

POKHARA UNIVERSITY

Level: Bachelor

Semester: Spring

Year: 2021

Programme: BBA-BI

Full Marks: 100

Course: International Banking and Insurance

Pass Marks: 45

Time: 3 hrs.

Candidates are required to answer in their own words as far as practicable. The figures in the margin indicate full marks.

Section "A"

Very Short Answer Questions

Attempt all the questions. [10×2]

1. What is International Banking?
2. What do you mean by Specimen Signature Booklets?
3. What do you mean by Locations of Accounts?
4. Define the term "Ageing Problem" in context of international insurance.
5. How international insurance have influence in Nepalese insurance market?
6. What is "Principle of Utmost Good Faith"?
7. What do you mean by Retrocession?
8. What is "Lloyd's of London"?
9. What do you understand by "The Geneva Association"?
10. Define the term Nostro and Vostro a/c.

Section "B"

Descriptive Answer Questions

Attempt **any six** questions. [6×10]

11. Highlight the various services that are being offered by International Banks.
12. What do you mean by credit line? Why corresponding banking meeting viewed as great opportunities?
13. Describe the factors affecting demand and supply of Foreign Exchange.
14. What do you mean by international settlement? Define the process of international settlement.
15. What do mean by Llyod's of London. Explain the details about its structure.
16. What do you mean by Catastrophic Loss in insurance? Briefly explain the Impact of COVID-19 on the insurance industry.
17. What is the role of reinsurance companies? Explain the Risk Coping Strategies of Multinational reinsurance companies.

Section "C"
Case Analysis

18. *Read the case situation given below and answer the questions that follow:* [20]

The COVID-19 outbreak at the end of 2019 poses a severe threat to human safety and survival. The cumulative number of confirmed cases reached 80 million and caused more than 1.8 million deaths. Not only that, but the COVID-19 epidemic has also had a significant impact on the global economy.

Banking sector negatively affected by the pandemic. Firstly, firms that have stopped working miss out on revenues, and therefore might not be able to repay loans. Secondly, banks are negatively affected as bonds and other traded financial instruments have lost value, resulting in further losses for banks. Thirdly, banks are facing increasing demand for credit, as especially firms require additional cash flow to meet their costs even in times of no or reduced revenues. In some cases, this higher demand has presented itself in the drawdown of credit lines by borrowers. Finally, banks face lower non-interest revenues, as there is lower demand for their different services.

Looking at five of the world's most important central banks—those of the United States, the eurozone, Japan, the United Kingdom and Canada—the it was noted that they all deployed the full set of crisis-management policies at their disposal in March and April when the virus first became a global pandemic. Benchmark interest rates had been slashed to near-zero and, in some cases, gone well into the negative zone. Policymakers now have less wiggle room for interest rates, but in most cases, they remain committed to keeping monetary policy as loose as possible until well after normality resumes in terms of growth, inflation and employment. And with low rates, central banks have similarly kept bond yields low, where they will likely remain well after the pandemic is over.

As banks will have a critical role not only during the pandemic containment phase but also during the economic recovery phase, sufficient capitalization will be important as economies will have to reallocate resources across sectors from 'losers' to 'winners'. For example, sectors that rely heavily on physical provider-client contact will decline in their importance, while sectors focusing on remote and/or digital service delivery will grow. Banks will have an important role funding the expansion of the winner sectors, but they can only do so if losses incurred on loans to shrinking sectors does not impair their lending capacity.

It is a little too early to make clear predictions about the likely long-run effects of the Covid-19 recession on the banking system. However, as time

goes by, the pandemic starts to renormalize turning into a new normal. Even, some countries in the Asia Pacific commencing a new-normal life, like, China, South Korea, and Singapore. Despite the good news, it seems the grassroots is not fully recovered from the shock. Therefore, we argue that the positive outlook may not give a lot of positive senses and confidence, hence scepticism in the economy persists, especially in economic growth, despite some aspects, such as international banks or financial institutions in Asia set an optimist target.

Questions:

- a) What actions did central banks take during the pandemic?
- b) How is coronavirus affecting the banking sector?
- c) In your view, what needs to be done during the recovery phase?
- d) Highlighting the case, explain the long-term implications of the crisis.