International Islamic University Chittagong (IIUC)

Department of Economics & Banking

Final Examination: Autumn-2021

Program: BSS(Honors)

Course Code: BNKG-3605 Course Title: Bank Fund Management

Time: 2.5 Hours Full Marks: 50

*Answer any **five (5)** of the following questions. All parts of a question must be answered sequentially. Figures in the right margin indicate full marks.*

1. a) Banks and their competitors face significant liquidity problems – Elucidate the statement. 3
   b) Identify the sources of liquid funds. 2
   c) Union Bank Ltd. finds its current deposits and non-deposit liabilities as follows: 5

Hot money	Tk. 25 million
Vulnerable funds (including the largest deposit and non-deposit liability accounts)	Tk. 24 million
Core funds	Tk. 100 million

Union Bank Ltd. wants to keep a 95% reserve behind it hot money deposits (less the 3% legal reserve requirement behind many of these deposits) and non-deposit liabilities, a 30% liquidity reserve in back of its vulnerable deposits and borrowings (less required reserve), and a 15% liquidity reserve behind its core deposits and non-deposit funds (less required reserve). The bank has also total loans Tk. 135 million but recently have been as high as Tk. 140 million with a trend growth rate of 10% a year. Find out total liquidity requirement of Union Bank Ltd and comment on the results.

2. a) Explicate the strategies of liquidity managers. 3
   b) EBL has incoming deposits of Tk.2000, revenues from non-deposit services of Tk.200, customer loan repayments of Tk.1000, the sale of assets of Tk. 500 and borrowings from the money market of Tk.2000. At the same time they had deposit withdrawals of Tk.1500, acceptable loan requests of Tk.1200, repayments of borrowings for the bank of Tk.1000 and other operating expenses of Tk.500. Find the net liquidity position of this bank and give a logical comment on the result. 4
   c) Mr. Robin, the money manager of the NRBC, has estimated that the bank has a 20% chance of a liquidity deficit of Tk.700, a 30% chance of a liquidity deficit of Tk.200, a 30% chance of a liquidity surplus of Tk.400 and a 20% chance of a liquidity surplus of Tk.900 over the next week. Find the bank's expected liquidity deficit or surplus over the next week and provide logical comment on the result. 3

3. a) Why and when a commercial bank does become involved in investment activities? Clarify the capital market instruments which are available for investment by the commercial banks in our country. 4
   b) Elucidate different factors affecting the choice of investment securities. 6

4. a) Money laundering is the process by which dirty money is made to look legitimate or clean so that the funds may be freely used. Illustrate the process of money laundering. 3
   b) Elucidate the combat of money laundering of financial institutions. 3
   c) Who are the reporting organization? Discuss the responsibilities of reporting organization in prevention of ML. 4

5. a) Why is it important to have a written loan policy for a commercial bank?Discuss the various factors influencing the growth and mix of loans of a bank. 5
   b) Irradiate the investment maturity strategies with graphs. 5

6. a) It is indispensable to measure the borrower's creditworthiness while lending money to them. How you evaluate the borrower's creditworthiness? Clarify your answer. 5
   b) Illuminate the steps in the lending process. 5

7. a) Elucidate the types of bank capital. 4
   b) 6

Assets	**Amount TK(000)**	**Risk level as per Basel Accord**
Cash	15	0%
Treasury security	25	0%
Balance at domestic bank	60	25%
Loans secured by first line	40	50%
Loans to the corporation	20	50%
Standby letter of credit	60	100%

If the tier one capital is tk 8000 and tier two capital is tk 200, calculate the bank's equity position according to Basel accord. Deliver your comment on the result.