

INSTRUCTION: Answer ALL questions.

QUESTION 1

a) Central banks may differ in terms of structure and modus operandi; they share the common responsibility of maintaining monetary and financial stability. Briefly explain the following functions of Bank Negara Malaysia:

- i. Bank for currency issue (3 Marks)
- ii. Keeper of international reserves (3 Marks)
- iii. Banker and financial advisor to the Government (3 Marks)
- iv. Promote sound and stable financial system (3 Marks)
- v. Banker to the banks (3 Marks)

b) Bank Negara Malaysia may use Monetary Policy Instruments to influence supply of funds in banking system. Discuss how the following instruments affect the supply of funds:

- i. Statutory Reserve Requirement (5 Marks)
- ii. Minimum Liquidity requirement (5 Marks)

EXAMINATION AND EVALUATION DIVISION  
DEPARTMENT OF POLYTECHNIC EDUCATION  
(MINISTRY OF HIGHER EDUCATION)

COMMERCE DEPARTMENT

FINAL EXAMINATION  
JUNE 2012 SESSION

**P2112: BANKING IN MALAYSIA**

**DATE: 20 NOVEMBER 2012 (TUESDAY)**  
**DURATION: 2 HOURS (8:30 AM – 10:30 AM)**

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This paper consists of **FIVE (5)** pages including the front page.  
Answer **ALL** questions

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BY THE CHIEF INVIGILATOR**

## QUESTION 3

a) The Labuan International Offshore Financial Centre (IOFC) operates in a rapidly changing and increasingly competitive marketplace. State **FOUR (4)** objectives of establishing Labuan IOFC in developing our financial system in Malaysia.

(4 marks)

b) Labuan IBFC (International Business and Financial Centre), the outcome of the rebranding of Labuan International Offshore Financial Centre (IOFC), offers a wide range of offshore financial products and services to customers worldwide. Give **SIX (6)** financial product services offered by IOFC.

(6 marks)

c) Most countries have established central banks as the monetary authority to oversee the financial system and the economy. Briefly explain **FIVE (5)** steps taken to develop financial system in Malaysia below:

- i. Leveling the playing field
- ii. Interest rate reforms
- iii. Payment system
- iv. Consolidation and restructuring of the financial system
- v. Liberalization of the financial sector

(15 marks)

## QUESTION 2

a) Define briefly riba'.

(3 Marks)

b) Explain **FOUR (4)** differences between interest and profit in Islamic Banking

(8 Marks)

c) Give **FOUR (4)** reasons the needs of islamic banking in Malaysia.

(4 Marks)

d) State **FOUR (4)** reasons why Riba is prohibited.

(4 Marks)

e) Describe the concept of Islamic Banking System in the following banking services:

- i. Financing of project Al-Mudharabah
- ii. Financing of Project Al-Musyarakah
- iii. Home Financing Al-Bai Bithaman Ajil

(6 Marks)

**QUESTION 4**

- a) According to Banking & Financial Institution Act (BAFIA) 1989, Commercial bank can be defined as banking business. Explain the meaning of banking business.

(5 Marks)

- b) Explain **TWO (2)** advantages of ATMs to the bank and customers and **TWO (2)** disadvantages of ATMs to the bank and customers.

(10 Marks)

- c) Commercial bank is the largest financial institutions in banking system in Malaysia. Explain **FIVE (5)** functions of commercial banks in monetary system in our country.

(10 Marks)