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MODEL TEST — 7

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 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
2.	*(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
3.	*(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
4.	*(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

Part B — Mathematical Problem

(Answer any one question)

Marks—10×1=10

5. During a review of corporate governance effectiveness at a bank, it was found that:

- Total board meetings scheduled in a year: 12
- Board meetings actually held: 11
- Independent directors attended: 9 out of 11
- Risk committee meetings scheduled: 7
- Risk committee meetings held: 6

Instructions:

(a) Calculate the following governance KPIs in percentage: (i) Board meeting compliance ratio, (ii) Independent directors' attendance ratio, (iii) Risk committee meeting compliance ratio. 6

(b) Bangladesh Bank sets a minimum threshold of 80% attendance rate for both the board and the risk committee. Analyse whether the bank has complied, and suggest corrective governance actions for any non-compliance. 4

6. A bank has the following loan portfolio (all amount in crore taka) as of 31 March 2025:

- Total Gross loans 2100, where
- Special mention account 350
- Substandard loans 550
- Doubtful loans 300
- and Bad/Loss loans 180

For those loans, current total provisions held = 550. Provision rules (used in this exercise): SMA 5% provision, Substandard 20% provision, Doubtful 50% provision and Bad/Loss 100% provision.

Instructions:

(a) Compute the bank's NPL amount and NPL ratio. 4

(b) Compute total required provisions and compute the provision shortfall (if any). 4

(c) Discuss some immediate management actions and board level decisions to improve asset quality. 2

Part C — Problem Solving

(Solve any one case)

Marks—20×1=20

7. Case-1: 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

8. Case-2: 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

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) Brand vs. Brand Promise

(b) Going Concern Capital vs. Gone Concern Capital

(c) Risk Appetite vs. Risk Tolerance

(d) Governance vs. Management

(e) Tier 1 Capital vs. Tier 2 Capital

(f) Islamic Window vs. Islamic Bank

(g) Executive Committee vs. Audit Committee

(h) CRR vs. SLR

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) Capital Adequacy

(b) Community Relation

(c) Customers' Complaint Management

(d) Stewardship Theory

(e) Central Bank Digital Currency (CBDC)

(f) Business Continuity Plan (BCP)

(g) Going Concern Capital

(h) Bridge Bank