



Department of Commercial Accounting

**BANKING OPERATIONS 2A
BOP22A2**

FINAL ASSESSMENT OPPORTUNITY

Date of Examination: 30 May 2016

Time: 2 hours

Marks: 100

Assessor: Mrs M Lepheana
Internal Moderator: Mr J Mabejane

INSTRUCTIONS:

This paper consists of 3 pages (including the cover page).

- Answer all questions.
- Write neatly and legibly.

Question	Topic	Marks	Time
1	Introduction to the financial system	20	25 minutes
2	SARB & Regulation of financial markets	28	30 minutes
3	Microfinance Institutions	15	20 minutes
4	Insurance & Retirement Funds	15	20 minutes
5	Investment Institutions	22	25 minutes
		100	120 minutes

QUESTION 1**[20] Marks**

The financial system plays a vital role in the economy, hence why the central bank and other regulators make every effort to ensure its stability.

- a) The definition of the financial system identifies six essential elements. Discuss the six essential elements of the financial system identified in its definition. (12)
- b) Differentiate between the following: (8)
 - i. Primary and secondary markets
 - ii. Money and bond markets
 - iii. Over the counter and exchange driven markets
 - iv. Spot and derivative markets

QUESTION 2**[28] Marks**

2.1 Regulation of the financial system is vital for a number of reasons like maintaining a sound, efficient and transparent financial system.

- a) Define the five main types of open market operation (OMO). (10)
- b) Name and discuss the subsidiaries of SARB. (8)

2.2 While the SARB supervision department regulates the banking sector, the FSB supervises the non – banking sector of the financial system. List any of the five departments of the FSB and the legislation that govern them. (10)

QUESTION 3**[15] Marks**

Member based finance institutions are a very important part of the economy assisting part of the population (low income) that cannot afford to use the big financial institution to access services like saving, insurance and credit.

- a) List any five principles of cooperatives. (5)
- b) Discuss the regulations and limitations of a friendly society. (4)
- c) Differentiate between mutual and commercial banks. (6)

QUESTION 4**[15] Marks**

4.1 Long term insurance is highly regulated due to the nature of the products they provide. Discuss the regulatory framework designed to protect policyholders of long term insurance. (8)

4.2 The number of old age population living on pension grants has been increasing over the years. There are a number of factors that contribute to this, just to mention a few: unemployment, lack of knowledge about the retirement products and people withdrawing their pension savings before retirement.

- a) Explain defined contribution fund? (2)
- b) Regulation 28 specifies the maximum exposure that retirement funds can invest in different assets.
 - i. What is the maximum percentage of total value of fund assets that can be invested in listed shares, cash, commodities and government bonds according to this regulation (4)
 - ii. What is the aim of the regulation? (1)

QUESTION 5

[22] Marks

Investment institutions take funds from surplus units/investors and invest them on their behalf. The investors expect growth on their funds, a rate of return that will compensate them for not spending now. The investment institutions can invest in different financial assets available in the markets like equities and bonds.

- a) Discuss the role of investment institution in the economy. (12)
- b) Discuss any five classification of collective investment schemes by asset orientation. (10)