



## Regulation and Supervision of Financial Markets (MM 145)

24 March 2021

Final exam (R/M)

### Instructions:

- The exam has the total duration of 180 minutes
- The exam is composed of two parts (A and B).
- The total score of the exam is 20 points.
- Each answer will be assessed not only on the basis of its *contents*, but also taking into consideration whether arguments are presented in a clear, concise and coherent way. *Please be straightforward in your answers.*
- Since the exam will be taken online, answers **ought not extend beyond 4 pages** (Word); please use Times New Roman, size 12, with 1,15 spacing, leaving a blank space between each part (A and B).
- Candidates are allowed to answer this exam either in *Portuguese* or in *English*.
- Abbreviations can be used, provided that their meaning is explained when the abbreviation is used for the first time (e.g. IMF = International Monetary Fund).
- During the exam you are allowed to have access to your own printed written materials (legislation, notes, books, etc.); **the use of online resources is prohibited and may lead to the nullification of the exam on account of plagiarism**.
- Quoting from external sources, whatever their nature (case law, legislation, books, articles, etc.) should be clearly indicated in your exam sheet through a brief reference to the said external source. The transcription of passages taken from a third party should be duly mentioned in your answer, while failure to do so may amount to plagiarism.

**Good luck!**

**Part A (6+6 points)**

- 1) The existence of a positive correlation between finance development (i.e. a well-developed financial system) and long-term economic growth is nowadays widely accepted. *Please explain the circumstances which may explain this positive correlation.*
  
- 2) The regulation and supervision of financial markets has a number of specific features that set it apart from other types of regulatory intervention, namely sector-specific regulation of the so-called network industries (energy, water and sewerages, electronic communications, etc.). *Please refer and explain what these specific features are.*

**Part B (8 points)**

Taking into account the problems leading up to the creation of the Banking Union and the resulting three pillar institutional setting, *please explain (i) the rationale (i.e. the justification) behind the creation of the Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM) and (ii) whether the absence of the European Deposit Insurance Scheme (EDIS) may affect (and in what way) the functioning of the Banking Union.*