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MODEL TEST — 2

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)*	Define problem asset of a bank. How is a problem asset managed?	2+4=6
	(b)	Briefly discuss the main categories of assets of commercial banks. Why is asset composition important for banks?	5+3=8
	(c)	What do you understand by three lines of defense?	6
2.	*(a)*	What does emerging risk mean? State the characteristics of emerging risk.	3+5=8
	(b)	What is Off-shore Banking Unit (OBU)? With whom can an OBU do business?	2+5=7
	(c)	List the services covered under agent banking.	5
3.	*(a)*	What are the responsibilities and authorities of the Board of Directors regarding human resources management of a bank as per Bangladesh Bank's guidelines?	8
	(b)	What are the duties and responsibilities of a CEO of a commercial bank as per Bangladesh Bank's guidelines?	6
	(c)	What is liquidity profile? Write down the indicators of liquidity risk.	2+4=6
4.	*(a)*	Why is good governance so important especially in financial institutions?	6
	(b)	Discuss in brief the key aspects of good governance.	6
	(c)	How does organizational culture impact business strategy?	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	60.00	0%
Claims on Bangladesh Bank	200.00	0%
Loans to Government Entities	700.00	20%
Corporate loans	900.00	100%
Residential Mortgage Loans	450.00	50%
Retail Portfolio	300.00	75%

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 200.00 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: 250
- Tier 2 capital: 100
- Total Risk-Weighted Assets (RWA): 2200

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: Liquidity Strain at Meghna Bank PLC

- The bank had financed long-term infrastructure loans using short-term deposits, creating a significant maturity mismatch.
- Its liquidity coverage ratio had fallen below the regulatory minimum for two consecutive quarters without escalation to the board.
- The Asset-Liability Committee (ALCO) had not met as per its charter frequency for the past six months.
- A contingency funding plan existed on paper but had never been tested.
- Credit risk assessment for large corporate loans relied heavily on relationship history rather than objective cash flow analysis, contributing to a rise in classified loans.

Wholesale depositors began withdrawing funds after adverse media coverage about the bank's asset quality.

Questions:

(a) What key liquidity risk management failures occurred at Meghna Bank PLC? 5

(b) How should the ALCO function be strengthened to prevent recurrence? 5

(c) What measures should the bank take to correct its credit risk assessment process? 5

(d) What steps should the bank take to build an effective and tested contingency funding plan? 5

8. Case-2: Agent Banking Control Failure at Brahmaputra Bank PLC

- The bank's agent banking channel experienced a cluster of fraudulent transactions over several months.
- Agent selection criteria were not consistently applied, and some agents lacked adequate background checks.
- Certain agents were found providing services they were not authorised to offer, including cheque encashment on behalf of the bank.
- Transaction limits and monitoring alerts were not consistently enforced at the agent level.
- Customer complaints relating to the affected transactions were not escalated or resolved in a timely manner.

The incident has drawn regulatory attention and raised questions about the bank's oversight of its agent banking network.

Questions:

(a) What governance and control weaknesses allowed this fraud to occur at Brahmaputra Bank PLC? 5

(b) What agent selection and due diligence criteria should the bank strengthen? 5

(c) How should the bank strengthen transaction monitoring and customer complaint handling for agent banking? 5

(d) What corrective reporting should the bank make to Bangladesh Bank following this incident? 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) CRR vs. SLR

(b) Merger vs. Liquidation

(c) Banker as Trustee vs. Banker as Agent

(d) Internal Audit vs. External Audit

(e) Conventional Banking vs. Islamic Banking

(f) Board of Directors vs. Senior Management

(g) Time Loan vs. Term Loan

(h) Credit Risk vs. Liquidity Risk

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) Whistle Blowing

(b) Risk Culture

(c) Off-shore Banking Unit

(d) Capital Adequacy

(e) Community Relation

(f) Customers' Complaint Management

(g) Stewardship Theory

(h) Central Bank Digital Currency (CBDC)