



STRATHMORE BUSINESS SCHOOL
MASTER OF SCIENCE IN DEVELOPMENT FINANCE
END OF SEMESTER EXAMINATION
MDF 8204: FINANCIAL SERVICES REGULATIONS

Date: Thursday, 4th April 2024

Time: 3 Hours

Instructions

1. Answer **ALL QUESTIONS in Part A** and any **TWO Questions in Part B**.
2. Marks will be awarded on the basis on logical reasoning, clarity, and a clear exposition of your arguments.

Part A: This Question is Compulsory.

Question 1 (40 marks)

Study the case provided “Fraud at Bank of Baroda: Manage Risk or Manage Crisis?” and answer the following questions.

- (a) What are the key components of the risk management system at Bank of Baroda? **(6 marks)**
- (b) Given the comprehensive policies & procedures at the bank, how did the two frauds take place? **(6 marks)**
- (c) Identify the indicators of money laundering that were ignored by the bank. **(6 marks)**
- (d) How do you assess the risk culture at Bank of Baroda? **(6 marks)**
- (e) Identify the interrelationship between the various risks faced by Bank of Baroda. **(6 marks)**
- (f) What are the consequences of poor risk management for Bank of Baroda? **(6 marks)**
- (g) What should the new CEO’s priorities be? **(4 marks)**

Part B: Answer any TWO Questions.

Question 2 (20 marks)

- (a) Shifts in the global regulatory developments have placed Kenya and Africa as a continent in the global financial ecosystem map and radar. The recent grey listing of both Kenya and Namibia on the Financial Action Task Force’s (FATF) “grey list,” has elicited a debate on what the implications are for the two countries, and Africa as an investment destination.
Required: Discuss the implications of grey-listing for the economy in terms of development. **(10 marks)**
- (b) Highlight FIVE benefits of closely regulating systematically important banks in any jurisdiction. **(10 marks)**

Question 3 (20 marks)

- (a) The microfinance industry differs in many ways from the conventional banking industry. Due to this, there has been constant debate on how and what types of microfinance institutions should be regulated.

Required: Present three reasons for regulating the microfinance industry. **(6 marks)**

- (b) The UK's financial watchdog, The Financial Services Authority (FSA) took over prudential regulation and control of credit unions on 2nd July 2002 (Baker, 2008).

Required:

- (i) Describe what "prudential regulation" refers to. **(4 marks)**
(ii) Argue a case for prudential regulation of credit unions, yet they are largely considered "not-for profit". **(6 marks)**
- (c) With regard to retirement benefits law, distinguish between a "defined benefit plan" and a "defined contribution plan". **(4 marks)**

Question 4 (20 marks)

- (a) Outline FIVE major causes of systemic banking crises and outline the policy and responses often undertaken to deal with the crises **(10 marks)**
(b) Highlight the salient differences between Shariah compliant and conventional financial services. **(10 marks)**

Question 5 (20 marks)

Discuss the provisions contained in Basel III and highlights their implications on the banking sector and its subsequent regulation.

-----End of the Question Paper-----