

**FACULTY OF BUSINESS****FINAL EXAMINATION**

Student ID (in Figures) :

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Student ID (in Words) : _____

Course Code & Name : **FIN1613 Financial Institutions and Markets**
Semester & Year : September – December 2022
Lecturer/Examiner : Mr Muhammad Firdaus
Duration : 3 Hours

INSTRUCTIONS TO CANDIDATES

1. This question paper consists of 2 parts:
PART A (25 marks) : THREE (3) short answer questions. Answer ALL questions. Answers are to be written in the Answer Booklet provided.

PART B (75 marks) : FOUR (4) structured questions. Answer ALL questions. Answers are to be written in the Answer Booklet provided.
2. Candidates are not allowed to bring any unauthorized materials except writing equipment into the Examination Hall. Electronic dictionaries are strictly prohibited.
3. This question paper must be submitted along with all used and/or unused rough papers and/or graph paper (if any). Candidates are NOT allowed to take any examination materials out of the examination hall.
4. Only ballpoint pens are allowed to be used in answering the questions, except for multiple-choice questions, where 2B pencils are to be used.

WARNING: The University Examination Board (UEB) of BERJAYA University College regards cheating as a most serious offence and will not hesitate to mete out the appropriate punitive actions according to the severity of the offence committed, and in accordance with the clauses stipulated in the Students' Handbook, up to and including expulsion from BERJAYA University College.

Total Number of pages = 4 (Including the cover page)

PART A : THREE (3) SHORT ANSWER QUESTIONS (25 MARKS)

INSTRUCTION(S) : Answer ALL questions. Write your answers in the Answer Booklet(s) provided.

Financial markets have changed in many ways thanks to the technological advancements and regulatory changes. Stock markets have evolved quite a bit using communication technologies and rapid improvement physical infrastructure. The implications of massive high frequency trading are becoming increasingly clear in equity and other financial markets.

Computer-based trading, including algorithmic trading (AT) and high frequency trading (HFT), have become predominant

In recent years, high frequency trading has increased vastly in stock markets of developed countries, and it is now spreading to emerging markets driven by the growth of proprietary trading firms and quantitative hedge fund strategies.

As technology develops, high frequency trading will move beyond equity markets to other asset classes such as futures, options, bonds, and foreign exchange.

Banks, brokers, corporates, and financial institutions are regular participants to hedge, speculate or arbitrage in the market. Thus, it has become necessary to ensure adequate depth in markets.

QUESTION 1

Based on the above article, elaborate on how technological advancements have an impact on the financial markets to developed countries.

(10 marks)

QUESTION 2

Illustrate the flows of funds through the financial systems which consist of financial market and financial intermediaries.

(7 marks)

QUESTION 3

Based on the illustrations in question 2, discuss any **EIGHT (8)** nature of the flow of funds.

(8 marks)

(Total: 25 marks)

END OF PART A

PART B : FOUR (4) STRUCTURED QUESTIONS (75 MARKS)

INSTRUCTION(S) : Answer **ALL** questions. Write your answers in the Answer Booklet(s) provided.

QUESTION 1

“A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.”

Based on the above statement, elaborate **FOUR (4)** characteristics of financial instruments.

(12 marks)

[Total: 12 marks]

QUESTION 2

a) Distinguish **THREE (3)** differences between primary and secondary market.

(6 marks)

b) Briefly explain **TWO (2)** financial instruments and provide **TWO (2)** categories of financial market.

(7 marks)

[Total: 13 marks]

QUESTION 3

Securities are investment certificates that represent either equity (ownership in the issuing organization) or debt (a loan to the issuer). Meanwhile, the securities markets are the market for equity, debt, and derivative.

- a) Bank Negara Malaysia (BNM) is the central bank of Malaysia. Explain **FIVE (5)** objectives of BNM.

(5 marks)

- b) Bursa Malaysia is one of the significant and most active exchanges in Asia, briefly describe its **FIVE (5)** functions and identify any top **FIVE (5)** companies available on the Bursa Malaysia.

(10 marks)

- c) Securities Commission Malaysia (SC) is responsible to regulate and develop the Malaysia's capital market. Explain any **FIVE (5)** responsibilities areas.

(10 marks)

[Total: 25 marks]

QUESTION 4

- a) Identify any **FIVE (5)** investment banks available in Malaysia.

(5 marks)

- b) Distinguish any **FIVE (5)** differences between conventional banking system and Islamic banking system.

(20 marks)

[Total: 25 marks]

END OF EXAM PAPER