EXAMINATION

12 May 2026 (am)

Subject F207|B200 — Banking Fellowship Applications

Examination writing time: *Three hours and fifteen minutes (includes reading time)*

Upload time: *Five minutes*

[Total time on examination countdown timer: Three hours and twenty minutes]

Total marks: *100*

INSTRUCTIONS TO THE CANDIDATE

Failure to adhere to any of these instructions could incur examination sanctions including disqualification from the examination.

1. *Your examination countdown timer reflects your TOTAL examination time. Reading and writing time is three hours and fifteen minutes.* ***You may NOT continue to write during the five minutes upload time as this could lead to disqualification from the examination.***

2. *The question paper is available on the ASSA Exam Platform as a PDF download only and may not be printed. Copy/paste of questions or parts thereof is allowed from the question paper to your Word answer document only.*

3. *You may not access any file from your computer, use any other computer software (e.g., Email or Excel), or open or use any other browser, collaboration tools or AI tools, including those embedded in MS Word and Adobe AI assistant (e.g. Copilot, ChatGPT etc.) during the examination. Embedded AI tools must be disabled. You may not use Grammarly, Grammarly Premium or similar built-in language and grammar tools which must also be disabled. Microsoft Word spellcheck is allowed.*

4. *Use only the Word answer template provided in your personal folder under the "Exam" icon on your desktop. The file has already been named using your candidate number. Please confirm that your candidate number matches the candidate number used in the file name. If there is any discrepancy, notify an invigilator immediately. Do not rename your file and do not create multiple versions.*

5. *Ensure that your* ***full Candidate Number*** *is entered in the "header" of your Word answer document. [Double-click on the header at the top of the Word document, input your Candidate Number only in the header, then press "Esc" to close the header.]* ***Do not use your name or member number anywhere in your Word answer document. Your candidate number must be the only identifier used. Submissions that are incorrectly labelled or cannot be clearly identified by candidate number may not be marked and may result in forfeiture of the examination attempt.***

6. *You are required to submit your answers in Word format ONLY. No answers in any other format (e.g. handwritten) will be accepted. Save work regularly.*

7. *You are not permitted to bring any other material into the examination (e.g. a Formulae and Tables book). Any such information/material that may be required will be provided to you in the examination.*

8. *You are strongly encouraged to use the first fifteen minutes as reading time only, however, you may start answering the paper whenever you are ready.*

9. *Mark allocations are shown in brackets.*

10. *Attempt all questions, starting each on a new page (as provided for in the Word answer template).*

11. *Show calculations where appropriate. No materials may be used other than blank paper for calculations. Only calculators from the ASSA-approved list are permitted.*

12. *Upload a single version of your Word answer document only to the ASSA Exam Platform. Once uploaded, click* ***Finish Attempt.*** *You may still use* ***Return to attempt*** *to check that the correct version has been uploaded, provided you have time remaining. When you are satisfied with your upload, you must click* ***Submit all and Finish*** *to complete your submission. After selecting this option, no further changes can be made.*

13. *Candidates are responsible for ensuring that the correct content is uploaded for submission of their examination, that their answer script is successfully uploaded and submitted, and that it complies with the prescribed format, file size and submission location as communicated by ASSA. Submissions must be made via the examination platform. However, in the event of technical issues affecting the uploading of scripts to the platform, candidates may submit via the Incident Form. ASSA will not retrieve, replace or amend answer scripts where incorrect, incomplete or unintended versions are uploaded, where a script is not successfully uploaded or submitted via either the examination platform or the Incident Form within the stipulated timeframes (immediately in the case of an upload issue), or where candidates subsequently notify ASSA after the conclusion of the examination session that an incorrect file was submitted. Please note that candidates must both attempt and successfully submit their examination for it to be considered valid. Any attempt that is not successfully submitted in accordance with the above requirements will be regarded as incomplete and therefore invalid and will not be marked.*

14. ***You must submit your Word answer document onto the ASSA Exam Platform BEFORE the time on your examination countdown timer runs out.***

Note: The Actuarial Society of South Africa will not be held responsible for loss of data where candidates have not followed instructions as set out above. The onus remains on you to read and implement all examination instructions.

END OF INSTRUCTIONS

QUESTION 1

You are an actuary working in the risk department of a domestically significant bank in a middle-income country with an open economy. As part of your risk evaluation, you are considering the following scenario:

Over the past five years, a small number of globally dominant "Intelligence Platform" companies have undertaken large-scale capital investment programmes in data centres, advanced computing capacity, and artificial intelligence (AI) systems. These investments were widely expected to generate significant long-term productivity gains across multiple sectors of the global economy.

Market valuations increasingly reflected expectations of:

- Sustained high revenue growth,
- Strong operating leverage (high fixed costs, with low marginal costs), and
- A structurally lower inflation environment driven by AI-enabled efficiency gains.

As a result, discount rates embedded in equity and credit valuations declined, and global capital flows were reallocated toward these firms and related sectors.

Recently, several of these companies announced that realised productivity gains and revenue growth have been slower and more volatile than projected. Capital expenditure requirements remain elevated, margins are under pressure, and forward earnings expectations have been revised downward. Global equity markets corrected sharply, credit spreads widened, volatility increased across funding markets, and some leveraged investment vehicles experienced significant losses.

i. Identify and explain the key characteristics of this scenario that could give rise to systemic financial risk at a global level.

[5]

ii. Explain how this shock could be transmitted to the banking system in your country, which has limited direct lending exposure to the affected firms.

[7]

iii. Analyse the potential mechanisms through which the shock could be amplified within the domestic banking system, including interactions between market risk, credit risk, liquidity risk and capital adequacy.

[7]

iv. Evaluate the role of stress testing in assessing risks arising from concentrated global investment themes such as this. In your answer, comment on scenario design, model limitations, and allowance for further second order impacts.

[6]

Your regulatory authority has reached out to industry to provide recommendations on potential macroprudential and supervisory policy responses.

v. Discuss how macroprudential and supervisory policy responses should balance:

- Financial stability,
- Market discipline,
- Innovation and productivity growth.

[5]

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vi. Discuss how a sustained shortfall in realised productivity gains (in comparison to expectations) could affect:

- Inflation outcomes,
- Interest rate expectations, and
- Financial asset valuations.

Consider both short-run and medium-term effects.

[5]

[Total 35]

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QUESTION 2

i. Explain the concept of conduct risk, using examples, and summarise the drivers of conduct risk. [5]

Scorpio Bank has recently experienced a decline in its retail market share, prompting management to explore strategies for recovery. In response, the CEO has proposed leveraging credit bureau data to pinpoint customers who are applying for loans with competing institutions. By identifying these individuals, Scorpio Bank aims to implement targeted marketing campaigns that encourage them to return and take advantage of the bank's offerings.

ii. Discuss the risks to the bank and its customers should the CEO's proposal be implemented. [10]

iii. Suggest ways in which the CEO's proposed approach could be adjusted and controls that could be implemented to ensure that the desired business outcomes are achieved without exposing the bank to undue risk. [5]

[Total 20]

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QUESTION 3

You are a strategic risk executive at Sison Bank, a full-service retail bank operating in Africa. The bank is considering acquiring MobiPurse, a fast-growing mobile wallet provider with:

- 20 million active users in Southern Africa,
- strong merchant acceptance in the informal sector,
- a cloud-based core platform with key outsourced providers
- no credit or insurance products

Mobile wallets facilitate transfers between mobile wallets, serving as a payment mechanism and a store of value.

i. Explain the likely strategic rationale Sison Bank has for the acquisition.
[7]

ii. Identify the key risks inherent in the MobiPurse business model, and outline the areas that a due diligence process should assess in relation to these risks.
[10]

iii. Outline key aspects a post-merger integration plan should address to mitigate risks associated with the acquisition should it be successful.
[6]

The competition authority in one of the countries in which MobiPurse operates has publicly stated concern about market concentration in payments.

iv. Suggest remedies or deal structures for the acquisition that could mitigate this concern.
[2]

[Total 25]

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QUESTION 4

You are the CRO of RetroBank Ltd, which is preparing to launch a new unsecured lending product aimed at low to middle income customers. The managing executive has set an aggressive launch date due to competitive pressure and revenue targets.

Two constraints emerge, firstly on timelines:

- The CEO wants the product in market within six weeks. Marketing has already spent the budget allocated on campaign materials and ads building up to the launch (an incurred and irrecoverable cost). Delays may result in losing early-year market share to two major competitors launching similar products.

The second constraint relates to quality concerns:

- The risk management team working on the implementation has identified anomalies in the data features used in the underwriting ratings and affordability verification systems, with data quality issues from one of the bank's partners affecting ~18% of the potential customer base.

i. Outline further information you would require to perform a balanced evaluation of the scenario. You may assume the product as designed complies with all local regulation.

[9]

ii. Recommend a course of action, outlining residual risks inherent in your recommendation and suggest associated mitigating controls.

[11]

[Total 20]

[Grand Total 100]

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END OF EXAMINATION

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