



**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**91, CADASTRAL ZONE, UNIVERSITY VILLAGE, JABI, ABUJA**  
**FACULTY OF MANAGEMENT SCIENCES**  
**EXAMINATION 2020\_2<sup>nd</sup>**

**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**