



CHARTERED INSTITUTE OF BANKERS, GHANA

ASSOCIATESHIP EXAMINATION

LEVEL IV

CORPORATE GOVERNANCE

APRIL 2023

N.B:

1. Read carefully the instructions on the cover of the answer book.
2. There are TWO sections. Answer **THREE** (3) questions.
3. **SECTION A is compulsory and carries fifty (50) marks.**

Answer TWO questions from Section B, which carries twenty-five marks each.

4. No aids such as calculators, books, dictionaries, papers, or mathematical sets are permitted in this examination.
5. Time allowed: **THREE (3) 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.
8. The scenarios included here are entirely fictional. Any resemblance of the information in the scenarios to real persons or organisations, actual or perceived, is purely coincidental.
9. **DO NOT WRITE YOUR NAME ON THE ANSWER BOOK.**
10. **DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE INSTRUCTED TO DO SO.**

SECTION A

QUESTION 1 - COMPULSORY

The Board of Goldbank Plc in Sikaman has observed that the recent Domestic Debt Exchange Programme (DDEP) has negatively affected the governance and decisions of the bank. The Board is particularly concerned about the impact it is having on its governance performance standards and structures.

A major observation is the impact of the DDEP on the balance sheet or statement of position of the bank. The DDEP has resulted in a significant reduction of the Common Equity Tier 1 (CET1) capital of the bank. The situation also suggests that the strategic corporate governance objective of securing or protecting shareholders' assets has been undermined. You are aware of some regulatory forbearances including a period of capital restoration and restructuring deployed by the regulator. It appears many of the governance indices set for bank corporate governance control and monitoring have been breached, or do not seem to have any governance interpretation for decision-making.

The Board of Goldbank intends to engage you as a corporate governance consultant to help it to establish the full impact of the programme on the bank's governance structures and mechanisms.

The Chairperson, Dr. Rita Agyei is particularly interested in the aspects that relate to the Capital Restoration Programme.

REQUIRED

- (i) Critically examine the FIVE main corporate governance measures that should be taken by the Board towards its Capital Restoration Programme (CRP). **(35 marks)**
- (ii) Examine the governance procedures that should be implemented to co-ordinate the capital restoration programme in Goldbank Plc. **(15 marks)**

(TOTAL 50 MARKS)

SECTION B

ANSWER ANY TWO

QUESTION 2

The Board of Light Bank Plc intends to review the role of the Remuneration Committee to satisfy the requirements of Basel III, Pillar III requirement on disclosures. The Board has engaged you as a Corporate Governance Consultant. You are satisfied from an initial assessment of the committee's terms of reference (TOR) that it covers areas such as role, constitution, membership, proceedings of meetings, reporting and disclosure, governance and resources, and terms of reference. You observe that the section on responsibilities does not reflect the strategic objectives of the bank.

REQUIRED

Critically examine the main responsibilities (tasks/ functions) of the Remuneration Committee to assist the board of Light Bank Plc to have a comprehensive Terms of Reference (TOR) for the Committee. **(25 marks)**

QUESTION 3

Responsible Banking is central to strategies of banks recovering from financially distressed economies and financial sectors. Critically examine the governance framework that the Board of Goodbank Plc in Ashland should institutionalise to enforce responsible banking practices.

(25 marks)

QUESTION 4

Country and sovereign risk has become central to governance decisions in banks and accountabilities of both the Audit and Risk Committees of boards of banks. Critically examine the FIVE measures the Risk Committee of the Board should institutionalise to satisfy the expectations of the Board in their management of country and sovereign risk. **(25 marks)**

QUESTION 5

The Board of Kashbank Plc has been introduced to the various bank corporate governance theories as part of its board development programme organised by the accounting firm Bash. The Directors are interested in the Transaction Cost (TC) Theory and want to understand how they should apply transaction cost issues to their decision to approve the introduction of a digital product called MoneyTalks.

REQUIRED

Critically examine how the Board of Kashbank should apply the Transaction Cost (TC) Theory in approving the digital product, MoneyTalks to be introduced to customers. **(25 marks)**