MODEL TEST — 4

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 Enterprise Risk Management (ERM)? Describe the benefits of ERM.	3+4=7
	(b)	What are the broad categories of payment services provided by mobile financial service providers?	8
	(c)	State the features of Islamic Window.	5
2.	*(a)*	What is meant by Digital Agenda? Describe the importance of MFS in digital agenda.	3+3=6
	(b)	Describe the steps of succession planning and management process.	8
	(c)	What do you understand by market positioning and repositioning?	6
3.	*(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
4.	*(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

Part B — Mathematical Problem

(Answer any one question)

Marks—10×1=10

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

- Tier 1 capital: 180
- Tier 2 capital: 200
- Total Risk-Weighted Assets (RWA): 1800

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

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

Asset Type	Amount (in crore)	Credit Risk Weight (%) as per Bangladesh Bank
Cash in hand	30.00	0%
Claims on Bangladesh Government	350.00	0%
Loans to Public Sector Entities	500.00	20%
Residential Mortgage Loans	600.00	50%
Corporate loans	750.00	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 Risk-Weighted Asset Ratio (CRAR). 3

(c) The bank has a capital of BDT 150.00 crore now. Is it adequate? Justify your answer. 4

Part C — Problem Solving

(Solve any one case)

Marks—20×1=20

7. Case-1: Conflict of Interest and Weak Board Oversight at Surma Bank PLC

- Related party lending was approved without proper documentation or risk assessment.
- Internal audit reports raised red flags about loan classification, delayed provisioning and procurement anomalies.
- The chairperson and the CEO belong to the same family, raising concerns over board independence and objectivity.
- There are no independent directors on the board, and board meeting minutes show that strategic decisions are often made informally without full board consensus.
- The bank's code of conduct was last updated five years ago, is not communicated to staff, and lacks enforcement mechanisms.

These issues have led to reputational damage, negative media coverage and a decline in public and depositor trust.

Questions:

(a) What key governance principles were violated at Surma Bank PLC? 5

(b) What reforms would you recommend to strengthen board oversight, independence and ethical governance? 5

(c) How should Surma Bank PLC restructure its internal audit and compliance functions to ensure effectiveness? 5

(d) Recommend regulatory steps Bangladesh Bank might take to ensure corrective action. 5

8. Case-2: Governance Failure in the Brokerage Subsidiary of Rupsha Bank PLC

- The bank's merchant banking and brokerage subsidiary operated with limited oversight from the parent board.
- The same team handled both underwriting and investment advisory functions, creating a conflict of interest.
- Segregation of duties between dealing, advisory and settlement functions was inadequate.
- Several clients complained of being advised into products that benefited the subsidiary's own underwriting book.
- The parent bank's board had not reviewed the subsidiary's risk and compliance reports for over a year.

Regulators have asked the bank to demonstrate stronger oversight of its capital market subsidiary.

Questions:

(a) What governance principles for subsidiary oversight were violated at Rupsha Bank PLC? 5

(b) How should the parent board strengthen its oversight of the brokerage subsidiary? 5

(c) What segregation of duties should be established within the subsidiary? 5

(d) Which regulatory bodies license and supervise merchant banks and brokerage houses, and what should they review? 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) Going Concern Capital vs. Gone Concern Capital

(b) Risk Appetite vs. Risk Tolerance

(c) Governance vs. Management

(d) Tier 1 Capital vs. Tier 2 Capital

(e) Islamic Window vs. Islamic Bank

(f) Executive Committee vs. Audit Committee

(g) CRR vs. SLR

(h) Merger vs. Liquidation

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) Credit Concentration

(b) Senior Management Team (SMT)

(c) Whistle Blowing

(d) Risk Culture

(e) Off-shore Banking Unit

(f) Capital Adequacy

(g) Community Relation

(h) Customers' Complaint Management