



CHARTERED INSTITUTE OF BANKERS, GHANA

ASSOCIATESHIP EXAMINATION

LEVEL IV

CORPORATE GOVERNANCE

APRIL 2024

N.B.

1. Read carefully the instructions on the cover of the answer book.
2. There are **TWO** sections. Answer **FOUR (4)** questions in all.
3. **SECTION A is compulsory and carries forty (40) marks.**
Answer THREE questions from SECTION B, which carries twenty (20) 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.
7. 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.
8. **DO NOT WRITE YOUR NAME ON THE ANSWER BOOK.**
9. **DO NOT OPEN THIS QUESTION PAPER UNTIL YOU ARE INSTRUCTED TO DO SO.**

ATTEMPT FOUR (4) QUESTIONS ONLY

Question 1 MUST be attempted in Section A and any THREE additional questions in Section B.

SECTION A (COMPULSORY)

QUESTION 1

The Board of Virtualbank Plc in Sikaman, has recently approved the mid-year Unaudited Financial Statement of the bank. The bank's Capital Adequacy remains negative as the Credit Risk Reserve (CRR) exceeds the Paid-Up Capital and Statutory Reserves remains negative. Profit After Tax (PAT) remains negative because the negative Other Comprehensive Income (OCI) has also increased as compared to the previous quarters.

The situation suggests that the Capital of the bank must be restored and the Statement of Position (Balance Sheet) restructured. You are aware of some regulatory forbearances including a period of four (4) years for Capital Resolution and Restructuring which have been sanctioned by the regulator. A comparative analysis of banks in Virtualbank's Strategic Group, shows that its main strengths depend on some concentrated key customers, the spread of its physical branches and its newly segment-based Digital Channels for Corporate and Small and Medium Sized Enterprises (SMEs).

The Chairperson, Dr. Nathalie Aba-Osei is particularly interested in how the current situation has affected the Corporate Governance of the bank.

REQUIRED:

- (i) Critically examine how undercapitalisation could affect the Corporate Governance of Virtualbank Limited.

(30 marks)
- (ii) Critically assess the practical measures the Virtualbank Board can undertake to recapitalise the bank and achieve a high performing status.

(10 marks)

[Total: 40 marks]

SECTION B

QUESTION 2

In Aqualand, the level of Inflation and Interest Rates continue to increase. The members of the Board of Aqualand Bank Limited in their recent review of the bank's Strategic Plan submitted by the Executive Team have concluded that the duration of the bank's Assets is almost twice or double that of the Liabilities. Critically examine the main Corporate Governance issues the members of the Board should credibly raise with the Executive Team of the bank.

(20 marks)

QUESTION 3

The Chairman of the Risk Committee of Diamond Bank has observed that the Modelling of Risks facing the bank has not provided the expected outcomes compared to the actual results being reported by the Finance Division. Examine measures the Board should implement to effectively govern the Model Risks facing the bank.

(20 marks)

QUESTION 4

The Board of Rosebank has been informed that the bank's Corporate Banking business proposal to have the main business account of a firm that the Chairperson Dr. Mary Daniels serves on its Board, has not been successful. Dr. Mary has just been prompted that the main reason for the unsuccessful attempt was that in the proposal, the bank's Pricing Policy did not provide for '**greenium**'. Critically assess the practical steps the Board of Rosebank should take to stay competitive.

(20 marks)

QUESTION 5

The Board of Directors of a bank is very concerned about the conduct and reputation risks that it manages. The bank has recently appointed you as the Corporate Governance Advisor (CGA) to the Board.

i) State and explain the essential areas of conduct and reputation risks the Board should consider.

(10 marks)

ii) Outline and discuss the practical information the Board should use to manage conduct and reputation risks related issues in the bank.

(10 marks)

[Total: 20 marks]

QUESTION 6

The changing role of the Company Secretary to become the Chief Governance Officer (CGO) means that in situations of stressed Balance Sheet or Statement of Position of banks, the role of the CGO should be expanded to include Capital Planning. Discuss.

(20 marks)