

University of Colombo- Sri Lanka

Faculty of Arts

Third Year Examination in Arts (Banking and Finance Study Stream) - 2018

(Second Semester Final)

ECN 3267- Central Banking and Financial Regulation

Time Allowed: Two (02) hours only

Answer any three (03) questions only

Write your answers to the point briefly and clearly

1.
 - i. How would you explain the manner in which financial intermediation affect the transaction cost? Explain your answer briefly. (10 Marks)
 - ii. What are the risk categories faced by banks? How would it differ from risk faced by other institutes? (10Marks)

2.
 - i. Explain with examples the manner in which banking Institutions have evolved from traditional banking activities to different types of other businesses. (10 Marks)
 - ii. "Technology and the financial instruments have reduced the importance of financial intermediation by banking Institutes" do you agree with this statement? Briefly explain your answer. (10 Marks)

3.
 - i. Explain the three Phases of Financial System evolution in a particular economy? (10 Marks)
 - iii. Do you consider that Banking Institutes moving towards off Balance Sheet Activities has been a result of the evolution? (10 Marks)

- 4.
- I. Explain the importance of the Central Bank in light of its major roles. (10 Marks)
 - II. Do you think the central bank should be an independent institution? Do you think independence of the central bank will ease monetary planning function? Explain briefly (10 Marks)
- 5.
- I. Why do you consider banking regulation as a requirement for a safe Banking Industry? Explain your answer. (10 Marks)
 - II. Briefly explain how BASEL 1 accord categorizes capital into various tiers? (10 Marks)
- 6.
- i. Briefly explain the process of asset securitization. Use diagrams as necessary. (15 Marks)
 - ii. What is the key difference between an asset-backed security and other securities? Briefly explain. (5 Marks)
- 7.
- i. Do you think that the development of Non-Bank Financial Institutes has caused Commercial Bank business to change? Explain your answer with examples. (10 Marks)
 - ii. Explain the manner in which the creation of Asset-backed securities (ABSs) caused the global financial crisis – 2007 ? (10 marks)
