

University of Colombo- Sri Lanka

Faculty of Arts

Fourth Year Examination in Arts (Economics)-2017

(Second Semester Final)

ECN 4281- Principle of Banking and Financial Regulations

Time Allowed: Two (02) hours only

Answer only three questions. All questions carry equal marks.

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1. "The intermediary and payments functions explain why banks exist in an economy". Explain the statement giving examples whenever necessary.
2. "The payment system is a by-product of financial intermediation". Examine the development of the payment system in Sri Lankan financial system in the last few decades.
3. "The structure of banking varies widely from country to country. Often, a country's banking structure is a consequence of the regulatory regime". Do you consider the present banking structure in Sri Lanka is appropriate to facilitate its macroeconomic goals? Explain your answer.
4. Commercial banks are in the risk business. In the process of providing financial services, they undertake various kinds of financial risks. Critically examine the major types of risks faced by banks.
5. "Central Banks all over the world are fighting vigorously to preserve their autonomy". Examine the arguments in favour of and against central bank independence you have studied.
6. Explain the major tools of monetary policy. Taking any tool of your choice, discuss the mechanism through which how it affects the real economy.
7. Explain the general principles of bank management you have studied. Using examples, examine any two of the general principle of bank management.

8. Why do you think that banks need special regulation? Explain the building blocks of Basel 11 and 111 accords.
9. How do you explain e banking? Examine the advantageous and disadvantageous of e banking. Compare and contrast global and local e banking perspectives.
10. "Commercial banks have evolved from traditional banking to divers areas of banking and non-banking activities such as from a simple bank deposit to off-balance Sheet activities". Examine the statement emphasizing more on banking revenue and expenditure.

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