THE CHARTERED INSTITUTE OF BANKERS, GHANA

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ASSOCIATESHIP EXAMINATION LEVEL 1
EXAMINER'S REPORT

THE MONETARY AND FINANCIAL SYSTEMS, APRIL 2025

INTRODUCTION: GENERAL OBSERVATIONS

This is the second examination based on the new syllabus. The number of candidates who wrote the April 2025 examination was Forty-nine (49). Out of this, thirty-nine (39) candidates, constituting 79.59%, passed the examination, while the remaining ten candidates (20.41%) were not able to make the pass mark of 50%. This shows a slight increase in the pass rate over the pass rate of 76.92% in the October 2024 diet. This increase in performance could be attributed to the fact that candidates are getting familiar with the new syllabus and the structure of the examination. Moreover, the multiple-choice questions have also proved to favour the candidates, even though they did not compromise the examination standard. Table A below shows the pass rate in the April 2025 diet compared to that of the October 2024 diet.

Table A: Pass rate in April 2025 compared with October 2024

	April 2025	October 2024
No of candidates:	49	26
Number passed	39	20
Number failed	10	6
% passed	79.59	76.92
% failed	20.41	23.8

Although the performance in this examination suggests an improvement over the previous diet, some candidates provided unsatisfactory answers to several questions. Some candidates did not attempt certain sub-questions of the questions they attempted. Additionally, some candidates submitted irrelevant answers to some questions, indicating that their preparations are limited to specific topics rather than the entire syllabus. Table B below shows the popularity of questions, arranged in descending order.

Table B: Popular questions arranged in a descending order

Question NO.	A	B2	C2	B1	B4	C1	B3
No attempted	49	38	36	26	23	13	11
Highest mark	29	17	29	19	20	21	10
%pass	87.76	68.42	88.89	69.23	86.96	76.92	9.09

In terms of the performance of candidates, the grades obtained are presented in Table C.

Table C: Grades gained in this examination

Total no of candidates	Grade	Range of marks scored
5	Credit	81 – 86
34	Pass	50 – 78
2	Fail A	46 – 47.5
3	Fail B	40.5 – 44
5	Fail C	9 – 35

Table D: Summary Statistics of the Performance by Question.

Total No. of Candidates	**Question No.**	**No of Candidates Attempted each Question**	**% of candidates attempted each question**	**NO. Passed**	**NO. Failed**	**% Passed**	**% Failed**
49	**Sect A**	49	100.00	43	6	87.76	12.24
	B1	26	53.06	18	8	69.23	30.77
	B2	38	77.55	26	12	68.42	31.58
	B3	11	22.45	1	10	9.09	90.91
	B4	23	46.94	20	3	86.96	13.04
	C1	13	26.53	10	3	76.92	23.08
	C2	36	73.47	32	4	88.89	11.11

GENERAL PROBLEMS IDENTIFIED

Though the performance was encouraging, there were a few noticeable challenges:

i. Failure to address the requirement of a question in a straightforward manner (beating about the bush). This suggests confusion and shallow preparation for examinations.

ii. Just like the last diet, candidates who scored exceptionally low marks wrote responses that were completely general, vague and layman in content. The content written had no bearing on the reality in banking and finance practice, and the resource material in the handbook.

iii. A few candidates demonstrated a lack of understanding of fundamental principles in banking and finance.

iv. The presentation of answers also lacked clarity, suggesting confusion in the minds of candidates.

v. Candidates failed to include relevant examples in their answers to help illustrate concepts and theories.

SPECIFIC COMMENTS ON EACH QUESTION

SECTION A.

This section has thirty (30) multiple-choice questions, and candidates were expected to answer all the questions. Each question carries one mark. All candidates attempted the section, and the minimum and the maximum scores were 10 and 29, respectively, out of 30. Forty-three (43) candidates, constituting 87.76%, passed on these items.

SECTION B QUESTION ONE

The question consists of two parts. The first part asks candidates to explain the implications of changes in monetary policy on inflation, while the second part explores the relationship between inflation and economic growth. This question was the third most popular, attempted by 26 candidates. The highest score achieved was 19 out of 20. Additionally, 69.23% of the candidates who attempted this question answered it correctly.

Candidates were expected to elucidate how the instruments of monetary policy can be employed to manage inflation and how this management of inflation can affect economic growth.

Some candidates limited the discussion to only the policy rate as a tool for monetary policy. Moreover, the link between inflation and economic growth was poorly explained.

SECTION B QUESTION TWO

This question requires candidates to 1) explain in detail how any three (3) risk factors can affect the roles of commercial banks in an economy and 2) describe how the use of derivative securities contributes to risk management in banking.

Question two was the most popular optional question. It was attempted by 38 candidates, with the highest score of 17 out of 20. Moreover, 68.42% have passed this item.

It was expected that candidates would identify the risk factors and explain how each can hamper the performance of commercial banks. The key risk factors include credit risk/Default risk, liquidity Risk, operational risk, compliance and regulatory risks. **Derivative securities** are used as a tool in risk management, but can be used as an investment avenue to generate returns in more sophisticated institutions. They are securitised contracts whose value derives from underlying assets or an agreement between parties that may be traded over the counter or on Exchanges. They are mainly used to manage risk by assuming positions that cover anticipated risks with a certain probability. They're especially useful for managing market risks for the risk-averse. Risk seekers usually bet by supplying the needed cover for the risk-averse.

Candidates were able to define the risk factors but were not able to link them to the performance of the banks. Moreover, some candidates did not understand risk factors as the probability of likelihood of an event happening, but rather the actual occurrence of the event. For example, credit risk was defined as "the situation where borrowers fail to repay loans"

For the second part, candidates only defined derivative securities but could not explain how they could be used to manage risk.

SECTION B QUESTION THREE

The question: Finance companies are categorised into three main groups based on the type of financial services they offer and their regulatory requirements.

i) With examples, describe the three categories of Finance Companies in Ghana.
ii) Describe the underwriting service offered by Investment banks.
iii) Explain the two relevant fintech technologies that can be used to automate the underwriting process of the investment banks.

This is the least popular question. Only 11 people attempted the question, and one person passed with 10 marks. This constitutes a 9% pass rate on this question.

The finance companies are *finance house companies, leasing companies and mortgage finance companies.*

Underwriting securities services refers to the practice of Investment banks assuming the risk of purchasing securities from an issuing company and reselling them to investors. By providing underwriting services, the investment banks offer assurance to the issuing company that its securities will be successfully sold, thereby facilitating the capital-raising process.

The two most popular FinTech solutions available to investment banks for automating securities underwriting are Robo-advisors and Blockchain.

Unfortunately, candidates mistook finance companies for financial institutions.

SECTION B QUESTION FOUR

Candidates were asked to explain the concept of 'off-balance sheet activities' offered by commercial banks and describe the following basic types of off-balance sheet activities that the banks offer: guarantees, letters of credit, securitisation, and derivatives contracts.

This is the fourth most popular question. Out of the 49 candidates, 23 attempted this question, with the highest score of 20 out of 20. The pass rate for this question is 86.96 %.

Off-balance sheet activities refer to financial services and obligations provided by commercial banks to their clients, but not recorded on their balance sheets. Such activities generate additional revenue for the banks without directly affecting their balance sheet metrics, but expose them to some risks.

Guarantees: Banks on behalf clients can issue guarantees to third parties guarantying certain financial obligations if the customer defaults.

Letters of credit: Letters of credit are issued by a bank at the behest of a client-importer to facilitate international trade transactions.

Securitization: Securitization involves the pooling of financial assets, such as loans, mortgages, and receivables, into a special purpose vehicle (SPV) and issue securities backed by the cash flows from these assets.

Derivatives Contracts: Banks engage in derivatives contracts, such as futures, forwards, options, and swaps, to hedge exposures to risks, and generate trading income. Derivatives derive their values from underlying assets or variables, such as interest rate, foreign exchange rate commodity prices and credit.

This question was relatively well attempted.

SECTION C QUESTION ONE

Based on scenario 1, candidates were r**equired to:**

i) Describe what Pension Funds are in the financial system
ii) Name and describe the four main functions of Pension Funds in Ghana
iii) Explain the five key components of Pension Fund investment portfolios in Ghana

This is the second least popular question in this examination. It was attempted by 13 candidates and the highest score is 21 out of 30. The pass rate for the question is 76.92%.

Pension funds can be described as specialized financial institutions or investment vehicles that receive or pool retirement savings contributions from employers and employees over the employees' working lives.

The four main functions of Pension Funds in Ghana are (1) accumulation and investment of funds, (2) provision of retirement benefits, (3) risk management, and (4) governance and compliance.

The five key components of Pension Fund investment portfolios in Ghana are fixed-income securities, equities (stocks), real estate investments, alternative investments and cash and cash equivalents:

SECTION C QUESTION TWO

Based on scenario 2, candidates were r**equired to:**

a. Explain the importance of corporate governance in the banking sector and how it contributes to the financial performance of banks.
b. Describe three key corporate governance issues observed in ABC Bank.
c. How did the regulator intervene to enforce compliance with governance guidelines?
d. Suggest two measures ABC Bank can implement to improve its corporate governance framework.

This is the second most popular question in this examination. Out of the 49 candidates, 36 attempted the question with 29 as the highest score out of 30 marks. The pass rate for the question is 88.89%.

Key importance of corporate governance in banking includes: Risk management, financial stability, regulatory compliance, protection of stakeholders, prevention of fraud and misconduct, enhanced reputation and investor confidence, sustainable growth.

Key corporate governance issues observed in ABC Bank:

1. *Boardroom conflicts and lack of independence*
2. *Lack of transparency in financial reporting*

3. *Weak internal controls and risk management*
4. *Intervention of the Regulator*

Recommendations for improving corporate governance at ABC Bank: 1) *Ensuring board independence* and 2) *improving financial transparency and risk management*

Candidates did not have much problem with this question.

5. Conclusion

The April 2025 examination in **The Monetary and Financial Systems** reflects a generally encouraging performance among candidates, with a pass rate of 79.59%, slightly higher than the 76.92% recorded in October 2024. This upward trend suggests growing familiarity with the new syllabus and examination format, particularly the inclusion of multiple-choice questions, which have been well-received without undermining the assessment's rigour.

Despite the improvement, there remain some notable areas of concern. A significant number of candidates failed to provide direct and relevant answers, often displaying limited understanding of core concepts and poor analytical depth. This was particularly evident in questions requiring application of knowledge, integration of real-world examples, or explanation of technical terms within banking and finance.

Performance across individual questions varied considerably, with some questions, such as B3—recording, having very low pass rates, indicating gaps in coverage or comprehension of specific topics. In contrast, questions such as Section A and C2 saw high pass rates, showing a stronger grasp of foundational and scenario-based knowledge in these areas.

To sustain and further enhance candidate performance, it is recommended that future candidates broaden their preparation to cover the full breadth of the syllabus, practice applying theoretical concepts to practical scenarios, and focus on clarity and relevance in their written responses. Training providers and candidates alike should pay particular attention to underperforming areas to ensure balanced competence across all parts of the course.