

## Module Quiz 27.1 - Questions

### Question 1

The minimum level of capital a bank needs to maintain, according to its own estimates, models, and risk assessments, is best described as its:

- A) equity capital.
- B) financial capital.
- C) economic capital.
- D) regulatory capital.

### Question 2

Which of the following actions in the banking system is most likely intended to address the problem of moral hazard?

- A) Deposit insurers charge risk-based premiums.
- B) Banks increase loans to higher-risk borrowers.
- C) Governments implement deposit insurance programs.
- D) Banks increase the interest rates they offer to depositors.

### Question 3

An investment bank is most likely to earn a trading profit from buying and selling securities if it arranges a:

- A) Dutch auction.
- B) private placement.
- C) best-efforts offering.
- D) firm commitment offering.

#### Question 4

The purpose of a Chinese wall in banking is to:

- A) prevent a bank failure from endangering other banks.
- B) prevent a bank's departments from sharing information.
- C) restrict companies from offering both banking and securities services.
- D) restrict companies from engaging in both commercial and investment banking.

#### Question 5

A drawback of the originate-to-distribute banking model is that it has led to:

- A) too little liquidity in certain sectors.
- B) too much liquidity in certain sectors.
- C) looser credit standards in certain sectors.
- D) tighter credit standards in certain sectors.