



BANKING ACADEMY ROUTE EXAMINATION

LEVEL 1

THE MONETARY AND FINANCIAL SYSTEM

JULY 2025

NB:

1. Read carefully the instructions on the cover of the answer book.
2. There are **Three (3) sections** in this paper. Section A-20 Multiple Choice Questions of 1 mark each, Section B – 4 Essay Type Questions of 20 marks each and Section C – 4 Case Study Questions of 20 marks each.
3. Candidates must answer all 20 Section A Multiple Choice Questions for 20 marks, two (2) Questions for Section B, two (2) Questions for Section C (i.e. four (4) Questions of 20 marks each) for a total of 80 marks.
4. No aids such as calculators, books, dictionaries, papers, mathematical sets, slide rules, mobile phones or electronic wristwatches are permitted in this examination.
Where questions are subdivided the marks for each subdivision are shown in brackets.
5. **Time allowed: 3:00 HOURS.**
6. Candidates must ensure that they answer questions in the appropriate answer booklet and **NOT on loose sheets** which are used only as supplementary sheets. Such answers will not be marked.
7. **DO NOT WRITE YOUR NAME ON THE ANSWER BOOK.**
8. **DO NOT OPEN THIS QUESTION PAPER UNTIL INSTRUCTED TO DO SO.**

SECTION A

MULTIPLE CHOICE

ANSWER ALL QUESTIONS (1 MARK PER QUESTION. TOTAL: 20 MARKS)

1. Financial Risk Management is performed through.....
 - A. Tax planning
 - B. Derivatives and insurance products
 - C. Trade agreements
 - D. Subsidy allocation

2. The Allocation of Capital refers to.....
 - A. Raising taxes for government projects
 - B. Diverting capital to low-risk sectors only
 - C. Ensuring funds reach the most productive uses
 - D. Regulating capital movement between banks

3. The Ghana Fixed Income Market (GFIM) was introduced primarily to.....
 - A. Replace the Ghana Stock Exchange
 - B. Regulate interest rates
 - C. Eliminate microfinance institutions
 - D. Deepen long-term capital mobilization and bond trading

4. Which financial institutions are most dominant in the money market in Ghana?
 - A. Pension funds and insurance companies
 - B. Commercial banks and savings & loans companies
 - C. Securities companies and investment firms
 - D. Rural banks and credit unions

5. The regulatory initiative by the Bank of Ghana for *non-bank electronic money issuers* primarily focuses on.....
- Restricting competition from banks
 - Setting licensing and risk management standards
 - Issuing digital currencies in a more competitive manner
 - Abolishing mobile money due to increasing fraud in the sector
6. A critical cybersecurity threat in Ghana's financial sector is.....
- Cash hoarding
 - Online advertising fraud
 - Data breaches and identity theft
 - Inflationary accounting practices
7. Which of these macroeconomic factors pose the greatest systemic risk to Ghana's financial system?
- Volatility in global markets and commodity prices
 - Fixed exchange rates
 - Stable commodity prices
 - Consistent inflation below 3%
8. According to the Expectations theory, a rising yield curve implies.....
- Investors expect falling short-term interest rates
 - Investors demand higher risk premiums
 - Bond prices will fall
 - Investors expect rising short-term interest rates
9. Which of the following institutions would be LEAST likely to serve the formal banking population?
- Rural and community banks
 - Microfinance institutions
 - Universal banks
 - Credit unions

10. What is the primary function of financial markets in the financial system?
- A. A channel for issuing loans to economic agents
 - B. Facilitate trading in financial assets
 - C. Provide financial protection to businesses
 - D. Facilitate investment in financial assets
11. A major risk faced by pension funds is.....
- A. Exchange rate fluctuation
 - B. Longevity risk
 - C. High turnover of staff
 - D. VAT policy changes
12. Finance Companies typically specialize in.....
- A. Issuing corporate shares
 - B. Providing long-term capital for government projects
 - C. Extending credit and leasing services to consumers and SMEs
 - D. Regulating market transactions in the informal sector of the economy
13. Commercial Paper is typically issued by.....
- A. Corporations to finance short-term obligations
 - B. Households and individuals
 - C. Central banks to regulate inflation
 - D. Pension funds for long-term investment
14. Stringent regulatory compliance burdens most negatively affect.....
- A. Foreign banks
 - B. Fintech startups and small banks
 - C. Insurance multinationals
 - D. Government ministries

15. The primary role of insurance companies in the financial system is to.....
- A. Underwrite equity portfolios and pay compensation
 - B. Offer investment advisory services and pay compensation for unforeseen events
 - C. Pool risk and provide compensation for unforeseen events
 - D. Facilitate currency exchange transactions
16. What is the primary role of interest rates in the broader economic context?
- A. To set stock prices, and determine borrowing costs
 - B. To determine borrowing costs, and influence investment decisions
 - C. To direct government monetary policies
 - D. To set foreign exchange rates, and determine borrowing costs
17. Forward and Futures Contracts are primarily used to.....
- A. Eliminate exchange rate volatility permanently
 - B. Hedge or speculate on future price movements of underlying assets
 - C. Generate fixed interest income
 - D. Reduce transaction fees in banking
18. Which of the following is a key participant in the foreign exchange market?
- A. Only central banks
 - B. Banks, individuals and cooperatives
 - C. Banks, multinationals, central banks, and individuals
 - D. Insurance regulators and multinationals only
19. The International Monetary Fund (IMF) primarily provides.....
- A. Long-term project loans to governments
 - B. Balance of payments support and macroeconomic surveillance
 - C. Export insurance for multinational corporations
 - D. Funding for military expenditure

20. The Securities and Exchange Commission regulates.....

- A. Pension funds, securities firms and rural banks
- B. Stock market activities and securities firms
- C. Money supply, securities firms and inflation
- D. Securities firms and fiscal policy implementation

(Total: 20 marks)

SECTION B

SHORT ESSAY

ANSWER ANY TWO QUESTIONS IN THIS SECTION

Question 1

- a. Ghana's financial sector has been characterized by significant developments and emerging trends that reflect the country's ongoing commitment to financial inclusion, innovation, and resilience. Explain four (4) of such development and emerging trends. **(8 marks)**
- b. Explain the term “*Venture Capital Financing*.” **(2 marks)**
- c. Identify *three (3)* key characteristics of Venture Capital Financing. **(6 marks)**
- d. Carefully explain the term “*financial intermediation*.” **(4 marks)**

(Total: 20 marks)

Question 2

- a. Define the term “*interest rate*”. **(2 marks)**
- b. Give *three (3)* reasons for its importance in an economy **(5 marks)**
- c. Describe the crucial roles of banks in an economy. **(3marks)**
- d. Banks are exposed to various risks that can significantly impact their financial stability, operational efficiency, and reputation. State and explain any *three (3)* of these risk factors. **(6 marks)**
- e. What are the key functions of Investment Firms in Ghana? **(4 marks)**

(Total:20 marks)

Question 3

- a. Explain the term “*Treasury Bills*” (5 marks)
- b. Identify any *four (4)* kinds of investors in treasury bills in Ghana (4 marks)
- c. Define the following terms as applied in the bond market:
 - i. Sinking Fund Provision
 - ii. Protective Covenants
 - iii. Call Provisions
 - iv. Conversion Options
 - v. Floating Rate Coupons

(5 marks)

- d. Explain the following as the purposes for trading derivatives instruments:
 - i. Hedging
 - ii. Speculation
 - iii. Arbitrage.

(6 marks)

(Total:20 marks)

Question 4

- a. Explain the term “*Market for Corporate Control*” (4 marks)
- b. Describe any four (4) elements that characterise the market for corporate control. (8 marks)
- c. Explain any four (4) effects of FinTech on financial institutions in Ghana (8 marks)

(Total:20 marks)

SECTION C
CASE-STUDY QUESTIONS
ANSWER ANY TWO QUESTION IN THIS SECTION

QUESTION 1

The Case

KwameTech, a Ghanaian FinTech startup, aims to revolutionize the local financial services landscape by leveraging emerging technologies to offer personalized and inclusive digital financial solutions. The company plans to launch a mobile platform that uses real-time data to offer small personal loans, investment guidance, and seamless payment services. To build trust and scale rapidly, KwameTech wants to integrate cutting-edge technologies that are currently driving FinTech evolution.

Requirement:

As a FinTech consultant, advise KwameTech on how **five (5)** of the key technologies driving FinTech evolution can be strategically implemented to enhance operational efficiency, customer experience, and market competitiveness. Indicate your recommendations and support them with specific functions or advantages of each technology.

(20 marks)

QUESTION 2

The Case:

GoldenShield Capital, a private investment firm operating in Ghana, has recently been involved in multiple legal complaints from retail investors alleging misleading investment advice and lack of proper disclosures. The Securities and Exchange Commission (SEC) is reviewing its operations and questioning whether the firm's actions have violated financial market regulations. As part of its internal compliance audit, GoldenShield Capital has appointed you as a consultant to examine the importance of financial market regulation and investor protection in this context.

Requirements:

As a consultant,

- a. Explain, to GoldenShield Capital, *six* (6) reasons why financial market regulation is necessary for firms like theirs. **(12 marks)**
- b. Give *four* (4) reasons why investor protection is important in the financial system. **(8 marks)**

(Total 20 marks)

QUESTION 3

A mid-sized commercial bank in Ghana has been struggling with increasing regulatory compliance burdens. Manual processes in areas such as Know Your Customer (KYC), Anti-Money Laundering (AML), and regulatory reporting are leading to operational delays, errors, and rising costs. The bank's management is exploring the adoption of RegTech solutions to enhance compliance, reduce risks, and improve efficiency. They are particularly interested in how technologies can help address these issues.

Requirements:

As a RegTech consultant, explain how the core technologies driving RegTech evolution can help the bank overcome its regulatory challenges. Specifically:

- a. Identify and discuss at least three (3) relevant technologies that can help address these issues in the bank. **(12marks)**
- b. Justify their use with the roles they play in financial institutions. **(8 marks)**

(Total:20 marks)

QUESTION 4

The Case:

HopeBank Ghana has been struggling with public trust due to past instances of opaque dealings, regulatory fines, and a lack of transparency in customer communications. Although the bank is not under formal sanctions, its leadership recognizes that restoring its image and operational integrity requires a strong commitment to ethics.

As a newly hired Ethics and Compliance Officer, you are tasked with advising senior management on the significance of ethical conduct and how it could help reposition the institution for sustainable success.

Requirement:

Explain five (5) major reasons why ethical conduct is essential for financial institutions like HopeBank Ghana. Use practical implications from the case to support your explanation.

(20 marks)