



**CHARTERED INSTITUTE OF BANKERS, GHANA**

**ASSOCIATESHIP EXAMINATION**

**LEVEL III**

**BANKING OPERATIONS: REGULATION, MARKET PRACTICE AND TREASURY  
MANAGEMENT**

**APRIL 2023**

**N.B.**

1. Read carefully the instructions on the cover of the answer book.
2. Answer **TWO (2)** questions from **Section A** and **TWO (2)** from **Section B**, making a total of **FOUR** 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 book 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

### ANSWER ONLY TWO QUESTIONS FROM THIS SECTION

#### QUESTION 1

- a) Your bank's Asset-Liability Committee (ALCO) is a very important committee that ensures the sustainability and viability of the bank both in the short-term and long term. Identify and explain five functions performed by this committee in your bank. **[15 marks]**
- b) Gap analysis is used in Asset and Liability management to measure interest rate risk in a bank's balance sheet. Explain the phrase 'Positive Gap'. How is a positive gap affected by rising interest rates? **[7.5 marks]**
- c) Interest rate swaps are often used to manage interest rate risk of an organization. Briefly explain interest rate swaps and the expectation of a buyer of this risk hedging instrument. **[7.5 marks]**

**[Total: 30 marks]**

#### QUESTION 2

- a) One strategy that companies adopt to manage their cashflows is Securitization. Briefly explain the concept of Securitization. **[5 marks]**
- b) What benefits do companies derive from undertaking securitization transactions? **[10 marks]**
- c) Briefly explain the concept of Funds Transfer Pricing in the ALM process. **[5 marks]**
- d) Section 41 of the Banks and Specialized Deposit-Taking Institutions Act 2016, Act 930 requires banks to maintain a Net Open Position as may be prescribed by the Bank of Ghana.
- i) Explain Net Open Position from the balance sheet perspective. **[5 marks]**
- ii) Explain Long and Short positions with respect to Net Open Position and explain the expectations of holders of these positions. **[5 marks]**

**[Total: 30 marks]**

### QUESTION 3

- a) One very important risk the treasury of a bank manages daily is liquidity risk. Identify five major sources of liquidity risk for your bank and suggest ways your treasurer should take to manage liquidity shortfalls in their daily operations? **[15 marks]**
- b) Explain in detail what a repurchase agreement is and identify five eligible securities that can be used for this purpose in Ghana. **[10 marks]**
- c) The domestic debt exchange program of government has ended and the replacement of old bonds with the new bonds has taken effect. Explain briefly what a government of Ghana domestic bond is and how it differs from government of Ghana Eurobond. **[5 marks]**
- [Total: 30 marks]**

### SECTION B

#### ANSWER ONLY TWO QUESTIONS FROM THIS SECTION

### QUESTION 4

- a) Identify and explain five (5) items each contained on the assets and liabilities sides of a bank's balance sheet. **[5 marks]**
- b) Digital channels of payment in Ghana are gradually replacing the cash-based methods of payment. Explain five (5) benefits and challenges of the digital channels of payment. **[10 marks]**
- c) Mention five (5) products that support and drive the digital channels of payment in Ghana. **[5 marks]**
- [Total: 20 marks]**

## QUESTION 5

- a) The financial intermediation role performed by banks results in the banks engaging in ‘maturity transformation’ and ‘asset transformation’. Explain the concepts of maturity and asset transformations. **[10 marks]**
- b) Ghana’s economy is gradually drifting away from cash- based transactions to a cashless economy with the introduction of various digital payment channels in recent times. Identify five (5) major products that support the cashless system. **[5 marks]**
- c) Section 75 of the Banks and Specialized Deposit-Taking Institutions Act, 2016, Act 930 requires banks to classify their advances into five categories to determine the level of provisions required. Identify and list the various categories in the order as stipulated by the Act. **[5 marks]**
- [Total: 20 marks]**

## QUESTION 6

- a) The Banking Supervision Department regularly monitors the financial performance and operations of banks in order to ensure they are operating soundly and following rules and regulations. They do this through onsite and offsite monitoring of the banks. Explain **on-site** and **off-site** monitoring of banks by the department. **[5 marks]**
- b) List and explain five (5) reports your bank would likely submit to the Banking Supervision Department for Offsite monitoring. **[5 marks]**
- c) What are the functions performed by the Financial Intelligence Centre (FIC) in the fight against money laundering in Ghana? **[10 marks]**
- [Total: 20 marks]**