MODEL TEST — 8

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)*	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
2.	*(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
3.	*(a)*	Discuss the role of various Board committees in protecting shareholder interest.	8
	(b)	How do digital technologies challenge traditional governance models in banks?	5
	(c)	State some general roles and responsibilities of the CEO of a bank.	7
4.	*(a)*	What do you mean by Senior Management Team (SMT)? Describe the role of SMT within a business.	2+5=7
	(b)	What is Capital to Risk-Weighted Asset Ratio (CRAR)? What are the importance and implications of CRAR?	3+4=7
	(c)	What do you understand by brokerage service and stock dealer service?	6

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: 270
- Tier 2 capital: 100
- Total Risk-Weighted Assets (RWA): 2300

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?	3

Justify your answer.

6. A bank has the following exposures on its balance sheet as of 30 September 2024:

Asset Type	Amount (in crore)	Credit Risk Weight (%) as per Bangladesh Bank
Cash in hand	35.00	0%
Claims on Bangladesh Bank	180.00	0%
Loans to Government Entities	600.00	20%
Corporate loans	700.00	100%
Residential Mortgage Loans	400.00	50%

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 160.00 crore now. Is it adequate? Justify your answer. 4

Part C — Problem Solving

(Solve any one case)

Marks—20×1=20

7. Case-1: Disclosure Lapses at Teesta Bank PLC

- The bank's market disclosure under the regulatory capital framework was incomplete for two consecutive reporting periods.
- Key details on capital adequacy components were omitted from the published disclosure.
- Related party exposures were not disclosed in line with regulatory requirements.
- Investors and a credit rating agency raised concerns about the transparency of the bank's reporting.
- The bank's share price declined following media coverage of the disclosure gaps.

The board has since directed management to review the bank's entire disclosure process.

Questions:

(a) What principles of full disclosure were violated at Teesta Bank PLC? 5

(b) Why does disclosure matter for maintaining depositor and investor trust? 5

(c) What reforms are needed in Teesta Bank PLC's market disclosure process? 5

(d) What role should the board and Audit Committee play in ensuring accurate and complete disclosure? 5

8. Case-2: Reforming Board Committees at Jamuna Bank PLC

- The bank had an Audit Committee, Executive Committee and Risk Management Committee on paper, but their activities were largely symbolic.
- The Audit Committee met irregularly and lacked independent oversight.
- The Risk Management Committee failed to respond to rising credit risk indicators.
- The Executive Committee overstepped by influencing operational matters that should have stayed with management.
- Recognising the breakdown, the board appointed two qualified independent directors to the Audit Committee and restructured the Risk Management Committee with a defined terms of reference and mandatory quarterly reporting.

With the reforms, the bank reported improved risk tracking, more credible financial reporting, and restored trust among regulators and investors.

Questions:

(a) What governance gaps were evident initially in Jamuna Bank PLC's committee structure and functioning? 5

(b) How do independent directors strengthen the effectiveness of the Audit Committee? 5

(c) Why is it important to have clearly defined roles for each board committee? 5

(d) How can a board ensure that its committees are not just formalities but function effectively? 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) Islamic Window vs. Islamic Bank

(b) Executive Committee vs. Audit Committee

(c) CRR vs. SLR

(d) Merger vs. Liquidation

(e) Banker as Trustee vs. Banker as Agent

(f) Internal Audit vs. External Audit

(g) Conventional Banking vs. Islamic Banking

(h) Board of Directors vs. Senior Management

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) Bridge Bank

(b) Market Positioning

(c) Underwriting Service

(d) Material Risk

(e) Credit Concentration

(f) Senior Management Team (SMT)

(g) Whistle Blowing

(h) Risk Culture