



NATIONAL OPEN UNIVERSITY OF NIGERIA
91, CADASTRAL ZONE, UNIVERSITY VILLAGE, JABI, ABUJA
FACULTY OF MANAGEMENT SCIENCES
EXAMINATION 2020_2nd

COURSE CODE: BFN740

CREDIT UNIT: 2

COURSE TITLE: REGULATION OF FINANCIAL INSTITUTIONS

TIME ALLOWED: 2HOURS

Instruction: 1. Attempt question number one (1) and any other two (2)

2. Question number one (1) is compulsory and attracts 30 marks, while any other two questions attract 20 marks each

3. Present your answers any points in a clearly and orderly manner

1a. Explain the concept of regulation in relation to the financial system. Give four (4) reasons to justify the rationale for regulation of financial markets? **10 marks**

1b. Mention the mechanisms put in place by the Securities and Exchange Commission (SEC) to ensure effective regulation and development of the Nigerian capital market? **6 marks**

1c. State the implications of the International Monetary Fund (IMF) Quota System. **3 marks**

1d. The World Bank was established to assist in the growth and development of less developed economies. In your opinion, has the Bank delivered on this mandate? Give 3 reasons. **6 marks**

1e. Discuss briefly the concept of asymmetric information and its problems in the operations of financial institutions. **5 marks**

2a. Identify and explain any five (5) policy instruments used by the Central Bank of Nigeria in regulating the value, supply and cost of the Nigerian currency. **10 marks**

2b. The Securities and Exchange Commission is critical to the growth and development of the capital market. Discuss any five (5) functions performed by the SEC in the Nigeria. **10 marks**

3a. Distinguish between monetary and inflation targeting strategies of monetary policy. **4 marks**

3b. Explain the rationale for the establishment of the Nigeria Deposit Insurance Corporation (NDIC). Give any four (4) reasons. **6 marks**

3c. State any five (5) major strategies often used by the NDIC in managing and preventing bank distress? **10 marks**

4a. Identify and discuss any five functions of the National Insurance Commission (NAICOM) **10 marks**

4b. State three (3) problems or difficulties often associated with international financial markets **6 marks**

4c. Mention four (4) major sources of funding for World Bank operations. **4 marks**

5a. Discuss the operation of built-in stabilizers in fiscal policy planning and highlight its major limitation. **12.5 marks**

5b. Outline three (3) major advantages of direct government control over monetary and fiscal policies as a tool of economic stabilization. **4.5 marks**

5c. List the factors that determine the choice of monetary policy framework adopted by the Central Bank of Nigeria. **3 marks**