

Chapter 18

Bank Regulation

1. Which of the following statements is incorrect?
 - A) Many banks have expanded across the country in recent years.
 - B) Bank regulation is needed to protect customers who supply funds to the banking system.
 - C) Bank regulators have attempted to manage the speed of integration between banks and other financial service firms.
 - D) Regulators have shifted the risk assessment to the individual small depositors.

ANSWER: D

2. The opening of a commercial bank in the United States:
 - A) does not require a charter.
 - B) always requires a charter from a state government.
 - C) always requires a charter from the federal government.
 - D) requires a charter from a state or the federal government.
 - E) requires a charter from both the state and federal government.

ANSWER: D

3. Commercial banks that are *not* members of the Federal Reserve System _____ borrow from the Fed, and _____ subject to the Fed's reserve requirements.
 - A) may; are
 - B) may; are not
 - C) may not; are not
 - D) may not; are

ANSWER: A

4. 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

ANSWER: A

5. All Fed member banks must hold:
 - A) private insurance on deposits.
 - B) FDIC insurance on deposits.
 - C) both FDIC and private insurance on deposits.
 - D) none of these.

ANSWER: B

6. Commercial banks _____ restricted to a maximum percentage of their capital to loan to a single customer, and _____ allowed to use borrowed or deposited funds to purchase common stock.
 - A) are; are

- B) are; are not
- C) are not; are
- D) are not; are not

ANSWER: B

7. 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.

ANSWER: A

8. Regulation Q limited:
- A) consumer loan interest rates.
 - B) “off-balance-sheet commitments.”
 - C) interest rates on savings deposits.
 - D) corporate loan interest rates.

ANSWER: C

9. The Glass-Steagall Act of 1933 prevented:
- A) any firm that accepts deposits from underwriting stocks and bonds of corporations.
 - B) any firm that accepts deposits from underwriting general obligation bonds of states and municipalities.
 - C) any firm that accepts deposits from holding any corporate bonds in its asset portfolio.
 - D) state-chartered banks from offering commercial loans.

ANSWER: A

10. Which of the following is *not* a main deregulatory provision of Depository Institutions Deregulation and Monetary Control Act of 1980?
- A) phase-out of deposit rate ceilings
 - B) allowance of checkable deposits for all depository institutions
 - C) new lending flexibility of depository institutions
 - D) allowance of interstate banking for depository institutions in most states

ANSWER: D

11. The Depository Institutions Deregulation and Monetary Control Act of 1980:
- A) allowed S&Ls to offer the same conventional demand deposits that commercial banks offer.
 - B) removed all restrictions on commercial loans by S&Ls.
 - C) removed all restrictions on consumer loans by S&Ls.
 - D) required the Fed to offer check clearing services to any depository institutions that desire them.

ANSWER: D

12. The Garn-St Germain Act of 1982:
- A) permitted depository institutions to offer money market deposit accounts.
 - B) prevented depository institutions from acquiring problem institutions across geographical boundaries.
 - C) required the Fed to explicitly charge depository institutions for its services.
 - D) allowed the Fed to provide check clearing to depository institutions at no charge.

ANSWER: A

13. 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

ANSWER: B

14. The specified amount of deposits per person insured by the FDIC is \$_____ today.
- A) 50,000
 - B) 100,000
 - C) 10,000
 - D) 200,000

ANSWER: B

15. Which of the following statements is incorrect?
- A) The Basel Accord based capital requirements on a bank's risk level.
 - B) The Basel Accord forced banks with greater risk to maintain a higher level of capital.
 - C) The goal of the Basel II Accord is to properly account for a bank's risk so that the bank's capital requirements are in line with its corresponding risk.
 - D) The Basel II Accord will explicitly account for interest rate risk.

ANSWER: D

16. The Basel Accord forces banks with greater risk to maintain:
- A) more deposits.
 - B) more capital.
 - C) less capital.
 - D) none of these.

ANSWER: B