

**DO NOT REMOVE THE QUESTION PAPER FROM THE EXAMINATION HALL**

**UNIVERSITY OF LONDON**

CENTRE FOR FINANCIAL AND MANAGEMENT STUDIES

*MSc Examination*  
*MBA Examination*  
*Postgraduate Diploma Examination*  
for External Students

**91DFM C356**

FINANCE (BANKING)  
FINANCE (ECONOMIC POLICY)  
FINANCE (FINANCIAL SECTOR MANAGEMENT)  
FINANCE (QUANTITATIVE FINANCE)

**Bank Regulation and the Resolution of Banking Crises**

*Specimen Examination*

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*This is a specimen examination paper designed to show you the type of examination you will have at the end of the year for **Bank Regulation and Resolution of Banking Crises**. The number of questions and the structure of the examination will be the same but the wording and the requirements of each question will be different. Best wishes for success in your final examination.*

The examination must be completed in **THREE** hours.

Answer **THREE** questions.

The examiners give equal weight to each question; therefore, you are advised to distribute your time approximately equally between three questions.

**PLEASE TURN OVER**

Answer **THREE** questions.

1. 'The nature of banking involves risk.'  
Explain the risks involved in 'narrow banking' and in modern, more complex banks. And discuss the objectives of bank regulation in relation to those risks.
2. Explain the importance of bank capital adequacy and its relevance to the prudential regulation of banks. Illustrate your answer with reference to the Basel Capital Accords.
3. 'Most countries have established deposit insurance systems because the benefits are obvious and the systems are easy to design and implement.'  
Discuss this statement critically.
4. 'Too Big to Fail' banks are home to moral hazard and systemic risk. Discuss the how the G-SIB new discipline tries to tackle both problems
5. Explain how bank supervisors address the challenges posed by banks that are weak but not facing financial distress.
6. Critically assess the strengths and weaknesses of the Orderly Resolution Authority created by the Dodd-Frank Act of 2010.
7. 'The 2008 financial crisis has shown that bank regulators are well equipped to adapt to changes in financial markets and can effectively address systemic risk and threats to financial stability.'  
Discuss.
8. Describe the advantages offered and the challenges posed by offshore financial centres.

**[END OF EXAMINATION]**