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MODEL TEST — 10

JAIBB / AIBB

GOVERNANCE IN FINANCIAL INSTITUTIONS (GFI)

Prepared by ibbprep.com

Time—3 hours
Full marks—100
Pass marks—45

[N.B. The figures in the right margin indicate full marks. Answer the questions as mentioned in different parts.]

Part A — Broad Questions

(Answer any two questions)

Marks—20×2=40

1.	*(a)*	What is Merchant Banking? Discuss the main services provided by merchant banks in Bangladesh.	3+7=10
	(b)	What are the services that agents are not allowed to provide to the customers?	5
	(c)	Why is relationship with the competitors so important?	5
2.	*(a)*	What is meant by succession planning? What are the advantages of succession planning?	2+6=8
	(b)	What do you mean by a future looking organization? State the important features of a future looking company.	2+7=9
	(c)	Name the steps of a new business initiative.	3
3.	*(a)*	Describe the role of CSR in community development.	7
	(b)	What are the principles of the Bank for International Settlements (BIS) on disclosure?	6
	(c)	Discuss the importance of full disclosure in the corporate and financial world.	7
4.	*(a)*	Define corporate governance. Discuss the Basel Committee's principles of corporate governance for banks.	4+8=12
	(b)	What are the important factors that should be included in a well-articulated code of conduct?	8

Part B — Mathematical Problem

(Answer any one question)

Marks—10×1=10

5. A bank has the following exposures on its balance sheet as of 30 June 2025:

Asset Type	Amount (in crore)	Credit Risk Weight (%) as per Bangladesh Bank
Cash in hand	48.00	0%
Claims on Bangladesh Bank	210.00	0%
Loans to Public Sector Entities	580.00	20%
Residential Mortgage Loans	480.00	50%
Corporate loans	820.00	100%

Instructions:

	(a) Calculate the total Risk-Weighted Asset (RWA) for the bank.	3
	(b) Calculate the Minimum Capital Requirement (MCR) for the bank as per Capital to	3

Risk-Weighted Asset Ratio (CRAR).

(c) The bank has a capital of BDT 175.00 crore now. Is it adequate? Justify your answer. 4

6. A bank's capital position is as follows (all amounts in crore taka):

- Tier 1 capital: 200
- Tier 2 capital: 210
- Total Risk-Weighted Assets (RWA): 1900

Regulatory minimum CRAR (including capital conservation buffer) = 12.5%. As per Bangladesh Bank regulation, Tier 2 capital cannot exceed Tier 1 capital.

Instructions:

(a) Calculate the bank's current CRAR. 4

(b) Calculate the capital shortfall or surplus against the regulatory minimum. 3

(c) Is the bank's capital structure compliant with the Tier 1/Tier 2 composition rule? Justify your answer. 3

Part C — Problem Solving

(Solve any one case)

Marks—20×1=20

7. Case-1: Whistleblower Retaliation at Halda Bank PLC

- An employee raised concerns through the bank's whistleblowing channel about irregularities in loan documentation.
- The complaint was not formally investigated for several months.
- The employee reported facing informal retaliation, including exclusion from key meetings.
- The bank's code of conduct did not include a clear whistleblower protection policy.
- Other employees became reluctant to report concerns after learning of the incident.

The board is now reviewing the bank's whistleblowing framework following an internal complaint.

Questions:

(a) What governance and ethical principles were violated at Halda Bank PLC? 5

(b) What legal and policy protections should whistleblowers have? 5

(c) How should Halda Bank PLC redesign its whistleblowing mechanism? 5

(d) What board-level oversight should exist for whistleblower complaints? 5

8. Case-2: Rising Non-Performing Loans at Karnaphuli Bank PLC

- The bank's NPL ratio has doubled over the past two years.
- Risk assessment and credit appraisal procedures were poorly structured, with loans often approved based on relationship history or personal references rather than objective analysis.
- The credit risk management unit lacked independence and had minimal authority in the approval process.
- The internal audit department was inadequately staffed and not functionally independent.
- Audit reports were often delayed or ignored by senior management, and red flags regarding loan classification were routinely overlooked.

As a result, the bank is now facing liquidity pressure, with depositors becoming cautious and wholesale funding sources drying up.

Questions:

(a) Identify the key risk management failures at Karnaphuli Bank PLC. 5

(b) How can the internal audit function be strengthened to detect financial risks effectively? 5

(c) What measures should the bank implement to improve its loan approval and risk management process? 5

(d) How should the bank manage the liquidity pressure arising from its deteriorating asset quality? 5

Part D — Understanding Terminology

(Compare and contrast any five of the following)

Marks—2×5=10

9. Compare and contrast between any five of the following:

(a) Digital Banking vs. Traditional Banking

(b) Brand vs. Brand Promise

(c) Going Concern Capital vs. Gone Concern Capital

(d) Risk Appetite vs. Risk Tolerance

(e) Governance vs. Management

(f) Tier 1 Capital vs. Tier 2 Capital

(g) Islamic Window vs. Islamic Bank

(h) Executive Committee vs. Audit Committee

Part E — Short Questions

(Answer any five of the following)

Marks—4×5=20

10. Write short notes on any five of the following:

(a) Business Continuity Plan (BCP)

(b) Going Concern Capital

(c) Bridge Bank

(d) Market Positioning

(e) Underwriting Service

(f) Material Risk

(g) Credit Concentration

(h) Senior Management Team (SMT)