure customer satisfaction

The primary purpose of an internal audit in Operational Risk Management (ORM) is to independently evaluate risk management processes. This function is critical as it helps organizations identify weaknesses in their risk management practices, assess the effectiveness of controls in place, and ensure compliance with relevant policies and regulations. An internal audit provides an objective assessment that offers insights into how well the organization is managing its operational risks, thereby contributing to the overall risk governance framework. By focusing on the evaluation of risk management processes, the internal audit can help organizations enhance their resilience against potential operational failures and improve their risk mitigation strategies. This independent perspective is essential for maintaining accountability and driving continuous improvement within the organization's risk management activities. While tracking employee performance, developing new business strategies, and ensuring customer satisfaction are important functions within an organization, they do not directly align with the core responsibilities of an internal audit in the context of ORM. The audit's role is specifically rooted in risk assessment and control evaluation, distinguishing it from operational performance and strategic planning areas.

6. How do operational losses impact an organization?

- A. They can lead to increased employee satisfaction
- B. They can result in financial losses and reputational damage**
- C. They have no measurable impact
- D. They often lead to positive changes in management

Operational losses can have significant ramifications for an organization, primarily leading to financial losses and reputational damage. When an organization experiences operational failures—such as system outages, fraud, compliance breaches, or human errors—the immediate effect is often a direct financial cost. This might manifest as lost revenues, increased operational costs, or expenses related to managing and rectifying the issue. Additionally, the harm to reputation can be long-lasting. Stakeholders, including customers, investors, and partners, may lose trust in the organization, which can affect future business opportunities and overall market position. A damaged reputation can lead to a decline in customer loyalty and potentially result in decreased sales, further exacerbating the financial losses incurred due to the operational failures. While some organizations might learn from their mistakes and implement improvements in processes and controls, the initial impact of operational losses is usually negative, making the assertion that they can result in both financial losses and reputational damage particularly relevant.

7. What serves as the foundation of the entire risk management process?

- A. Hazard control**
- B. Risk assessment**
- C. Hazard identification**
- D. Decision making**

The foundation of the entire risk management process is hazard identification. This step is crucial because it involves recognizing and analyzing potential hazards that could lead to adverse events. By identifying hazards, organizations can subsequently assess and manage risks associated with them. Hazard identification sets the stage for risk assessment, where the identified hazards are evaluated to determine their risks. Without knowing what the hazards are, it would be impossible to conduct an effective risk assessment or to implement suitable controls. This first step is critical in ensuring that any further actions taken in risk management, such as decision making and hazard control, are based on a comprehensive understanding of the potential risks involved. Therefore, effective hazard identification is essential for informing and guiding the entire risk management process.

8. What software assists users through each of the five steps of ORM?

- A. TRACKS**
- B. TRACS**
- C. PROTECT**
- D. GUIDE**

The software that assists users through each of the five steps of Operational Risk Management is known as TRACS. This program is specifically designed to facilitate the ORM process by providing structured guidance and tools that help organizations identify, assess, manage, and monitor operational risks effectively. TRACS is typically built with user-friendly features that streamline the workflow across the various stages of ORM, ensuring that practitioners can maintain a comprehensive and systematic approach to risk management. This includes functionalities for risk identification, analysis, response planning, monitoring, and communication of risks within an organization. By following a structured methodology through the use of TRACS, users benefit from improved decision-making, enhanced risk awareness, and better compliance with regulatory requirements, all of which are fundamental to maintaining a robust operational risk management framework.

9. What does "risk transfer" involve in ORM?

- A. Eliminating risks entirely from the organization
- B. Ignoring potential risks
- C. Shifting the financial burden of a risk to another party**
- D. Documenting risks for future reference

In Operational Risk Management (ORM), "risk transfer" involves shifting the financial burden of a risk to another party. This method allows an organization to manage potential losses by transferring the responsibility for certain risks to third parties, which may include insurers or outsourced service providers. For example, when a company purchases insurance, it essentially pays a premium to transfer the financial impact of specific risks to the insurance company. In doing so, the organization mitigates its own exposure to those risks, as the insurance company will take on the responsibility for any losses that occur as a result of the covered events. This approach is a strategic decision made to ensure that while risks exist, their potential impact on the organization's financial health is reduced through external means. This makes risk transfer an important component of a comprehensive risk management strategy, allowing businesses to focus on core activities without bearing the full brunt of potential operational setbacks.

10. What is one of the key steps in developing an ORM framework?

- A. Creating a risk diversification strategy
- B. Conducting assessments of current risks**
- C. Increasing insurance policies
- D. Limiting stakeholder communications

Conducting assessments of current risks is a fundamental step in developing an Operational Risk Management (ORM) framework. This process involves identifying, analyzing, and evaluating the existing risks that an organization faces. By assessing current risks, organizations can understand their risk profile, the likelihood of occurrences, and the potential impact on objectives. This foundational step serves as the basis for prioritizing risk mitigation strategies, implementing controls, and allocating resources effectively. It ensures that the framework is tailored to the specific needs and vulnerabilities of the organization, thereby enhancing overall risk management efforts. The other options, while they may have some relevance in risk management, do not serve the same foundational purpose in developing an ORM framework. For example, creating a risk diversification strategy is a tactic that may be implemented after risks have been assessed, rather than a key step in establishing the framework initially. Increasing insurance policies focuses on risk transfer rather than risk identification or mitigation and can be considered part of a broader risk response strategy. Limiting stakeholder communications does not contribute positively to ORM; in fact, effective communication with stakeholders is crucial for understanding risks and fostering a culture of risk awareness within the organization.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://operationalriskmanagement.examzify.com>

We wish you the very best on your exam journey. You've got this!

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