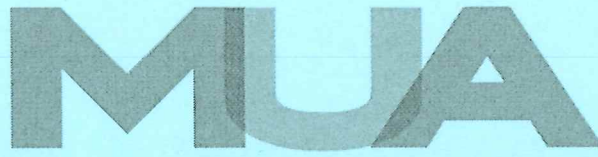


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**POSTGRADUATE UNIVERSITY EXAMINATIONS**  
**SCHOOL OF MANAGEMENT AND LEADERSHIP**  
**MASTER OF BUSINESS ADMINISTRATION**

**BFO 502: INTERNATIONAL BANKING PRACTICES**

**DATE: 7<sup>TH</sup> AUGUST 2023**

**DURATION: 2 HOURS**

**MAXIMUM MARKS: 70**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

## QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

### AMERICAN MERCHANT BANK PLC

American Merchant Bank PLC had grown feverishly in the American real estate boom years. As a commercial bank, as opposed to a building society, she had focused on the corporate segments of lending, mostly to property developers and partly to private households investing in rental properties or speculations. Total assets had quadrupled in just five years to reach EUR 103 billion by 2008, turning the bank into Ireland's third largest domestic banking institution. By the fall of 2007 American property prices started to decline, only slightly lagging the United States and leading Spain by a full year. The first American developers stopped servicing their loans. Despite the writings on the wall, it took Ireland until the Lehman collapse in September 2008 to realize the degree of infection of its banking system. This permitted the bank to keep doing risky lending and engage in numerous window dressing exercises over losses incurred in real estate. These were finally called when an illegal large share buyback program became known that had Permitted insiders an early exit. A sudden EUR 1.5 billion recapitalization need announced in December 2008 made the loss of trust complete. On January 2009 the bank was nationalized, becoming the first large European real estate lender to face this fate. Ireland later over 2009 and 2010 followed the U.S. example and embarked on massive write-downs of property, and to a lesser extent retail mortgage, loans. The bad bank National Asset Management Agency (NAMA) created in 2010 purchased real estate loans and was used as an early vehicle to determine the haircuts for loans in the portfolios of lenders and thus capital needs of lenders. The losses of Anglo-American Bank over this time span continuously widened: by, December 2009 the bank had already booked EUR 9.7 billion in negative retained earnings; a figure that by

December 2010 reached the staggering value of EUR 27 billion, 17%, of American GDP. Until-2012 then little was added to these losses.

**Required**

- a) Demonstrate the main challenges faced by international banks in managing foreign exchange risks. Provide examples of risk management strategies they can employ. **(6 Marks)**
- b) Discuss the role of technology in facilitating cross-border banking services? **(4 Marks)**
- c) Describe the importance of regulatory compliance for international banks and the steps can banks take to ensure compliance with international regulations? **(10 Marks)**
- d) Examine any five factors that may have contributed to the crisis experienced by the Anglo-American Bank **(10 Marks)**

**QUESTION TWO**

- a) ABC Bank is a multinational bank with branches in several countries. The bank has been experiencing difficulties in managing foreign exchange risks, ensuring compliance with international regulations, and effectively integrating its operations across different jurisdictions. Additionally, the bank wants to enhance its customer experience by offering seamless cross-border banking services. Evaluate the challenges faced by ABC Bank and provide recommendations to address them. **(10 Marks)**
- b) Assess how a Multinational bank can overcome operational integration challenges across different jurisdictions. **(5 Marks)**

**QUESTION THREE**

- a) Discuss the concept of green banking and its significance in promoting sustainable development. Explain the initiatives undertaken by banks to promote green banking practices. **(10 Marks)**
- b) Explain the difference between transaction exposure and economic exposure in foreign exchange management. **(5 marks)**

**QUESTION FOUR**

- a) Examine the causes and consequences of the international banking crisis of 2008-2009. **(8Marks)**
- b) Discuss the role of regulatory measures in preventing future banking crises. **(7 Marks)**