



Introduction to Financial Systems and Banking Regulations

The sample questions are related to the JAIBP Stage 1 course "Introduction to Financial Systems and Banking Regulations". The students are advised to thoroughly read the exam guidelines and the syllabus guide for this course before start studying for the paper. The questions are shared to give an idea to the student about the paper format and types of questions. For further information visit the IBP website www.ibp.org.pk

Multiple Choice Questions

Each MCQ carry one and half mark.

Q1. Which of the following is a market for trading highly liquid government securities?

- A. Capital Market
- B. Bond Market
- C. Money Market (Answer)
- D. Commodity Market

Q2. Financial repression consists of all the following key elements, EXCEPT

- A. ceilings on interest rates
- B. liberal forex policy (Answer)
- C. liberal wage policy
- D. directing credit to certain industries.

Q3. Firms and dealers buy and sell securities in their own accounts from

- A. Stock Exchange
- B. Cotton Exchange
- C. Money Market (Answer)
- D. Money Exchange



Constructed Response Question

Each CRQ question carry five marks.

Question:

“REPOs are an important tool in managing funds in the Money Market”.

A. Explain the term ‘REPO’.

2 Marks

B. Write any three key features of these transactions?

3 Marks

Answer:

Part-A

Repurchase agreements (REPO) are a form of overnight borrowing backed by government securities.

Part-B

- A. REPO is purchased at the market price including accrued interest on the underlying collateral security.
- B. REPO is high quality and flexible short term investment alternative
- C. REPO agreements are hybrids, having elements of both buy-sell transaction and collateralized loans.
- D. Money market participants enter into REPO transactions when they want short term investment or have surplus securities.



Extended Response Question

Each ERQ question carry ten marks.

Question:

- A.** What is the main purpose of establishing CDC Pakistan? **2 Marks**
B. Briefly explain THREE services offered by CDC Pakistan **3 Marks**
C. In your opinion, what are FIVE benefits of electronic settlement of securities through Central Depository System (CDS)? **5 Marks**

Answer:

- A.** The purpose is to operate CDC for equity, debt and other financial instruments that are traded in the Pakistan Capital Market. It manages the CDS where ownership of securities is maintaining electronically.
- B.** Services by CDC:
- Investor Account Services (IAS) allow retail investor to open and maintain securities accounts directly with CDC
 - Trustee and Custodial Services (T&C) include open-end and closed-end mutual funds and voluntary pension schemes
 - Share registrar services (SRS) provides to issuing companies facilities for registrar and transfer agent services, including registration and verification of shares and records and customer dealing on behalf of issue companies
- C.** Some benefits are:
- Reduction of workload
 - Immediate transfer of ownership
 - Investor can have their securities, subscribed in IPOs, directly credited to their accounts in electronic form.
 - Immediate credit of bonus, rights and new issues
 - Suitable place for keeping pledging of securities
 - No stamp duty on transfer in CDS
 - Risk of damaged, lost, forged or duplicate certificates has been eliminated
 - No traditional vaults due to paperless environment
 - No hassle during book closure