



Riara School of Business
Nurturing business innovators

SEPTEMBER – DECEMBER 2015 TRIMESTER
EXAMINATION FOR BACHELOR OF BUSINESS ADMINISTRATION (FINANCE)

DAY PROGRAMME

BFN 403: FINANCIAL SERVICES REGULATIONS AND FINANCIAL CRISES

DATE: DECEMBER 2015

TIME: 2 HOURS

INSTRUCTIONS

- i) Answer question one and any other two**
 - ii) Marks allocated to each question are shown at the end of the question**
 - iii) Arrange your work neatly and indicate the questions answered in the examination booklet**
-

QUESTION ONE: COMPULSORY (30 MARKS)

- a. State five main reasons for the regulation of banks. **(5 MARKS)**

- b. Explain what the capital requirement for financial institutions means, and especially as it relates to Kenya with the emergence of Basel II requirements. Relate the capital requirements with banking industry core capital. **(15 MARKS)**

- c. What are the four main key **drivers of change** for capital markets especially in countries like Kenya? **(4 MARKS)**

- d. What are the **4 C's of change** for capital markets? **(4 MARKS)**

- e. What is an Over the Counter (OTC) Market? **(2 MARKS)**

QUESTION TWO (20 MARKS)

- a. State at least five laws that set out the goals and functions of bank regulations. **(5 MARKS)**
- b. Discuss on the origin of the 2008 global financial crisis, explaining on the sequence of events leading to the ultimate collapse of global financial markets. Explain how this affected Kenya. **(15 MARKS)**

QUESTION THREE (20 MARKS)

- a. A main element of financial crises emanates from market incompleteness. List and explain four such elements of market incompleteness that can constitute to a financial crisis. **(8 MARKS)**
- b. Name three main regulatory bodies and their role in providing financial recourse to the financial system. **(6 MARKS)**
- c. List six main functions of financial markets that ensure financial soundness. **(6 MARKS)**

QUESTION FOUR (20 MARKS)

- a. Discuss five main challenges of monetary policies. **(10 MARKS)**
- b. Discuss at least five main attempts that a government such as GoK does to resolve the challenges of monetary policies. **(10 MARKS)**