ch2 Key

1. The ______________________ was created as part of the Glass Steagall Act. In the beginning it insured deposits up to $2,500.
FDIC

Rose - Chapter 02 #1

2. The_________________________ is the law that states that a bank must get approved from their regulatory body in order to combine with another bank.
Bank Merger Act

Rose - Chapter 02 #2

3. One tool that the Federal Reserve uses to control the money supply is __________________. The Federal Reserve will buy and sell T-bills when they are using this tool of monetary policy.
open market operations

Rose - Chapter 02 #3

4. The___________________________ was created in 1913 in response to a series of economic depressions and failures. Its principal role is to serve as the lender of last resort and to stabilize the financial markets.
Federal Reserve

Rose - Chapter 02 #4

5. The ___________________________ prevented banks from crossing state lines and made national banks subject to the branching laws of their state. This act was later repealed by the Riegle Neal Interstate Banking law.
McFadden-Pepper Act

Rose - Chapter 02 #5

6. Because the FDIC levies fixed insurance premiums regardless of risk, this leads to a problem called the ____________________ among banks. The fixed premiums encourage all banks to accept greater risk.
moral hazard

Rose - Chapter 02 #6

7. In 1980, __________________________ was passed and lifted government ceilings on deposit interest rates in favor of free market interest rates.
DIDMCA

Rose - Chapter 02 #7

8. One tool that the Federal Reserve uses to control the money supply is _________________. The Federal Reserve will change the interest rate they charge for short term loans when they are using this tool of monetary policy.
changing the discount rate

Rose - Chapter 02 #8

9. The first major federal banking law in the U.S. was the __________________________. This law was passed during the Civil War and set up a system for chartering national banks and created the OCC.
National Banking Act

Rose - Chapter 02 #9

10. The_________________________ was passed during the Great Depression. It separated investment and commercial banks and created the FDIC.
Glass-Steagall Act

Rose - Chapter 02 #10

11. The__________________________ brought bank holding companies under the jurisdiction of the Federal Reserve.
Bank Holding Company Act

Rose - Chapter 02 #11

12. The___________________________ allows bank holding companies to acquire banks anywhere in the United States. However, no one bank can control more than 30 percent of the deposits in any one state or more than 10 percent of the deposits across the country.
Riegle-Neal Interstate Banking Act

Rose - Chapter 02 #12

13. The ______________________________ allows banks to affiliate with insurance companies and securities firms either through a holding company or as a subsidiary.
Gramm-Leach-Bliley Act (Financial Services Modernization Act)

Rose - Chapter 02 #13

14. Customers of financial-service companies may ______________________ of having their private information shared with a third party such as a telemarketer. However, in order to do this they must tell the financial-services company in writing that they do not want their personal information shared with outside parties.
opt out

Rose - Chapter 02 #14

15. The federal bank regulatory agency which examines the most banks is the _______________.
FDIC

Rose - Chapter 02 #15

16. The __________________ requires financial service companies to report suspicious activity in customer accounts to the Treasury Department.
U.S. Patriot Act

Rose - Chapter 02 #16

17. The central bank of the new European Union is known as the ________________________.
European Central Bank or ECB

Rose - Chapter 02 #17

18. The ______________________ Act prohibits banks and other publicly owned firms from publishing false or misleading financial performance information.
Sarbanes-Oxley

Rose - Chapter 02 #18

19. One of the main roles of the Federal Reserve today is _______________________. They have three tools that they use today to carry out this role; open market operations, the discount rate and legal reserve requirements.
monetary policy

Rose - Chapter 02 #19

20. The ________________________ is the center of authority and decision making within the Federal Reserve. It consists of seven members appointed by the president for terms not exceeding 14 years.
Board of Governors

Rose - Chapter 02 #20

21. The main regulators of insurance companies are __________________________________.
state insurance commissions

Rose - Chapter 02 #21

22. Federal Credit Unions are regulated and examined by _____________________________.
the National Credit Union Administration.

Rose - Chapter 02 #22

23. The _______________________________ makes it easier for victims of identity theft to file fraud alerts and allows the public to apply for a free credit report once a year.
Fair and Accurate Credit Transactions Act (FACT Act)

Rose - Chapter 02 #23

24. The ____________________________ makes it faster and less costly for banks to clear checks. It allows for banks to electronically send check images instead of shipping paper checks across the country.
Check 21 Act

Rose - Chapter 02 #24

25. The _________________________________ was created by the National Banking Act and is part of the Treasury Department. It is the primary regulator of National Banks.
Office of the Comptroller of the Currency (OCC)

Rose - Chapter 02 #25

26. Banks are regulated for which of the reasons listed below?
A. Banks are leading repositories of the public's savings.
B. Banks have the power to create money.
C. Banks provide businesses and individuals with loans that support consumption and investment spending.
D. Banks assist governments in conducting economic policy, collecting taxes and dispensing government payments.
E. All of the above.

Rose - Chapter 02 #46

27. An institutional arrangement in which federal and state authorities both have significant bank regulatory powers is referred to as:
A. Balance of Power
B. Federalism
C. Dual Banking System
D. Cooperative Regulation
E. Coordinated Control

Rose - Chapter 02 #47

28. The law that set up the federal banking system and provided for the chartering of national banks was the:
A. National Bank Act
B. McFadden-Pepper Act
C. Glass-Steagall Act
D. Bank Merger Act
E. Federal Reserve Act

Rose - Chapter 02 #48

29. The federal law that prohibited federally supervised commercial banks from offering investment banking services on privately issued securities is known as:
<u>A.</u> The Glass-Steagall Act
B. The Bank Merger Act
C. The Depository Institutions Deregulation and Monetary Control Act
D. The Federal Reserve Act
E. None of the Above

Rose - Chapter 02 #49

30. The Gramm-Leach-Bliley Act (Financial Services Modernization Act) calls for linking government supervision of the financial-services firm to the types of activities that the firm undertakes. For example the insurance portion of the firm would be regulated by state insurance commissions and the banking portion of the firm would be regulated by banking regulators. This approach to government supervision of financial services is known as:
A. Consolidated regulation and supervision.
<u>B.</u> Functional regulation.
C. Services oversight.
D. Umbrella supervision and regulation.
E. None of the above.

Rose - Chapter 02 #50

31. The Federal Reserve policy tool under which the Fed attempts to bring psychological pressure to bear on individuals and institutions to conform to the Fed's policies, using letters, phone calls, and speeches, is known as:
A. Margin requirements
<u>B.</u> Moral suasion
C. Discount window supervision
D. Conference and compromise
E. None of the above.

Rose - Chapter 02 #51

32. The 1994 law that allowed bank holding companies to acquire banks anywhere in the U.S. is:
A. The Glass-Steagall Act
B. The Federal Deposit Insurance Corporation Improvement Act
C. The National Bank Act
<u>D.</u> The Riegle-Neal Interstate Banking and Branching Efficiency Act.
E. None of the above.

Rose - Chapter 02 #52

33. The federal law that allowed the Federal Reserve to set margin requirements is:
A. The National Banking Act.
B. The McFadden-Pepper Act.
C. The Glass Steagall Act.
D. The Federal Reserve Act.
E. None of the above.

Rose - Chapter 02 #53

34. Of the principal reasons for regulating banks, what was the primary purpose of the National Banking Act (1863)?
A. Protection of the public's savings
B. Control of the money supply
C. Providing support for government activities
D. Maintaining confidence in the banking system
E. Preventing banks from realizing monopoly powers

Rose - Chapter 02 #54

35. Of the principal reasons for regulating banks, what was the primary purpose of the Federal Reserve Act of 1913?
A. Protection of the public's savings
B. Control of the money supply
C. Preventing banks from realizing monopoly powers
D. Ensuring an adequate and fair supply of loans
E. None of the above.

Rose - Chapter 02 #55

36. The law that allows lifted government deposit interest ceilings and allowed them to pay a competitive interest rate is:
A. The National Banking Act.
B. The Glass Steagall Act.
C. The Bank Merger Act.
D. DIDMCA
E. None of the above.

Rose - Chapter 02 #56

37. The law that allows banks to affiliate with insurance companies and security brokerage firms to form financial services conglomerates is
A. The National Banking Act
B. The Glass Steagall Act
C. The Garn St. Germain Act
D. The Riegle Neal Interstate Banking Act
E. The Gramm-Leach-Bliley Act (Financial Services Modernization Act)

Rose - Chapter 02 #57

38. Of the principal reasons for regulating banks, what was the primary purpose of the Truth in Lending Law?
A. Protection of the public's savings
B. Control of the money supply
C. Preventing banks from realizing monopoly powers
D. Ensuring an adequate and fair supply of loans
E. None of the above.

Rose - Chapter 02 #58

39. Which of the following is an unresolved issue in the new century?
A. What should be done about the regulatory safety net set up to protect small depositors?
B. If financial institutions are allowed to take on more risk, how can taxpayers be protected from paying the bill when more institutions fail?
C. Does functional regulation actually work?
D. Should regulators allow the mixing of banking and commerce?
E. All of the above are unresolved issues

Rose - Chapter 02 #59

40. The law that made bank and nonblank depository institutions more alike in the services they could offer and allowed banks and thrifts to more fully compete with other financial institutions is:
A. The National Banking Act
B. The Federal Reserve Act
C. The Garn-St. Germain Act
D. The Riegle-Neal Interstate Banking and Branching Efficiency Act
E. The Gramm-Leach-Bliley Act (Financial Services Modernization Act)

Rose - Chapter 02 #60

41. The law that allowed bank holding companies to acquire nonbank depository institutions and convert them to branches is:
A. The National Banking Act
B. The Garn-St. Germain Act
C. FIRREA
D. The Riegle-Neal Interstate Banking and Branching Efficiency Act
E. None of the Above

Rose - Chapter 02 #61

42. The equivalent of the Federal Reserve System in Europe is known as the:
A. European Union
B. Bank of London
C. Basle Group
D. European Central Bank
E. Swiss Bank Corporation

Rose - Chapter 02 #62

43. The new financial organization created by Gramm-Leach-Bliley is the
A. Financial Holding Company
B. Bank Holding Company
C. European Central Bank
D. Financial Service Corporation
E. Financial Modernization Organization

Rose - Chapter 02 #63

44. The act which requires financial institutions to share information about customer identities with government agencies is:
A. The Sarbanes-Oxley Act
B. The U.S. Treasury Department Act
C. The 9/11 Act
D. The USA Patriot Act
E. The Gramm-Leach-Bliley Act

Rose - Chapter 02 #64

45. The fastest growing crime in the U.S. is:
A. financial statement misrepresentation
B. bank robberies
C. individual privacy violations
D. credit card fraud
E. identity theft

Rose - Chapter 02 #65

46. The oldest federal bank agency is the:
A. OCC
B. FDIC
C. FRS
D. FHC
E. BHC

Rose - Chapter 02 #66

47. The federal agency that regulates the most banks is the:
A. OCC
B. FDIC
C. FRS
D. FHC
E. BHC

Rose - Chapter 02 #67

48. Which federal banking act requires that financial service providers establish the identity of any customers opening new accounts?
A. Sarbanes-Oxley Act
B. USA Patriot Act
C. Check 21 Act
D. The FACT Act
E. Bankruptcy Abuse Prevention and Consumer Protection Act

Rose - Chapter 02 #68

49. Which federal banking act prohibits publishing false or misleading information about the financial performance of a public company and requires top corporate officers to vouch for the accuracy of their company's financial statements?
A. Sarbanes-Oxley Act
B. USA Patriot Act
C. Check 21 Act
D. The FACT Act
E. Bankruptcy Abuse Prevention and Consumer Protection Act

Rose - Chapter 02 #69

50. Which federal banking act reduces the need for banks to transport paper checks across the country?
A. Sarbanes-Oxley Act
B. USA Patriot Act
C. Check 21 Act
D. The FACT Act
E. Bankruptcy Abuse Prevention and Consumer Protection Act

Rose - Chapter 02 #70

51. Which federal banking act forces more individuals to repay at least part of what they owe and will push higher-income borrowers into more costly forms of bankruptcy?
A. Sarbanes-Oxley Act
B. USA Patriot Act
C. Check 21 Act
D. The FACT Act
E. Bankruptcy Abuse Prevention and Consumer Protection Act

Rose - Chapter 02 #71

52. Which federal banking act requires the Federal Trade Commission to make it easier for victims of identity theft to make theft reports and requires credit bureaus to help victims resolve the problem?
A. Sarbanes-Oxley Act
B. USA Patriot Act
C. Check 21 Act
D. The FACT Act
E. Bankruptcy Abuse Prevention and Consumer Protection Act

Rose - Chapter 02 #72

53. What is a popular interpretation of the letters FDIC among bankers?
A. Forever Demanding More Credit
B. Federal Deposit Insurance Corporation
C. Forever Demanding More Capital
D. Forever Demanding More Consumption
E. None of the above

Rose - Chapter 02 #73

54. One of the earliest theories regarding the impact of regulation on banks was developed by George Stigler. He contends that:
A. firms in regulated industries actually seek out regulations because they bring monopolistic rents.
B. regulations shelter firms from changes in demand and cost, lowering its risk.
C. regulations can increase consumer confidence which increases customer loyalty to regulated firms.
D. depository institutions should be regulated no differently than any other corporation with no subsidies or special privileges.
E. None of the above

Rose - Chapter 02 #74

55. Samual Peltzman had an opposing view to George Stigler on the impact of regulation on banks. He contends that:
A. firms in regulated industries actually seek out regulations because they bring monopolistic rents.
B. regulations shelter firms from changes in demand and cost, lowering its risk.
C. regulations can increase consumer confidence which increases customer loyalty to regulated firms.
D. depository institutions should be regulated no differently than any other corporation with no subsidies or special privileges.
E. None of the above

Rose - Chapter 02 #75

56. A more recent view about the impact of regulation on banks is provided by Edward Kane. He contends that:
A. firms in regulated industries actually seek out regulations because they bring monopolistic rents.
B. regulations shelter firms from changes in demand and cost, lowering its risk.
C. regulations can increase consumer confidence which increases customer loyalty to regulated firms.
D. depository institutions should be regulated no differently than any other corporation with no subsidies or special privileges.
E. None of the above

Rose - Chapter 02 #76

57. There is an important debate raging today regarding whether banks should be regulated at all. George Benston contends that:
A. firms in regulated industries actually seek out regulations because they bring monopolistic rents.
B. regulations shelter firms from changes in demand and cost, lowering its risk.
C. regulations can increase consumer confidence which increases customer loyalty to regulated firms.
D. depository institutions should be regulated no differently than any other corporation with no subsidies or special privileges.
E. None of the above

Rose - Chapter 02 #77

58. The European Central Bank has the main goal of:
A. ensuring the economy grows at an adequate rate.
B. keeping unemployment low.
C. ensuring price stability.
D. ensuring an adequate and fair supply of loans.
E. All of the above

Rose - Chapter 02 #78

59. Which of the following has become the principal tool of central bank monetary policy today?
A. open market operations
B. changing the discount rate
C. changing reserve requirements
D. using moral suasion
E. none of the above

Rose - Chapter 02 #79

60. The Federal Reserve buys Treasury Bills in the open market. This will tend to:
A. cause interest rates in the market to rise
B. cause interest rates in the market to fall
C. cause reserves held at the Federal Reserve to decrease
D. cause a decrease in the growth of deposits and loans
E. All of the above

Rose - Chapter 02 #80

61. Which of the following is the People's Bank of China (PBC) main policy goal?
A. maintain the stability of the nation's currency
B. promote sustainable economic growth
C. control inflation
D. all of the above are goals of the PBC

Rose - Chapter 02 #81

ch2 Summary

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