

Third Year Examination in Arts (Banking and Finance Study Stream) - 2016 /2017

(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. What do you understand by Banking Structure? Explain your answer. (6 Marks)
 - II. "Banking Structure can be different from country to country. A country's development goals and Banking Structure are related to each other." Briefly explain the statement. (7 Marks)
 - III. Do you consider the contemporary Banking Structure of Sri Lanka is suitable for a rapid economic growth? Explain your answer. (7 Marks)
2.
 - I. How do you explain the Risk? (5 Marks)
 - I. "Banking Business and risk taking are strongly related." Explain the statement. (7 Marks)
 - II. Explain the different types of risks faced by Banking Institutions. (8 Marks)
3.
 - I. "Banking Institutions have evolved from traditional banking activities to different types of other businesses" Explain the statement. (6 Marks)
 - II. Do you consider that due to the development of technology and the latest financial instruments the importance of financial intermediation by Banking Institutes is getting diminished? Explain your answer. (7 Marks)
 - III. Do you see that the development of Non-Bank Financial Institutes has caused Commercial Bank business to change? Explain your answer. (7 Marks)

4.

- I. "Economic analysts argue that the evolution of the Financial System in an economy goes through three stages." Explain those stages of evolution. (7 Marks)
- II. Can the evolution of Sri Lanka's Financial System be explained according to the stages of evolution explained above? (7 Marks)
- III. Do you consider that Banking Institutes moving towards Off Balance Sheet Activities has been a result of the stages of evolution? (6 Marks)

5.

- I. What is an International Financial Market? Using characteristics of an International Financial Market, explain your answer. (6 Marks)
- II. Explain the major Financial Markets you have studied. (7 Marks)
- III. Explain the recent developments in International Financial Markets you have studied. (7 Marks)

6.

- I. Explain the importance of the Central Bank using its major roles. (6 Marks)
- II. Explain the impact of Central Bank Assets and Liabilities on the Money Supply. (7 Marks)
- III. "The independence of a Central Bank will facilitate an efficient monetary management." Explain the statement. (7 Marks)

7.

- I. Explain the importance of the monetary policy to manage economic activities. (6 Marks)
- II. Explain the relationship between monetary policy and economic management using money multiplier approach (7 Marks)
- III. Examine whether the money multiplier approach is helpful for efficient monetary management. (7 Marks)

8.

- I. "Because monetary policy goals are competing with each other, the implementation of the monetary policy is a complex process." Explain the statement. (6 Marks)
- II. Explain clearly the tools used by the Central Bank to employ monetary policy. (7 Marks)
- III. Using characteristics of the tools, explain the most effective and widely used monetary policy tool. (7 Marks)

9.

- I. Do you consider banking regulation is an essential pre condition for a safe and sound Banking Industry? Explain your answer. (6 Marks)
- II. What is BASEL accord on banking regulations? (7 Marks)
- III. Explain the gradual evolution of BASEL accord using the regulatory methods included in the accord. (7 Marks)
