



ASSOCIATESHIP EXAMINATION

LEVEL III

BANKING OPERATIONS: REGULATION, MARKET PRACTICE AND TREASURY MANAGEMENT

[OLD SYLLABUS]

APRIL 2025

N.B.

1. Read carefully the instructions on the cover of the answer booklet.
2. Answer any **TWO (2)** questions from **Section A** and any **TWO (2)** from **Section B**, making a total of **FOUR (4)** questions.
3. Questions in Sections A carry **30** marks each; those in Section B carry **20** marks each. Where questions are subdivided, the marks for the subdivisions are shown in brackets.
4. No aids such as calculators, books, dictionaries, papers or mathematical sets are permitted in this examination.
5. Time allowed: **THREE HOURS**
6. Candidates must ensure that they answer questions in the appropriate answer booklets and **NOT on loose sheets** which may be used only as supplementary sheets. Such answers will not be marked.
7. **DO NOT WRITE YOUR NAME ON THE ANSWER BOOKLET.**
8. **DO NOT OPEN THIS QUESTION PAPER UNTIL INSTRUCTED TO DO SO.**

SECTION A - ANSWER ONLY TWO (2) QUESTIONS

QUESTION 1

- a. The Ghana Cedi has experienced depreciation against the US Dollar and other major currencies in recent years.
- i. Identify and explain five (5) factors that influence a country's Exchange Rate. [5 marks]
 - ii. Explain how each of them affects the value of a currency. [10 marks]
- b. i. In a scenario of rising inflation in the economy, coupled with a depreciating currency against all major currencies of the world, what should be the main response of the Monetary Policy Committee to these challenges? [8 marks]
- ii. Explain how this response will work to positively affect these challenges. [7 marks]

[Total: 30 marks]

QUESTION 2

- a. The Treasury Function in a bank is responsible for managing various Risks on a daily basis to ensure Financial Stability and Operational Efficiency.
- i. Identify and explain four (4) types of Risks that a bank's Treasury manages on a daily basis. [5 marks]
 - ii. For each type of Risk, explain its potential impact on the bank's operations. [15 marks]
- b. Differentiate between Positive and Negative Gaps and analyze how rising interest rates impact a bank's Net Interest Income (NII) when it has a Positive Gap versus when it has a Negative Gap. [10 Marks]

[Total: 30 marks]

QUESTION 3

- a. "Repurchase Agreements (Repos) are a common financial instrument used in the Money Market."
- i. Define a Repurchase Agreement. [2 marks]
 - ii. Explain how it works. [4 marks]

- iii. State the roles of the buyer and the seller in the transaction. [4 marks]
 - b. Identify and explain five (5) eligible securities that can be used for Repo transactions in Ghana. [5 Marks]
 - c. Define the concept of “securitization” and explain three (3) primary benefits companies can derive by engaging in securitization. Give one (1) practical example of securitization in Ghana in your answer. [15 Marks]
- [Total: 30 marks]**

SECTION B - ANSWER ONLY TWO (2) QUESTIONS

QUESTION 4

- a. When selecting a Dealer for Treasury, banks must consider various attributes to ensure the effective and efficient operations of the Treasury Department. Identify and explain five (5) key attributes that should be considered in selecting a Treasury Dealer. [10 Marks]
 - b. The Segregation of Duties in the Treasury Function requires all three (3) Units (Front Office, Middle Office, and Back Office) to perform distinct functions independent of each other. Identify and explain five (5) functions each, performed by the Middle and Back Offices of the Treasury Department in your bank. [10 Marks]
- [Total: 20 marks]**

QUESTION 5

- a.
 - i. Define Net Open Position from the perspective of a Balance Sheet. [4 marks]
 - ii. Explain Long and Short Positions with respect to Net Open Positions. [6 marks]
 - iii. Discuss the expectations of holders of these Positions. [5 Marks]
 - b. Identify and explain two (2) reasons why the Central Bank imposes Net Open Position limits on banks. [5 Marks]
- [Total: 20 marks]**

QUESTION 6

- a. One key objective of the Payment and Settlement Systems in Ghana is to discourage the use of cash while encouraging the use of Non-Paper-Based Instruments.
- i. Identify and explain five (5) benefits of the use of Digital Channels of Payment. [10 marks]
 - ii. State five (5) products that support and drive these Channels. [5 Marks]
- b. “The Bank of Ghana uses Offsite Monitoring to assess the financial health and compliance of banks without necessarily conducting Onsite Examinations. Banks are required to submit daily and periodic reports to the Banking Supervision Department in this regard.”
- List five (5) Reports or Returns your bank must submit to the Banking Supervision Department for Offsite Monitoring. [5 Marks]
- [Total: 20 marks]**