

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. Briefly state the function of the bank along with legal perquisite.
2. Write two consequences of non-compliance.
3. What do you mean by corporate affairs?
4. What is international trade?
5. What do you mean by insurance contract?
6. What do you mean by Ombudsman?
7. What are the major regulators of banking and insurance field?
8. What is Capital adequacy ratio?
9. What is Insurance Board?
10. Why should a bank need to follow corporate governance?

Section "B"

Descriptive Answer Questions

Attempt **any six** questions. [6×10]

11. Illustrate the Banking history of Nepal. Why is 2040s regarded as milestone in banking history in Nepal?
12. What is Corporate Reporting of Bank? Write the types and process of reporting applied in bank.
13. How can we incorporate Banking Business in Nepal? What is the procedure to register the Insurance business?
14. Explain the risk management process along with categorical definitions of risk.
15. Explain the role of NRB as a regulatory body. Highlights the objectives of BAFIA and functions of A Grade Bank with reference to BAFIA 2073.
16. Explain the claim and settlement procedure in Life and Non Life Insurance as per Insurance Regulation 2049 B.S.
17. Explain the role of NRB as a regulatory body. Describe all essential characteristics.

Section "C"
Case Analysis

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

Nepal has been consistently reforming its Central bank policy and directives. In doing so Government of Nepal has signed various International instrument recent on being Basel I, II, III. Policy reviews shows that there are strategic changes that will bring instability in the banking sector; however, this is not officially confirmed.

Nepal Rastra Bank (NRB) has however postponed plans for phase-wise roll out of latest international regulatory frameworks aimed at strengthening the shock absorbing capacity of banks.

The banking sector regulator had previously decided to introduce Basel III regulatory frameworks at commercial banks from the beginning of 2015. It is now mulling over launching those regulations from mid-July next year.

"We were supposed to finalize drafts of regulations on implementation of Basel III Capital Regulations by October. But we couldn't," NRB Director told The ACE daily, However there is a caveat; the proportion of common equity in Tier 1 capital should stand at 66.67 percent in 2015, which will be reduced to around 64.30 percent by 2019, shows the NRB timetable designed in April.

In other words, minimum common equity capital ratio should stand at 4-4.5 percent of risk weighted assets in between 2015* and 2019, while the portion of non-core Tier 1 capital will rise from two percent of risk weighted assets in 2015 to 2.5 percent in 2019.

Banks here currently do not take common equity into account while calculating Tier 1 capital. However, the central bank says commercial banks, excluding the two state-owned banks, will not have problem in meeting this requirement as they are currently required to maintain paid-up capital of at least Nrs two billion. Another new provision in Basel III is capital conservation buffer. Initially, the buffer should be maintained at one percent of the risk weighted assets and gradually raised to 2.5 percent by 2019.

Questions:

- a) What are other Banking policy and other measures that can be taken to adjust such changes within banks?
- b) Also, please advise the government on globalization of banking along with its importance and its reforms through Basel framework.
- c) The Government also seeks your expert review on Basel committee on banking supervision its Core banking supervision.
- d) Also elucidate on Globally systematic important banks (G-SIBs) and the Financial Stability Board requirement for being G-SIB's.