

Final exam practice problems

True/False

Indicate whether the statement is true or false.

- _____ 1. The Financial Services Modernization Act allowed bank holding companies to open insurance underwriting affiliates and allowed insurance companies to open banks.

Multiple Choice

Identify the choice that best completes the statement or answers the question.

- _____ 2. Bank A has a higher ROA than Bank B. Both banks have similar interest income to asset and noninterest income to asset ratios. We know that
- I. Bank A has a higher profit margin than Bank B.
 - II. Bank A has a higher AU ratio than Bank B
 - III. Bank A must have a higher PLL / OI ratio
- a. I only
 - b. II only
 - c. I and II only
 - d. III only
 - e. I, II and III
- _____ 3. The lower the interest expense ratio, the provision for loan loss ratio, the noninterest expense ratio and the tax ratio the _____ the _____.
- a. lower; PM
 - b. higher; PM
 - c. lower; AU
 - d. higher; AU
 - e. lower; EM

- _____ 4. Investment securities plus _____ is equal to a bank's earning assets.
- Net loans and leases
 - Gross loans and leases
 - Property, plant and equipment
 - Securities held for trading
 - Purchased accounts

Refer to the information below for the following questions:

Figure 12-1

Bank A (Dollars in Millions)

Assets		Liability and Equity	
Cash	\$ 850	Deposits	\$6,475
Securities	1,925	Other Borrowing	1,645
Loans	5,400	Equity	<u>1,030</u>
Other	<u>975</u>	Total	\$9,150
Total	\$9,150		

Income Statement

Interest Income on Loans	\$450
Interest Income on Securities	95
Interest Expense	246
Non-interest Income	78
Non-interest Expense	112
Provision for Loan Loss	35
Taxes	<u>115</u>
NI	\$115

- _____ 5. Refer to Figure 12-1. If the average net interest margin for this type of bank is 4.65%, then, ceteris paribus, this particular bank is performing
- The same as average because this bank has a NIM of 4.65%
 - Better than average because this bank has a NIM of 6.55%
 - Poorer than average because this bank has a NIM of 4.08%
 - Better than average because this bank has a NIM of 5.23%
 - One can't determine with the information given

- _____ 6. Refer to Figure 12-1. If the typical bank of this type has an overhead efficiency ratio of 0.65, then this particular bank is _____ than the typical bank, ceteris paribus.
- Doing a poorer job generating profitable off-balance sheet activities
 - Doing a better job time managing non-interest income and expenses
 - Is paying higher taxes
 - Has fewer loan losses
 - None of the above
- _____ 7. Which type of savings account transfers funds to a checking account when checks are written?
- ATS
 - passbook savings
 - CDs
 - MMDAs
- _____ 8. As a source of funds, small banks rely more heavily on _____, and larger banks rely more heavily on _____.
- time deposits and foreign deposits; savings deposits and short-term borrowings
 - savings deposits and short-term borrowings; foreign deposits and time deposits
 - savings and time deposits; foreign deposits and short-term borrowings
 - foreign deposits and short-term borrowings; savings and time deposits
- _____ 9. Basel II consists of three overlapping areas that are designed to bolster the safety and soundness of the financial system. The three areas are
- Regulatory capital requirements for credit, market and operational risk.
 - Eliminating complex risk based capital requirements for on and off balance sheet accounts.
 - Ensuring that banks have sound internal control procedures in place to measure and limit risk.
 - Requirements to disclose to market participants the institution's capital structure, risk exposure and capital adequacy.
 - Increasing deposit insurance premiums on all accounts.
- I, II and III
 - I, III and IV
 - II, III and V
 - I, IV and V
 - II, III and IV

- _____ 10. Tier I (core) capital includes at least some part of which of the following?
- I. Common stockholders' equity
 - II. Retained earnings
 - III. Subordinated debt
 - IV Allowance for loan and lease losses
- a. I only
 - b. I and II only
 - c. I and IV only
 - d. II and III only
 - e. I, II, III and IV
- _____ 11. A bank has Tier 1 capital of \$90 million and Tier 2 capital of \$70 million. The bank has total assets of \$2,522 million and risk weighted assets of 2,017.6 million. This bank is
- a. Critically undercapitalized
 - b. Significantly undercapitalized
 - c. Undercapitalized
 - d. Adequately capitalized
 - e. Well capitalized
- _____ 12. Tier II (supplementary) capital includes which of the following?
- I. Allowance for loan and lease losses, up to 1.25% of risk weighted assets
 - II. Subordinated debt not maturing within 5 years (max amount = 50% of Tier 1 capital).
 - III. Common stock and retained earnings
 - IV. Nontransaction deposits
- a. II and III only
 - b. I and IV only
 - c. I and II only
 - d. I, II and III only
 - e. I, III and IV only
- _____ 13. Which act allowed the establishment of full service financial institutions in the U.S?
- a. Riegle-Neal Act
 - b. Financial Services Modernization Act
 - c. USA Patriot Act
 - d. Foreign Bank Supervision Enhancement Act
 - e. Foreign Banking Activity Powers Enforcement Act

- _____ 14. Which of the following is not a specific criterion the FDIC uses to monitor banks?
- a. capital adequacy
 - b. dollar value of fixed assets
 - c. asset quality
 - d. earnings
 - e. sensitivity to financial market conditions
- _____ 15. A _____ is a contra asset account.
- a. Loan commitment
 - b. Provision for loan and lease losses
 - c. Allowance for loan and lease losses
 - d. Net charge offs
- _____ 16. Areas of commercial bank regulation designed to encourage banks to lend to socially important sectors such as housing and farming are termed _____ regulations.
- a. safety and soundness
 - b. consumer protection
 - c. investor protection
 - d. credit allocation
 - e. monetary policy
- _____ 17. A bank has Tier 1 capital of \$90 million and Tier 2 capital of \$70 million. The bank has total assets of \$2,522 million and risk weighted assets of 2,017.6 million. This bank is
- a. Critically undercapitalized
 - b. Significantly undercapitalized
 - c. Undercapitalized
 - d. Adequately capitalized
 - e. Well capitalized

- _____ 18. Which of the following would increase the value of a bank charter?
- I. Tightening restrictions on new charters
 - II. Broadening the activities banks can engage in
 - III. Increasing reserve requirements
 - IV. Doubling capital adequacy requirements
- a. I and II only
 - b. II only
 - c. III and IV only
 - d. I and IV only
 - e. II and III only
- _____ 19. Recent regulation such as the Riegle-Neal Act of 1994 has removed some of the federal banking laws that formerly constrained profitable opportunities for commercial banks. The Riegle-Neal Act removes the major restrictions on banks' ability to _____.
- a. Diversify geographically
 - b. Diversify their product line
 - c. Engage in securities underwriting
 - d. Engage in insurance underwriting
 - e. Engage in loan brokerage
- _____ 20. When banks play the "weekend game" they are
- a. Minimizing deposits on Friday to help reduce required reserves
 - b. Maximizing deposits on Friday to help make the most of required reserves
 - c. Minimizing their tax liability by recognizing profits before the weekend
 - d. Maximizing the reserve maintenance period with Fed funds loans
 - e. Doing A, C and D
- _____ 21. National banks are regulated by _____, and state banks are regulated by _____.
- a. the Comptroller of the Currency; their state agency
 - b. the Comptroller of the Currency; the Comptroller of the Currency
 - c. their state agency; their state agency
 - d. their state agency; the Comptroller of the Currency

- _____ 22. An "off-balance-sheet commitment" that provides the bank's guarantee on the financial obligations of a borrower to a specific party is a
- a. standby letter of credit.
 - b. federal funds agreement.
 - c. repurchase agreement.
 - d. discount window agreement.
- _____ 23. Bank A has a 10 percent capital ratio and uses a significant proportion of its assets to invest in very highly-rated bonds. Bank B has an 12 percent capital ratio and uses a significant proportion of its assets to invest in highly leveraged transactions. How would Bank A be rated versus Bank B using the capital and asset quality criteria?
- a. Bank A is perceived as safer by both criteria.
 - b. Bank B is perceived as safer by both criteria.
 - c. Bank A is perceived as safer according to capital, but more risky according to asset quality.
 - d. Bank B is perceived as safer according to capital, but more risky according to asset quality.
- _____ 24. In comparison to small banks, larger banks typically have
- a. More equity capital
 - b. More core deposits
 - c. More off balance sheet activities
 - d. Larger net interest margins
 - e. All of the above

Short Answer

25. In terms of profitability, a well run bank usually has an ROA of _____.
26. A bank is earning 6% on its \$150 million in earning assets and is paying 4.75% on its liabilities. The bank's NIM is _____.

27. Plains National Bank has interest income of \$250 million and interest expense of \$110 million, noninterest income of \$40 million and noninterest expense of \$65 million on earning assets of \$3,900 million. What is Plains' overhead efficiency ratio?

Refer to the information below for the following questions:

Figure 12-1

Bank A (Dollars in Millions)

Assets		Liability and Equity	
Cash	\$ 850	Deposits	\$6,475
Securities	1,925	Other Borrowing	1,645
Loans	5,400	Equity	<u>1,030</u>
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Total	\$9,150		

Income Statement

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Non-interest Expense	112
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Taxes	<u>115</u>
NI	\$115

28. Refer to Figure 12-1. The bank's ROA is
29. Refer to Figure 12-1. The bank's ROE is
30. Refer to Figure 12-1. The bank's profit margin is
31. Refer to Figure 12-1. The bank's asset utilization ratio is

32. To be well capitalized a bank must have a leverage ratio of at least _____%, Tier I capital to risk adjusted asset ratio of at least _____ % and a total risk based capital ratio of at least _____ %.
33. Blue Ridge Bank has a PM of 12%, an interest income to total assets ratio of 6.00% and a noninterest income to assets ratio of 1.50%. Blue Ridge also has \$9 in assets per dollar in equity capital. Blue Ridge's ROE is _____.
34. Oceanside bank converts a dollar of equity into 10 cents of net income and has \$9.50 in assets per dollar of equity capital. Oceanside also has a profit margin of 15%. What is Oceanside's AU ratio? _____.
35. The First Bank of the Ozarks generates \$0.0155 dollars of net income per dollar of assets and it has a profit margin of 12.25%. How much operating income per dollar of total assets does First Bank generate? _____.
36. A bank that has an equity to asset ratio equal to 12% can normally lend no more than _____ of its assets to any one borrower.
37. FDIC deposit insurance is generally limited to _____ per depositor per bank.
38. To be classified as an adequately capitalized bank, the bank must have a leverage ratio of at least _____%, Tier I capital to risk adjusted asset ratio of at least _____ % and a total risk based capital ratio of at least _____ % and does not meet the definition of a well capitalized bank.

39. a) A bank has risk weighted assets of \$175 and equity of \$12.5. If regulators require a minimum risk weighted capital ratio of 5% given the current level of equity, how many new assets with a 100% risk weight can the bank add? How many with a 50% risk weight?
 b) If the bank had 20% more equity, how many new assets with a 100% risk weight could the bank add? How many with a 50% risk weight? How does having more equity affect a bank's ability to grow? How is this growth affected by the riskiness of the bank's assets?
40. A Section 20 subsidiary of a major U.S. bank is planning to underwrite corporate securities and expects to generate \$5 million in revenues. It currently underwrites U.S. Treasury securities and general obligation municipal bonds, and earns annual fees of \$40 million.
- Is the bank in compliance with the laws regulating the turnover of Section 20 subsidiaries?
 - If it plans to increase underwriting of corporate securities and generate \$11 million in revenues, is it in compliance? Would it have been in compliance prior to passage of the Financial Services Modernization Act of 1999?

Numeric Response

Refer to the information below for the following questions:

Figure 12-2

First National Bank of Beverly Hills (Millions \$)

Assets	Amount	Interest rate of return	Liab. & Equity	Amount	Interest Cost
Securities	\$ 475	4.5%	Liabilities	\$1,175	3.0%
Loans	725	7.5%	Equity	<u>125</u>	
Non-earning	<u>100</u>	0.0%	Total	\$1,300	
Total	\$1,300				
<i>First National Bank</i>			Industry Average		
ROE	12%		NIM		3.54%
Tax rate	34%		Overhead Efficiency		0.85
Noninterest			Average Loan Rate (ALR)		7.5%
Expense	\$30				
PLL	\$3				

41. Refer to Figure 12-2.
- What is the bank's NIM?
 - Is the bank performing better or worse than average?

42. Refer to figure 12-2. Anytown bank has the following ratios:
- Profit margin: 21 %
 - Asset utilization: 11 %
 - Equity multiplier: 12X
- a. Calculate Anytown's ROE
 - b. Calculate Anytown's ROA.
43. Two depository institutions have composite CAMELS ratings of 1 or 2 and are "well capitalized." Thus, each institution falls into the FDIC Risk Category I deposit insurance assessment scheme. Further, the institutions have the following financial ratios and CAMELS ratings:

	Institution I	Institution 2
Tier I leverage ratio (%)	10.25	7.00
Loans past due 30-89 days/gross assets (%)	0.60	0.82
Nonperforming assets/gross assets (%)	0.45	0.90
Net loan charge-offs/gross assets (%)	0.08	0.25
Net income before taxes/risk-weighted assets (%)	2.40	1.65
CAMELS components:		
C	1	2
A	1	1
M	1	1
E	2	1
L	1	3
S	2	3

Calculate the deposit insurance assessment for each institution.

44. If the reserve computation period extends from May 18 through May 31, what is the corresponding reserve maintenance period? What accounts for the difference?

45. What is the contribution to the asset base of the following items under the Basel II requirements? Under the U.S. capital-to-assets rule?
- a. \$10 million cash reserves.
 - b. \$50 million 91-day U.S. Treasury bills.
 - c. \$5 million U.K. government bonds, AAA rated.
 - d. \$1 million general obligation municipal bonds.
 - e. \$40 million repurchase agreements (against U.S. Treasuries).
 - f. \$500 million one-to four-family home mortgages.
 - g. \$500 million commercial and industrial loans, BBB rated.
 - h. \$100,000 performance-related standby letters of credit to a blue chip corporation.
 - i. \$7 million commercial letter of credit to a foreign, A rated corporation.
 - j. \$8 million bankers acceptance conveyed to a U.S., AA rated corporation.
 - k. \$17 million three-year loan commitment to a private agent.
 - l. \$17 million three-month loan commitment to a private agent.
 - m. \$30 million standby letter of credit to back a corporate issue of commercial paper.
 - n. \$4 million five-year interest rate swap with no current exposure (the counterparty is a private agent).
 - o. \$6 million two-year currency swap with \$500,000 current exposure (the counterparty is a private agent).

Matching

Match these three types of cash balances with the functions that they serve:

- | | |
|------------------------------------|--------------------------|
| a. Vault cash | c. Deposits at other FIs |
| b. Deposits at the Federal Reserve | |

_____ 46. Meet legal reserve requirements

_____ 47. Used to purchase services

_____ 48. Meet customer withdrawals

Final exam practice problems

Answer Section

TRUE/FALSE

1. ANS: T PTS: 20 DIF: Medium BNK: HW 8, Bank regulation

MULTIPLE CHOICE

2. ANS: A PTS: 10 DIF: Medium BNK: FNAN 421 Quiz 3
 3. ANS: B PTS: 10 DIF: Medium BNK: FNAN 421 Quiz 3
 4. ANS: A PTS: 10 DIF: Medium BNK: FNAN 421 Quiz 3

5. ANS: C

Refer To: 12-1

Response: $NIM = (450 + 95 - 246) / (1925 + 5400) = 4.08\%$

PTS: 10 DIF: Medium BNK: FNAN 421, HW 7, Commercial banks

6. ANS: B

Refer To: 12-1

Response: Overhead efficiency ratio = $78 / 112 = 69.64\%$

PTS: 10 DIF: Medium BNK: FNAN 421, HW 7, Commercial banks

7. ANS: A PTS: 10 BNK: FNAN 421, HW 7, Commercial banks
 8. ANS: C PTS: 10 BNK: FNAN 421, HW 7, Commercial banks
 9. ANS: B PTS: 10 DIF: Difficult BNK: Fnan 421, Quiz 4
 10. ANS: B PTS: 10 DIF: Medium BNK: Fnan 421, Quiz 4
 11. ANS: C

Response: $TC/RWA = (90 + 70) / 2,017.6 = 7.93\%$; $Tier\ 1/RWA = 90 / 2,017.6 = 4.46\%$; $TC/TA = (90 + 70) / 2,522 = 6.34\%$, the first ratio puts the bank in the undercapitalized zone.

PTS: 10 DIF: Medium BNK: Fnan 421, Quiz 4

12. ANS: C PTS: 10 DIF: Medium BNK: Fnan 421, Quiz 4
 13. ANS: B PTS: 10 DIF: Easy BNK: Fnan 421, Quiz 4
 14. ANS: B PTS: 10 BNK: Fnan 421, Quiz 4
 15. ANS: C PTS: 10 DIF: Difficult BNK: FNAN 421, Quiz 5
 16. ANS: D PTS: 10 DIF: Medium BNK: FNAN 421, Quiz 5
 17. ANS: C

Response: $TC/RWA = (90 + 70) / 2,017.6 = 7.93\%$; $Tier\ 1/RWA = 90 / 2,017.6 = 4.46\%$; $TC/TA = (90 + 70) / 2,522 = 6.34\%$, the first ratio puts the bank in the undercapitalized zone.

PTS: 10 DIF: Medium BNK: FNAN 421, Quiz 5

18. ANS: B PTS: 10 DIF: Medium BNK: HW 8, Bank regulation
 19. ANS: A PTS: 10 DIF: Easy BNK: HW 8, Bank regulation
 20. ANS: A PTS: 10 DIF: Medium BNK: HW 8, Bank regulation
 21. ANS: A PTS: 10 BNK: HW 8, Bank regulation

- | | | |
|------------|---------|---------------------------------------|
| 22. ANS: A | PTS: 10 | BNK: HW 8, Bank regulation |
| 23. ANS: D | PTS: 10 | BNK: HW 8, Bank regulation |
| 24. ANS: C | PTS: 10 | DIF: Medium BNK: FNAN 421 Quiz 3 |

SHORT ANSWER

25. ANS:
0.5-3%
- PTS: 10 DIF: Medium BNK: FNAN 421 Quiz 3
26. ANS:
1.25%
Response: $6\% - 4.75\% = 1.25\%$
- PTS: 10 DIF: Easy BNK: FNAN 421 Quiz 3
27. ANS:
61.54%
Response: $40 / 65 = 61.54\%$
- PTS: 10 DIF: Medium BNK: FNAN 421 Quiz 3
28. ANS:
1.26%
Refer To: 12-1
Response: $115 / 9150 = 1.26\%$
- PTS: 10 DIF: Easy BNK: FNAN 421, HW 7, Commercial banks
29. ANS:
11.17%
Refer To: 12-1
Response: $115 / 1030 = 11.17\%$
- PTS: 10 DIF: Easy BNK: FNAN 421, HW 7, Commercial banks
30. ANS:
18.46%
Refer To: 12-1
Response: $115 / (450 + 95 + 78) = 18.46\%$
- PTS: 10 DIF: Medium BNK: FNAN 421, HW 7, Commercial banks
31. ANS:
6.81%
Refer To: 12-1
Response: $(450 + 95 + 78) / 9150 = 6.81\%$
- PTS: 10 DIF: Medium BNK: FNAN 421, HW 7, Commercial banks

32. ANS:
5; 6; 10
Response: See Table 13-3
- PTS: 10 DIF: Difficult BNK: Fnan 421, Quiz 4
33. ANS:
8.10%
Response: $0.12 \times (0.06 + 0.0150) \times 9 = 8.10\%$
- PTS: 10 DIF: Difficult BNK: FNAN 421, Quiz 5
34. ANS:
7.02%
Response: $(0.10 / 9.5) / 0.15 = 7.02\%$
- PTS: 10 DIF: Difficult BNK: FNAN 421, Quiz 5
35. ANS:
12.65%
Response: $0.0155 / 0.1225 = 12.65\%$
- PTS: 10 DIF: Medium BNK: FNAN 421, Quiz 5
36. ANS:
1.20%
- PTS: 10 DIF: Medium BNK: HW 8, Bank regulation
37. ANS:
\$250,000
Prior to 2008 it was \$100,000
- PTS: 10 DIF: Easy BNK: HW 8, Bank regulation
38. ANS:
4; 4; 8
Response: See Table 13-3
- PTS: 10 DIF: Difficult BNK: HW 8, Bank regulation

39. ANS:

- a) 100% risk weight
 $[\$175 + \text{New Assets}] * .05 = \text{equity}$
 $[\$175 + \text{New Assets}] * .05 = \12.5
 New Assets = \$75
 Max Total Assets = \$250

50% risk weight
 $[\$175 + 0.50 * \text{New Assets}] * 0.05 = \text{Equity}$
 $[\$175 + 0.50 * \text{New Assets}] * 0.05 = \12.5
 New Assets = \$150
 Max Total Assets = \$325

- b) 100% risk weight
 $[\$175 + \text{New Assets}] * .05 = \text{old equity} \times 1.2$
 $[\$175 + \text{New Assets}] * .05 = \$12.5 \times 1.2 = 15$
 New Assets = \$125
 Max Total Assets = \$300 (a 20% increase from before, thus demonstrating that having more equity allows a bank to grow)

50% risk weight
 $[\$175 + 0.50 * \text{New Assets}] * 0.05 = 15$
 $[\$175 + 0.50 * \text{New Assets}] * 0.05 = \15
 New Assets = \$250
 Max Total Assets = \$425 (for a given capital base the bank can grow faster if it acquires lower risk assets)

PTS: 10 DIF: Difficult BNK: HW 8, Bank regulation

40. ANS:

- a. Yes, the bank is in compliance with the laws. The Financial Services Modernization Bill of 1999 allows commercial banks and investment banks to own each other with no limits on income.
 b. Yes, the bank is in compliance with the laws. The bank would not have been in compliance prior to the Financial Services Modernization Bill of 1999 because its revenues exceed the 25% of total revenues earned from allowable investment banking activities in the Glass-Steagall Act.

PTS: 10 BNK: HW 9, Bank Regulation

NUMERIC RESPONSE

41. ANS:

$$\text{NIM} = \frac{(\text{Interest revenue} - \text{Interest Expense})}{(\text{Securities} + \text{Loans})}$$

$$\frac{[(475 \times 0.45) + (725 \times 0.075) - (1,175 \times 0.030)]}{(475 + 725)} = 3.375\%$$

The bank is performing more poorly than the average bank in generating a large enough spread between interest income and interest expense. The bank may need to increase loan rates, shift to more profitable loans or seek lower cost deposits.

Refer To: 12-2

PTS: 10

DIF: Difficult

BNK: FNAN 421, HW 7, Commercial banks

42. ANS:

$$\text{ROA} = \text{PM} \times \text{AU} = .21 \times .11 = .0231 = 2.31\%$$

$$\text{ROE} = \text{ROA} \times \text{EM} = .0231 \times 12 = .2772 = 27.72\%$$

PTS: 10

BNK: FNAN 421, HW 7, Commercial banks

43. ANS:

To determine the deposit insurance assessment for each institution, we set up the following tables:

<u>CAMELS Components:</u>		
C	1x.25=.25	2x.25=.50
A	1x.20=.20	1x.20=.20
M	1x.25=.25	1x.25=.25
E	2x.10=.20	1x.10=.10
L	1x.10=.10	3x.10=.30
S	2x.10=.20	3x.10=.30
Weighted Average CAMELS Component	<u>1.20</u>	<u>1.65</u>

Base Assessment Rates for Two Institutions

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>
	<u>Institution</u> <u>1</u>	-	<u>Institution</u> <u>2</u>		
	Pricing Multiplier	Risk Measure Value	Contributio n to Assessment Rate	Risk Measure Value	Contribution to Assessment Rate
Uniform Amount	4.954		4.954		4.954
Tier I Leverage Ratio (%)	(0.042)	10.25	(0.430)	7.00	(0.294)
Loans Past Due 30-89 Days/Gross Assets (%)	0.372	0.60	0.223	0.82	0.305
Nonperforming Assets/Gross Assets (%)	0.719	0.45	0.323	0.90	0.647
Net Loan Charge-Offs /Gross Assets (%)	0.841	0.08	0.067	0.25	0.210
Net Income before Taxes/Risk-Weight ed Assets (%)	(0.420)	2.40	(1.008)	1.65	(0.693)
Weighted Average CAMELS Component <u>Ratings</u>	<u>0.534</u>	<u>.20</u>	<u>0.641</u>	<u>1.65</u>	<u>0.881</u>
<u>Sum of</u> <u>Contributions</u>		<u>4.770</u>	-	<u>6.010</u>	
<u>Assessment Rate</u>		<u>5.000</u>		<u>6.010</u>	

For Institution 1, the sum is 4.770. However, the minimum assessment rate for Category I banks is 5 basis points.

PTS: 10

TOP: Appendix 13

BNK: HW 9. Bank Regulation

44. ANS: The reserve maintenance period would extend from June 17 through June 30. It starts 30 days later than the start of the reserve computation period. This makes it easier for bank managers to calculate and meet their reserve requirements and increases the accuracy of information on aggregate required reserve balances.

PTS: 10

TOP: Appendix 13

BNK: HW 9. Bank Regulation

45. ANS:

Basel II Asset Base Capital-Assets Base

- | | | |
|----|---------------|---------------|
| a. | \$0 | \$10 million |
| b. | \$0 | \$50 million |
| c. | \$0 | \$5 million |
| d. | \$200,000 | \$1 million |
| e. | \$8 million | \$40 million |
| f. | \$250 million | \$500 million |
| g. | \$500 million | \$500 million |
| h. | \$10,000 | \$0 |
| i. | \$700,000 | \$0 |
| j. | \$320,000 | \$0 |
| k. | \$8.5 million | \$0 |
| l. | \$3.4 million | \$0 |
| m. | \$15 million | \$0 |
| n. | \$20,000 | \$0 |
| o. | \$800,000 | \$0 |

PTS: 10

TOP: Appendix 13

BNK: HW 9. Bank Regulation

MATCHING

- | | | |
|------------|---------|---------------------------------------|
| 46. ANS: B | PTS: 10 | BNK: FNAN 421, HW 7, Commercial banks |
| 47. ANS: C | PTS: 10 | BNK: FNAN 421, HW 7, Commercial banks |
| 48. ANS: A | PTS: 10 | BNK: FNAN 421, HW 7, Commercial banks |