

Chartered Banker

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FINANCIAL ECONOMICS

Assignment 2

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Important Assignment Information

ASSIGNMENT LENGTH

For assignments submitted on or after **1st September 2008**, there is a **maximum** word count of **2,500 words**.

From that date, if you fail to adhere to the maximum word count, a deduction will be made to your final assignment mark. Specifically, if you exceed the 2,500 limit, you will be deducted **1%** for every **100** words or **part** of **100** words over the limit.

For example, if you write a total of **2,614** words, a **2%** deduction will be made to your mark. For clarification, the word count includes all references and attached appendices.

PASS COMPENSATION AWARD

In recognition of the importance attached to the assignments, an award of **Pass Compensation** will be made to you if you score between 45% and 54% in the final exam and if you complete the required assignment(s) under the following conditions:

1. The assignment mark must be 60% or above – where two assignments are required, then the average mark must be 60% or above **and**
2. Assignments must be in the hands of the Tutor **at least** one month prior to the **chosen examination date for each subject**.

For example, if you enrol to sit a **full** credit subject examination on **15th December**, you must have sent **both** assignments to your tutor by **15th November**.

Similarly, if you enrol to sit a **half** credit subject examination on **2nd March**, you must have sent the **sole** assignment to the tutor by **2nd February**.

Please also note the following:

- (a) Where an assignment is marked at less than 60%, this may show up as '**Fail**' in the web-based student record – this is purely with reference to the Pass Compensation award and does not necessarily mean it is a sub-standard submission
- (b) You are **not** permitted to **re-submit** an assignment in order to gain a higher mark
- (c) In the event that you fail an exam and have not completed the required assignment(s), you can subsequently complete the required assignment(s) – these will then count towards any re-sit examination undertaken. Submission dates for these assignments must comply with the relevant timescales as stated in **2** above.

Question 1

- (a) What are the essential features / characteristics of the Eurocurrency market?

(9 marks)

- (b) Differentiate between a eurobank subsidiary and branch.

(7 marks)

- (c) Scotia Oil is considering raising \$100 million to finance the development of an oil and gas field recently discovered in Alaska. Discuss the merits and demerits of using a syndicated eurocredit facility or issuing a convertible eurobond to finance this project.

(14 marks)

(TOTAL MARKS – 30)

Question 2

- (a) Discuss London's present position and future prospects as an international banking and financial centre.

(14 marks)

- (b) How might the head office of an international bank **not** be responsible for a foreign branch's deposits in a host country?

(8 marks)

- (c) Comment on the present role of the US dollar as a reserve currency.

(8 marks)

(TOTAL MARKS – 30)

Question 3

- (a) Discuss whether the International Monetary Fund diminishes the economic-political sovereignty of borrowing member countries through its insistence on specific loan conditions.

(14 marks)

- (b) Comment on the role of the Basel Committee on Banking Supervision.

(10 marks)

- (c)(i) Explain the basic principles of the Exchange Rate Mechanism 2 in relation to non-Eurozone member countries.

(6 marks)

- (c)(ii) Does the lack of exchange rate and interest rate flexibility pose potential problems for Eurozone participants?

(10 marks)

(TOTAL MARKS – 40)

TOTAL ASSIGNMENT MARKS – 100