MODEL TEST — 9

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

Part B — Mathematical Problem

(Answer any one question)

Marks—10×1=10

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

- Total Gross loans 2300, where
- Special mention account 450
- Substandard loans 600
- Doubtful loans 380
- and Bad/Loss loans 220

For those loans, current total provisions held = 650. Provision rules (used in this exercise): SMA 5% provision, Substandard 20% provision, Doubtful 60% 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

6. 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: 8
- Independent directors attended: 6 out of 8
- Risk committee meetings scheduled: 6
- Risk committee meetings held: 4

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 75% 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

Part C — Problem Solving

(Solve any one case)

Marks—20×1=20

7. Case-1: 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

8. Case-2: 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

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) Internal Audit vs. External Audit

(b) Conventional Banking vs. Islamic Banking

(c) Board of Directors vs. Senior Management

(d) Time Loan vs. Term Loan

(e) Credit Risk vs. Liquidity Risk

(f) Digital Banking vs. Traditional Banking

(g) Brand vs. Brand Promise

(h) Going Concern Capital vs. Gone Concern Capital

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) Risk Culture

(b) Off-shore Banking Unit

(c) Capital Adequacy

(d) Community Relation

(e) Customers' Complaint Management

(f) Stewardship Theory

(g) Central Bank Digital Currency (CBDC)

(h) Business Continuity Plan (BCP)