

Milestones in Banking History

Banking History · Practice Test · 25 Questions

1. Which Italian city-state established the Banco di San Giorgio in 1407, widely considered the world's oldest state-chartered bank?

- A) Venice
- B) Genoa
- C) Florence
- D) Milan

2. The Bank of England, founded in 1694, was originally created to serve what primary purpose?

- A) To manage colonial trade
- B) To fund the war against France
- C) To issue the first gold standard coins
- D) To regulate merchant guilds

3. What was the primary function of the 'Medici Bank' during the 15th century that revolutionized European trade?

- A) Centralized gold minting
- B) Introduction of the bill of exchange
- C) Issuing government bonds
- D) Nationalizing private debt

4. The first central bank to issue permanent banknotes as legal tender was which institution?

- A) Sveriges Riksbank
- B) Bank of Amsterdam
- C) Bank of Scotland
- D) Deutsche Bundesbank

5. Which US president successfully abolished the Second Bank of the United States in the 1830s, calling it a 'monster'?

- A) Thomas Jefferson
- B) James Madison
- C) Andrew Jackson
- D) Martin Van Buren

6. The 'Gold Standard' as a global monetary system was effectively solidified in 1871 by which nation?

- A) Germany
- B) France
- C) United Kingdom
- D) United States

7. What did the Glass-Steagall Act of 1933 specifically prohibit to stabilize the US banking system?

- A) Foreign currency speculation
- B) Affiliation between commercial and investment banks
- C) Interest on checking accounts
- D) Private ownership of gold

8. The Bretton Woods Agreement of 1944 resulted in the creation of which two major international financial institutions?

- A) The WTO and the UN
- B) The IMF and the World Bank
- C) The G7 and the OECD
- D) The ECB and the BIS

9. What is the historical significance of the 'Bank of Amsterdam' (Amsterdamsche Wisselbank) founded in 1609?

- A) It was the first bank to charge negative interest
- B) It was the first modern central bank to offer deposit accounts
- C) It established the first international stock exchange
- D) It was the first institution to provide deposit insurance

10. The 'Great Depression' bank runs of the 1930s led to the creation of which US agency to restore public confidence?

- A) The Federal Reserve
- B) The Securities and Exchange Commission
- C) The Federal Deposit Insurance Corporation
- D) The Office of the Comptroller of the Currency

11. In 1913, the Federal Reserve Act was signed by which US President, establishing the central banking system?

- A) Theodore Roosevelt
- B) William Howard Taft
- C) Woodrow Wilson
- D) Warren G. Harding

12. What did the 'Florence' banking system introduce to circumvent the Catholic Church's historical ban on usury?

- A) Tax-exempt government bonds
- B) The use of 'commenda' contracts
- C) The bill of exchange using currency conversion
- D) Corporate charitable trusts

13. The 'South Sea Bubble' of 1720 resulted in the passage of the 'Bubble Act,' which had what impact on corporations?

- A) Mandated annual audits
- B) Banned the creation of joint-stock companies without royal charter
- C) Forced banks to hold 100% gold reserves
- D) Prohibited international banking transactions

14. What was the primary innovation of the 'Wampum' as used in early colonial American banking transactions?

- A) It was a digital ledger system
- B) It served as a standardized commodity currency
- C) It was the first paper banknote
- D) It enabled interest-bearing loans

15. Which invention in 1967 is credited with being the first step toward modern retail automated banking?

- A) The magnetic stripe card
- B) The automated teller machine (ATM)
- C) The computerized ledger
- D) The debit card system

16. The 'Euro' currency was officially introduced as an accounting currency in which year?

- A) 1992
- B) 1995
- C) 1999
- D) 2002

17. What was the role of the 'Fugger' family in 16th-century European banking?

- A) They pioneered central banking in Germany
- B) They financed the Habsburg dynasty through international lending
- C) They were the first to issue government-backed paper money
- D) They invented the double-entry bookkeeping system

18. The 'Basel I' Accord of 1988 was primarily focused on setting standards for which banking metric?

- A) Interest rate transparency
- B) Capital adequacy ratios
- C) Consumer privacy protection
- D) Cross-border wire transfer fees

19. During the late 19th century, 'Free Banking' eras in the US were characterized by what practice?

- A) State-chartered banks issuing their own banknotes
- B) Interest-free government loans
- C) The total absence of central regulation
- D) A ban on private bank ownership

20. The 'Panic of 1907' was the primary catalyst for the creation of which major financial institution?

- A) The World Trade Organization
- B) The Federal Reserve System
- C) The Bank for International Settlements
- D) The International Monetary Fund

21. What is the defining feature of 'Fractional Reserve Banking'?

- A) Banks keeping only a percentage of deposits as reserves
- B) Banks lending only their own equity
- C) Government ownership of 51% of bank stock
- D) Mandatory gold backing for all loans

22. The 'Riksbank' of Sweden is historically significant for being the first to do what?

- A) Issue paper banknotes in 1661
- B) Adopt the gold standard
- C) Establish an international branch network
- D) Create a digital currency

23. Which document, signed in 1215, historically influenced the development of property rights necessary for modern banking?

- A) The Treaty of Westphalia
- B) The Magna Carta
- C) The Edict of Nantes
- D) The Bill of Rights

24. In early modern banking, the 'Lombards' were known for which activity?

- A) Providing pawn-brokered loans
- B) Issuing government bonds
- C) Managing state tax collection
- D) Establishing central banks

25. The 'Gresham's Law' observation in monetary history states that:

- A) Bad money drives out good
- B) Central banks must always inflate the currency
- C) Inflation is always a monetary phenomenon
- D) Fixed exchange rates lead to economic collapse